

06

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 2021 financial year covered the period to 15 June 2021. Consequently, this year's report covers the period from 16 June 2021 to the date of this report, being 15 June 2022.

Committee composition and meetings

The committee met on 18 March 2022 and 24 May 2022.

The composition of the committee was as follows:

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Non-executive director
Daphne Motsepe	Independent non-executive director
Tapiwa Njikizana	Independent non-executive director
Hilton Saven	Independent non-executive director
Duncan Westcott	Independent non-executive director (deceased 19 August 2021)

The chief executive officer (CEO) attends meetings at the invitation of the committee.

Non-binding advisory votes

At the annual general meeting (AGM) in October 2021, the Remuneration Policy was endorsed by shareholders and received 85.6% of the votes cast while the Implementation Report received 85.4% support (93.0% and 56.0% respectively in 2020).

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

- Considered and approved the total guaranteed pay for executive directors and the internal audit executive for the 2023 financial year
- Oversaw a remuneration benchmarking survey which benchmarked executive remuneration to a peer group of listed retailers
- Reviewed and approved the Remuneration Policy and Implementation Report included in the 2022 Integrated Report
- Set the Group's performance targets for all share incentive schemes, the cash-settled plan and cash-based performance bonus for the 2023 financial year
- Considered the measurement of the actual performance against targets for the 2022 financial year for the Lewis Long-Term and Short-Term Executive Performance Scheme (LSPS), 2019 Executive Performance Scheme (2019 LEPS) and Cash-Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP)
- Considered the measurement of the actual performance against targets for the 2022 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

15 June 2022



06

REMUNERATION  
REPORT

CONTINUED

## 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 CEO 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 individual 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.
- Setting 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 CEO and chief financial officer (CFO) have service contracts and 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.

### Annual cash-based performance bonus

Executive directors and senior management participate in a performance bonus scheme which is linked to their base salary. No portion of any participant's bonus is guaranteed. Bonus payments are based on Group performance relative to board-approved budgeted targets. The performance of the executive directors and senior management is evaluated against all or some of the following financial and operating targets:

- Revenue growth.
- Merchandise sales growth.
- Gross profit margin.
- Operating cost management.
- Debtor cost management and debtor performance.
- Net profit before taxation.
- Headline earnings per share.

The targets for revenue growth, merchandise sales growth, net profit before taxation and headline earnings per share are not disclosed as this is considered by the board to be market and price-sensitive information. The performance against the targeted net profit before tax is disclosed on page 106.

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

Bonus conditions for executives in respect of the 2022 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 50% 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 50% to 100% of cash salary at 106%; and
- in the event of target results being exceeded by 10%, the committee has the discretion to increase the bonus of directors to a maximum of 150% of cash salary.

As a consequence of the remuneration benchmarking survey taken this year, refer page 98, the bonus conditions for the executives have been amended for the 2023 financial year as follows:

- 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 CEO – 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 CEO – 85%) to 150% (for the CEO – 170%) of cash salary at 106% of target.

### 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	Maximum (>110% of target)
CEO, CFO and executive team 2022 financial year	0%	25% increasing <i>pro rata</i> to 50%	50% increasing <i>pro rata</i> to 100%	100% increasing <i>pro rata</i> to 150%
CEO, CFO and executive team 2023 financial year	0%	25% increasing <i>pro rata</i> to 75% (CEO – 85%)	75% increasing <i>pro rata</i> to 150% (CEO – 170%)	N/A
Senior management	0%	12.5% to 17.5% increasing <i>pro rata</i> to 25% to 35%	25% to 35% increasing <i>pro rata</i> to 50% to 70%	N/A

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.



06

REMUNERATION  
REPORT CONTINUED

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

Share incentive schemes are aimed at motivating the 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 Share Incentive Scheme Trust (the 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 adopted a cash-settled scheme in May 2019, which mirrors many of the terms and conditions of the equity-settled schemes operated through the 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.

### Lewis 2019 Executive Retention Scheme (2019 LERS)

The first awards under the 2019 LERS were made on 28 August 2020. Currently, the outstanding awards as at 15 June 2022 made under this scheme are on 28 August 2020 and 9 June 2021.

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. 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 a portion 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 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 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;
- 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 Executive Retention Scheme (LERS)

The only outstanding award under the LERS was made on 30 June 2019.

The terms of the scheme are substantively the same as the 2019 LERS, except for the following clauses that are included in the 2019 LERS, but not in the LERS scheme:

- The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the committee, with the minimum percentage being 25% and the maximum percentage being 100%.
- 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;
  - 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.

The company will utilise a maximum of 1 million shares for purposes of the LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 400 000 shares over the lifetime of the LERS.

### Lewis 2019 Executive Performance Scheme (2019 LEPS)

This scheme was approved by shareholders at the AGM held on 25 October 2019. Currently, short-term awards made under this scheme include those on 28 August 2020 and 9 June 2021.

The purpose of the 2019 LEPS 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 provide them with the opportunity to acquire shares, thereby aligning the interests of the Lewis Group and its stakeholders.

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. The following types of awards may be granted in terms of the 2019 LEPS:

#### Short-term awards

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

#### Long-term awards

- Four-year awards which vest 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 vest 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
- Gross margin

06

REMUNERATION  
REPORT

CONTINUED

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

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 was not 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 2019 LEPS 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 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 850 000 shares over the lifetime of the 2019 LEPS.

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;
- is accused of serious misconduct that would warrant dismissal, he/she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

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

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

- It will be a cash-settled scheme. This means that no shares are delivered, but the value of shares at the date of vesting will be paid in cash. The performance targets in the CSLSPP scheme are the same as that of the 2019 LEPS.
- 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 scheme as there is in the 2019 LERS.

The CSLSPP will be aligned with the 2019 LEPS by including the vesting and clawback clauses in the 2019 LEPS scheme before the next awards are made. In other words, the schemes will be identical other than the fact that the CSLSPP will be a cash-settled scheme whereas the 2019 LEPS will be an equity-settled scheme.

The first awards were made on 30 June 2019. 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 the scheme to provide equivalent disclosure required for equity-settled schemes.

Lewis 2021 Executive Performance Scheme (2021 LEPS)

Shareholders approved this scheme at the AGM held on 22 October 2021. The terms and conditions of this scheme are the same as the 2019 LEPS.

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, fair value adjustments and significant accounting judgements, estimates 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 seven years has an adjustment been made to a target and this occurred in the 2020 financial year when 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 commission level 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. Non-executive director Adheera Bodasing previously provided consulting services to Lewis Stores through Polarity Consulting. These services were ended in 2021, and Adheera commenced a two-year 'cooling-off' period before she can be classified as an independent non-executive director.

The committee benchmarked the Group's non-executive directors' fees to PricewaterhouseCoopers and Willis Towers Watson surveys for non-executive director fees. The conclusion was that the non-executive fees were market-related except for the chairman's fee. Accordingly, the fee payable to the chairman in respect of his duties as chairman has been increased to bring him closer to a market-related level.

The remuneration of non-executive directors is reviewed annually by the committee and recommended to shareholders for approval at the AGM.

06

REMUNERATION  
REPORTCONTINUED

### IMPLEMENTATION REPORT 2022

#### Approvals granted by shareholders

The Group's Remuneration Policy and Implementation Report were proposed to shareholders for non-binding advisory votes at the AGM on 22 October 2021. The Remuneration Policy and Implementation Report were endorsed by shareholders and received 85.6% and 85.4% support respectively:

Resolution	Votes for (%)		Votes against (%)		Abstentions (%)	
	2021	2020	2021	2020	2021	2020
Approval of the company's Remuneration Policy	85.6	93.0	7.3	5.9	7.1	1.1
Approval of the company's Implementation Report	85.4	56.0	7.5	42.9	7.1	1.1

Shareholders also approved the fees payable to non-executive directors for the 2022 financial year by a vote of 87.7%.

#### Annual salary increase

The average staff increase, excluding unionised staff, was 6% for April 2022 (2021: 4%). Increases for senior management and executives were merit-based and averaged 9% in April 2022 and 6% in April 2021. Increases as a result of promotions were excluded from these averages.

#### Remuneration benchmarking survey

A detailed remuneration benchmarking survey was conducted for the executives this year by remuneration specialists, Rem Solutions. Rem Solutions was appointed on the recommendation of the 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.

The remuneration survey concluded the following:

- The total guaranteed pay was on the low end of the peer group and certain executives were well below the 50th percentile for the peer group.
- The performance level and target measures with respect to the short-term and long-term incentives are appropriate except for the following:
  - The performance level was set slightly below the peer group for short-term incentives and, as a consequence, amendments to the annual cash-based performance bonus scheme for the 2023 financial year have been made. This has been set out in the Remuneration Policy section on page 99.
  - The level of share awards granted to the CEO has been increased to attempt to align with the peer group. This will be implemented with the share awards for 2022 in respect of the performance-based schemes.
- The need to include a minimum shareholder requirement. The committee has adopted this recommendation and will include this when a new retention scheme for executives is presented to shareholders at the next AGM. The minimum shareholder requirement will be equivalent to one to two years' annual cash salary for participants in the proposed new retention scheme.
- The remuneration mix is appropriate.

#### Annual cash-based performance bonus scheme

The committee approved a net profit before taxation target of R551.5 million for the 2022 financial year. The Group achieved R673.9 million or 122% of target and executives and senior management qualified for cash bonuses of between 50% and 150% of annual cash salary.

The strong collections performance during the year with satisfactory paid customers being 79%, the highest in 15 years, supported the solid result.

The committee approved a net profit before taxation target of R347.1 million for the 2021 financial year. The Group achieved R604.4 million or 174% of target and executives and senior management qualified for cash bonuses of between 50% and 150% of annual cash salary.

#### Lewis 2019 Executive Retention Scheme (2019 LERS)

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 15 June 2022 are reflected below:

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
June 2021 awards	09/06/2024	R33.60	266 979	485 417
August 2020 awards	28/08/2023	R17.17	159 634	289 510

#### Lewis Executive Retention Scheme (LERS)

Similar to the 2019 LERS, the 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. There are differences to the 2019 LERS which have been articulated in the Remuneration Policy. There is only one outstanding award:

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
2019 awards	30/06/2022	R33.03	238 767	433 538

#### Targets for the performance schemes

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

#### 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 short-term award share allocations for executive directors are disclosed in the outstanding share awards table on page 110.

# 06 REMUNERATION REPORT CONTINUED

## 2022 financial year

For the 2022 financial year, all the targets for the respective measures were met as set out below:

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

The reasons for exceeding the 2022 HEPS target included the following:

- Strong collections performance during the year with satisfactory paid customers being at 79%, the highest level in 15 years, supported the solid result.
- With strong collections and tight cash flow management, the Group was able to leverage its share repurchase programme aggressively to improve the Group's per share metrics such as HEPS.

## Prior years

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

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

2020 Targets	2020 Target	2020 Actual	2020 Adjusted <sup>(1)</sup>	2020 Award
Headline earnings per share	404.2 cents	260.2 cents	544.4 cents	Achieved
Quality of the debtors' book				
– Level of satisfactory paid customers	≥ 70.0%	70.5%	70.5%	Achieved
– Debtor costs as percentage of net debtors	≤ 14.0%	17.6%	12.1%	Achieved
Gross margin	≥ 40.0%	41.0%	41.0%	Achieved

<sup>(1)</sup> The remuneration committee amended the performance targets as per the scheme rules as a consequence of the hard Covid-19 lockdown in March 2020.

2019 Targets	2019 Target	2019 Actual	2019 Award
Headline earnings per share	318.3 cents	367.4 cents	Achieved
Quality of the debtors' book			
– Level of satisfactory paid customers	≥ 67.0%	71.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 19.9%	13.3%	Achieved
Gross margin	≥ 40.0%	41.2%	Achieved

## 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.

## Short-term awards – 2019 LEPS

The following awards are outstanding as at 15 June 2022:

### Lewis 2019 Executive Performance Scheme

#### Summary of three-year awards as at 15 June 2022

Lewis 2019 Executive Performance Scheme	2020 Share award	2021 Share award	Total Share awards
Share price at award date	R17.30	R33.47	
	Number of shares	Number of shares	
Three-year awards	1 148 374	549 496	1 697 870
Total forfeitures – staff leaving			–
Total forfeitures – non-performance			–
Shares vested			–
<b>Shares awards – 15 June 2022</b>	<b>1 148 374</b>	<b>549 496</b>	<b>1 697 870</b>

## Lewis Long-Term and Short-Term Executive Performance Scheme

There are no outstanding awards under this scheme and the shares utilised have reached the limits set out in the scheme. Refer table of awards made below:

### Summary of three-year awards

Lewis Long-Term and Short-Term Executive Performance Scheme	2015 Share award	2016 Share award	2017 Share award	2018 Share award	Total Share awards
Share price at award date	R99.45	R45.95	R32.57	R30.55	
	Number of shares	Number of shares	Number of shares	Number of shares	
Three-year awards	203 660	900 058	1 570 988	1 133 581	3 808 287
Total forfeitures – staff leaving	(32 736)	(147 446)	(147 672)	(80 522)	(408 376)
Total forfeitures – non-performance	(91 770)	(223 729)			(315 499)
Shares vested	(79 154)	(528 883)	(1 423 316)	(1 053 059)	(3 084 412)
<b>Shares remaining – 31 March 2022</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>



## 06 REMUNERATION REPORT CONTINUED

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

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

- It will be a cash-settled scheme. This means that no shares are delivered, but the value of shares at the date of vesting will be paid in cash. The performance targets in the CSLSPP scheme are the same as that of the 2019 LEPS.
- 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 targets are not met.
- There is no clawback clause in the CSLSPP scheme as there is in the 2019 LERS.

As mentioned previously, there will be an alignment between the CSLSPP and the 2019 LEPS before the next awards are made under this scheme.

The outstanding awards under this scheme as at 15 June 2022 are as follows:

	2019 Notional share award	2020 Notional share award	2021 Notional share award	Total Notional share awards
<b>Cash-Settled Schemes</b>				
Share price at award date	<b>R33.39</b>	<b>R17.30</b>	<b>R33.47</b>	
	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>	<b>Number of shares</b>
Three-year awards	<b>1 200 299</b>	<b>1 037 873</b>	<b>529 439</b>	<b>2 767 611</b>
Total forfeitures – staff leaving	<b>(106 483)</b>	<b>(24 530)</b>		<b>(131 013)</b>
Total forfeitures – non-performance				–
Shares vested	<b>(101 698)</b>	<b>(12 265)</b>		<b>(113 963)</b>
<b>Shares remaining – 15 June 2022</b>	<b>992 118</b>	<b>1 001 078</b>	<b>529 439</b>	<b>2 522 635</b>

Below is a table setting out the movements for the 2022 and 2021 financial years (i.e. from 1 April to 31 March):

<b>Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan – Notional Shares</b>	<b>2022</b>	<b>2021</b>
Beginning of year	<b>2 182 538</b>	1 157 435
Granted	<b>529 439</b>	1 037 873
Forfeited	<b>(75 379)</b>	(12 770)
Vested	<b>(113 963)</b>	–
End of year	<b>2 522 635</b>	2 182 538

### Summary of all equity-settled awards as at 31 March 2022

	<b>Lewis 2019 Executive Retention Scheme</b>	<b>Lewis 2019 Executive Performance Scheme</b>
<b>2022</b>		
Beginning of year	<b>292 241</b>	<b>1 148 374</b>
Granted	<b>485 417</b>	<b>549 496</b>
Forfeited	<b>(1 878)</b>	–
Vested	<b>(853)</b>	–
End of year	<b>774 927</b>	<b>1 697 870</b>
Maximum awards available over the life of the scheme	<b>1 500 000</b>	<b>2 250 000</b>
Utilised for the scheme to date	<b>775 780</b>	<b>1 697 870</b>
Invested shares	<b>426 613</b>	
<b>2021</b>		
Beginning of year	–	–
Granted	292 241	1 148 374
Forfeited	–	–
Vested	–	–
End of year	292 241	1 148 374
Maximum awards available over the life of the scheme	1 500 000	2 250 000
Utilised for the scheme to date	292 241	1 148 374
Invested shares	161 245	

	<b>Lewis Executive Retention Scheme</b>	<b>Lewis Long-Term and Short-Term Executive Performance</b>
<b>2022</b>		
Beginning of year	<b>878 386</b>	<b>1 053 059</b>
Granted		
Forfeited	<b>(3 284)</b>	
Vested	<b>(441 564)</b>	<b>(1 053 059)</b>
End of year	<b>433 538</b>	–
Maximum awards available over the life of the scheme	<b>1 000 000</b>	<b>3 500 000</b>
Utilised for the scheme to date	<b>986 396</b>	<b>3 377 174</b>
Invested shares	<b>238 767</b>	
<b>2021</b>		
Beginning of year	887 688	2 490 328
Granted	–	–
Forfeited	(9 302)	(13 953)
Vested	–	(1 423 316)
End of year	878 386	1 053 059
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	989 680	3 377 174
Invested shares	483 860	

06

REMUNERATION  
REPORT CONTINUED

### Shareholder dilution

As at 31 March 2022, the maximum potential dilution is 2 906 335 shares, i.e. 4.6% of the issued share capital. The dilution as calculated in terms of IAS 33 to determine the diluted weighted average shares in issue is 1 944 256 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

Executive director's remuneration	Number of shares	Share price Rand	J Enslin (CEO)		Number of shares	J Bestbier (CFO)	
			2022 R'000	2021 R'000		2022 R'000	2021 R'000
<b>Cash remuneration</b>							
Total guaranteed pay (GP)			5 633	5 241		3 330	3 120
Cash performance bonus (CPB)			6 541	2 698		4 034	1 681
<b>Total GP and CPB</b>			12 174	7 939		7 364	4 801
<b>Share awards</b>							
<b>LERS – matching award</b>			3 925	–		1 598	–
– Face value of award	119 154	30.00	3 575	–	48 493	1 455	–
– Share price performance	119 154	2.95	351	–	48 493	143	–
<b>Add: LSPS – three-year award</b>			6 208	2 731		3 766	1 482
– Face value of award	188 397	30.55	5 756	7 149	114 284	3 491	3 879
– Performance criteria			–	–		–	–
– Share price performance	188 397	2.40	451	(4 419)	114 284	274	(2 398)
<b>Total share awards</b>			10 133	2 731		5 364	1 482
<b>Total earned remuneration</b>			22 307	10 670		12 728	6 283

### Outstanding shares for Lewis Group executive directors as at 15 June 2022

Outstanding share awards for executive directors	Share price	Vesting date	J Bestbier	J Enslin
<b>Equity-settled schemes</b>				
<b>Lewis 2019 Executive Performance Scheme</b>				
28 August 2020 – Short-term award	R14.90	28 August 2023	270 771	438 977
9 June 2021 – Short-term award	R33.44	9 June 2024	128 769	210 794
<b>Lewis Executive Retention Scheme</b>				
30 June 2019	R33.03	30 June 2022	70 256	115 816
<b>Lewis 2019 Executive Retention Scheme</b>				
28 August 2020	R17.17	28 August 2023	63 635	102 147
9 June 2021	R33.60	9 June 2024	78 047	126 533
			611 478	994 267
			<b>Invested Shares</b>	
			<b>J Bestbier</b>	<b>J Enslin</b>
Lewis Executive Retention Scheme			38 641	63 699
Lewis 2019 Executive Retention Scheme			77 925	125 774
As at 15 June 2022			116 566	189 473

Outstanding Notional Shares – Cash-Settled Schemes	Share price	Vesting date	J Bestbier	J Enslin
<b>Lewis Cash-Settled Short-Term and Long-Term Executive Performance Scheme</b>				
30 June 2019	R33.38	30 June 2022	116 217	187 347

### Non-executive directors' remuneration disclosure per financial year

	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
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>2022</b>									
H Saven	678*	139	98	77	107*	77	268*	80	1 524
F Abrahams	329	139	98	156*	45	156*	188	109*	1 220
A Bodasing	326	139	98	77	45	–	–	–	685
D Motsepe	327	242*	119*	77	46	77	–	–	888
T Njikizana	326	139	98	77	45	–	–	–	685
D Westcott <sup>(1)</sup>	155	158	76	37	22	–	94	81	623
Total	2 141	956	587	501	310	310	550	270	5 625
<sup>(1)</sup> Passed away 19 August 2021.									
* Chairperson									
<b>2021</b>									
H Saven	644	133	93	73	102	73	245	76	1 439
F Abrahams	311	133	93	149	43	149	179	76	1 133
A Bodasing	310	133	93	73	43	–	–	–	652
D Motsepe	311	133	93	73	43	73	–	–	726
T Njikizana	265	133	93	73	43	–	–	–	607
A Smart <sup>(1)</sup>	–	–	–	–	–	–	16	5	21
D Westcott	310	310	150	73	43	–	179	154	1 219
Total	2 151	975	615	514	317	295	619	311	5 797

<sup>(1)</sup> Retired 2 April 2020.

### Proposed non-executive director fees for 2023

Board/committee position	% Increase	Proposed fees for 2023 R'000	Fees earned for 2022 R'000
Non-executive chairman <sup>(1)</sup>	15.3	784	680
Non-executive director	6.2	345	325
Audit committee chairman	6.0	355	335
Audit committee member/invitee	6.3	152	143
Risk committee chairman	6.3	170	160
Risk committee member	6.0	106	100
Remuneration committee chairman	6.3	170	160
Remuneration committee member	6.3	84	79
Nomination committee chairman	6.4	117	110
Nomination committee member	6.4	50	47
Social, ethics and transformation committee chairman	6.3	170	160
Social, ethics and transformation committee member	6.3	84	79

<sup>(1)</sup> Refer to page 103 for further detail on the non-executive chairman's increase.

### Directors' shareholding

At 31 March 2022, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

Director	2022		2021	
	Direct	Indirect	Direct	Indirect
Hilton Saven		6 440		6 440
Jacques Bestbier	87 932	116 566	120 255	100 314
Johan Enslin	581 077	189 473	425 536	185 421
Total	669 009	312 479	545 791	292 175