GROUP REMUNERATION POLICY

1. EXECUTIVE SUMMARY

The PPC Group Remuneration Policy aims to support the delivery of key business strategies and create a high performance culture across the business. The markets in which PPC operates continue to present various challenges for the business with an increased competitive landscape and war for talent. Retaining and motivating employees, while balancing the interests of key stakeholders including shareholders, remains a key focus in the business. The King IV ™ Report on Corporate Governance for South Africa 2016 (“King IV™”) new JSE Listing Requirements necessitated changes to the remuneration policy. These changes have been incorporated in this policy and will take effect from 1 April 2017.

2. POLICY OBJECTIVES

To support the achievement of PPC’s strategic intent and objectives through attracting, developing and retaining talented people by ultimately aligning remuneration and incentives with the overall Group strategy and shareholder interests.

3. SCOPE AND APPLICATION

This remuneration policy is the only remuneration policy (“the Policy”) which sets the broad Group remuneration philosophy and standards for all permanent employees of PPC Ltd.
The remuneration for all employees is broadly aligned to this Policy with specific reference to local requirements, regulations, statutory guidelines and labour legislation as amended from time to time. The non-South African subsidiary Boards remain responsible for local regulatory compliance, alignment to group remuneration principles and initiatives to their specific policies, where applicable. This Group Remuneration policy must be read and applied in conjunction with all other applicable remuneration and/or rewards policies, as amended from time to time.

4. KEY PRINCIPLES OF THE REMUNERATION POLICY

PPC recognises that one of the competitive sources of value is its employees, and believes that in order to meet the business objectives, the remuneration and reward policies and practices must be based on the following principles:

- Encourage organisational, team and individual performance
- Designed to drive a high performance culture and achieve strategic objectives
- Based on the premise that employees should share in the success of the company
- Be designed to attract, motivate and retain high calibre individuals with the optimum mixture of competencies
- Takes into account local industry; country specific and international benchmarks and practices of comparable companies of a similar size
- To promote an ethical culture and responsible corporate citizenship
- The remuneration of executive management is fair and responsible in the context of overall employee remuneration in the Company

- The performance conditions used in the variable pay structures support positive outcomes across the economic, social and environmental context in which the Company operates; and/or all the capitals that the Company uses or affects.

The remuneration policy is disclosed in the Company's annual remuneration report, as is explain below.

5. THE GROUP REMUNERATION COMMITTEE AND ITS ROLE

The Group Remuneration Committee ("the Committee") assists the Board in setting the PPC Group remuneration policy and assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis.

The Committee is responsible for approving the remuneration policy which provides guidance on fair, responsible and transparent remuneration. The Committee further oversee that the implementation and execution of the policy achieves the objectives of the policy and approves the remuneration packages of Directors, Prescribed Officers and top twenty earners. The other duties of the Committee is set out in the Committees Terms of Reference.

6. FAIR AND RESPONSIBLE REMUNERATION

PPC believes in fair pay practices for all its employees. PPC takes the following measures to ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration: In doing do the following could be considered:

- Lower increases to senior people versus lower staff
- It is not necessary to disclose the wage gap, but companies should be aware of internal pay ratios and for example the company's Gini coefficient compared to the National average
- Variable pay is subject to stretching performance conditions: pay for performance argument
- Expand on overall employee remuneration and other benefits that are for example offered to lower staff members

7. THE REMUNERATION FRAMEWORK

PPC's remuneration consists of fixed and variable components. Management employees are allowed to structure their total guaranteed pay (TGP) including benefits, whilst operational employees receive a basic salary structure plus benefits aligned with country norms. The variable components include short and long term incentives, and employee empowerment where applicable. In addition to the above, identified employees through the talent management process on long term PPC expatriate assignments also receive other allowances in line with PPC International Mobility Policy.

7.1 PACKAGE DESIGN AND REMUNERATION MIX

Remuneration consists of fixed and variable elements: Fixed pay is base pay and benefits (applicable to Grades C4 and below), and total guaranteed pay (applicable to Grades F4 to C5 and C4 Foremen). Variable pay comprises of the annual short-term incentive and long term incentives. Junior staff have a greater weighting towards fixed pay while at senior levels a portion of the total remuneration is at risk through variable pay.

7.2 MONTHLY PAY AND BENEFITS

- The Company generally pays remuneration at the median for executive directors and all other employees, aligned with the business job profiles.
- Monthly pay and benefits are targeted to be competitive for comparable roles in companies of similar complexity and size. Market data is used to benchmark salary and benefits and to inform decisions on salary adjustments. Input from the PPC Talent Board and succession planning process is also combined in this process.
- Salary increases are not guaranteed and are adjusted annually and are effective from 1 October each year based on market benchmarks, market inflation, company affordability and individual performance and at times to address market anomalies. Pro-rated adjustments will be considered for late joiners and for fixed term contracts converted to permanent contracts during a year of the salary increase, but no increases will be considered for new employees joining less than 3 months to annual review date.
- Interim or off cycle salary increases should not be made. Only in extreme cases (as approved by EXCO or REMCO) should interim or off cycle salary increases be considered. Should interim or off cycle salary increases be granted, it must be signed off by EXCO. For EXCO positions it must be approved and signed off by REMCO.
- Annual salary adjustments for all employees are reviewed and approved by the PPC Group Exco and Committee, as outlined in the Committee's terms of reference.
- From time to time professional advisers to supply benchmark information are appointed by the Committee in consultation with the HR.
- Employee benefits play an integral part in an employee's life. PPC Ltd offers a range of benefits for employees. All benefits are benchmarked regularly (where applicable) to ensure cost effectiveness as well as to ensure market related benefits are offered to staff. Benefits are geared to meet the challenges throughout an employees work cycle, from the time of employment to the time of retirement. All employee benefit offerings are subject to strict compliance with local legislation governing employee benefits.
- The Company uses the Paterson Classic grading system. Attention is paid to job evaluation and grading of roles throughout the Group to ensure equity and relative worth of roles to each other and within the Group to achieve the Group business vision and objectives. Grading of roles are not linked to any remuneration; rates of pay; benefits or rewards **(Refer to the Paterson Grading Table annexure 1)**

7.3 SHORT TERM INCENTIVE SCHEME (STI)

Short–term incentive payments aim to drive a high performance culture by considering personal; business units or subsidiaries and Group performance over a one year period (Group Financial Year). Non-SA subsidiaries participate in their own STI, if applicable. STI payments are not guaranteed and are only paid based on Group affordability and if Group performance measures and targets are above threshold and on final Group approval. Different subsidiaries across the business align to Group principles as and when any STI becomes payable or when targets are set.

The Group design principles include:

- Alignment – A maximum incentive bonus for each participant is expressed as a percentage of annual TGP or annual basic salary. An incentive bonus is calculated with reference to the overall business unit/ subsidiary and Group performance in line with strategy, covering financial and non-financial elements, and the personal performance (scorecard) for the participants. Factors include thresholds, targets and stretch targets.
- Performance – The STI operates on the basis of a linear multiplicative formula; this means that no incentive will be paid if all the threshold Company performance targets are not met and if a personal performance score of less than 50% is achieved.
- Retention – Participants must still be employed at the date of payment of the STI to qualify for the incentive payment. Incentive bonuses for participants who join, transfer, retire or are retrenched or become permanently disabled during the course of the financial year are pro-rated according to the time spent in a specific role.
- Good governance – targets and parameters are set in advance of the applicable financial year by the Committee. The STI will average at 60% of the maximum pay out value over a 5 year period cycle. Targets achieved are disclosed to the appropriate governance structures i.e. the main Board, subsidiary Boards, Shareholders, and Executive Committees as required by best practice disclosure. **(For current STI principles - refer to Annexure 2)**

7.4 <u>LONG TERM INCENTIVES (LTI)</u>

Long–term incentive rewards aim to attract, retain and develop key talent in the business. LTI awards are not guaranteed and are only made based on local market labour trends and benchmarks; business unit/ subsidiary affordability and paid if business unit/ subsidiary and Group performance measures and targets are above threshold. Different subsidiaries across the business align to Group principles as and when providing LTI incentives.

The design principles of LTIs are to:

- Attract, motivate and retain participants as part of a market competitive package and talent management strategy;
- Reward participants for medium to longer-term business unit/subsidiary and Group performance;
- Align with shareholder interests
- Country specific taxation and treasury legislation

To achieve the above principles the Company have, 2 LTI plans in place, namely a Share Appreciation Right Scheme (SAR Scheme) and a Forfeitable Share Plan (FSP): Depending on the requirements of the business and prevailing market practice, the Committee has the discretion to decide which awards will be offered to eligible employees. In the past a mix of SAR and FSP instruments were granted, but currently, the FSP is used.

Share Appreciation Right Scheme (SAR Scheme)

An equity-settled share appreciation rights scheme, adopted during April 2015. In terms of the SAR Scheme participants receive the appreciation in the value of a PPC share between the grant date and the exercise date in shares. In order for the SARs to vest, certain performance conditions must be met over a three year performance period. Once vested, SARs can be exercised up to a 3 year period following vesting; and;

Forfeitable Share Plan (FSP)

The FSP was introduced in 2011 and participants received a full share (with dividend and voting rights from the award date). The FSP provides for retention and performance shares. The shares are subject to disposal restrictions and the risk of forfeiture if employment is terminated prior to a three year vesting period.

Performance & retention awards

In the case of executive directors and prescribed officers, at least 75% and 50% respectively of the overall LTI award will comprise of awards with performance vesting conditions (Performance Awards), whilst no more than 25% of the overall award will comprise of awards without performance vesting conditions (Retention Awards). Less senior participants have a greater weighing towards Retention Awards. The mix between Performance and Retention Awards for all participants together with further details on the performance conditions, are set out in Annexure 3.

Eligibility

Participants on Patterson F4 to C5 and C4 Foremen and sales consultants on are eligible for long-term incentive awards, subject to approval by the Committee.

Legacy plans

Previously, the Company operated a cash-settled share appreciation right scheme, also known as the Long-term Incentive Plan ('LTIP') and a Restricted Share Scheme ('RSS'). No new awards will be made under these plans.

7.5 Employee Share Option Plans / Empowerment Arrangements

Should local legislation require the PPC Group or subsidiaries of the Group to enter into empowerment transactions leading to localised share ownership, the relevant and appropriate governance structures i.e. the main Board, subsidiary Boards, Shareholders, and Executive Committees etc. will facilitate such transactions as may be deemed appropriate to meet local legislation.

7.6 Payments on termination of office or employment

Payments on termination of office or employment is based on contractual obligations and employees are provided with an exit interview to express the reason for leaving and to provide the company with feedback on possible trends in the company. These trends are reported back to the business for analysis and to take appropriate action where required.

7.7 Sign-on, retention and restraint payments

Sign-on and retention bonuses are considered on a case by case basis and is approved by Executive management, as and when the need arises, to meet the business imperatives. Executive level employees have a standard restraint of trade provision in their employment contracts. If the company chooses to enforce the restraint clause, employees are compensated for the period that the restraint is exercised.

7.8 Commissions and allowances

The company operates a market benchmarked sales commission scheme. The scheme measures performance against set and agreed targets. Commissions are paid out quarterly. Targets are from time to time revenue or volume based. If sales targets are met, sales consultants receive 18% of their monthly basic pay on a quarterly basis. Should targets not be met, no commissions are payable. Targets and stretch targets are set encourage high performance and are reviewed on an annual basis.

From time to time the company allows for secondment and acting allowances in order to meet business imperatives. Special agreements are implemented to record the terms and conditions of these assignments.

7.9 Non-executive director fees

Fee approval

The chief executive officer recommends the non-executive director fee structures (which are currently exclusive of VAT) to the Committee for onward approval by the Board after obtaining input from its independent advisers. In this regard, the chief executive officer and the Committee rely on benchmark studies by its independent advisers based on the same comparator group used for executive directors' remuneration.

In selecting a comparator group, companies listed on the JSE are sized according to sector, EBITDA, total assets, turnover, number of employees and market capitalisation. Certain larger companies that are considered direct comparators are added to this list.

This recommended fee, upon review by the Board, is submitted to the AGM for approval by shareholders in terms of the Companies Act.

Fee structure

Non-executive director fees, including committee fees, comprise a retainer fee which may vary according to factors including the level of expertise required for each committee. The retainer fee is not split between a base fee and an attendance fee. Fees will therefore be paid regardless of non-attendance. The chairman of the board receives an all-inclusive retainer fee. In addition, an attendance fee for special meetings in excess of the scheduled number of meetings will be payable to all directors.

8. REMUNERATION POLICY WITHIN THE ANNUAL REMUNERATION REPORT, SHAREHOLDER ENGAGEMENT AND VOTING

The remuneration policy as published in Part 2 of the Group Annual Remuneration report is submitted annually to the shareholders at the annual general meeting for a non-binding advisory vote. The remuneration policy which appears in the remuneration report consists of a summary of the salient features of the Group policies relating to all elements of remuneration as applicable all employees in the Group and the detailed policies applicable to the executive directors, prescribed officers and non-executive directors. In addition, the implementation of the remuneration policy, as published in Part 3 of the Group Annual Remuneration Repot is also submitted to shareholders at the annual general meeting for a non-binding advisory vote.

The Committee will take the following measures in the event that 25% or more of the shareholders vote against the remuneration policy or implementation report:

The Committee will actively engage with its shareholders and will report on the outcomes of the discussions and measures adopted.

Annexure 1

Paterson Grade table

Paterson Classic	Paterson Modern	Decision Level	Employment Equity Levels-Department of Labour
A1	A	Defined Decisions	Unskilled and defined decision making
A2			
A3			
B1	B Lower	Discretionary, Operative, Sub-System or Automatic Decisions	Semi-skilled and discretionary decision making
B2			
B3			
B4	B Upper		
B5			
C1	C Lower	Skilled, Technical and Academically Qualified Employees, Junior Management, Supervisors, Foremen, Superintendents, Routine or Process Decisions	Skilled, Technical and Academically Qualified Employees: Junior Management, Supervisors, Foremen, Superintendents
C2			
C3			
C4	C Upper		
C5			
D1	D Lower	Professionally Qualified and Experienced Specialists, Middle Management, Interpretive Decisions	Professionally qualified and experienced specialists and mid- management
D2			
D3			
D4	D Upper		
D5			

E1	E Lower	Senior Management, Heads of Major Functions, Programming Decisions	Senior Management
E2			
E3			
E4	E Upper		
E5			
F1	F Lower	Top Management, Board Level, Policy Making Decisions	Top Management / Executives
F2			
F3	F Upper		
F4			
F5			

Annexure 2
STI measures (currently applicable)

STI formula

The STI operates on a multiplicative formula as follows:

Management

*Annual TGP x Category Max Bonus % x **Business unit / Subsidiary / Group Performance Factor x Personal Performance Factor

The financial and non-financial measures and weightings including thresholds, targets and stretch are approved by the Committee in respect of each financial year for the group.

- *Subsidiary/ Business unit and Group HR to clearly define Total Guaranteed Pay (TGP) build-up.
- ** Business unit / subsidiary performance factor is subject to final Group moderation and alignment

Operational staff (General Employees)

Annual Basic Pay x Category Max Bonus % x ** Business unit / Subsidiary / Group Performance Factor x Personal Performance Factor

Thresholds for operational staff are lower than management.

Maximum Bonus Percentage Per level - PPC Group and Subsidiary/Business Units
The maximum bonus expressed as a percentage of Annual TGP / Basic pay are as follows:

Category Description	Paterson Classic grade	% Multiplier of package	Cat %
General employees	A1– C4	4 months basic pay	33
Specialists / middle management/ foreman	C4 –D2	60% of Total Guaranteed Package	60

General Managers /Senior management /Group Heads / Country Exco and Operational HOD`s and team leaders	D3 – D4	70% of Total Guaranteed Package	70
	D5 - E1	90% of Total Guaranteed Package	90
Executives / Group Managers / Country MD`s and FD`s	D5 - E1	90% of Total Guaranteed Package	90
	E2- E5	100% of Total Guaranteed Package	100
Executive Directors / Managing Directors	F1-F2	110% of Total Guaranteed Package	110
	F3	120% of Total Guaranteed Package	120
	F4	140% of Total Guaranteed Package	140

Group performance measures and weightings

The performance measures and weightings for 2017 are as follows (example):

PERFORMANCE MEASURES	**WEIGHTING**
Financial measures (70%):	
EBITDA	30%
Normalised HEPS	20%
CCR ratio	20%
Non-financial measures (30%):	
Transformation (BBBEE Level)	10%
Sustainability (Environment – Dust/Carbon Emissions)	10%
Safety (LTIFR & Fatalities)	10%
Total	**100%**

Each of the above performance measures will have a threshold, target and stretch condition attached. A lower threshold has been set for operational staff to ensure less stretch before a bonus is paid, with the stretch target being commensurately lower.

Note: The performance measures and individual weightings (as per the example above) will be determined and approved by the Group board and subject to change annually.

Personal Performance Factor

The Personal Performance Factor has a performance range of 0% to maximum of 120% with personal performance less than (<) 50% will result in no incentive being paid. The following personal performance scores are currently used:

Performance descriptions	Performance range	Scale	Descriptors
Exceptional performers	101 – 120%	Significantly exceeds expectations	• Significantly and consistently exceeded expectations • Superior quality of work • No supervision needed to complete goals • Demonstrates in depth knowledge in delivering objectives • Results add significant value to the business
Strong Performers	91 – 100%	Exceeded expectations	• Consistently achieved and frequently exceeded goals and targets • Final results exceeded expectations • High quality work with high level of competence • Demonstrate the ability to take on responsibility and ace goals required • Little supervision to achieve deliverables
Full Performers	80 – 90%	Successfully met all expectations	• Achieved set goals and targets • Completed key tasks • Goals completed successfully • Quality of work related to goal met expectation

Performance descriptions	Performance range	Scale	Descriptors
			• Work is competent, achieved outcomes • Completed goal related to tasks with average or minimum supervision
Above average performers	61-79%	Met most expectations	• Completed most of the tasks to achieve the goal • Deliverables, goals and targets mostly met • Demonstrated most of the competencies needed for delivery • Work is competent and most outcomes were achieved • Required some supervision to achieve objectives.
Average Performers	50 – 60%	Met some expectations	• Completed some of the tasks to achieve the goal • Deliverables, goals and targets partially met • Work needs revision or adjustments to meet expectations • Demonstrated most of the competencies needed for delivery • Required some close supervision to achieve objectives
Poor Performers	0 – 49%	Did not meet expectations	• Did not complete key tasks and goals/targets • Deliverables not completed. • Work related to goals constantly need revision or adjustments. • Did not demonstrate competence and knowledge to achieve goals. • Poor quality and did not take responsibility to complete deliverables. • Needed close supervision

Annexure 3

LTI measures (currently applicable)

Award levels

Grade	New	Expected value of Retention FSP %	Expected value of Performance FSP %	Total	Old Peronmes grades
F4	85%	25%	75%	100%	CEO
F3	70%	25%	75%	100%	CFO
F2	60%	25%	75%	100%	MD
F1	50%	25%	75%	100%	Level 3 – F Band
E5	35%	50%	50%	100%	Level 3 - Other
E4	35%	50%	50%	100%	Level 3 - Other
E3	25%	60%	40%	100%	Level 4
E2	25%	60%	40%	100%	Level 4
E1	25%	60%	40%	100%	Level 4
D5	15%	70%	30%	100%	Level 5
D4	15%	70%	30%	100%	Level 5
D3	10%	80%	20%	100%	Level 6
D2	10%	80%	20%	100%	Level 6
D1	10%	80%	20%	100%	Level 6
C5	5%	100%	0%	100%	Level 7 & 8
C4	5%	100%	0%	100%	Level 7 & 8
C3	5%	100%	0%	100%	Level 7 & 8
C2	5%	100%	0%	100%	Level 7 & 8
C1	5%	100%	0%	100%	Level 7 & 8

Performance conditions for 2017:

- Absolute TSR (60% weighting)
- Relative TSR (40% weighting), measured against the INDI 25 JSE Industrial Index.

To mitigate market volatility in determining the applicable values at the onset and at vesting, a smoothing period should be applied and the end the values will be calculated as the average TSR daily index for the 20 trading days up to and including the start date of the performance period and the average TSR daily index for the 20 trading days up to and including the end date of the performance period.