

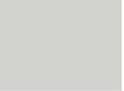


altron®

# 2018

## ANNUAL REMUNERATION REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2018



# PART ONE

## BACKGROUND STATEMENT

In line with King IV™, the remuneration report is presented in three parts, namely the Chairman's background statement (Part 1), discussion of the remuneration policy (Part 2) and its implementation report (Part 3). We believe that this structure will provide clarity around how the policy is linked to the actual pay received by executive management as defined in King IV™.

During the year Altron underwent a restructuring of the group and the composition of, *inter alia*, the remuneration committee ("the committee"). The new committee assessed the remuneration policy and formulated changes to the implementation of the group's short term incentive ("STI") and long term incentive ("LTI") schemes, which will be effective in the financial year ending 28 February 2019 ("FY19"). In order to bring alignment with shareholders, a number of changes have been proposed in relation to the implementation of the LTI. In the forthcoming year, we intend to only make allocations of share appreciation rights ("SARs") under the LTI, with revised performance metrics which align with our One Altron strategy. More detail regarding these changes can be found in Part 2 of this report. At a group level, Altron produced a strong performance during FY18, as reflected in its double digit EBITDA growth for the year. The group saw a satisfactory performance from its core operations despite difficult local economic conditions, a strengthening currency and the once-off costs associated with the restructuring processes that were undertaken during the year. Accordingly, STIs were awarded in line with these achievements.

During the year, the committee has reviewed the remuneration policy with the aim of increasing alignment with shareholders. Whilst the committee is still in the process of finalising changes to the remuneration policy, focal areas have included further alignment with the philosophy of benchmarking to the median and a consideration of the increase of the levels of "at-risk" reward within the executive pay mix. During the year Altron engaged with various institutional shareholders as part of the realignment of the numerous processes within the group, including its remuneration philosophy going forward. In FY19 Altron will expand its stakeholder engagements around its remuneration framework, as deemed appropriate.

We have taken steps towards alignment with King IV™ and are pleased to note that many aspects of our policy are already aligned with the spirit of King IV™. Whilst Altron has applied Principle 14 of King IV™ and has strived to follow the recommended practices in so far as is possible, we have taken the decision not to set out the executive management's emoluments in a single figure format within this year's remuneration report. This is partly due to the effective date of King IV™, which only requires full compliance with King IV™ for companies with financial years commencing on or after 1 April 2017 and partly due to the various effective dates of appointment of executive committee members during the year as part of the restructuring of the group. We are fully supportive of the single figure reporting standard and will report in this format in the following year in accordance with the King IV™ Guide to the Application of Remuneration Governance, which sets out the detail relating to the calculation and disclosure of the single figure of remuneration. This will enable a like-for-like comparative on a full year basis.

King IV™ emphasises that executive remuneration should be fair and responsible in the context of overall employee remuneration. The committee acknowledges this responsibility and is addressing the gap between the remuneration of executives and employees at the lower end of the pay scale. The committee has regarded this as an important endeavor over the last few years and has taken active steps to address the gap. Naturally, such efforts to narrow the gap will take time, but Altron is proud of efforts made thus far, including:

- the changing of the pay philosophy to benchmark to the median;
- realignment of executive committee with appointments made at market related remuneration levels to the median;
- the awarding of increases in line with inflation to existing executive committee members during FY18; and
- initiating a process of benchmarking and grading all positions within the group to ensure the implementation of a fair and equal pay approach going forward.

There have also been changes to the structuring of non-executive directors' fees to more accurately reflect the responsibilities of non-executive directors throughout the year.



At the FY18 annual general meeting (“AGM”), 99.4% of shareholders voted in favour and endorsed the remuneration policy. In compliance with King IV™ and the JSE Listing Requirements, the remuneration policy and the implementation report, respectively, set out in Parts 2 and 3 will be tabled at the forthcoming AGM, scheduled for 1 August 2018, for separate non-binding advisory votes. In the event that the remuneration policy and/or implementation report are voted against by 25% or more of the voting rights exercised, we will undertake to engage with our shareholders in order to determine how to address their legitimate and reasonable concerns.

In such instances where either the remuneration policy or the remuneration report are voted against by 25% or more of the voting rights exercised, the committee will take proactive steps to constructively engage dissenting shareholders in order to address legitimate and reasonable concerns pertaining to our remuneration practices, procedures and governance and provide detailed feedback on the nature and outcomes of the engagements in the following year’s remuneration report.

### **STAKEHOLDER ENGAGEMENT**

Based on the results at the FY18 AGM, no shareholder feedback was received. However, with Value Capital Partners coming on board, a number of engagements with institutional investors have taken place during the year regarding remuneration and related matters. Regular, interactive engagement with our stakeholders, both internal and external, is critical to creating an enabling environment for the achievement of the One Altron strategy, which supports the implementation of our remuneration philosophy and framework. As part of this, large and institutional shareholder, as well as employee engagement, have been particularly important during our transition phase and will continue to be for the foreseeable future.

### **STATEMENT OF COMPLIANCE**

*The committee, having considered the principles and guidelines detailed in the remuneration policy, is satisfied that there has been no material deviation in the application of the policy during the year under review and having reviewed the report, including details relating to executive director and prescribed officer emoluments, confirms its inclusion in the 2018 Integrated Annual Report.*



# PART TWO

## ALTRON 2018 REMUNERATION POLICY

### OVERVIEW OF THE MAIN PROVISIONS OF THE REMUNERATION POLICY AND REMUNERATION GOVERNANCE

#### REMUNERATION GOVERNANCE AND THE REMUNERATION COMMITTEE

Remuneration policy within the Altron group is reviewed annually by the committee, which is constituted as set out in the Altron 2018 Governance Report. The responsibilities and composition of the committee and the attendances of committee meetings are set out in that Altron 2018 Governance Report which is available at [www.altron.com](http://www.altron.com). The mandate and terms of reference of the committee covers, among others, the formulation of remuneration policy as it affects employees at all levels throughout the group. During the year the committee’s mandate and terms of reference was updated to align with the overall recommendations of King IV™.

The committee ensures that the Altron group complies with the necessary principles as set out in the King IV™ and relevant sections of the Company Act, 71 of 2008 (“Companies Act”) when determining the remuneration of executive management and non-executive directors.

Further, the company is also guided by international best practice and support the initiatives driven by the International Corporate Governance Network (“ICGN”). It also materially observes best practice remuneration principles in order to align its policies with standards of institutional investors worldwide.

#### ACTIVITIES UNDERTAKEN BY THE COMMITTEE DURING THE YEAR:

- The committee used the services of PwC to perform a review of the level of pay of its executive and non-executive directors during the past financial year;
- The committee satisfied itself that the liabilities of the Altron Group Pension Fund and the Altron Group Provident Fund were adequately funded;
- The committee mandated 21st Century to conduct a benchmarking analysis of executives and senior management’s TCOE and total reward packages relative to the market;
- The committee undertook an annual review of the remuneration policy and satisfied itself that there were no material deviations from its mandate and terms of reference; and
- The committee undertook a review of its terms of reference to align to King IV™.

The implementation framework of the group’s LTI scheme (The Altron 2009 Share Plan) has been reviewed and the framework has been refined to encourage growth and sustainability whilst motivating and retaining executive management.

#### REMUNERATION POLICY IN OVERVIEW

In line with King IV™, the Altron Group Remuneration Policy (“the policy”) is designed with the aim to attract, motivate, reward and retain individuals who contribute to sustainable and consistent corporate performance and the promotion of the achievement of strategic objectives, positive outcomes and an ethical culture and responsible corporate citizenship in the short, medium and long term. During FY18 Altron reviewed its remuneration policy to align with its strategic objects as an ICT focussed business. In order to provide further alignment to shareholders’ interests, changes to the LTI have been proposed, which include retention of the share appreciation rights scheme with revised performance criteria and gearing.

Some of the methods in which the current policy seeks to align remuneration practices with the strategic objectives of the business are summarised below:

Strategic objective	Policy highlights
Continued improvement of relationships with all external stakeholders.	<ul style="list-style-type: none"> <li>• The interests of executive management are aligned with the interests of shareholders and with the One Altron strategy as adopted by the Board during the year, through the linking of remuneration to sustainable individual performance through the utilisation of performance-based rewards to drive corporate performance.</li> <li>• The company is committed to communication and ensuring that all stakeholders are aware of the policy.</li> </ul>

## Strategic objective

Emphasising financial sustainability, focusing on profitable growth, capital and cost management.

## Policy highlights

- Remuneration practices seek to reinforce, encourage and promote superior performance through short and long-term incentives.
- The company adopts remuneration practices which reward consistent and sustainable individual and corporate performance.
- High-performing employees are rewarded for the contribution they make to the company and/or Altron group.
- To achieve effective cost management, the company manages guaranteed pay levels using total cost of employment ("TCOE"). Performance management is directly linked to TCOE and annual STI bonuses.
- Going forward all permanent employees will be eligible to participate in the STI scheme. Eligibility does not represent a commitment or guarantee that an employee will receive any payment. If for any reason, an employee is not a full time employee or identified contractor on the incentive payment date, the employee will not be eligible to receive a STI payment. When financial parameters are achieved or exceeded the STI remains at the full discretion of the Board, subject to the affordability of the business.
- The company ensures that the 'pay mix' is designed to focus on achievable organisational goals and personal objectives.
- Total remuneration for executive management, senior managers, key talent and scarce skills, includes a guaranteed package and a STI, together with a LTI in certain instances;
- The performance conditions of the STI bonus include both financial performance indicators as well as key performance indicators relevant to each participant, which ensure that pay-out is dependent on performance resulting in sustainable growth, financial sustainability and personal contribution.
- Similarly, the vesting of awards in terms of the LTI scheme is based on performance conditions which drive sustainable growth and financial sustainability.
- The performance conditions for the STI (EBITDA growth, ROCE and KPIs – and EBITDA, ROCE, net debt, HEPS and KPIs in the case of the Altron Chief Executive) and LTI (HEPS, ROCE and EBITDA growth averaged over the particular allocation period) drive profitable growth as well as efficient capital and cost management objectives.

Establishing a unified, collaborative group-wide culture through diversity and inclusion.

- Remuneration practices are designed to ensure that the Altron group has top management teams within each operation and top-level expertise available to management at all times.
- The Altron group standards and practices are adopted and uniformly applied, while recognising that the different natures of the various businesses.



## Strategic objective

## Policy highlights

Develop, retain and attract core skills.

- The policy guidelines have been developed to attract, motivate, reward and retain executive management and other key employees by providing attractive and appropriate remuneration packages.
- Executive management and senior managers' guaranteed pay are targeted at the 50th percentile, whilst these may reach the 75th percentile in exceptional circumstances.
- STIs are utilised to reward superior performance, whilst ensuring market competitive levels are maintained where on-target performance is met. This is intended to drive a high performance based culture.
- As the LTI in its previous form was not proving any retention benefit, due to its low vesting and in light of the increasing share price, the LTI implementation framework has been refined to only award share appreciation rights going forward. These will assist in focusing executive management on the growth which is expected by shareholders, while also providing a retention benefit.
- Altron identifies and positions itself against the organisations or companies from which skills are acquired, or to which skills are lost. It also considers and benchmarks itself against similar sized companies in other sectors.

## ELEMENTS OF PAY

The following table displays the elements of pay as applicable:

Pay element	Application
Guaranteed pay ("GP")	<p>Remuneration is defined in terms of a total cost of employment ("TCOE") package approach; the guaranteed package including base salary, travel allowance, retirement savings, death, disability and healthcare contributions.</p> <p>The Company positions guaranteed pay and total reward to the 50th percentile.</p> <p>The Altron group's annual TCOE increase process is performed between October – February of each year. Increases are determined by the committee in conjunction with Altron's executive committee (as regards to operational level TCOE increases). Consideration for increases takes into account, among others, the following factors; market-related TCOE increases, changes in individual responsibility, individual performance, the performance of the Altron group as a whole and other relevant economic indicators such as, <i>inter alia</i>, affordability and inflation. Overall increases will generally reflect the market benchmark increases, with individual increases varying according to an assessment of individual performance.</p> <p>A job grading exercise is conducted periodically in order to ensure that the guaranteed pay base remains competitive and relevant to the remainder of the market. Particular focus will be given to this assessment in FY19 given the finalisation of the Altron management team and operational structures during the past year.</p>



<b>Pay element</b>	<b>Application</b>
Annual short-term incentive scheme ("STIs")	<p>All employees are eligible to receive a STI bonus at the end of the financial year based on affordability and a performance rating, in line with the existing STI framework.</p> <p>The performance scorecards are set out below. In relation to the executive management of Altron, financial parameters (incorporating minimum, on target and stretch targets) are defined based on Board approved budgets with reference to the approved financial indicators.</p> <p>All full-time salaried employees are appraised annually by the manager to whom they report in terms of the group's various performance management systems for eligibility for participation in the STI scheme of the group going forward, as set out below.</p> <p>For Altron Chief Executive:</p> <ul style="list-style-type: none"> <li>• 35% EBITDA</li> <li>• 15% headline earning per share</li> <li>• 15% net debt</li> <li>• 35% personal KPIs</li> </ul> <p>For Altron executive committee, Group Company Secretary and operational management committees:</p> <ul style="list-style-type: none"> <li>• 40% EBITDA</li> <li>• 30% return on capital employed</li> <li>• 30% personal KPIs</li> </ul> <p>All other employees:</p> <ul style="list-style-type: none"> <li>• 50% overall financial results of the operation</li> <li>• 50% personal KPIs</li> </ul> <p>Within each operation, the financial targets are approved annually in advance in line with operational budgets by the Board of the particular subsidiary company, defining a minimum, targeted and stretch with respect to financial indicators hereinabove. These are consolidated and presented for approval by the Altron Board at the beginning of the year.</p> <p>The non-financial or individual KPI targets include initiatives in respect of debtors, sales, values and transformation. The performance against these KPIs are assessed by the executive/manager to whom each individual reports in order to derive at the achievement of KPIs during the year. For executive management, this assessment is reviewed and approved by the Altron Chief Executive or remuneration committee, as appropriate.</p>

Pay element	Application		
	The on-target and stretch (maximum) levels of STI bonuses as percentages of GP are illustrated below:		
		On-target as % of GP	Stretch (maximum) as % of GP
	Altron Chief Executive	70	140
	Altron Chief Operating Officer and Altron Chief Financial Officer	60	120
	Group Executive: Shared Services, Group Executive: Human Capital and Group Executive Marketing, PR and Communications	45	90
	Managing directors	45	90
	Altron Group Company Secretary and operational management committee members	35	70

The on-target and stretch (maximum) levels of STI bonus as a percentage of GP in respect of the acting Altron Chief Financial Officer is set at 30%–60%.

The actual performance level relative to targets determines the quantum of STI bonuses within this range. In all instances any STI payment is subject to final Board approval.

The long-term share-based incentive scheme ("LTI")	<p>Executive management are granted LTIs in order to retain them and to drive appropriate performance behaviours. This will align their interests with those of shareholders.</p> <p>The detail of the LTI are set out in more detail in the table below. Altron intends to make changes to the LTI which include limiting participation to certain senior executives. This includes only making allocations of SARs with a link to financial performance criteria and changes in the percentage of the TCOE. Allocations will be made on a tiered approach based on market-competitive percentages which are applied to the LTI participant's annual salary.</p>
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## THE LONG-TERM SHARE-BASED INCENTIVE SCHEME

Going forward, in line with our remuneration strategy, we will only make awards of SARs under the Altron 2009 share plan ("the Plan"). However, as the performance conditions of the bonus shares and performance shares remain relevant for purposes of the strategic objectives, we have incorporated these as performance conditions for the new awards of SARs. Although we will no longer be making awards of bonus and performance shares, we have included the salient features of these instruments below for purposes of contextualizing the outstanding awards, the last of which will vest in 2020.

Participants	Executive management employed by Altron
Type of instrument	Rights linked to Altron A ordinary shares ("shares") are allocated annually, entitling participants to receive rights to the value of the share price appreciation from the allocation date to the exercise date, subject to certain performance conditions.
Vesting profile	The rights vest in equal tranches on the third, fourth and fifth anniversaries of allocation, subject to an adjustment based on performance vesting conditions and can be exercised up until the sixth anniversary of the allocation, when they expire.

## Participants

## Executive management employed by Altron

### Performance conditions

### Performance conditions for upcoming awards

For the Altron Chief Executive and executives (Tier 1, 2 and 3), who do not run a business unit, the performance criteria will be based on: HEPS growth, EBITDA growth and ROCE (33.3% weighting for each).

Performance Condition	Target	Vesting
HEPS growth	7,5% to 15%	0% – 100% on a straight line basis
EBITDA growth	7,5% to 15%	0% – 100% on a straight line basis
ROCE	17% to 21%	0% – 100% on a straight line basis

Managing directors and the Group Company Secretary (Tier 4 and 5) will have EBITDA growth and ROCE, which will vary by business unit, with a weighting of 50% to each of the measures.

### General terms and conditions

- Proportionate awards are provided for where there is a change in the effective control of the company or where the employee is retrenched, retires or passes away whilst in service.
- No extension or retesting of allocations, awards or grants, or retrospective allocations, awards or grants, are permitted.

Special awards of share appreciation rights may be made by the committee in exceptional circumstances (for example, as an inducement to an employee to accept a job offer or to remain in the employment of the Altron group).

### Limits on participation

The aggregate number of shares which may currently be acquired by participants under The Altron 2009 Share Plan is limited to thirty three million shares, equating to approximately 8.3% of the total issued Altron share capital at the end of May 2018.

The maximum aggregate number of shares which may be acquired by any one participant under the Plan is limited to three and a half million shares, equating to approximately 0.88% of the issued A ordinary shares of Altron as at the end of May 2018.

The dilution of share value attributable to the share-based incentives is computed annually in relation to earnings per share as well as headline earnings per share and is shown in the annual financial statements of Altron.

The Plan also provides for awards of Performance Shares and Bonus Shares. However, the current policy is not to make awards of either of these instruments going forward. We set out the salient points of these historically awarded instruments below.



The Performance Shares element

Annual awards of conditional shares (Altron A ordinary shares) are made to senior executives only.

**Vesting**

Awards vest after three years subject to the achievement of performance vesting conditions. If the performance targets are exceeded, an additional number of performance shares vest. No dividends are paid to senior executives on the performance shares awarded to them between the date of award and date of vesting.

**Performance conditions**

The awards are subject to the following performance vesting conditions:

50% of the award is based on a peer comparison of the total shareholder return ("TSR") generated by selected listed companies.

Target level	Altron TSR compared to peer group	Corresponding vesting of award
Threshold	Below the median	0% of award will vest
Target	At the median	100% of award will vest
Stretch	Upper quartile	200% of award will vest
	Between levels	Linear vesting will occur

The remaining 50% of the award is subject to a return on capital employed, with the target being set with reference to the Altron group's weighted average cost of capital.

Return on capital employed ("ROCE") is defined as the percentage of operating profit before capital items to capital employed. Capital employed is the sum of total equity (including non-controlling interests) and borrowings (excluding cash and bank overdrafts).

ROCE is measured over the three financial years ending prior to the vesting date of the performance shares. For the purposes of the vesting condition, the average of the ROCE recorded in financial results for the Altron group for each of the financial years will be utilised.

Target level	Three year average ROCE	Corresponding vesting of award
Threshold	Below 17%	0% of award will vest
Target	21%	100% of award will vest
Stretch	Above 29%	200% of award will vest
	Between levels	Linear vesting will occur

The average will be calculated to one decimal point and the award will be based on a straight line apportionment between the thresholds listed above.

The Bonus Shares element Annual grants of forfeitable bonus shares, which are based on performance during the previous financial year and linked according to a specified ratio to the preceding financial year's STI bonus, are made to participants. These grants are restricted for a three-year holding period from grant, after which they vest. The bonus shares will be forfeited if the participant terminates employment during the restricted period, with the exception of certain 'no fault' terminations as provided for by the rules.

The number of bonus shares granted is determined as follows:

- The number of shares that will generate a present value return equal to a target percentage of the guaranteed package is first determined.

The ratio of the actual bonus to the on-target bonus is then applied to that number of shares in order to determine the grant of bonus shares for that year.

## THE REMUNERATION OF EXECUTIVE MANAGEMENT

### THE PACKAGE STRUCTURES OF EXECUTIVE MANAGEMENT

The table below provides an overview of the structure and design of the remuneration packages of each senior executive. Figures are percentages of total remuneration ("TR") and guaranteed pay ("GP"). The actual total remuneration package outcome for each executive director is disclosed in Part 3 of this report.

Component of package	Chief Executive		Chief Operating Officer and Chief Financial Officer		Group Executives and Managing directors	
	%TR	%GP	%TR	%GP	%TR	%GP
Guaranteed pay package	40.8	–	45.4	–	51.3	–
STIs at target	28.6	70	27.3	60	23.1	45
Expected value of LTIs for the year	30.6	75	27.3	60	25.6	50

### CONTRACTUAL PROVISIONS OF SENIOR EXECUTIVES

No special contractual arrangements apply to the appointments of and termination of employment of the senior executives. The acting Chief Financial Officer has been employed on a fixed contract until 31 August 2018.

For executive management, notice of termination varies between one month and a maximum of two months. For other group employees, notice of termination is one month. Severance packages are not less than the minimum prescribed by law at the relevant time, but may in special circumstances be negotiated on different terms not less favourable than basic conditions of employment.

Executive management are subject to a restraint of trade condition prohibiting such individuals from taking employment with competing organisations for a period of two years after termination of employment. No additional consideration is paid to these employees in terms of this restraint.

### TERMINATION PROVISIONS

The general treatment of the different elements of pay upon termination of employment will depend on the circumstances of termination and whether such termination is considered to be a "fault" or "no-fault" termination. A high-level summary of the applicable termination provisions is set out in the table below:

Type of pay	Fault termination	No fault termination
Fixed pay (TCOE)	The committee has the discretion to negotiate separation payments with executive management, but none of the senior executives of Altron have special termination benefits or balloon payment provisions in their employment contracts.	



Type of pay	Fault termination	No fault termination
Short-term incentive	If employment is terminated prior to the date of Board approval of the short-term incentive award, the award will be forfeited in full.	
Long-term incentive: <i>Share Appreciation Rights</i>	Unvested awards are deemed to have been cancelled.	Awards shall be deemed to have vested and been exercised with effect from the date of termination of employment.
Long-term incentive: <i>Performance Shares (outstanding awards)</i>	Unvested awards are deemed to have been cancelled.	Awards are adjusted for time served and are settled at date of termination of employment.
Long-term incentive: <i>Bonus Shares (outstanding awards)</i>	Unvested awards are deemed to have been cancelled.	Awards are settled at date of termination of employment.

## EXTERNAL APPOINTMENTS AND BOARD MEETING ATTENDANCE OF EXECUTIVE DIRECTORS

Executive directors do not draw any additional remuneration for attending Altron Board or subsidiary company board meetings. Altron executive directors who sit on subsidiary boards do not receive fees for serving on the boards of those companies.

## POLICIES AFFECTING NON-EXECUTIVE DIRECTORS

### NON-EXECUTIVE DIRECTORS (INCLUDING THE ALTRON CHAIRMAN)

All non-executive directors are provided with letters of appointment, distinct from employment contracts, from Altron upon appointment. Whilst the appointment of non-executive directors is considered and resolved based on proposals received from the Altron nomination committee, the remuneration of non-executive directors is based on proposals from the committee, which are submitted to a disinterested quorum of the Board and thereafter to shareholders for approval at the following annual general meeting.

The remuneration of the Chairman and other non-executive directors is reviewed annually by the committee, and is compared to the median of selected peer companies. As a result of the previous review, save for the Altron investment committee, the basis of non-executive remuneration has been changed from a base annual fee (or 'retainer') plus attendance fee per meeting structure to an annual retainer fee only. This annual fee, for which approval will be sought at the upcoming annual general meeting, will take into account all scheduled meetings during the year. There will be a separate meeting fee for additional meetings in addition to the scheduled meetings. Insofar as special Board or *ad hoc* strategic planning sessions are convened, an additional fee will be paid at an agreed rate as approved by shareholders.

Non-executive directors do not generally receive STIs and do not participate in Altron's LTI scheme, subject to certain exceptions where the Board believes it to be in the best interests of the company and its shareholders and following engagement with major shareholders.

Mr Robbie Venter, who was the previous Altron Chief Executive, stepped down in April 2017 and assumed a non-executive role. He entered into a consultancy agreement for a two year period commencing June 2017, in terms of which Bytes UK will pay a portion of his agreed fees and Altron will pay the balance.

In addition, Mr Brett Dawson who was appointed as a non-executive director with effect from 1 June 2017, does not receive NED fees, as he has entered into a consultancy arrangement with Altron. Brett Dawson, formerly the Chief Executive Office of Dimension Data, has extensive experience in the ICT industry and provides material support and assistance to the Altron executive team in meeting their strategic objectives. He is also eligible to receive a STI based on meeting agreed KPIs as set by the Board. Furthermore, Brett Dawson holds Altron A ordinary shares in his personal capacity as disclosed in the FY18 annual financial statements of the group.

Share linked incentives ("SLIs") – During the year Robbie Venter was awarded 350 000 SLIs *in lieu* of benefits forfeited with regard to the change in role from Altron Chief Executive to non-executive director. Brett Dawson was awarded 750 000 SLIs as a retention mechanism to drive and execute on the newly formulated Altron group strategy and implementation thereof going forward, with specific focus on financial growth and shareholder value creation.



## TERM OF OFFICE AND EXPENSES

The term of office of non-executive directors is governed by the Altron memorandum of incorporation which provides that:

- directors' who have served for three years will retire by rotation, but may, if eligible, offer themselves for re-election for a further three-year term;
- non-executive directors who have served for more than nine years will retire at the end of each year thereafter, but may, if eligible, be re-elected annually for further periods of one year at a time; and
- directors' who have attained the age of 70 years will likewise retire at the end of each year thereafter, but may, if eligible, be re-elected annually for further periods of one year at a time.

The travel and accommodation expenses of non-executive directors and premiums for directors' and officers' insurance cover are paid by Altron in terms of a formal approved policy.

The resolutions relating to Altron non-executive director fees for the 12-month period commencing on 1 September 2018 can be found in Altron's notice of annual general meeting at [www.altron.com](http://www.altron.com).

## NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on Part 2 of this report at the company's annual general meeting to be held on 1 August 2018.

## PART THREE

# IMPLEMENTATION OF REMUNERATION POLICY FOR THE 2018 FINANCIAL YEAR

### GUARANTEED PACKAGE INCREASES

During the 2018 financial year, the overall TCOE increase for the Altron group was approved at 4.67% (compared to 4.8% in FY17). This did not include wage employees, but only salaried employees.

In line with Altron's movement towards its new remuneration philosophy of benchmarking total guaranteed package and total reward to the median, efforts are being made towards narrowing the wage gap, such as the process of benchmarking and grading all positions within the group to ensure the implementation of a fair and equal pay approach going forward.

The committee conducts an annual benchmark of the guaranteed pay of the Altron executive directors and prescribed officers, which is taken into account when TCOE increases are awarded. In 2018, the committee used the services of 21st Century to benchmark the remuneration of executive management as follows:

- executive directors, prescribed officers and senior managers against the 50th percentile of an appropriate peer group of JSE listed companies reflecting the industry and sector that Altron operates in. The peer group was reassessed by the committee in August 2017;
- employees with scarce or technical skills against the 50th to 75th percentile of the PwC REMchannel® salary survey and appropriate comparator companies within the technology sector; and
- other employees against the 50th percentile of the PwC REMchannel® salary survey.

Due to the Altron group operating in a technology sector which is continuously evolving, it recognises that its employees are highly mobile. Accordingly, the committee deems it appropriate to obtain benchmarks for the remuneration of executive management using both JSE listed company data and the 21st Century Executive Survey. Benchmarks against comparative sized JSE listed companies take into account financial data including revenue, profit before tax, profit after tax, assets, employee costs and market capitalisation. When benchmarking against the 21st Century Executive Survey the committee takes into consideration revenue, profit before tax, assets, payroll and the number of employees.

Guaranteed packages of the Altron executive directors and prescribed officers were increased as follows:

Executive directors and prescribed officers	Role	FY 2018 TCOE (GP increase)	FY 2017 TCOE (GP increase)
Mr M Nyati	Chief Executive	7%	n/a
Mr AJ Holden	Chief Operating Officer	6%	17.2%
Mr MCS Govender	Group Executive: Shared Services	6%	n/a
Ms DS Mashishi*	Group Executive: Human Capital	10%	n/a
Ms MZ Maubane*	Group Executive: Marketing, PR and Communication	11%	n/a

\*inclusive of a 6% annual increase, together with GP adjustment to bring TCOEs in line with the 50th percentile.

### SIGN-ON, RETENTION AND RESTRAINT PAYMENTS

No payments have been made to any executive in regard to retention and/or restraint payments.

### SIGN ON BONUSES

Altron is not in the practice of paying sign-on bonuses, however, the following sign-on bonuses were paid to executive management during the past financial year as part of the restructuring of the group with industry specialised skills at an executive management level:

Mr M Nyati	R6 500 000
Mr MCS Govender	R1 000 000
Ms MZ Maubane	R335 000

These bonuses were paid *in lieu* of benefits such as shares and bonuses these individuals were forfeiting by joining Altron. Sign-on bonuses are subject to entering into two-year work back agreements with Altron.



## SEPARATION AGREEMENTS

During the year separation agreements were entered into with the following executives. This was in line with Altron's realignment of its strategy and management structure to operate with a leaner executive team equipped with the relevant ICT skills, to ensure optimised financial growth and drive shareholder returns.

PR Riskowitz	Group Executive: Corporate Finance
DM Ramaphosa	Group Executive: Corporate Affairs
LM Savage	Operations Executive: Telecoms & Multimedia
WH Oosthuysen	Group Executive: Strategy & Technology

Severance packages offered were based on length of service, notice period, accrued leave, as well as short and long term incentives.

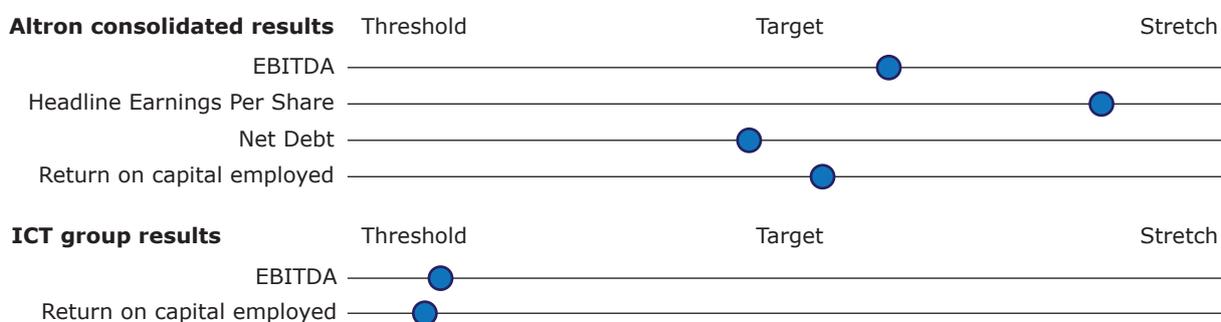
## STI SCHEME - VARIABLE PAY TARGETS

The table below reflects the performance-based financial achievements of the companies within the group for the 2018 financial year. The STI bonuses earned by executive management are calculated in accordance with the achievements of the Altron group, or its core operations, as relevant. As detailed in Part 2, the financial performance component of the STI has a weighting of 70% in respect of financial targets for that particular business unit, with the personal KPIs weighted at 30% (65/35 in the case of the Altron Chief Executive). The resulting company and personal KPI percentages are added to achieve the final STI bonus which is earned.

The financial component (70% weighting) was measured against the following indicators:

**Components:** Net Debt, EBITDA, ROCE and HEPS

The graphs below indicate the achievement of the financial performance component (70% weighting) for the consolidated Altron group and ICT group, respectively:



The remaining 30% of the STI bonus is based on the achievement of personal Key Performance Indicators. KPIs for the executive team include, but are not limited to, the following strategic objectives with each executive being measured on a detailed set of KPIs:

Group Repositioning	Governance	New Business	Financial Sustainability
Progress and conclude disposal process of various operations identified as non-core	Review efficacy and efficiency of governance structures across the group	Focus on sales and customer centric approach	Continued focus on returns and allocation of capital
Put in place appropriate succession plans	Review risk management processes and drive a move to current best practice	Drive expansion of business into selected new areas	Drive cash flow generation and repayment of debt

<b>Group Repositioning</b>	<b>Governance</b>	<b>New Business</b>	<b>Financial Sustainability</b>
Drive initiatives around head office consolidation and shared services	Continue proactive engagement with stakeholders on governance issues	Strengthen relationship with public enterprises	Drive sustainable improvement in profitability
Strengthen investor relations	Achieve B-BBEE targets under new codes		Deliver improved results in a number of previously under-performing business units
			Formulate plans for dealing with changes in government policy

The range of percentages relating to the personal Key Performance Indicators of executive management during the year was between 25% and 30%.

## LTI SCHEME

### LONG-TERM INCENTIVES AWARDED

Due to the reassessment of the implementation of the LTI plan, no annual LTI allocations, granting or awards were made during the year to executive management in accordance with the rules of The Altron 2009 Share Plan. The committee resolved for a LTI allocation to be made to executive management during the first half of the 2019 financial year.

### LONG-TERM INCENTIVE VESTING OUTCOMES

The vesting of share appreciation rights allocations and performance share awards is based on the achievement of performance conditions measured over a three-year period. The extent to which the performance measures applicable to the 2014 award were met is detailed below.

### PERFORMANCE SHARES

No performance shares vested in the year ended 28 February 2018 as none of the performance criteria were met.

### SHARE APPRECIATION RIGHTS

Share appreciation rights vesting conditions are assessed at an Altron group level. None of the performance criteria were met.

### BONUS SHARES

Bonus shares vested to all participants in the employ of Altron as at the vesting date. The vestings with regard to Altron executive directors and prescribed officers are set out in the emoluments table below included in this Part 3 of the report.

## TOTAL REMUNERATION OUTCOMES OF THE EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

As indicated in Part 1 of this report, Altron has deemed it appropriate not to disclose the remuneration of executive management on a single figure basis for the year. This will be addressed in the following year's report to facilitate a like-for-like comparison on a full year basis. The remuneration of executive directors and prescribed officers of Altron for the past two financial years is displayed in the table below:

Non-executive directors Fees for services as directors	Other fees	Directors fees	2018 R'000 Total	2017 R'000 Total
<b>Directors' and prescribed officers' remuneration</b>				
N Adami (resigned 31 May 2016)	-	-	-	94
AC Ball (appointed 9 March 2017)	-	636	636	-
S Sithole (appointed 9 March 2017)	-	570	570	-
BW Dawson (appointed 1 June 2017)*	2 400	-	2 400	-
SW van Graan (appointed 1 June 2017)	-	510	510	-
RE Venter (assumed non-executive 1 April 2017)#	1 891	696	2 587	-
MC Berzack (retired 31 May 2017)	-	217	217	651
G Gelink	-	724	724	872
MJ Leeming (Chairman)	-	1 453	1 453	1 397
S Mabaso-Koyana (resigned 13 June 2016)	-	-	-	62
Dr PM Maduna	-	575	575	527
JRD Modise (retired 31 May 2017)	-	246	246	784
DNM Mokhobo	-	561	561	480
SN Susman (retired 31 May 2017)	-	157	157	558
Dr WP Venter	-	231	231	2 450
	4 291	6 576	10 867	7 875

\* Remuneration in terms of consultancy agreement

# Remuneration in terms of consulting agreement and non-executive directors fees.

EXECUTIVE DIRECTORS	Guaranteed Pay*	Defined Contribution Pension Payments	Performance related bonuses (Accrued)	Other Bonuses	Other Payments	Share option expense#	2018 Total
RE Venter (resigned as executive director 1 April 2017)	1 791	347	-	-	89	3 589	5 816
AMR Smith (resigned 28 February 2018)	3 417	541	-	-	205	239	4 402
M Nyati (appointed 1 April 2017)	4 923	578	4 837	6 500	-	2 849	19 687
	10 131	1 466	4 837	6 500	294	6 677	29 905



<b>EXECUTIVE DIRECTORS</b>	Guaranteed Pay*	Defined Contribution Pension Payments	Performance related bonuses (Accrued)	Other Bonuses	Other Payments	Share option expense <sup>#</sup>	2017 Total
RE Venter	6 956	1 368	5 325	–	–	3 077	16 726
AMR Smith	3 357	524	2 149	5 821	–	1 645	13 496
	10 313	1 892	7 474	5 821	–	4 722	30 222

# – IFRS 2 income statement expense in respect of options granted to directors

\* – This relates to fixed annual salary

<b>PRESCRIBED OFFICERS</b>	Total Salary	Defined Contribution Pension Payments	Performance related bonuses (Accrued)	Other Bonuses	Other Payments	Share option expense <sup>#</sup>	2018 Total
NM Kayton (resigned 30 June 2017)	1 204	133	–	–	2 663	218	<b>4 218</b>
DS Mashishi (appointed 1 November 2017)	789	112	264	–	–	311	<b>1 476</b>
MZ Maubane (appointed 1 August 2017)	1 534	158	434	335	–	–	<b>2 461</b>
MCS Govender (appointed 1 August 2017)	1 672	131	1 034	1 000	74	209	<b>4 120</b>
WH Oosthuysen (resigned 30 June 2017)	1 132	94	–	–	4 922	513	<b>6 661</b>
LM Savage (resigned 30 June 2017)	1 027	220	–	–	5 446	729	<b>7 422</b>
AJ Holden	2 963	765	874	–	120	693	<b>5 415</b>
	10 321	1 613	2 606	1 335	13 225	2 673	<b>31 773</b>

<b>PRESCRIBED OFFICERS</b>	Total Salary	Defined Contribution Pension Payments	Performance related bonuses (Accrued)	Other Bonuses	Share option expense <sup>#</sup>	2017 Total
NM Kayton	3 529	384	–	3 913	457	8 283
AG Johnston	1 711	250	–	–	–	1 961
WH Oosthuysen	3 399	276	1 734	–	2 560	7 969
LM Savage	3 053	647	2 202	–	2 854	8 756
AJ Holden	2 960	740	3 290	–	2 918	9 908
	14 652	2 297	7 226	3 913	8 789	36 877



The following table reflects the status of unexercised share appreciation rights, performance shares and bonus shares held by executive directors and prescribed officers and the gains made by them as a result of past awards, during the year.

Entity	Allocation Date	Strike Price	Balance							Balance 28 February 2018	
			1 March 2017	Converted/ Awarded	Lapsed	Exercised	Exercise Date	Net Gains R'000s	Exercise Price	February 2018	Expiry
<b>Directors' options</b>											
AMR Smith	Altron SAR 12/2/2011	21.50	21 275	(2 127)	(19 148)						- Dec-17
	Altron SAR 12/12/2012	21.10	27 181	(2 718)	(24 463)						- Dec-18
	Altron SAR 8/19/2013	20.26	33 636	(3 364)	(30 272)						- Aug-19
	Altron SAR 8/19/2014	25.51	34 990	(3 499)	(31 491)						- Aug-20
	Altron PS 8/19/2014	n/a	25 862	(2 586)	(23 276)						- Aug-17
	Altron BS 8/19/2014	n/a	35 917	(3 592)		(32 325)	8/19/2017	408	12.61		- Aug-17
	Altron PS 2/28/2017	n/a	98 580	(9 858)	(88 722)						- Feb-20
	Altron BS 2/28/2017	n/a	36 908	(3 691)	(33 217)						- Feb-20
RE Venter	Altron SAR 12/2/2011	21.50	51 419	(5 142)	(46 277)						- Dec-17
	Altron SAR 12/12/2012	21.10	64 762	(6 476)	(58 286)						- Dec-18
	Altron SAR 8/19/2013	20.26	77 061	(7 706)	(69 355)						- Aug-19
	Altron SAR 8/19/2014	25.51	75 049	(7 505)	(67 544)						- Aug-20
	Altron PS 8/19/2014	n/a	65 260	(6 526)	(4 894)	(53 840)	5/31/2017	592	10.99		- Aug-17
	Altron BS 8/19/2014	n/a	92 352	(9 235)		(83 117)	5/31/2017	913	10.99		- Aug-17
	Altron PS 2/28/2017	n/a	236 666	(23 667)							212 999 Feb-20
	Altron BS 2/28/2017	n/a	43 789	(4 379)							39 410 Feb-20
M Nyati	Altron SAR 4/1/2017	10.00	-	2 000 000							2 000 000 Apr-23
	Altron BS 7/17/2017	n/a	-	409 836							409 836 Apr-20
<b>Prescribed officers' options</b>											
NM Kayton	Altron SAR 12/2/2011	21.50	17 000		(17 000)						- Dec-17
	Altron SAR 12/12/2012	21.10	27 138		(27 138)						- Dec-18
	Altron SAR 8/19/2013	20.26	33 583		(33 583)						- Aug-19
	Altron SAR 8/19/2014	25.51	33 606		(33 606)						- Aug-20
	Altron PS 8/19/2014	n/a	24 839	(2 484)		(22 355)	10/31/2017	242	11.45		- Aug-17
	Altron BS 8/19/2014	n/a	7 280	(728)		(6 552)	10/31/2017	75	11.45		- Aug-17
	Altron PS 8/19/2014	n/a	24 839	(2 484)		(22 355)	10/31/2017	242	11.45		- Aug-17
WH Oosthuysen	Altron SAR 8/19/2013	24.75	18 567	(1 857)	(16 710)						- Nov-17
	Altron SAR 8/19/2013	17.94	33 544	(3 354)	(30 190)						- Feb-19
	Altron SAR 8/19/2013	20.26	28 334	(2 833)	(25 501)						- Aug-19
	Altron SAR 8/19/2014	25.51	33 134	(3 313)	(29 821)						- Aug-20
	Altron PS 8/19/2014	n/a	23 463	(2 346)		(21 117)	6/30/2017	224	10.60		- Aug-17
	Altron BS 8/19/2014	n/a	18 728	(1 873)		(16 855)	6/30/2017	179	10.60		- Aug-17
	Altron PS 2/28/2017	n/a	78 503	(7 850)	(56 915)	(13 738)	6/30/2017	146	10.60		- Feb-20
	Altron BS 2/28/2017	n/a	11 693	(1 169)		(10 524)	6/30/2017	112	10.60		- Feb-20
LM Savage	Altron SAR 8/19/2013	17.94	37 194	(3 719)	(33 475)						- Feb-19
	Altron SAR 8/19/2013	20.26	28 860	(2 886)	(25 974)						- Aug-19
	Altron SAR 8/19/2014	25.51	30 613	(3 061)	(27 552)						- Aug-20
	Altron PS 8/19/2014	n/a	17 303	(1 730)		(15 573)	6/30/2017	165	10.60		- Aug-17
	Altron BS 8/19/2014	n/a	19 489	(1 949)		(17 540)	6/30/2017	186	10.60		- Aug-17
	Altron PS 2/28/2017	n/a	93 987	(9 399)	(68 141)	(16 447)	6/30/2017	174	10.60		- Feb-20
	Altron BS 2/28/2017	n/a	32 880	(3 288)		(29 592)	6/30/2017	314	10.60		- Feb-20



	Entity	Allocation Date	Strike Price	Balance						Exercise Date	Net Gains R'000s	Exercise Price	Balance 28 February 2018	
				1 March 2017	Converted/Awarded	Lapsed	Exercised						2018	Expiry
AJ Holden	Altron SAR	12/2/2011	21.50	17 815	(1 782)	(16 033)			-	-	-	-	Dec-17	
	Altron SAR	12/12/2012	21.10	21 113	(2 111)	(2 715)			-	-	-	16 287	Dec-18	
	Altron SAR	8/19/2013	20.26	28 899	(2 890)	(3 251)			-	-	-	22 758	Aug-19	
	Altron SAR	8/19/2014	25.51	28 457	(2 846)	(2 846)			-	-	-	22 765	Aug-20	
	Altron PS	8/19/2014	n/a	16 084	(1 608)	(14 476)			-	-	-	-	Aug-17	
	Altron BS	8/19/2014	n/a	24 768	(2 477)		(22 291)	8/19/2017	281	12.61	-	-	-	Aug-17
	Altron PS	2/28/2017	n/a	93 987	(9 399)				-	-	-	84 588	Feb-20	
Altron BS	2/28/2017	n/a	53 804	(5 380)				-	-	-	48 424	Feb-20		
MC														
Govender	Altron PS	7/17/2017	n/a	-	56 120							56 120	Jul-20	
	Altron BS	7/17/2017	n/a	-	32 131							32 131	Jul-20	
DS														
Mashishi	Altron PS	11/1/2017	n/a	-	227 642							227 642	Nov-20	

CRI – conditional rights, SAR – share appreciation rights, PS – performance shares (free shares), BS – bonus shares (free shares)

Conditional rights and share appreciation rights are net settled and are subject to performance conditions. Exercised amounts related to conditional rights and not the number of shares traded. Where performance conditions have not been met, a portion of the award lapses.

Share Linked Incentives	Allocation Date	Strike Price	Balance						Exercise Date	Gains R'000s	Exercise Price	Balance 28 February 2018	
			1 March 2017	Converted/Awarded	Lapsed	Exercised						2018	Expiry
RE Venter	12/1/2015	6.98	1 530 460	(153 046)	(726 968)	(650 446)	5/31/2017	2610	10.99	-	Dec-18		
	3/1/2016	5.89	53 440	(5 344)						48 096	Mar-19		
	6/1/2017	10.99	-	350 000						350 000	Jun-19		
AMR Smith	12/1/2015	6.98	662 158	(66 216)	(595 942)					-	Dec-18		
	3/1/2016	5.89	292 890	(29 289)	(263 601)					-	Mar-19		
WH													
Oosthuysen	12/1/2015	6.98	465 589	(46 559)	(174 596)	(244 434)	6/30/2017	885	10.6	-	Dec-18		
	3/1/2016	5.89	1 204 909	(120 491)	(271 104)	(813 314)	6/30/2017	3832	10.6	-	Mar-19		
LM Savage	12/1/2015	6.98	581 360	(58 136)	(218 010)	(305 214)	6/30/2017	1106	10.6	-	Dec-18		
	3/1/2016	5.89	1 364 754	(136 475)	(307 070)	(921 209)	6/30/2017	4340	10.6	-	Mar-19		
AJ Holden	12/1/2015	6.98	583 237	(58 324)						524 913	Dec-18		
	3/1/2016	5.89	1 364 754	(136 475)						1 228 279	Mar-19		



Non-executive directors' fees for 1 September 2017 – 31 August 2018:

<b>Role:</b>	<b>Annual fee R (excl. VAT)</b>	<b>Attendance fee per meeting R (excl. VAT)</b>
Non-executive chairman	1 000 000	–
Member of main board	263 000	–
Chairman of Audit Committee	234 000	–
Member of Audit Committee	119 000	–
Chairman of Remuneration Committee	215 000	–
Member of Remuneration Committee	100 000	–
Chairman of Risk Management Committee	127 000	–
Member of Risk Management Committee	68 000	–
Chairman of Nomination Committee	127 000	–
Member of Nomination Committee	68 000	–
Chairman of Social & Ethics Committee	127 000	–
Member of Social & Ethics Committee	68 000	–
Chairman of Investment Committee	–	45 000
Member of Investment Committee	–	30 000
Special board meetings and <i>ad-hoc</i> strategy sessions	–	30 000

At the 2017 annual general meeting shareholders also approved an hourly rate of R4 000 per hour for non-executive directors performing additional work outside of their participation in board and/or committee meetings. This was not utilised during the past financial year, and will not be included as part of the resolutions to be presented to shareholders at the 2018 annual general meeting.

These fees are exclusive of Value Added Tax ("VAT") which will be payable to those non-executive directors who are registered for VAT and who submit a valid VAT invoice to the company in accordance with prevailing legislation.

#### NON-EXECUTIVE DIRECTORS' EXPENSES

The total of the non-executive directors' expenses for travel and accommodation for the past financial year was R27 789 (previous year – R57 892).

#### NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on Part 3 of this report at the Altron annual general meeting to be held on 1 August 2018.

#### APPROVAL OF REMUNERATION REPORT BY THE BOARD OF DIRECTORS

This remuneration report was approved by the Altron remuneration committee, mandated by the Board of directors, on 18 June 2018.







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