

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-orientated 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 2022 financial year covered the period up to 15 June 2022. Consequently, this year's report covers the period from 16 June 2022 to the date of this report, being 31 May 2023.

Committee composition and meetings

The committee met on 14 March 2023 and 23 May 2023.

The composition of the committee is as follows:

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Non-executive director
Brendan Deegan	Independent non-executive director (appointed 15 August 2022)
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 (AGM) in October 2022, the remuneration policy was endorsed by shareholders and received 92.3% of the votes cast while the implementation report received 93.6% support (85.6% and 85.4% respectively in 2021).

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 2024 financial year
- Reviewed and approved the remuneration and implementation report included in the 2023 Integrated Report
- Set the Group's performance targets for all share incentive schemes, the cash settled plan and cash-based performance bonus scheme for the 2024 financial year
- Considered the measurement of the actual performance against targets for the 2023 financial year for the Lewis 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 2023 financial year for the cash-based performance bonus scheme

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 2023

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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 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 ascertain 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 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 participants’ 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 70.

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 2023 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 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% of cash salary (for the CEO:170%) at 106%

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
CEO, CFO and executive team	0%	25% increasing <i>pro-rata</i> to 75% (CEO – 85%)	75% increasing <i>pro-rata</i> to 150% (CEO – 170%)
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%

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.

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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 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 Share 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.

Lewis 2022 Executive Retention Scheme

This scheme was approved at the last AGM held on 28 October 2022. The first awards were due to be issued in June 2023, but as there was no annual cash-based performance bonus earned (refer page 70), no awards will be made under this scheme.

This scheme contains substantially the same terms as were contained in the Lewis 2019 Executive Retention Scheme as described, except that in terms of this scheme, selected executives will be required to hold (or 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.

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 28 August 2020, 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 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, where after 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



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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 Executive Retention Scheme (LERS)

There are no outstanding awards under the LERS as the last remaining award vested on 30 June 2022. No further awards will be made under this scheme as the scheme limits have been reached.

The terms of the scheme are substantively the same as the 2019 LERS except for the following clauses 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 is 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 to 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 2021 Executive Performance Scheme (2021 LEPS) and Lewis 2019 Executive Performance Scheme (2019 LEPS) (together as “Executive Performance Schemes”)

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

The 2021 LEPS was approved by shareholders at the AGM on 22 October 2021. The awards granted under this scheme include a short-term award and long-term awards granted on 6 July 2022.

The 2019 LEPS 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, 9 June 2021 and 6 July 2022.

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-orientated 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. 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
- Gross profit 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

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 or 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 macro-economic 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 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 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;

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- 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.
- 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

It is the intention of the company to request approval from the shareholders at the AGM in October 2023 for a new scheme, being the Lewis 2023 Executive Performance Scheme which will be based on the same rules, terms and conditions as contained in the 2021 LEPS and 2019 LEPS.

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

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

The outstanding awards under this scheme include those granted on 28 August 2020 and 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 this plan 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 Lewis 2022 Cash Settled Executive Performance Plan which is totally aligned with the 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 2021 LEPS and 2019 LEPS, which were not in the CSLSPP, are now included in this plan.

The first awards made under this plan were on 6 July 2022. 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 eight 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.



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IMPLEMENTATION REPORT 2023

Approvals granted by shareholders

The Group's remuneration policy and implementation report was proposed to shareholders for a non-binding advisory vote at the AGM on 28 October 2022. The remuneration policy and implementation report were endorsed by shareholders and received 92.3% and 93.6% respectively as set out below:

Resolution	Votes for %		Votes against %		Abstentions %	
	2022	2021	2022	2021	2022	2021
Approval of the company's remuneration policy	92.3	85.6	7.7	7.3	0.0	7.1
Approval of the company's implementation report	93.6	85.4	6.4	7.5	0.0	7.1

Shareholders also approved the fees payable to non-executive directors for the 2023 financial year by a vote of 91.1%.

Annual salary increase

The average staff increase, excluding unionised staff, was 6.5% for April 2023 (2022: 6%). Increases for senior management and executives were merit-based and averaged 6% in April 2023 and 9% in April 2022. Increases as a result of promotions were excluded from these averages.

Implementation of 2022 remuneration benchmarking survey

A detailed remuneration benchmarking survey was conducted for the executives in 2022 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.

The recommendations of the survey were implemented as follows:

- Amendments to the annual cash-based performance bonus were implemented and the updated rules are reflected in the remuneration policy
- The level of the share awards to the CEO was adjusted upwards to align with the peer group. This was implemented in the share award made on 6 July 2022
- The requirement for qualifying shares was included in the Lewis 2022 Executive Retention Scheme that was approved by shareholders at the AGM held on 28 October 2022

Annual cash-based performance bonus scheme

The committee approved a net profit before taxation target of R652.4 million for the 2023 financial year. The Group achieved R561.5 million which was below the minimum of 90% of target. Consequently, executives and senior management did not qualify for cash bonuses in terms of this 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.



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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 2023 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
August 2020 Awards	28/08/2023	R17.17	137 398	249 081

Lewis Executive Retention Scheme (LERS)

Similarly 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. The remaining award under this scheme vested on 30 June 2022.

Executive Performance Schemes (2021 LEPS and 2019 LEPS)

The committee decided to accelerate the vesting of the awards granted on 28 August 2020 under the Lewis 2019 Executive Performance Scheme to 5 June 2023 from the original vesting date of 28 August 2023. In reaching this decision, the committee considered the following:

- Awards are normally issued in June or early July
- The delay in the grant date in respect of the awards granted in 2020 was due to exceptional circumstances arising from the delay in the release of the financial results for March 2020 as a consequence of the global pandemic at the time
- The performance targets associated with the awards have already been determined with the release of our results on 25 May 2023. In other words, the acceleration of the vesting date has no impact on the measurement of the performance targets (refer 2023 targets below)

The awards granted under the Lewis 2019 Retention Scheme on 28 August 2020 will vest on 28 August 2023 as originally scheduled.

The committee has also approved the new short-term awards under these schemes to be granted on 5 June 2023. An appropriate SENS announcement will be made at the time.

Targets for the Executive Performance Schemes

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.

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 74.

2023 financial year

For the 2023 financial year, all the targets for the respective measures were met as set out below:

	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 margin	≥ 40.5%	40.6%	Achieved

The reasons for exceeding the 2023 HEPS target was the following:

- Strong collections performance during the year with satisfactory paid customers being 80.4%, the highest in 16 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 actual results for the prior years are as follows:

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

2020 Targets	2020 Target	2020 Actual	2020 Adjusted ⁽¹⁾	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

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

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Long-term awards – Five-year awards

A long-term award, being a five-year award, was granted to executives 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 shareholder’s equity (“ROE”), weighted at 50%
- Headline Earnings per share (“HEPS”), weighted at 30%
- 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 remuneration committee approved the granting of the first awards under this scheme on 6 July 2022 being a short-term award and long-term awards:

Lewis 2021 Executive Performance Scheme	2022 Share award	Total Share awards
Share price at award date	R48.77	
	Number of shares	
Three-year awards	226 518	226 518
Total forfeitures – staff leaving	–	–
Total forfeitures – non-performance	–	–
Shares vested	–	–
Total three-year awards	226 518	226 518
Five-year awards	464 461	464 461
Total forfeitures – staff leaving	(53 783)	(53 783)
Total forfeitures – non-performance	–	–
Shares vested	–	–
Total five-year awards	410 678	410 678
Shares awards – 31 May 2023	637 196	637 196

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 following awards are outstanding as at 31 May 2023:

Lewis 2019 Executive Performance Scheme	2020 Share award	2021 Share award	2022 Share award	Total Share awards
Share price at award date	R17.30	R33.47	R48.77	
	Number of shares	Number of shares	Number of shares	
Three-year awards	1 148 374	549 496	257 722	1 955 592
Total forfeitures – staff leaving	(49 843)	(47 451)	(53 783)	(151 077)
Total forfeitures – non-performance				–
Shares vested	(99 686)	(23 725)		(123 411)
Shares awards – 31 May 2023	998 845	478 320	203 939	1 681 104

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 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 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 plan as there is in the 2019 LEPS scheme

The committee decided to accelerate the vesting of the awards granted on 28 August 2020 under this plan to 5 June 2023 for the same reasons as set out under the Executive Performance Schemes.

The outstanding awards under this scheme as at 31 May 2023 are as follows:

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan	2019 Notional share award	2020 Notional share award	2021 Notional share award	Total Notional share awards
Share price at award date	R33.39	R17.30	R33.47	
	Number of shares	Number of shares	Number of shares	
Three-year awards	1 200 299	1 037 873	529 439	2 767 611
Total forfeitures – staff leaving	(106 483)	(24 530)		(131 013)
Total forfeitures – non-performance				–
Shares vested	(1 093 816)	(12 265)		(1 106 081)
Shares remaining – 31 May 2023	–	1 001 078	529 439	1 530 517

REMUNERATION REPORT CONTINUED

Below is a table setting out the movements for 2023 and 2022 financial years (i.e. from 1 April to 31 March):

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan – Notional Shares	2023	2022
Beginning of year	2 522 635	2 182 538
Granted	–	529 439
Forfeited	–	(75 379)
Vested	(992 118)	(113 963)
End of year	1 530 517	2 522 635

Lewis 2022 Cash-Settled Executive Performance Plan

As noted above, this scheme operates on the same basis as the 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 also approved the new short term awards under this plan to be granted on 5 June 2023.

The outstanding awards under this scheme as at 31 May 2023 are as follows:

Lewis 2022 Cash-Settled Executive Performance Plan	2022 Notional share award	Total Notional share awards
Share price at award date	R48.77	437 713
	Number of shares	
Three-year awards	437 713	
Total forfeitures – staff leaving		
Total forfeitures – non-performance		
Shares vested		
Shares remaining – 31 May 2023	437 713	437 713

Below is a table setting out the movements for 2023 and 2022 financial years (i.e. from 1 April to 31 March):

Lewis Cash-Settled 2022 Executive Performance Plan – Notional Shares	2023
Beginning of year	437 713
Granted	
Forfeited	
Vested	
End of year	437 713

Summary of all equity-settled awards as at 31 March 2023

	Lewis 2019 Executive Retention Scheme	Lewis 2021 Executive Performance Scheme	Lewis 2019 Executive Performance Scheme
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		

2022

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

REMUNERATION REPORT CONTINUED

	Lewis Executive Retention Scheme	Lewis Long-Term and Short-Term Executive Performance Scheme
2023		
Beginning of year	433 538	–
Granted	–	–
Forfeited	–	–
Vested	(433 538)	–
End of year	–	–
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	986 396	3 377 174
Invested shares	–	
2022		
Beginning of year	878 386	1 053 059
Granted	–	–
Forfeited	(3 284)	–
Vested	(441 564)	(1 053 059)
End of year	433 538	–
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	986 396	3 377 174
Invested shares	238 767	

Shareholder dilution

As at 31 March 2023, the maximum potential dilution is 3 532 034 shares i.e. 6.2% of issued share capital. The dilution as calculated in terms of IAS 33 to determine the diluted weighted average shares in issue is 2 030 073 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 2023 financial year

Executive directors' remuneration	Number of shares	Share price	J Enslin (CEO)		J Bestbier (CFO)	
			2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash remuneration						
Total guaranteed pay			6 551	5 633	3 730	3 330
Cash performance bonus			7 035	6 541	4 306	4 034
Total GP and CPB			13 586	12 174	8 036	7 364
Share awards						
LERS – matching award			5 768	3 926	3 499	1 598
– Face value of award	115 816	33.027	3 825	3 575	2 320	1 455
– Share price performance	115 816	16.773	1 943	351	1 179	143
LSPS – three-year award				6 208		3 766
– Face value of award				5 757		3 492
– Performance criteria				–		–
– Share price performance				451		274
		Notional Shares				
CSLSPP – three-year award			9 109		5 650	
– Face value of award	187 347	33.38	6 254		3 879	
– Performance criteria			–		–	
– Share price performance	187 347	15.24	2 855		1 771	
Total share awards			14 877	10 134	9 149	5 364
Total earned remuneration			28 463	22 308	17 185	12 728

REMUNERATION REPORT CONTINUED

Non-executive directors' fees

	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
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
2022									
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 ⁽²⁾	155	158	76	37	22		94	81	623
Total	2 141	956	587	501	310	310	550	270	5 625

⁽¹⁾ Appointed 15 August 2022
⁽²⁾ Passed away 19 August 2021
* Chairperson

Proposed non-executive director fees for 2024

Board/committee position	% Increase	Proposed fees for 2024 R'000	Fees earned for 2023 R'000
Non-executive chairman	7.0	839	784
Non-executive director	7.2	370	345
Audit committee chairman	7.0	380	355
Audit committee member/invitee	7.2	163	152
Risk committee chairman	7.1	182	170
Risk committee member	7.5	114	106
Remuneration committee chairman	7.1	182	170
Remuneration committee member	7.1	90	84
Nomination committee chairman	7.7	126	117
Nomination committee member	7.0	54	50
Social, ethics and transformation committee chairman	7.1	182	170
Social, ethics and transformation committee member	7.1	90	84

Directors' interests

At 31 March 2023, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2023		2022	
	Direct	Indirect	Direct	Indirect
H Saven		6 440		6 440
J Bestbier	126 573	126 583	87 932	116 566
J Enslin	581 077	205 269	581 077	189 473
	707 650	338 292	669 009	312 479