

REMUNERATION REPORT

REMUNERATION GOVERNANCE

Remuneration Committee

The role of the committee is to assist the Board to ensure that:

- the Group remunerates directors and senior management fairly and responsibly for their individual contributions and performance;
- the disclosure of director and remuneration is accurate, complete and transparent;
- the company has a remuneration policy and philosophy that is aligned with its long term business strategy, its business objectives, its risk appetite and values;
- within the terms of the agreed policy, the total individual remuneration package (including bonuses, incentive payments, retention payments, share awards and any other benefits), of the Chief Executive Officer and, in consultation with the Chief Executive Officer, the other members of the Group executive committee and any other executive whose total remuneration is comparable to, or higher than, that of Group executive committee members is determined;
- ensure that contractual terms on termination of the Chief Executive Officer's appointment and other Group executive committee members and any payments made, are fair to the individual and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- in determining such packages and arrangements, and in carrying out its duties under these terms of reference, give due regard to any relevant legal requirements, the provisions and recommendations in King III and the JSE Listings Requirements and the remuneration policy and philosophy is appropriately applied throughout the Group.

Non-binding advisory vote

The Group's remuneration policy will be put to a non-binding advisory vote at the Annual General Meeting (AGM) on 28 July 2017. This will allow shareholders to express their views on the policy adopted.

Directors' remuneration summary

	2017 R'000	2016 R'000
Non-executive directors	951	-
Executive directors	43 514	36 553
Total	44 465	36 553

REMUNERATION STRUCTURE

The Group's remuneration policy has been designed to ensure that all employees across the Group are rewarded appropriately for their contribution to the overall Group strategy. The Group's philosophy is to attract, motivate and retain the best people to ensure a workforce that is highly capable and motivated.

Remuneration is made up of the following financial elements:

- Guaranteed package
- Short-term incentives
- Long-term incentives (started in 2018 financial year)

Remuneration is made up of the following non-financial elements:

- Leave
- Learning and development
- Diversity and inclusiveness

	Guaranteed package	Short-term incentive (STI)	Long-term incentive (LTI)	
	Base and benefits	Bonus	Share Appreciation Rights (SAR)	Forfeitable Share Plan (FSP)
Design	Attract, motivate and retain the best people to ensure a workforce that is highly capable and motivated	Incentivise and reward employees for the achievement of company and personal short-term performance objectives	Align the long-term interest of employees and shareholders, such that employees are encouraged to consider the long-term future of the business. Retain high-performing employees	
Nature	Market-related level of remuneration per specific role and includes salary and benefits Benefits include: retirement contribution (based on number of years of service); car or travel allowance; medical aid; staff discounts	13th cheque and/or bonus	Participants share in the growth in the share price between grant price and exercise price, and receive shares to the value of that appreciation	Participants have all shareholders rights (including dividends) from date of award Comprises bonus shares and restricted shares
Basis for determination/performance conditions	Determined based on role, market value, length of service, company performance and employee's personal performance. Salaries are also compared to external benchmarks Annual assessment is performed and increased are awarded in March each year	All employees receive a 13th cheque All employees from a manager level receive an additional bonus Dispensary/store manager: $KPA^{(4)} \times TGP$ in May \times number of cheques ⁽⁵⁾ Head office/warehouse manager: $TGP^{(1)} \times$ Bonus pool % ⁽²⁾ \times Manager Tier % ⁽³⁾ <i>Note: individual performance criteria must be met in order to receive a bonus</i>	Annual award to tier 2 managers and upwards. Other permanent employees can benefit at the discretion of the Remuneration Committee CEO: 30% of $TGP^{(1)}$ MD: 25% of TGP CFO: 25% of TGP Exco: 22.5% of TGP T3 managers: 30% of TGP T2 managers: 18% of TGP HEPS threshold of CPI + 1% growth must be reached (performance criteria) and individual performance conditions met (employment condition) before any issue made Three-year vesting period Exercisable for three years after vesting, after which award will lapse	Annual awards of bonus shares are awarded to regional managers and restricted shares to selected pharmacists Bonus shares: 40% to 100% of the bonus earned under STI Restricted shares: 15% of TGP Three year vesting period Exercisable on vesting date

REMUNERATION REPORT CONTINUED

	Guaranteed package	Short-term incentive (STI)	Long-term incentive (LTI)	
	Base and benefits	Bonus	Share Appreciation Rights (SAR)	Forfeitable Share Plan (FSP)
Method of payment	Monthly payment after deducting contributions to retirement funding and medical scheme	13th cheque is paid in December and annual bonus in June	Shares will be issued from vesting date until they lapse	Shares will be issued on vesting date
Limit	n/a	n/a	Maximum number of shares that can be allocated to one employee is 1% of issued share capital Maximum number of shares that can be allocated to schemes is 5% of issued share capital	

(1) TGP - total guaranteed package

(2) The bonus pool % is the total bonuses earned as a percentage of the total annual packages of all of the regional and store managers. The regional and store managers earnings are structured in a manner which ensures profitability growth and therefore bonus affordability

(3) Three management tiers have been created; each tier is linked to a range of percentages. The placement of employees into the tiers is primarily based on the following two criteria:

- The level of responsibility linked to your role
- The ability that you have in your current role, to influence the profitability of the Group, through strategic decision making

(4) KPA's, these are based on the following rankings:

- If you achieve your net profit budget, your KPA will be set at 3/3, i.e. 100%
- If you don't achieve your net profit but you achieve your Turnover budget, your KPA will be set at 2/3, i.e. 66.67%

(5) Number of cheques is based on years of achievable targets capped at four years

ACTUAL REMUNERATION DURING THE CURRENT YEAR

Annual salary increase

The average annual performance-linked increase for employees, effective from 1 March 2016, was 8%. This increase was lower than the average increase of the executive directors (being 42%) due to the directors previously earning below market remuneration levels due to their entitlement to equity in the Group. This was adjusted in the current year after a benchmarking exercise was completed.

Executive directors' remuneration

The Remuneration and Nomination Committee has responsibility for the determination of specific remuneration packages for each of the executive directors and the Chairman. The Remuneration Committee also considers the bonuses, which are discretionary and based upon general economic variables, the performance of the company and the individual's performance and certain other employee benefits and schemes. No remuneration of any nature shall be paid, increased or varied to any director without the prior approval of the remuneration function of the Remuneration and Nomination Committee.

In terms of their respective service agreements, each executive director is entitled to a gross annual remuneration package payable to him which is allocated towards (i) a base salary, (ii) pension fund contributions by the company (iii) travel allowances and (iv) other benefits. In addition they are entitled to consideration for annual incentive bonus payments based on the fulfilment of certain targets set by the Board. No such annual incentive bonuses were paid to executive directors in the 2017 financial year. Going forward such annual incentive bonuses will be determined by the Remuneration Committee which has responsibility for the determination of specific remuneration packages and bonuses for each of the executive directors.

The service contracts of executive directors contain a three month notice period for termination of employment (exclusive of termination for any reasons justifying summary dismissal in law) and all of the executive directors are subject to restraints of trade.

The following table provides an overview of the executive director's remuneration for 2017:

2017	Salary and allowances R'000	Bonuses R'000	Retirement and related benefits R'000	Other benefits R'000	Total R'000
Executive directors					
IL Saltzman	11 752	-	72	120	11 944
LF Saltzman	9 691	-	72	-	9 763
RM Morais	4 995	-	72	37	5 104
SE Saltzman (alternate)	4 800	-	72	146	5 018
NM Hegarty*	2 849	-	42	15	2 906
S Goetsch*	2 853	-	42	15	2 910
BI Epstein*	2 809	-	42	109	2 960
KS Sterling*	2 853	-	42	14	2 909
L van der Watt*	-	-	-	-	-
Total	42 602	-	456	456	43 514

* Resigned 13 October 2016

The following table provides an overview of the executive director's remuneration for 2016:

2016	Salary and allowances R'000	Bonuses R'000	Retirement and related benefits R'000	Other benefits R'000	Total R'000
Executive directors					
IL Saltzman	10 679	-	72	-	10 751
LF Saltzman	4 528	-	72	-	4 600
RM Morais	3 379	-	72	-	3 451
SE Saltzman	3 493	-	72	-	3 565
NM Hegarty	3 384	-	72	-	3 456
S Goetsch	3 542	-	72	-	3 614
BI Epstein	3 517	-	72	-	3 589
KS Sterling	3 383	-	72	-	3 455
L van der Watt	-	-	72	-	72
Total	35 905	-	648	-	36 553

Non-executive directors' fees

The non-executive directors have no fixed term of appointment except as rotation of directors is required by the company's Memorandum of Incorporation. In terms of their service agreements, non-executive directors who wish to resign from the Board are required to give three months written notice to that effect. Each non-executive director is entitled to fixed annual fee for their service to the company.

REMUNERATION REPORT CONTINUED

The following table provides an overview of the non-executive director's fees:

	2017 R'000	2016 R'000
Non-executive directors		
LN Nestadt [#]	625	-
MJ Bowman [#]	119	-
A Coovadia [#]	72	-
JS Mthimunye [#]	135	-
MSI Gani [^]	-	-
Total	951	-

[#] Appointed 13 October 2016

[^] Appointed 3 May 2017

The proposed fees for the 2018 financial year, subject to approval by shareholders at the AGM, are as follows:

Board position	Proposed fee for FY18				
	Fee per meeting R	Number of anticipated meetings R	Total fee for meetings R	Base fee R	Total fee R
Chair: Board ¹	-	-	-	2 670 000	2 670 000
Non-executive director	61 944	4	247 776	-	247 776
Chair: Audit Committee	65 148	4	260 592	-	260 592
Member: Audit Committee	41 810	4	167 240	-	167 240
Chair: Remuneration and Nomination Committee	41 810	3	125 430	-	125 430
Member: Remuneration and Nomination Committee	22 428	3	67 284	-	67 284
Chair: Social and Ethics Committee	20 292	3	60 876	-	60 876
Member: Social and Ethics Committee	n/a		n/a	-	n/a
Chair: Special Committees	R6 500 per hour				
Member: Special Committees	R6 000 per hour				

¹ The base fee relates to all meetings and therefore no additional fee is earned for the attendance of other committee meetings

Direct and indirect shares held by the directors

The following table provides an overview of the direct and indirect shares held by the directors:

Director	28 February 2017		29 February 2016	
	Direct interest	Indirect interest	Direct interest	Indirect interest
LN Nestadt	-	2 702 703	-	-
MJ Bowman	81 081	-	-	-
A Coovadia		162 162	-	-
JS Mthimunye		162 162	-	-
IL and LF Saltzman		457 041 396	-	544 180 050
RM Morais		6 672 192	-	7 944 300
SE Saltzman		6 672 192	-	7 944 300

LM Nestadt, MJ Bowman, A Coovadia and JS Mthimunye acquired their shares in November 2016. IL Saltzman and LF Saltzman sold 87 million shares while RM Morais and SE Saltzman each sold 1.3 million shares on listing.

There have been no changes to the directors' interests between the end of the 2017 financial year and the date of approval of the annual financial statements.