

REMUNERATION REPORT

The remuneration and nominations committees assist the Board to ensure that group remuneration and recruitment is aligned with the overall business strategy.

It is a regulatory committee with majority independent non-executive members whose duties are delegated to it by the board of directors. The committee is chaired by an independent non-executive director who is not the chairman of the board. Consisting of four members, three are independent non-executive directors, namely MM Dyasi (chairman), SS Mafoyane and DM Mncube and one non-executive, MS Teke. The committee is required to have a minimum of one meeting a year to fulfil its responsibilities, however, there are three scheduled per year to ensure that the management structures, increases and incentives are appropriately considered and approved. The chief executive officer, the chief financial officer and non-executive directors attend the committee meetings by invitation and assist the committee in its deliberation, except when issues relating to their own compensation are discussed. The committee's terms of reference prescribe that the effectiveness of the committee, its chairperson and individual members are assessed annually.

Remuneration policy

The group's remuneration strategy is to ensure that remuneration matches individual contribution to group performance, within the framework of market forces, while protecting shareholders' interests and the group's financial health over short and long-term periods. The remuneration policy adheres to the principles of King IV and the requirements of the Companies Act. It determines both executive and non-executive packages and is set and reviewed annually. The policy is informed by the principle of total cost-to-company for executives and senior employees,

which is benchmarked against industry skills and current market information.

Remuneration structure

Basic pay, which is aligned to Rolfes' performance-orientated philosophy; and short-term incentives, which is a performance-based bonus at the company's discretion and designed to reward high-performing employees. The performance factors are reviewed for appropriateness and may be amended year on year to drive the strategic objectives of the group. All full-time salaried employees are appraised annually and an annual total cost-to-company increase review is conducted. Recommendations are forwarded to the remuneration committee for approval.

Executive remuneration

Executive directors' remuneration is determined by a process of benchmarking, utilising current market information as well as remuneration and reward practices of the group. Financial targets are approved by the board annually, taking cognisance of operational budgets. Minimum, expected and maximum targets are defined for operating profit, return on capital employed and cash flow. The board annually appraises the executive directors, which is taken into consideration in determining remuneration. The extent of managerial responsibility, together with actual workplace location, determine cost-to-company and short-term incentives of executive directors.

The short-term incentives for executive directors are cash-based annual performance rewards determined by job level, business unit and individual performance. Group targets are set for the chief financial officer and chief executive officer. Divisional targets are set for the remainder of the executives based on the business unit under their control.

Details of the remuneration of all executive directors are set out below. The full remuneration details of all executive directors (including past executive directors) are set out in note 22 to the annual financial statements. 

	Basic remuneration/fees R'000	Settlement R'000	Bonus/incentive R'000	Leave encashment/other R'000	Car allowance R'000	Fringe benefit petrol R'000	Total 2018 R'000	Total 2017 R'000
Executive								
RM Buttle	3 111	–	2 500	–	144	40	5 795	322
AP Broodryk	1 520	–	750	–	80	28	2 378	–
L Lynch	936	1 864	–	374	84	1	3 259	4 443
JTT Ferreira	–	–	–	–	–	–	–	3 216
	5 567	1 864	3 250	374	308	69	11 432	7 981

Non-executive directors' fees

Non-executive directors are appointed to the board based on their ability to contribute competence, insight and experience appropriate to assisting the group to set and achieve its objectives. Non-executive directors receive fees for their services as directors and for services provided as members of board committees. Non-executive directors do not receive short-term incentives, nor do they participate in long-term incentive schemes.

Board fees comprise only a retainer fee and not an attendance fee. The level of fees paid to non-executive directors has been

Total emoluments to directors for the past financial year were as follows:

	Total 2018 R'000	Total 2017 R'000
Non-executive		
MM Dyasi	235	220
SS Mafoyane	235	220
DM Mncube	176	165
MG Mokoka	288	270
CS Seabrooke (appointed 1 April 2017)	174	41
MS Teke [^]	316	300
JR Winer	174	165
E van der Merwe (resigned 1 April 2017)	-	124
	1 598	1 505

[^] Mr Mike Teke, the chairman of the board, has an economic interest in MCIH Services Proprietary Limited. The company has a strategic management contract with Rolfes Holdings Limited and for the year was paid R801 000 (30 June 2017: R788 000).

Full details appear in note 22 of the annual financial statements on page 47. 

Share plan

In line with local and global best practice, the group adopted a conditional share plan, which was approved by shareholders on 10 April 2017, to incentivise, motivate and retain the right calibre of employees through the award of performance and retention shares, respectively.

On 5 December 2017, performance share awards were granted to RM Buttle amounting to 1 177 240 and AP Broodryk amounting to 706 344. In addition, performance share awards were allocated to various subsidiary management in line with the rules of the conditional share plan; the total of these awards being 2 250 000.

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Performance measure and corresponding vesting percentage

HEPS (subsidiaries – EBIT growth) (70% of shares awarded)
Group return on capital employed ("ROCE") (30% of shares awarded)

Threshold (30% vest)	Threshold (100% vest)
CPI + GDP + 1%	CPI + GDP +6%
Ave ROCE = WACC	Ave ROCE = WACC + 3%

On 20 February 2018, retention share awards were granted to RM Buttle amounting to 500 000 and AP Broodryk amounting to 450 000. In addition, retention share awards were allocated to various subsidiary management in line with the rules of the conditional share plan; the total of these awards was 1 800 000.

The requirement for retention shares to vest is for the manager to be in the employment of the group as at 20 February 2021.

No share grants had been issued as at 30 June 2017.

Interests of directors in share capital

The aggregate holdings of directors of the company and their immediate families in the issued ordinary shares of the company are detailed below.

	30 June 2018			30 June 2017		
	Direct beneficial	Indirect beneficial	Total	Direct beneficial	Indirect beneficial	Total
RM Buttle	–	1 000 000	1 000 000	–	–	–
AP Broodryk	225 000	100 000	325 000	–	–	–
MM Dyasi	–	–	–	–	–	–
SS Mafoyane	350	–	350	350	–	350
DM Mncube	–	3 333 333	3 333 333	–	3 333 333	3 333 333
MG Mokoka	20 173	80 994	101 167	20 173	80 994	101 167
CS Seabrooke	–	22 500 000	22 500 000	–	6 000 000	6 000 000
MS Teke	245 000	52 979 000	53 224 000	–	52 479 000	52 479 000
JR Winer*	–	–	–	–	–	–

* Mr Jarred Winer, a non-executive director on the board, is employed by Westbrooke Capital Management. The Westbrooke Capital Management Special Opportunities En Commandite Partnership, associated with Westbrooke Capital Management, holds 13 386 640 shares in Rolfes Holdings Limited (30 June 2017: 17 908 062).

Subsequent to the year-end and the date of approval of the annual financial statements on 17 September 2018, CS Seabrookes' indirect beneficial interest increased by 5 000 000 shares to 27 500 000. In addition AP Broodryk purchased 75 000 shares, MS Teke purchased 80 000 shares and JR Winer purchased 75 000 shares; all of these investments are directly beneficial.

Directors' loans

Directors have no loans with the company.

Interest of directors in contracts

The directors have certified that they had no material interest in any transaction of any significance with the company or any of its subsidiaries.

Dr MM Dyasi

Chairman of the remuneration committee

17 September 2018

NOMINATIONS COMMITTEE

REPORT for the year ended 30 June

The company's nominations committee ("the committee") meets annually. The chair of the board chairs the committee. The committee's duties and objectives, as mandated by the board allow it to discharge its board-delegated duties in keeping with its terms of reference. These duties are briefly set out in this report. The committee's key roles include the identification and evaluation of suitable candidates for appointment to the board as well as succession planning.

Composition, meetings and assessment

The committee consists of four non-executive directors as members, of which three are independent, namely SS Mafoyane, MM Dyasi and DM Mncube and chaired by non-independent, namely MS Teke.

The term of the committee is one year, and its composition and membership are reviewed annually by the board. Attendance at meetings is set out on page 25 .

The effectiveness of the committee, its chair and individual members is assessed annually.

Roles and responsibilities

The committee is satisfied that it has executed its responsibilities in keeping with the requirements of the Companies Act, the JSE Listings Requirements and the recommendations of the King IV Code, as well as its additional requirements prescribed by its terms of reference which have been endorsed by the board of directors.

Its key areas of responsibilities are to:

- assist the board in its responsibility for developing, setting, monitoring, reviewing, approving, implementing and administering nomination policies and practices, in line with the company's strategy
- identify eligible directors to be elected as members of the board and committees and recommend these individuals to the board for appointment when vacancies arise
- establish procedures to ensure that the selection of individuals for such recommendation is transparent,
- ensure compliance in the rotation of directors and make appropriate recommendations to the board in regard to the eligibility of retiring directors of the company for re-election
- review the board and board committees' structure, composition and size and the balance between executive and non-executive directors, the required mix of skills and experience of the directors annually and make recommendations to the board regarding any adjustments deemed necessary to enhance the effectiveness of the board and committees
- consider the positions of the chair of the board and the lead independent director and make recommendations thereon to the board annually
- assist the board and the chair of the board in reviewing the independence of non-executive directors and make recommendations to the board thereon on an annual basis
- ensure formal succession plans for the board, chief executive officer and senior management are developed and implemented.

The committee is satisfied that it has met the requirements of its terms of reference.

MS Teke

Chair of the board and nominations committee

17 September 2018