

PART 3: IMPLEMENTATION OF THE REMUNERATION POLICY in the 2018 financial year

Compliance with the 2018 remuneration policy

The HCC is satisfied that Pioneer Foods substantially complied with the remuneration policy in 2018.

TGP – 2018 increases granted

The average increase in salaries for all salaried employees was 5%. The increment for executive directors and prescribed officers is in line with market practice. The average annual TGP increase for executive management, compared to the increases for middle management and general employees, are set out in the graphic alongside:

AVERAGE SALARY INCREASES: 2018



We charted the value that we delivered to shareholders (measured in headline earnings and return on equity) versus the average increase in total remuneration paid to executive directors over the past four financial years:

YEAR	ADJUSTED HEADLINE EARNINGS (R'M)	INCREASE/ (DECREASE) %	RETURN ON EQUITY (%)	TOTAL EXECUTIVE DIRECTORS REMUNERATION (R'M)*	INCREASE (DECREASE) %
2018	1 032	25	12	18 921	(51)
2017	823	(50)	10	38 536	189
2016	1 637	7	22	13 352	(84)
2015	1 534	24	23	83 206	169

* Includes TGP, STI and LTIs exercised in that financial year, as well as restraint of trade payments.

STI performance outcomes

The STI pool/s only accrue if there is growth in economic profit. This gatekeeper ensures that the STI is self-funding and acts as a protection mechanism for shareholders.

Based on the economic profit achievement for 2018, a STI pool accrued. The individual performance metrics that were applied in the 2018 financial year will be those reflected in the 2017 remuneration policy (set out in part 2 of the 2017 remuneration report).

The STI section below reflects the implementation of the financial metrics, and the performance outcomes for executive directors. These metrics were disclosed in part 2 of the 2017 remuneration report.

The STI performance outcomes for executive directors, against the performance measures that were applicable in the 2018 financial year, are set out below:

PERFORMANCE MEASUREMENT SCALE:	TARGETS	ACTUAL	2018 VESTING OUTCOME
GROWTH IN REVENUE YEAR-ON-YEAR			
Growth in revenue year-on-year (weighting: 12.5%)	Min: 5.85% – Max: 11.70%	3%	0%
PERFORMANCE MEASUREMENT SCALE:	TARGETS	ACTUAL	2018 VESTING OUTCOME
GROWTH IN VOLUME			
Growth in volume (12.5% weighting)	Min: 2% – Max: 7%	4.3%	54%

PERFORMANCE MEASUREMENT SCALE: GROWTH IN HEADLINE EARNINGS BEFORE TAX	TARGETS	ACTUAL	2018 VESTING OUTCOME
Growth in headline earnings before interest and tax for Group performance (weighting: 65%)	R2 219 million	R1 603 million	0%

SPECIFIC GOALS	TARGETS	ACTUAL	2018 VESTING OUTCOME
Gender employment (2.5% weighting)	Min: 27% – Max: 28%	28.1%	100%
Employment equity (2.5% weighting)	Min: 67% – Max: 68%	68.7%	100%
Employee engagement (5% weighting)	Min: 70% – Max: 73%	74%	100%

LTI awarded

The following section sets out the awards that were granted to executive directors under the SAR plan during the 2018 financial year, as well as the performance conditions applicable to the awards:

NAME	NUMBER OF SARS AWARDED	INDICATIVE VALUE OF AWARDS** R'000
T Carstens	237 394	8 135 492
F Lombard	89 810	3 077 789

** Number of awards multiplied by the actuarial fair value.

The performance conditions applicable to 50% of the SAR awards granted in the 2018 financial year are set out below. These measurements were changed retrospectively with reference to unvested SAR's to diluted adjusted headline earnings per share. Diluted adjusted headline earnings per share is a more accurate reflection of economic reality by taking into account the conversion effect of any dilutive potential ordinary shares.

PERFORMANCE CONDITION AND WEIGHTING	VESTING SCHEDULE	PERFORMANCE PERIOD
Compounded annual growth rate in adjusted headline earnings per share 100% weighting	<ul style="list-style-type: none"> CPI plus 1% real growth (threshold) CPI plus 5% real growth (stretch) Linear vesting between threshold and stretch levels 	1 October 2017 to 30 September 2022. Measured over three, four and five years, respectively.

LTI performance outcomes

The following section sets out the achievement of the performance conditions for the SAR awards vesting during 2018:

Targets

PERFORMANCE MEASURE	THRESHOLD	STRETCH	ACTUAL*	VESTING %**
Compounded annual growth in adjusted headline earnings per share	CPI plus 1% real growth	CPI plus 5% real growth	553	Zero

* The threshold and stretch actual targets were:

- For the **2014** allocation, R6.17 and **R7.42** respectively
- For the **2015** allocation, R8.12 and **R9.42** respectively
- For the **2016** allocation, R10.02 and **R11.19** respectively.

** Actual vesting is dependent on the employee being in service on the date of vesting.

The following table sets out the SARs (granted, vested, exercised, lapsed and not redeemed) for each executive director in 2018:

	NUMBER OF SARs INITIALLY ALLOCATED	DATE AWARDED	EXERCISABLE UP TO DATE	STRIKE PRICE CENTS
Directors' and prescribed officer's share appreciation rights (SARs)				
30 September 2018				
Executive directors				
TA Carstens (1 October 2017)*	–	2013/02/06	2023/02/05	5 542
	–	2014/02/28	2019/08/31	8 155
	–	2015/09/21	2021/03/21	19 871
	–	2015/02/13	2020/08/13	15 419
	–	2016/02/15	2021/08/15	13 021
	–	2017/02/22	2022/08/22	16 620
	237 394	2018/02/14	2023/08/14	13 496
F Lombard	4 386	2013/02/06	2023/02/05	5 542
	186 900	2014/02/28	2019/08/31	8 155
	150 000	2015/09/21	2021/03/21	19 871
	25 845	2015/02/13	2020/08/13	15 419
	17 226	2016/02/15	2021/08/15	13 021
	60 776	2017/02/22	2022/08/22	16 620
	89 810	2018/02/14	2023/08/14	13 496
Former executive director				
PM Roux (30 September 2017)**	249 509	2013/04/01	2023/02/09	6 452
	469 794	2014/02/28	2019/08/31	8 155
	54 682	2015/02/13	2020/08/13	15 419
	48 552	2016/02/15	2021/08/15	13 021
	117 701	2017/02/22	2022/08/22	16 620

Notes:

* Appointed as director.

** Retired as director.

FAIR VALUE PER SAR AT GRANT DATE (FOR CURRENT YEAR GRANTS) CENTS	FAIR VALUE OF TOTAL SARs GRANTED DURING THE YEAR RAND	NUMBER OF SARs REDEEMED CUMULATIVE	NUMBER OF SARs REDEEMED IN CURRENT YEAR	NUMBER OF SARs FORFEITED IN CURRENT YEAR	SHARE PRICE AT DATE OF REDEMPTION CENTS	VALUE INCREASE FROM STRIKE PRICE TO PRICE AT REDEMPTION RAND	CHANGE IN DIRECTOR- SHIP: NUMBER OF SARs	NUMBER OF SARs NOT REDEEMED
-	-	4 701	4 701	-	13 630	380 217	4 701	-
-	-	40 098	40 098	40 098	13 630	2 195 366	160 392	80 196
-	-	-	-	-	-	-	150 000	150 000
-	-	-	-	7 060	-	-	42 362	35 302
-	-	-	-	-	-	-	17 624	17 624
-	-	-	-	-	-	-	52 782	52 782
3 427	8 135 492	-	-	-	-	-	-	237 394
-	-	4 386	4 386	-	13 630	354 740	-	-
-	-	46 725	46 725	46 725	13 630	2 558 194	-	93 450
-	-	-	-	-	-	-	-	150 000
-	-	-	-	4 308	-	-	-	21 537
-	-	-	-	-	-	-	-	17 226
-	-	-	-	-	-	-	-	60 776
3 427	3 077 789	-	-	-	-	-	-	89 810
-	-	199 607	-	-	-	-	(49 902)	-
-	-	156 598	-	-	-	-	(313 196)	-
-	-	-	-	-	-	-	(54 682)	-
-	-	-	-	-	-	-	(48 552)	-
-	-	-	-	-	-	-	(117 701)	-

The following table sets out the SARs (granted, vested, exercised, lapsed and not redeemed) for each executive director in 2017:

	NUMBER OF SARs INITIALLY ALLOCATED	DATE AWARDED	EXERCISABLE UP TO DATE	STRIKE PRICE CENTS
30 September 2017				
Executive directors				
PM Roux (30 September 2017)*	249 509	2013/04/01	2023/02/09	6 452
	469 794	2014/02/28	2019/08/31	8 155
	54 682	2015/02/13	2020/08/13	15 419
	500 000	2015/09/21	2021/03/21	19 871
	48 552	2016/02/15	2021/08/15	13 021
	117 701	2017/02/22	2022/08/22	16 620
CJ Hess (31 October 2016)**	143 558	2014/02/28	2019/08/31	8 155
	28 712	2014/02/28	2024/02/28	8 155
	40 650	2015/02/13	2020/08/13	15 419
	1 090	2015/02/13	2025/02/13	15 419
	18 990	2016/02/15	2021/08/15	13 021
	3 161	2016/02/15	2021/02/15	13 021
F Lombard (1 July 2017)***	–	2013/02/06	2023/02/05	5 542
	–	2014/02/28	2019/08/31	8 155
	–	2015/09/21	2021/03/21	19 871
	–	2015/02/13	2020/08/13	15 419
	–	2016/02/15	2021/08/15	13 021
	–	2017/02/22	2022/08/22	16 620
Prescribed officer				
CR Lamprecht****	–	2011/02/08	2021/02/07	4 874
	–	2012/02/10	2022/02/09	6 034
	–	2013/02/06	2023/02/05	5 542
	–	2014/02/28	2019/08/31	8 155
	20 699	2017/02/22	2022/08/22	16 620

Notes:

* Retired as director.

** Resigned as director.

*** Appointed as director.

**** Acted as chief financial officer (1 November 2016 to 30 June 2017).

FAIR VALUE PER SAR AT GRANT DATE (FOR CURRENT YEAR GRANTS) CENTS	FAIR VALUE OF TOTAL SARs GRANTED DURING THE YEAR RAND	NUMBER OF SARs REDEEMED CUMULATIVE	NUMBER OF SARs REDEEMED IN CURRENT YEAR	NUMBER OF SARs FORFEITED IN CURRENT YEAR	SHARE PRICE AT DATE OF REDEMPTION CENTS	VALUE INCREASE FROM STRIKE PRICE TO PRICE AT REDEMPTION RAND	CHANGE IN DIRECTOR- SHIP: NUMBER OF SARs	NUMBER OF SARs NOT REDEEMED
-	-	199 607	49 902	-	16 602	5 065 053	-	49 902
-	-	156 598	156 598	-	16 260	12 692 268	-	313 196
-	-	-	-	-	-	-	-	54 682
-	-	-	-	500 000	-	-	-	-
-	-	-	-	-	-	-	-	48 552
4 071	4 791 608	-	-	-	-	-	-	117 701
-	-	-	-	-	-	-	(143 558)	-
-	-	-	-	-	-	-	(28 712)	-
-	-	-	-	-	-	-	(40 650)	-
-	-	-	-	-	-	-	(1 090)	-
-	-	-	-	-	-	-	(18 990)	-
-	-	-	-	-	-	-	(3 161)	-
-	-	-	-	-	-	-	4 386	4 386
-	-	-	-	-	-	-	186 900	186 900
-	-	-	-	-	-	-	150 000	150 000
-	-	-	-	-	-	-	25 845	25 845
-	-	-	-	-	-	-	17 226	17 226
-	-	-	-	-	-	-	60 776	60 776
-	-	2 108	2 108	-	16 000	234 536	2 108	-
-	-	1 976	1 976	-	16 000	196 928	1 976	-
-	-	1 150	1 150	-	16 000	120 267	1 150	-
-	-	26 112	26 112	-	16 000	2 048 486	26 112	-
4 071	842 656	-	-	-	-	-	(20 699)	-

The table below sets out the usage of the dilution limit for Pioneer Foods' LTI as at 30 September 2018.

	NUMBER OF ISSUED SHARES '000	PERCENTAGE OF TOTAL ORDINARY ISSUED SHARE CAPITAL %**
Number of shares that may be transferred	14 500 000	6.2
Issued in previous year's	4 156 130	1.8
Opening balance available	10 343 870	4.4
Issued in current year	423 880	0.2
Closing balance available	9 919 990	4.2
"In the money portion" in shares*	529 848	0.2
Closing balance available taking into account "in the money portion"	9 390 142	4.0

* Convert "in the money" value of SAR's not redeemed at year-end share price.

** Percentage calculated on year end shares in issue.

Single figure remuneration – 30 September 2018

In line with the requirements of King IV™, the following table sets out the remuneration paid to executive directors and the prescribed officer on a single figure basis for 2017 and 2018:

30 SEPTEMBER 2018	BASIC SALARY R'000	TRAVEL ALLOWANCES R'000	BONUSES AND INCENTIVES R'000	RETIREMENT FUND CONTRIBUTIONS R'000	RESTRAINT OF TRADE PAYMENT R'000	LTI [‡] R'000	TOTAL R'000
Executive directors							
TA Carstens	4 892	148	1 512	960	–	2 576	10 088
F Lombard	4 421	183	1 001	315	–	2 913	8 833
Total	9 313	331	2 513	1 275	–	5 489	18 921

‡ The value in the LTI column is based on the value of the number of SAR awards redeemed during the 2018 financial year, using the strike price at redemption less the strike price of the SAR award.

30 SEPTEMBER 2017	BASIC SALARY R'000	TRAVEL ALLOWANCES R'000	BONUSES AND INCENTIVES R'000	RETIREMENT FUND CONTRIBUTIONS R'000	RESTRAINT OF TRADE PAYMENT R'000	LTI [‡] R'000	TOTAL R'000
Executive directors							
PM Roux (30 September 2017)*	5 790	408	–	719	8 177	17 757	32 851
F Lombard (1 July 2017) [†]	1 071	46	–	76	–	–	1 193
CJ Hess (31 October 2016)**	253	6	–	18	–	–	277
Prescribed Officer							
C Lamprecht***	1 412	45	–	158	–	2 600	4 215
Total	8 526	505	–	971	8 177	20 357	38 536

* Resigned as director on 30 September 2017.

† Appointed as CFO on 1 July 2017.

** Resigned as director on 31 October 2016.

*** Served as acting CFO 1 November 2016 to 30 June 2017.

‡ The value in the LTI column is based on the value of the number of SAR awards redeemed during the 2017 financial year, using the strike price at redemption the strike price of the SAR award.

NEDs

The table below sets out the NED fees that have been paid to each NED in the 2018 financial year:

NAME OF NED	DIRECTORS' FEES
	R'000
ZL Combi (chairman)	1 035
N Celliers	523
Prof ASM Karaan	499
NS Mjoli-Mncube	389
G Pretorius (lead independent director)	813
PJ Mouton	405
SS Ntsaluba	535
AH Sangqu	542
LE Mthimunye	462
NW Thomson	718

Approval

This report was approved by Pioneer Foods' human capital committee on 14 November 2018.

Yours sincerely



Gerrit Pretorius

Chairman of the human capital committee

Non-binding approval of the remuneration policy

King IV™ and the amended JSE Listings Requirements require that the Board (with the assistance of the remuneration committee) table the remuneration policy and the implementation report every year for separate non-binding advisory votes by shareholders at the AGM. The Company's remuneration policy is set out from page 122 of the 2018 integrated report, to be read in conjunction with the remuneration policy in Pioneer Foods' Notice of AGM. In accordance with the provisions of the JSE Listings Requirements, the Company shall give shareholders the right to express their views on the remuneration policy and its implementation by casting a non-binding advisory vote in the manner set out below.