# Remuneration report

## COMMITTEE CHAIRPERSON'S REPORT

I am pleased to present the Lewis Group Remuneration report, which sets out the Group's Remuneration policy and the Implementation report. The board, through the remuneration committee (the committee), continues to strive to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the Group's strategic, financial and operational objectives.

### Scope of report

The Remuneration report for the 2023 financial year covered the period up to 31 May 2023. Consequently, this year's report covers the period from 1 June 2023 to the date of this report, being 31 May 2024.

### Committee composition and meetings

The committee met on 12 March 2024 and 28 May 2024.

The composition of the committee was as follows:

| Director | Status |
|---|---|
| Prof. Fatima Abrahams | Independent non-executive director |
| Adheera Bodasing | Independent non-executive director |
| Brendan Deegan | Independent non-executive director |
| Daphne Motsepe | Independent non-executive director |
| Tapiwa Njikizana | Independent non-executive director |
| Hilton Saven | Independent non-executive director |

The Chief executive officer attends meetings at the invitation of the committee.

### Non-binding advisory votes

At the annual general meeting in October 2023, the Remuneration policy was endorsed by shareholders and received 96.6% of the votes cast, while the Implementation report received 83.4% support (92.3% and 93.6% respectively in 2022).

The main areas of focus for the committee during the year were as follows:

- Considered an executive remuneration survey conducted against comparable companies (mainly in the retail sector) performed by REM Solutions
- Considered and approved the total guaranteed pay for executive directors and the internal audit executive for the 2025 financial year
- Reviewed and approved the Remuneration and Implementation report included in the 2024 Integrated Report
- Set the Group's performance targets for all share incentive schemes, the cash-settled plan and cash-based performance bonus for the 2025 financial year
- Considered the measurement of the actual performance against targets for the 2024 financial year for the Lewis 2019 Executive Performance Scheme (2019 LEPS), the Lewis 2021 Executive Performance Scheme (2021 LEPS), Cash-Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP) and the Lewis 2022 Cash-Settled Executive Performance Scheme (2022 CSPP)
- Considered the measurement of the actual performance against targets for the 2024 financial year for the cash-based performance bonus.

The committee is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration policy have been met, without material deviation.

**Prof. Fatima Abrahams**
*Chairperson*

31 May 2024

# Remuneration report

## REMUNERATION POLICY

### Remuneration philosophy

Lewis Group strives to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the Group's strategic, financial and operational objectives. Key to the Group's remuneration philosophy is recognising employees' contribution to the success of the business. The growth and sustainability of the business is dependent on the Group's ability to attract, retain and motivate competent people.

### Remuneration principles

Remuneration practices are structured to encourage sustainable, long-term wealth creation through the following:

- Aligning remuneration practices with the Group's strategy
- Aligning executive reward systems with the interests of stakeholders
- Promoting a performance-based culture across the business
- Offering appropriate short-term and long-term performance-related rewards that are fair and achievable
- Attracting and retaining talented individuals in the furniture retail and financial services industries
- Rewarding, retaining and motivating talented people while still managing employment costs effectively.

### Remuneration governance

The board is accountable for the remuneration philosophy, policy and practices. Responsibility for oversight of the Group's remuneration policies and practices has been delegated to the committee.

The committee is chaired by an independent non-executive director, and the Chief executive officer attends meetings at the invitation of the committee. The committee may, at its discretion, invite other executives or external advisers to attend meetings, but no executive may be present during any discussion on their own performance or remuneration.

The responsibilities of the committee are as follows:

- Ensuring the Remuneration policy is aligned with the Group's strategic objectives and encourages superior individual performance
- Reviewing and approving compensation of executive management, executive and non-executive directors and the Internal audit executive
- Ensuring executive directors are equitably rewarded based on market trends, surveys, individual performance and contribution
- Reviewing incentive and bonus schemes to ensure continued alignment to the enhancement of shareholder value
- Approving the award of share incentives for equity and cash-settled schemes
- Approving the performance targets for the incentive and bonus schemes
- Ensuring employee benefits are suitably disclosed
- Recommending non-executive directors' fees for shareholder approval based on market information
- Ensuring practices are compliant with relevant legislation and regulation.

### Non-binding advisory vote

The Group's Remuneration policy and Implementation report are subject to non-binding advisory votes by shareholders at the AGM each year. This enables shareholders to express their views on the Remuneration policy and the implementation of the policy, and for the board to take these views into account.

In the event that either the Remuneration policy or the Implementation report are not adopted by a vote of at least 75%, the committee shall follow a shareholder engagement process and take proactive measures to address shareholders' concerns.

### Remuneration benchmarking

Remuneration is market-based and competitive owing to the portability of skills in the retail and financial services sectors. External remuneration surveys are used to benchmark executive and non-executive remuneration in comparable positions. Market surveys assist in ensuring executives are competitively rewarded in line with their performance and contribution. Remuneration packages are determined by considering market trends, the importance of a position relative to the Group's business, the required skills set, job specific expertise, performance and contribution of individuals.

### Remuneration structure

Remuneration is optimised through a combination of annual guaranteed pay, benefits, and short- and long-term incentives.

## Executive directors and senior management

The remuneration structure of executive directors and senior management is closely linked to the achievement of the Group's financial and operating targets, and is therefore closely aligned to the interests of shareholders.

Executive director and senior management remuneration packages comprise the following elements, with a significant portion of remuneration being performance-related:

1. Annual guaranteed pay.
2. Annual cash-based performance bonus.
3. Medium- and long-term share-based incentives.

The Chief executive officer and Chief financial officer have employment contracts which are subject to 24-month and 12-month notice periods from either party respectively.

### Annual guaranteed pay

Annual guaranteed pay includes a cash salary and company contributions to retirement and healthcare funding. Cash salaries are benchmarked against peers in comparable positions in similar companies. Salaries are reviewed annually by the committee and the level of increase is merit-based in relation to individual and Group performance, and also considers market pay movements. Increases are effective from 1 April, at the start of the financial year.

# Remuneration report

## Annual cash-based performance bonus

Executive directors and senior management participate in a performance bonus scheme which is linked to their salary. No portion of any participants' bonus is guaranteed. Bonus payments are based on Group performance relative to board-approved budgeted targets. In previous years, the Group bonus was based solely on net profit before tax. During this year, a broader approach was adopted and additional measures included, resulting in the following targets being applied:

- Revenue
- Gross profit margin
- Operating cost management
- Satisfactory paid customers
- Collection rates
- Net profit before taxation.

The individual performance of the executive directors and senior management is also evaluated against personal performance and bonuses are adjusted downwards where personal targets are not met.

The actual performance against the above targets for the 2024 financial year is disclosed on page 77. The above targets for the 2025 financial year are not disclosed as this is considered by the board to be market and price sensitive information.

The sustainability of the Group's business is critical in determining remuneration and performance targets and are designed to discourage increased risk taking by the executives.

The bonus conditions for executives in respect of the 2024 financial year are:

- Below 90% of target results, no bonus would accrue
- Between 90% and 100% of target, 25% of cash salary increasing *pro-rata* to 75% (for the Chief executive officer: 85%) of cash salary at 100% of target
- In the event of target results being exceeded by 6%, the bonus amount would result in a *pro-rata* increase from 75% (for the Chief executive officer: 85%) to 150% of cash salary (for the Chief executive officer: 170%) at 106%
- For the 2025 financial year, the bonus for the executive team will be based on total guaranteed pay and the Chief executive officer's bonus has been adjusted to 95% of total guaranteed pay at 100% of target, increasing to 190% at 106%. This was based on the recommendation of REM Solutions (*refer to page 77 on the Implementation report*).

## Annual cash-based performance bonus for executive directors and senior management

| Percentage of annual cash salary for performance bonus | Below threshold (<90% of target) | Between 90% and 100% of target | Between 100% and 106% of target |
|---|---|---|---|
| Chief executive officer, Chief financial officer and executive team | 0% | 25% increasing *pro-rata* to 75% (Chief executive officer – 85%) | 75% increasing *pro-rata* to 150% (Chief executive officer – 170%) |
| For 2025 financial year: Chief executive officer, Chief financial officer and executive team (based on total guaranteed pay, not annual cash salary) | 0% | 25% increasing *pro-rata* to 75% (Chief executive officer – 95%) | 75% increasing *pro-rata* to 150% (Chief executive officer – 190%) |
| Senior management | 0% | 12.5% to 17.5% increasing *pro-rata* to 25% to 35% | 25% to 35% increasing *pro-rata* to 50% to 70% |

The achievement of targets is reviewed by the committee before any incentive payments are made to executive directors. Bonuses are paid at the end of the first quarter of the following financial year.

## Medium- and long-term share-based incentives

Share incentive schemes are aimed at motivating executive directors and senior management to contribute to the long-term growth and sustainability of the Group, attracting and retaining talented people and aligning rewards with shareholder interests.

The Group's equity-settled share schemes are operated through the Lewis Employee Incentive Scheme Trust specifically for this purpose. Awards will only be paid if the participant is in the employ of the Group at the time of vesting, other than in the event of death, ill-health, retirement or retrenchment.

The Group has adopted cash-settled schemes from May 2019, which mirrors many of the terms and conditions of the equity-settled schemes operated through the Lewis Employee Incentive Scheme Trust. The main difference is that, instead of delivery of shares, the value of shares is paid in cash.

Participation in both the equity and cash-settled schemes is at the discretion of the committee and limited to the executive directors of Lewis Group and the directors, general managers and selected senior staff (executives) of Lewis Stores, the Group's main operating subsidiary. Awards are usually made annually in June. Special awards can be made when the committee deems it appropriate.

Incentive awards to the management group are split into two groups, those participating in the equity-settled schemes and the remainder in the cash-settled scheme. This will limit the shareholder dilution.

# Remuneration report

## Lewis 2022 Executive Retention Scheme

This scheme was approved at the annual general meeting held on 28 October 2022. The first awards are scheduled to be issued in June 2024. No awards were made under this scheme in 2023 as there was no annual cash-based performance bonus earned.

This scheme contains substantially the same terms as were contained in the Lewis 2019 Executive Retention Scheme, except that selected executives will be required to hold (or, additionally, provide an irrevocable undertaking to hold) a beneficial interest in respect of a prescribed number of company shares before such executive may be eligible to participate in the scheme. The remuneration committee believes that the introduction of such a qualification requirement will ensure even greater alignment between the interest of the executives and that of the company's shareholders.

The formula to be used to determine the qualification shares is as follows:

A = [(B x 12) x C]/D

where

A = the minimum number of qualifying shares;

B = monthly cash salary in the calendar month prior to the month in which the award is granted;

C = in respect of the Chief executive officer, C shall be equal to 2;

in respect of the Chief financial officer, C shall equal to 1.5; and

in respect of any other executive, C shall be equal to 1;

D = the market value of the shares, which shall be the average closing price of the shares over the last three business days during which shares were traded on the JSE prior to the relevant date determined by the remuneration committee.

The qualifying shares must be held as follows:

- Hold direct beneficial shares in Lewis Group, but which exclude invested shares which form part of the various retention schemes
- Provide an irrevocable undertaking for all or portion of the matching share options which can be exercised no later than six months after the beginning of the financial year in which the award is to be made and the invested shares related to that matching award, such that the shares subject to the undertaking will be transferred into the executive's name as a direct beneficial holding on vesting.

## Lewis 2019 Executive Retention Scheme (2019 LERS)

The first awards under the 2019 LERS were made on 28 August 2020. Currently, the outstanding awards made under this scheme are on 9 June 2021 and 6 July 2022. Note that no further awards under this scheme will be made as the scheme limits have been reached.

The 2019 LERS is aimed at retaining executives who play a key role in the operation of Lewis Group and can influence the performance of the business. The Lewis Group operates a cash-based performance bonus scheme in terms of which bonuses are determined and paid annually based on Lewis Group's performance relative to board-approved targets. Executives will be offered the opportunity to invest some of their net after tax annual performance bonus in the company's shares with the maximum percentage that can be invested in the scheme being set by the committee, which can be between 25% and 100% of the net bonus payable.

Executives will then elect the percentage of their net bonus to be invested in shares, subject to a minimum of 10% of their respective net bonuses and the maximum being the percentage of the bonus set by the remuneration committee for that participant. Shares are then purchased on the market on behalf of the executive. These invested shares are held on the executive's behalf in a nominee capacity for a period of three years, whereafter the registered ownership of the shares is transferred to the executive. These invested shares are exposed to normal market fluctuations like any other shareholder.

Where invested shares are acquired, the company issues matching share options to the executive at no consideration in a pre-determined ratio such that the value of the matching share option at the date of grant is equivalent to the percentage of the gross bonus which the executive elected to invest. As executives have already met the performance targets and/or standards determined by the committee, there are no additional performance criteria which are required to be complied with for exercise of the matching share options. The matching share options vest on the third anniversary of the date of grant of the matching share options, provided that the executive remains in the employ of the Lewis Group.

The trust will purchase shares for the purpose of the 2019 LERS on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of 1.5 million shares for purposes of the 2019 LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 600 000 shares over the lifetime of the 2019 LERS.

The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or an equivalent in money where shares have not been repurchased and cancelled where the executive:

- is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and failure to materially perform their duties;
- where the executive is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

## Lewis 2023 Executive Performance Scheme (2023 LEPS), Lewis 2021 Executive Performance Scheme (2021 LEPS) and Lewis 2019 Executive Performance Scheme (2019 LEPS) (collectively as "Executive Performance Schemes")

Under this section, we will deal with the Lewis 2023 Executive Performance Scheme, Lewis 2021 Executive Performance Scheme and the Lewis 2019 Executive Performance Scheme collectively as the terms and conditions for these schemes are substantially the same.

The Lewis 2023 Executive Performance Scheme was approved by shareholders at the AGM on 12 October 2023. No awards have been granted under this scheme yet.

The Lewis 2021 Executive Performance Scheme was approved by shareholders at the AGM on 22 October 2021. The awards granted under this scheme include short-term awards granted on 6 July 2022 and 5 June 2023 and long-term awards granted on 6 July 2022.

The Lewis 2019 Executive Performance Scheme was approved by shareholders at the AGM held on 25 October 2019. Currently, short-term awards made under this scheme include those on 9 June 2021, 6 July 2022 and 5 June 2023.

The purpose of the Executive Performance Schemes is to:

- motivate executives to continue to contribute to the growth and sustainability of the Lewis Group and to maintain a performance-oriented culture
- align executive rewards with the interests of stakeholders
- attract and retain talented individuals in the furniture retail and financial services industries; and
- offer appropriate short-term and long-term performance-related rewards that are fair and achievable.

Granting awards to executives provides them with the opportunity to acquire shares, thereby aligning the interests of the Lewis Group and its stakeholders.

Awards made under the Executive Performance Schemes offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee.

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The following types of awards may be granted in terms of the Executive Performance Schemes:

### Short-term awards

- Three-year awards which vest three years after the grant date.

### Long-term awards

- Four-year awards which vests as follows:
  - 50% on the third anniversary of the grant date.
  - The remaining 50% on the fourth anniversary of the grant date.
- Five-year awards which vests as follows:
  - One-third on the third anniversary of the grant date.
  - One-third on the fourth anniversary of the grant date.
  - The remaining third on the fifth anniversary of the grant date.
- Alternate awards on such vesting dates as the committee may determine. It is anticipated that this type of award will only be used in exceptional circumstances.

### Performance targets for short-term awards

Performance targets can either be set at the grant date for the entire performance period or for each financial year during the performance period, which shall be determined by the committee within three months after the commencement of each financial year or such later date as the committee may determine if extraordinary circumstances exist, as determined by the committee.

The committee shall select any or all of the following performance criteria for determining the performance targets in respect of short-term awards:

- Headline earnings per share;
- Quality of the debtors book
  - satisfactory paid accounts
  - debtor costs as a percentage of net debtors; and
- Gross margin.

### Performance targets for long-term awards

Performance targets will be set for the performance period as at the grant date. The performance criteria set by the committee shall be as follows:

- Headline earnings per share; and
- At least one of the following performance criteria:
  - return on average shareholders' equity
  - after tax return on average capital employed
  - before tax return on average capital employed
  - before tax return on average assets managed
  - gearing ratio.

### General

The committee has the discretion to determine what portion of an award shall relate to a particular performance target, such that if some, but not all of the performance targets are met, then only the specified portion shall vest. Furthermore, the committee has the ability to allocate a greater proportion of an award to performance targets which the executive has the ability to influence, having due regard to his/her employment responsibilities.

Performance targets may be adjusted where material changes (both positive and negative) have been made to accounting policies resulting from IFRS becoming effective after the grant date. The committee shall be entitled in exceptional circumstances (both positive and negative) to amend performance targets, having regard to all circumstances including, but not limited to, changes to international and national macroeconomic circumstances, the performance of the Lewis Group relative to the industry in which it operates, and any corporate actions undertaken by the Lewis Group during the relevant performance period.

The scheme allows for a vesting at certain percentages where the performance target has not been met. The table below sets out the percentages:

| | |
|---|---|
| Equal or greater than 100% of target | 100% vested |
| 97.5% to 100% of target | 25% vested |
| 95% to 97.5% of target | 10% vested |
| Less than 95% of target | No vesting |

The trust will purchase shares for the purpose of the Executive Performance Schemes on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of 1.75 million shares for the 2023 LEPS, 1.75 million shares for the 2021 LEPS and 2.25 million shares for purposes of the 2019 LEPS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 875 000 shares for the 2023 LEPS, 700 000 shares for the 2021 LEPS and 850 000 shares for 2019 LEPS over the lifetime of the schemes.

The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or an equivalent in money where shares have not been repurchased and cancelled where the executive:

- is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and failure to materially perform his/her duties;
- where the executive is accused of serious misconduct that would warrant dismissal, he/she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

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## Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP)

The committee approved an incentive plan which will operate on a similar basis as the 2019 LEPS described above, except for the following:

- It will be a cash-settled plan. This means that no shares are delivered, but the value of shares at date of vesting will be paid in cash. The performance targets in the CSLSPP plan are the same as that of the 2019 LEPS scheme
- Vesting is at 100% only, i.e. vesting only occurs when the performance targets are met. In other words, there is no vesting at all if the performance target is not met
- There is no clawback clause in the CSLSPP as there is in the 2019 LEPS scheme.

The outstanding awards under this scheme include those granted on 9 June 2021. With the introduction of the Lewis 2022 Cash-settled Executive Performance Plan, it is the intention of the committee not to grant any further awards under the CSLSPP and that all new awards will be under the Lewis 2022 Cash-settled Executive Performance Plan.

## Lewis 2022 Cash-Settled Executive Performance Plan (2022 CSPP)

The committee approved an updated cash-settled plan being the 2022 CSPP which is completely aligned with the 2023 LEPS, 2021 LEPS and 2019 LEPS other than the obvious requirement of a cash-settled plan to pay the value of shares in cash at date of vesting, rather than delivery of shares. The clawback clause and the layered vesting as in the 2023 LEPS, 2021 LEPS and 2019 LEPS, which were not in the CSLSPP, are now included in this plan. The outstanding awards under this plan are on 6 July 2022 and 5 June 2023.

It is the intention of the Group to continue to use the scheme to incentivise management and to eliminate the dilution of shareholders that is a consequence of equity-settled schemes. The Group will voluntarily disclose the number of notional shares issued under this plan and the CSLSPP to provide equivalent disclosure required for equity-settled schemes.

## Setting of performance targets

With respect to the bonus and share incentive schemes, targets are set in a rigorous manner, both for short-term and long-term targets. All targets are realistic stretch targets and are based on what is achievable at the time of setting the target.

For short-term targets, a budget for the next year is prepared. As a starting point, the company's budget is based on the prior year and is adjusted for all once-off items and other IFRS adjustments not likely to recur to arrive at a revised base, irrespective of whether the adjustment is positive or negative. Due to the nature of the business and the IFRS basis for preparing the financial statements, there are always a significant number of these adjustments on an annual basis. Using this revised base, assumptions of the main drivers of the company's growth, namely sales growth and collections, are added to form the basis of the new budget. These assumptions are subject to an assessment of the economic environment (in particular, the state of the consumer spending), the cyclical nature of the industry and company-specific factors at the time of setting the target.

For long-term targets, a five-year budget is prepared taking into consideration the long-term and medium-term targets of the company and the required returns of the shareholders.

The targets are set and approved by the remuneration committee prior to the annual audited results being released and are not changed during the performance period. Only once in the last nine years has an adjustment been made to a target, and this occurred in the 2020 financial year when the government imposed a hard Covid-19 lockdown which was deemed to be outside the control of management.

## Management

Managers and selected staff of Lewis Stores receive an annual guaranteed salary, which includes retirement and healthcare benefits. They may also participate in the annual performance bonus scheme and the medium- and long-term share-based incentive schemes described above, at the discretion of the committee. Salaries are reviewed annually and the level of increase is based on Group and individual performance.

## Staff

Staff receive a base salary, performance-linked incentives or a 13th cheque, retirement and healthcare funding. The Group subsidises membership of designated healthcare schemes in each of the countries in which it operates. Staff benefits include educational bursaries, discounts on staff purchases and low-cost funeral and personal accident insurance. Membership of one of the Group's retirement funds is compulsory for all permanent staff. Salaries are reviewed annually and the level of increase is based on Group and individual performance.

Salespersons earn a commission on gross profit once a gross profit threshold is exceeded. Operational management are incentivised on a balanced set of targets including sales, collections, debtor write-offs, stock management and expense control.

## Non-executive directors

Non-executive directors are paid a fee for their services as directors. In addition, fees are paid for serving on board committees. The fees are benchmarked externally against comparable companies and based on an assessment of the non-executive director's time commitment and increased regulatory and governance obligations.

In line with best governance and remuneration practice, non-executives do not participate in the Group's incentive schemes. None of the non-executive directors have service contracts with the Group.

The committee periodically performs detailed benchmarking exercises to ensure that the non-executive directors' remuneration is aligned to the market. The remuneration of non-executive directors is reviewed annually by the committee and recommended to shareholders for approval at the AGM.

# Remuneration report

## IMPLEMENTATION REPORT 2024

### Approvals granted by shareholders

The Group's Remuneration policy and Implementation report were proposed to shareholders for a non-binding advisory vote at the AGM on 12 October 2023. The Remuneration policy and Implementation report were endorsed by shareholders and received 96.6% and 83.4% support respectively as set out below:

| | Votes for % | | Votes against % | | Abstentions | |
|---|---|---|---|---|---|---|
| Resolution | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Approval of the company's Remuneration policy | **96.6** | 92.3 | **2.9** | 7.7 | **0.5** | 0.0 |
| Approval of the company's Implementation report | **83.4** | 93.6 | **16.1** | 6.4 | **0.5** | 0.0 |

Shareholders also approved the fees payable to non-executive directors for the 2024 financial year by a vote of 96.1%.

### Annual salary increase

The average staff increase, excluding unionised staff, was 5.5% for April 2024 (2023: 6.5%). Increases for senior management and executives were merit-based and averaged 6.4% in April 2024 and 6% in April 2023. Increases as a result of promotions were excluded from these averages.

### 2024 remuneration benchmarking survey

A detailed remuneration benchmarking survey was conducted for the executives in 2024 by remuneration specialists, REM Solutions who were appointed on the recommendation of the remuneration committee. The scope of the remuneration survey was to benchmark the total guaranteed pay, short- and long-term incentives, remuneration mix and performance levels in relation to short-term incentives with a peer group which included mainly listed retail companies. A review of non-executive directors' fees was also included.

The recommendations of the above survey were as follows:

- The total guaranteed pay of the Chief executive officer was below the peer group. With respect to the other executives, their guaranteed pay was in line with the market.
- The cash-based performance bonus should be based on total guaranteed pay to align with the market. The committee agreed to implement this recommendation.
- The cash-based performance bonus scheme for the Chief executive officer was below market. The committee increased the Chief executive officer's cash-based performance bonus for the 2025 financial year to 95% at 100% of target and 190% at 106% of target. With respect to the other executives, the bonus level is considered comparable to the peer group.
- Share awards under the executive performance schemes to be granted on guaranteed pay as opposed to cash salaries to align with the market. This recommendation will be implemented for the awards to be granted in June 2024.
- A review of the non-executive pay indicated that the level of non-executive remuneration was in line with the peer group with the exception of the non-executive director base fees and the fees for the risk committee. Adjustments have been made to these fees to more closely align with the peer group. This will be presented for approval of shareholders at the AGM to be held in October 2024.

### Annual cash-based performance bonus scheme

A broader approach using multiple targets has been adopted. The comparison of actual performance against targets is set out below:

| Measure | Targets | Actual achieved | |
|---|---|---|---|
| Revenue | ≥ R8 166 million | R8 240 million* | Achieved |
| Gross profit margin | ≥ 40.6% | 43.1% | Achieved |
| Operating costs | ≤ R3 737 million | R3 590 million* | Achieved |
| Satisfactory paid customers | ≥ 77.0% | 81.3% | Achieved |
| Collection rates | ≥ 78.0% | 79.7% | Achieved |
| Profit before tax | ≥ R506 million | R559 million* | Achieved |

* *Before IFRS 17 adjustments as these were not included in targets*

The profit before taxation target was exceeded by 10.5% and consequently, the remuneration committee agreed that executives and senior management be paid maximum cash bonuses.

### Lewis 2019 Executive Retention Scheme

This scheme was approved at the general meeting on 25 October 2019. The 2019 LERS allows executives to invest their net cash bonus in Lewis Group shares and the company issues matching share options to executives at no cost. The matching share options vest on the third anniversary, subject to the executive still being in the employ of the company. The details of the outstanding awards as at 31 May 2024 are reflected below:

| Year | Vesting date | Average share price of award | Total shares purchased for executives | Total matching share awards |
|---|---|---|---|---|
| July 2022 Awards | 06/07/2025 | R48.67 | 299 142 | 543 894 |
| June 2021 Awards | 09/06/2024 | R33.60 | 231 417 | 420 759 |

Awards to be granted in June 2024 have been approved by the remuneration committee and these will be announced on SENS at the appropriate time.

### Executive Performance Schemes
### Short-term awards – three-year awards

The performance targets are set by the remuneration committee at the beginning of each of the three years and are based on a weighting set for each executive, depending on their employment responsibilities, of the following:

- Headline earnings per share
- Quality of the debtors book
  - Level of satisfactory paid customers
  - Debtor costs as a percentage of net debtors
- Gross margin

The committee has also approved the new short-term awards under these schemes to be granted in June 2024. An appropriate SENS announcement will be made at the time.

Below are the targets that were set for the 2021 LEPS and 2019 LEPS schemes which are all performance-related schemes. For details of these schemes, refer to the Remuneration policy.

#### 2024 financial year

For the 2024 financial year, all the targets for the respective measures except for debtor costs as a percentage of net debtors, were met as set out below:

| | 2024 Target | 2024 Actual | 2024 Award |
|---|---|---|---|
| Headline earnings per share | 680.8 cents | 924.6 cents | Achieved |
| Quality of the debtors book | | | |
| – Level of satisfactory paid customers | ≥ 77.0% | 81.3% | Achieved |
| – Debtor costs as percentage of net debtors | ≤ 15.5% | 17.6% | Not achieved |
| Gross profit margin | ≥ 40.6% | 43.1% | Achieved |

# Remuneration report

## Prior years

The targets and actual results for the prior years are as follows:

2023 TARGETS

| | 2023 Target | 2023 Actual | 2023 Award |
|---|---|---|---|
| Headline earnings per share | 789.3 cents | 856.9 cents | Achieved |
| Quality of the debtors book | | | |
| – Level of satisfactory paid customers | ≥ 76.0% | 80.4% | Achieved |
| – Debtor costs as percentage of net debtors | ≤ 13.5% | 12.3% | Achieved |
| Gross profit margin | ≥ 40.5% | 40.6% | Achieved |

2022 TARGETS

| | 2022 Target | 2022 Actual | 2022 Award |
|---|---|---|---|
| Headline earnings per share | 550.5 cents | 848.7 cents | Achieved |
| Quality of the debtors book | | | |
| – Level of satisfactory paid customers | ≥ 72.0% | 79.0% | Achieved |
| – Debtor costs as percentage of net debtors | ≤ 14% | 12.3% | Achieved |
| Gross margin | ≥ 40.5% | 40.5% | Achieved |

2021 TARGETS

| | 2021 Target | 2021 Actual | 2021 Award |
|---|---|---|---|
| Headline earnings per share | 315.9 cents | 616.5 cents | Achieved |
| Quality of the debtors book | | | |
| – Level of satisfactory paid customers | ≥ 67.0% | 74.4% | Achieved |
| – Debtor costs as percentage of net debtors | ≤ 15% | 14.3% | Achieved |
| Gross margin | ≥ 40.0% | 41.8% | Achieved |

## Long-term awards – five-year awards

A long-term award being a five-year award was granted to executives on 6 July 2022 under the Lewis 2021 Executive Performance Scheme, details which are set out below.

As required by the scheme rules, the performance target for long-term awards are set at the grant date for the whole period of the award. The five-year award has three vesting dates being: the third anniversary of the grant (6 July 2025), the fourth anniversary (6 July 2026) and the fifth anniversary (6 July 2027). One-third of the award shall vest at each vesting date, subject to the performance targets below.

The performance targets are based on weightings of the following:

- Return on average shareholders' equity (ROE), weighted at 50%
- Headline earnings per share (HEPS), weighted at 30%; and
- Gearing ratio, weighted at 20%.

The performance targets at each vesting date are as follows:

| Measure | Third anniversary | Fourth anniversary | Fifth anniversary |
|---|---|---|---|
| ROE | 13.6% | 14.2% | 15.0% |
| HEPS (cents) | 1 240 | 1 425 | 1 654 |
| Gearing ratio | 50% | 50% | 50% |

## Lewis 2021 Executive Performance Scheme

Awards made under the 2021 LEPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. This scheme's rules have been detailed in the Remuneration policy. The outstanding awards under this scheme are as follows:

| Lewis 2021 Executive Performance Scheme | 2022 Share Award | 2023 Share Award | Total Share Awards |
|---|---|---|---|
| Share price at award date | R48.77 | R39.43 | |
| | Number of shares | Number of shares | |
| Three-year awards | 226 518 | 425 709 | 652 227 |
| Forfeitures – staff leaving | – | – | – |
| Forfeitures – non-performance | – | – | – |
| Shares vested | – | – | – |
| Total three-year awards | 226 518 | 425 709 | 652 227 |
| Five-year awards | 464 461 | – | 464 461 |
| Total forfeitures – staff leaving | (53 783) | – | (53 783) |
| Forfeitures – non-performance | – | – | – |
| Shares vested | – | – | – |
| Total five-year awards | 410 678 | – | 410 678 |
| **Share awards – 31 March 2024** | **637 196** | **425 709** | **1 062 905** |

*Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year*

# Remuneration report

## Lewis 2019 Executive Performance Scheme (2019 LEPS)

Awards made under the 2019 LEPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. This scheme also provides for a clawback clause and vesting at certain percentages when performance targets are not met. The remuneration committee approved the granting of the first awards under this scheme on 28 August 2020.

The outstanding awards under this scheme are as follows:

| Lewis 2019 Executive Performance Scheme | 2020 Share Award | 2021 Share Award | 2022 Share Award | 2023 Share Award | Total Share Awards |
|---|---|---|---|---|---|
| Share price at award date | R17.30 | R33.47 | R48.77 | R39.43 | |
| | Number of shares | Number of shares | Number of shares | Number of shares | |
| Three year awards | 1 148 374 | 549 496 | 257 722 | 150 670 | 2 106 262 |
| Forfeitures – staff leaving | (49 843) | (47 451) | (53 783) | – | (151 077) |
| Forfeitures – non-performance | – | – | – | – | – |
| Shares vested | (1 098 531) | (23 725) | | | (1 122 256) |
| **Share awards – 31 March 2024** | **–** | **478 320** | **203 939** | **150 670** | **832 929** |

*Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year*

## Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan

As noted above, this plan operates on the same basis as the 2019 LEPS, except for the following:

- It will be a cash-settled scheme. This means that no shares are delivered, but the value of shares at date of vesting will be paid in cash. The performance targets in the CSLSPP plan are the same as that of the 2019 LEPS scheme
- Vesting is at 100% only, i.e. vesting only occurs when the performance targets are met. In other words, there is no vesting at all if the performance target is not met; and
- There is no clawback clause in the CSLSPP plan as there is in the 2019 LEPS scheme.

The outstanding awards under this scheme are as follows:

| Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan | 2020 Notional Share Award | 2021 Notional Share Award | Total Notional Share Awards |
|---|---|---|---|
| Share price at award date | R17.30 | R33.47 | |
| | Number of shares | Number of shares | Number of shares |
| Three-year awards | 1 037 873 | 529 439 | 1 567 312 |
| Total forfeitures – staff leaving | (24 530) | | (24 530) |
| Total forfeitures – non-performance | | | – |
| Shares vested | (1 013 343) | | (1 013 343) |
| **Shares remaining – 31 March 2024** | **–** | **529 439** | **529 439** |

*Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year*

Below is a table setting out the movements for 2024 and 2023 financial years (i.e. from 1 April to 31 March):

| Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan | 2024 | 2023 |
|---|---|---|
| Beginning of year | **1 530 517** | 2 522 635 |
| Granted | **–** | – |
| Forfeited | **–** | – |
| Vested | **(1 001 078)** | (992 118) |
| **End of year** | **529 439** | 1 530 517 |

## Lewis 2022 Cash-Settled Executive Performance Plan

As noted above, this scheme operates on the same basis as the 2023 LEPS, 2021 LEPS and 2019 LEPS described above, except that it is a cash-settled scheme, which means that no shares are delivered, but the value of shares at date of vesting will be paid in cash.

The committee has approved new short-term awards under this plan to be granted in June 2024.

The outstanding awards under this scheme are as follows:

| Lewis 2022 Cash-Settled Executive Performance Plan | 2022 Notional Share Award | 2023 Notional Share Award | Total Notional Share Awards |
|---|---|---|---|
| Share price at award date | R48.77 | R39.43 | |
| | Number of shares | Number of shares | Number of shares |
| Three-year awards | 437 713 | 605 516 | 1 043 229 |
| Total forfeitures – staff leaving | | | – |
| Total forfeitures – non-performance | | | – |
| Shares vested | | | – |
| **Shares remaining – 31 March 2024** | **437 713** | **605 516** | **1 043 229** |

*Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year*

Below is a table setting out the movements for 2024 and 2023 financial years (i.e. from 1 April to 31 March):

| Lewis 2022 Cash-Settled Executive Performance Plan | 2024 | 2023 |
|---|---|---|
| Beginning of year | **437 713** | **–** |
| Granted | **605 516** | 437 713 |
| Forfeited | **–** | – |
| Vested | **–** | – |
| **End of year** | **1 043 229** | 437 713 |

# Remuneration report

## Summary of all equity-settled awards as at 31 March 2024

| 2024 | Lewis 2019 Executive Retention Scheme | Lewis 2021 Executive Performance Scheme | Lewis 2019 Executive Performance Scheme |
|---|---|---|---|
| Beginning of year | 1 213 734 | 637 196 | 1 681 104 |
| Granted | | 425 709 | 150 670 |
| Forfeited | | | |
| Vested | (249 081) | | (998 845) |
| **End of year** | **964 653** | **1 062 905** | **832 929** |
| Maximum awards available over the life of the scheme | 1 500 000 | 1 750 000 | 2 250 000 |
| Utilised for the scheme to date | 1 273 759 | 1 062 905 | 1 955 185 |
| **Invested shares** | **530 559** | | |
| **2023** | | | |
| Beginning of year | 774 927 | – | 1 697 870 |
| Granted | 579 241 | 690 979 | 257 722 |
| Forfeited | (81 262) | (53 783) | (151 077) |
| Vested | (59 172) | – | (123 411) |
| End of year | 1 213 734 | 637 196 | 1 681 104 |
| Maximum awards available over the life of the scheme | 1 500 000 | 1 750 000 | 2 250 000 |
| Utilised for the scheme to date | 1 273 759 | 637 196 | 1 804 515 |
| Invested shares | 667 957 | | |

## Shareholder dilution

As at 31 March 2024, the maximum potential dilution is 2 860 487 shares, i.e. 5.4% of issued share capital. The dilution as calculated in terms of IAS 33 to determine the diluted weighted average shares in issue is 1 737 883 shares taking into consideration the number of shares that could be acquired at fair value less the number of shares that would be issued on the vesting of the awards.

## Executive directors' remuneration disclosure per 2024 financial year

| | | | J Enslin (CEO) | | | J Bestbier (CFO) | |
|---|---|---|---|---|---|---|---|
| **Executive director's remuneration** | **Number of shares** | **Share Price** | **2024 R000's** | 2023 R000's | **Number of shares** | **2024 R000's** | 2023 R000's |
| **Cash remuneration** | | | | | | | |
| Total guaranteed pay | | | **7 120** | 6 551 | | **4 000** | 3 730 |
| Cash performance bonus | | | **–** | 7 035 | | **–** | 4 306 |
| **Total GP and CPB** | | | **7 120** | 13 586 | | **4 000** | 8 036 |
| **Share awards** | | | | | | | |
| **LERS – matching award** | | | **3 731** | 5 768 | | **2 325** | 3 499 |
| – Face value of award | 102 147 | 17.171 | **1 754** | 3 825 | 63 635 | **1 093** | 2 320 |
| – Share price performance | 102 147 | 19.359 | **1 977** | 1 943 | 63 635 | **1 232** | 1 179 |
| **LSPS – three-year award** | | | **17 296** | | | **10 668** | |
| – Face value of award | 438 977 | 14.90 | **6 541** | | 270 771 | **4 034** | |
| – Performance criteria | | | | | | | |
| – Share price performance | 438 977 | 24.50 | **10 755** | | 270 771 | **6 634** | |
| **CSLSPP – three-year award** | | | | 9 109 | | | 5 650 |
| – Face value of award | | | | 6 254 | | | 3 879 |
| – Performance criteria | | | | | | | |
| – Share price performance | | | | 2 855 | | | 1 771 |
| **Total share awards** | | | **21 027** | 14 877 | | **12 993** | 9 149 |
| **Total earned remuneration** | – | – | **28 147** | 28 463 | | **16 993** | 17 185 |

# Remuneration report

## Non-executive directors' fees

| (R'000) | Directors' fees | Audit committee member | Risk committee member | Remuneration committee member | Nomination committee member | SET committee member | Monarch directors' fees | Monarch audit and risk committee member | Total non-executive directors fees |
|---|---|---|---|---|---|---|---|---|---|
| **2024** | | | | | | | | | |
| H Saven | **825*** | **160** | **112** | **89** | **124*** | **88** | **305*** | **91** | **1 794** |
| F Abrahams | **364** | **160** | **112** | **179*** | **53** | **179*** | **213** | **184*** | **1 444** |
| A Bodasing | **364** | **160** | **112** | **89** | **53** | | | | **778** |
| B Deegan | **364** | **160** | **112** | **89** | **53** | | **213** | **91** | **1 082** |
| D Motsepe | **364** | **374*** | **179*** | **89** | **53** | **88** | | | **1 147** |
| T Njikizana | **364** | **160** | **112** | **89** | **53** | | | | **778** |
| **Total** | **2 645** | **1 174** | **739** | **624** | **389** | **355** | **731** | **366** | **7 023** |
| 2023 | | | | | | | | | |
| H Saven | 800* | 148 | 103 | 82 | 113* | 81 | 285* | 85 | 1 697 |
| F Abrahams | 364 | 148 | 103 | 165* | 48 | 165* | 199 | 172* | 1 364 |
| A Bodasing | 356 | 148 | 103 | 82 | 48 | | | | 737 |
| B Deegan[(1)] | 219 | 94 | 65 | 52 | 31 | | 125 | 53 | 639 |
| D Motsepe | 367 | 345* | 165* | 82 | 48 | 81 | | | 1 088 |
| T Njikizana | 356 | 148 | 103 | 82 | 48 | | | | 737 |
| **Total** | 2 462 | 1 031 | 642 | 545 | 336 | 327 | 609 | 310 | 6 262 |

*(1) Appointed 15 August 2022*
** Chairperson*

## Proposed non-executive director fees for 2025

| Board/committee position (R'000) | % Increase | Proposed fees for 2025 | Fees earned for 2024 |
|---|---|---|---|
| Non-executive chairperson | 8.5 | 910 | 839 |
| Non-executive director | 10.8 | 410 | 370 |
| Audit committee chairperson | 6.1 | 403 | 380 |
| Audit committee member/invitee | 6.1 | 173 | 163 |
| Risk committee chairperson | 12.1 | 204 | 182 |
| Risk committee member | 12.3 | 128 | 114 |
| Remuneration committee chairperson | 6.0 | 193 | 182 |
| Remuneration committee member | 6.7 | 96 | 90 |
| Nomination committee chairperson | 6.3 | 134 | 126 |
| Nomination committee member | 8.4 | 58 | 54 |
| Social, ethics and transformation committee chairperson | 6.0 | 193 | 182 |
| Social, ethics and transformation committee member | 6.7 | 96 | 90 |

## Directors' interest

At 31 March 2024, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| H Saven | | **6 440** | | 6 440 |
| J Bestbier | **236 034** | **91 584** | 126 573 | 126 583 |
| J Enslin | **697 258** | **149 088** | 581 077 | 205 269 |
| | **933 292** | **247 112** | 707 650 | 338 292 |