

Remuneration report

Remuneration policies and remuneration philosophy

The Group's remuneration policies strive to reward employees in a fair and responsible way, which ensures a culture of high performance to deliver returns to shareholders through employees who are motivated, engaged and committed. The Group's remuneration policies and philosophies are contained in this report and their intended consequences are to attract, retain and develop employees with scarce and critical skills who contribute to building sustainable businesses.

Members

Members: Mr M Ahmed (Chairman, independent non-executive director) and Mr J A Copelyn (non-executive director).

On request of the committee members the chief executive officer attends the meetings, but recuses himself from the meetings before any decisions are made in which he is affected.

Governance

The board delegates responsibility for the oversight of the Group's remuneration practices to the remuneration committee. The committee ensures that the Group has a competitive remuneration structure which is aligned with the Group's strategy and performance goals. The key duties of the committee include:

- ensuring the Group upholds its entrenched remuneration philosophy that promotes the achievement of its strategic objectives;
- determining on an annual basis:
 - the remuneration of non-executive directors;
 - the total remuneration package of each executive director including, where appropriate, annual

increases, short-term performance bonuses and long-term incentives; and

- the remuneration packages of senior management and employees who report directly to the chief executive officer;
- ensuring the combination of fixed and variable pay is appropriate when benchmarking remuneration levels;
- reviewing and recommending to the board all proposals for executive share-based incentives and other short and long-term incentive schemes;
- determining targets for any performance-related pay schemes and requesting the board, when required, to seek shareholder approval for any share-based and other long-term incentive schemes; and
- producing a report for inclusion in the company's Integrated Annual Report.

The committee meets at least annually and seeks advice and guidance from external experts, as deemed appropriate.

Shareholder engagement

The remuneration committee report, which provides insight into the Group's remuneration practices, will be tabled for a non-binding advisory vote of shareholders at the annual general meeting.

Composition of remuneration

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees reward the directors fairly for the time, service and expertise that they provide to the Group. Non-executive directors do not participate in the Group's short-term or long-term incentive schemes.



The fees to be paid to the non-executive directors of the company for services as directors are tabled below and are to be approved by shareholders at the annual general meeting:

	Board fees R000's	Audit committee fees R000's	Remuneration committee fees R000's	Total R000's
M H Ahmed	112 000	46 000	46 000	204 000
J A Copelyn	112 000	–	46 000	158 000
L Govender	112 000	–	–	112 000
T G Govender	112 000	–	–	112 000
N Jappie	112 000	46 000	–	158 000
Y Shaik	112 000	–	–	112 000
R D Watson	112 000	46 000	–	158 000

Mr J A Copelyn, Mr K Govender, Mr Y Shaik and Ms R Watson are directors of Deneb's ultimate holding company, Hosken Consolidated Investments Limited (HCI) and the following table reflects the remuneration received by these directors from HCI and its subsidiaries for the year ended 31 March 2015:

Director	Board fees R000's	Salary R000's	Other benefits R000's	Share option expense R000's	Bonus R000's	Total 31 March 2015 R000's	Total 31 March 2014 R000's
J A Copelyn	–	5 763	1 404	3 497	3 242	13 906	14 634
T G Govender	–	3 000	502	1 424	1 463	6 389	5 878
Y Shaik	–	2 978	8 543	1 157	1 452	14 130	652
R D Watson	376	–	–	–	–	376	125

Executive directors

The remuneration packages of executive directors comprise:

- a guaranteed remuneration package (structured on a cost-to-company basis);
- access to retirement fund and medical aid benefits funded from the guaranteed remuneration package; and
- short-term discretionary cash-based incentive bonus based on business and individual performance and participation in the Deneb Share Incentive Scheme.

The remuneration structure of executive directors is linked to the Group's medium- to long-term business objectives and is therefore aligned to shareholder interests. The performance of the chief executive officer is evaluated by the chairman, while the performance of the other executive directors is evaluated by the chief executive officer. The annual pay increases of the executive directors are aligned to the annual

increase parameters as determined by the remuneration committee.

Executive directors participate in the annual short-term cash-based incentive scheme. To qualify for the incentive, minimum financial targets, based on the Group's return on equity (ROE), are set by the remuneration committee. The financial targets to qualify for the incentive were achieved and executive directors qualified for short-term cash-based incentives as set out below.

The sustainability of the Group's business is critical in determining remuneration and the board is satisfied that the performance targets do not encourage excessive risk taking by the executives. The Deneb Share Incentive Scheme in which executive directors may participate consists of a share option scheme, the details of which are disclosed in this report.

Remuneration report (continued)

Details of the executive directors' remuneration for the year ended 31 March 2015:

Executive directors	Salary R000's	Short- term bonus R000's	Retirement and medical aid contri- butions R000's	Share option expense R000's	Directors' fees R000's	Total March 2015 R000's	Total March 2014 R000's
S A Queen	3 551	3 201	–	3 190	–	9 942	5 399
A M Ntuli	886	75	172	–	–	1 133	1 069
G D T Wege	1 657	1 711	248	1 052	–	4 668	2 224
D Duncan	2 565	1 581	312	11	–	4 469	2 978
	8 659	6 568	732	4 253	–	20 212	11 670

Management and non-bargaining unit employees

Senior management receives an annual guaranteed salary and participate in the short-term incentive bonus scheme. Guaranteed remuneration for senior executives is set at levels to retain and recruit management talent. Each senior executive position is graded, based on the business's turnover, number of employees, assets under management, locations and the degree of complexity involved in the business. The associated package is benchmarked against an external market survey for a similar job rating. As the Group's philosophy is to reward performance, the salary benchmark is set at the 50th percentile median which allows a lower fixed cost, but higher incentive structure.

The annual review of the performance of senior management is undertaken by the chief executive officer who provides

a recommendation to the committee on any adjustments or incentive payments. Key senior managers participate in the Deneb Share Incentive Scheme, with selection based on their strategic contribution. Under the guidance of the remuneration committee the Group has introduced a uniform appraisal and evaluation process for all non-bargaining council employees. This process has been applied to all employees of the Group and is used as a guideline to determine remuneration adjustments.

The average salary increase parameter set by the remuneration committee for the year under review was 6% (2014: 6%) and the annual increase date is 1 July.

Bargaining unit employees

Collective salary increases are negotiated each year with the representatives of recognised trade unions.



Incentive schemes

Discretionary short-term incentive scheme

Key employees in each business unit participate in an annual discretionary short-term incentive scheme, which rewards the achievement of performance in excess of predetermined performance targets. The performance target is based on the business unit's core operating profit after interest, adjusted by an imputed interest charge at a hurdle rate. The imputed interest charge is calculated on the higher of net asset value or the average working capital level utilised by each business unit. In addition to the quantitative performance targets, the scheme includes predetermined qualitative performance targets.

The Deneb Share Incentive Scheme

The Deneb Share Incentive Scheme was established on 10 October 2014 and adopted by the company and the employer companies on 13 October 2014.

The scheme was implemented to more closely align executive directors' and senior management's objectives with those of the shareholders' so as to ensure that those employees are encouraged and motivated to pursue sustainable growth and profitability. The aggregate number of shares which any participant may acquire in terms of the scheme may not exceed 10 769 729 ordinary shares.

Participants are entitled to exercise options based on a minimum service period criteria and a performance target,

and are subject to the participant's continued employment on the date of which the option is exercised;

The required period of service is as follows:

- 10% from the first anniversary date;
- 20% from the second anniversary date;
- 30% from the third anniversary date; and
- 40% from the fourth anniversary date.

The performance targets are linked to the individual business units' and/or the Group's profitability.

Employees, who were previously holders of unvested share options granted by Sear del Investment Corporation Limited (Sear del) at 30 September 2014, and whose Sear del share options were forfeited under the Sear del scheme further to the restructuring of Deneb prior to its unbundling and separate listing on the JSE on 1 December 2014, were granted an initial tranche of first allocation options in accordance with the scheme which recognises both service and performance criteria conditions met under the Sear del scheme.

During the year under review 32 914 664 Deneb share options were granted to employees. 3 264 288 share options were exercised during the financial year.

Remuneration report (continued)

Option holder	Grant date	Options issued	Strike price (cents)	Vesting conditions	Life of option
S A Queen	14 October 2014	–	0	Immediately	3 years
	14 October 2014	546 457	53	Immediately	3 years
	14 October 2014	1 382 584	96	Continued employment	4 years
	14 October 2014	1 713 759	139	Continued employment	5 years
	27 January 2015	1 091 401	184	2 years' profitability and continued employment	8 years
Total for S A Queen		4 734 201			
G D T Wege	14 October 2014	413 539	0	Immediately	3 years
	14 October 2014	227 691	53	Immediately	3 years
	14 October 2014	576 077	96	Continued employment	4 years
	14 October 2014	594 286	139	Continued employment	5 years
	27 January 2015	865 413	184	2 years' profitability and continued employment	8 years
Total for G D T Wege		2 677 006			
D Duncan	14 October 2014	–	0	Immediately	3 years
	14 October 2014	159 383	53	Immediately	3 years
	14 October 2014	403 254	96	Continued employment	4 years
	14 October 2014	499 846	139	Continued employment	5 years
	27 January 2015	1 564 245	184	2 years' profitability and continued employment	8 years
Total for D Duncan		2 626 728			
Other, not being directors	14 October 2014	3 532 655	0	Immediately	3 years
	14 October 2014	1 086 316	53	Immediately	3 years
	14 October 2014	3 195 569	96	Continued employment	4 years
	14 October 2014	3 252 512	139	Continued employment	5 years
	27 January 2015	7 041 945	184	2 years' profitability and continued employment	8 years
Total other		18 108 997			
Total options in issue		28 146 932			



Reconciliation of movements in options

	2015	2014
Number of options		
Opening balance	–	–
Awarded during the period	32 914 664	–
Exercised during the period	(3 264 288)	–
Lapsed/forfeited during the period	(1 503 444)	–
Closing balance	28 146 932	–

Number of options 2015

Further details pertaining to the share incentive scheme is disclosed in note 35 of the financial statements.

Employee benefits

Retirement funds

The majority of the Group's subsidiaries have defined contribution pension and provident fund arrangements in place. The assets of such retirement funds are managed separately from the Group's assets and are administered by independent trustees and administrators within an umbrella fund. In addition to the independent administrators, each fund has elected a management committee with 50% employee and 50% employer representation.

Medical aid

The majority of the Group's subsidiaries offer membership of approved medical aid funds to employees. The Group

carries a liability totalling R109 million for post-employment medical aid benefits. Certain employees who joined the Group before 1 July 1996 are eligible for a 50% retirement subsidy of their total medical scheme contributions. Note 19 of the financial statements provide further detail of the post-employment medical aid benefits.

Top three executive management earners

In accordance with the recommendation of disclosure of King III the top three earners in the Group, excluding executive directors, during the year under review were remunerated as follows:

	Salary R000's	Incentives R000's	Retirement fund contri- butions R000's	Medical aid contri- butions R000's	Total R000's
Exec 1	1 742	3 799	128	80	5 749
Exec 2	1 596	3 211	54	105	4 966
Exec 3	1 542	2 779	136	–	4 457

The names of the three most highly paid employees who are not directors have not been disclosed. The committee is of the opinion that such information is private to the individuals concerned and adds no value to stakeholders.

Remuneration report (continued)

Employment equity statistics

31 March 2015	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Occupational levels											
Top management	1	-	1	12	-	-	-	-	-	-	14
Senior management	-	-	2	37	-	1	-	12	-	-	52
Professionally qualified, experienced specialists and mid-management	12	16	17	23	7	9	6	4	-	-	94
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	127	154	94	184	55	141	43	124	7	-	929
Semi-skilled and discretionary decision-making	400	256	27	21	447	316	16	14	3	1	1 501
Unskilled and defined decision-making	94	64	2	3	84	64	1	-	2	-	314
Total from continued operations	634	490	143	280	593	531	66	154	12	1	2 904
Discontinued operations	3	4	-	-	5	19	2	1	-	-	34
Grand total	637	494	143	280	598	550	68	155	12	1	2 938
31 March 2014											
Total from continued operations	618	454	145	226	514	505	67	150	9	1	2 689
Discontinued operations	147	18	81	16	1 109	127	174	30			1 702
Grand total	765	472	226	242	1 623	632	241	180	9	1	4 391