REMUNERATION REPORT

Remuneration principles and policy

Introduction

The remuneration report largely addresses the principles and policies affecting the CEO, Group executive management and senior management of the organisation. This stakeholder group has a clear line of sight of the key strategic themes of Pioneer Foods that drive the twin objectives of:

- strengthening the brands; and
- expanding margins.

The alignment of strategic focus, execution and reward of this team is essential to the overall performance of the Group.

Group strategy alignment

Alignment of Pioneer Foods' strategic direction, specific value drivers and the remuneration of the CEO, Group executive management and senior management members is ensured by the human capital committee ("HCC").

The total remuneration approach is reviewed frequently by the HCC to ensure the relative percentage of guaranteed and variable pay is market-related and supportive of the strategic objectives. To this end, total remuneration incorporates elements of guaranteed and performance incentive pay, focused on retaining talent and rewarding the achievement of both short and long-term objectives. This is expressed as follows:

- Annual review of guaranteed pay taking into account factors such as CPI, industry performance, business performance and affordability. Benchmarks are conducted by job family to ensure the retention of scarce skills. Higher increases can be given to high-performing individuals, based on performance feedback. The annual review of guaranteed pay is effective 1 January each year.
- Payments of short-term incentives ("STI") are based on a percentage of guaranteed pay and dependent on the achievement of agreed hurdle rates, triggered at an entry target point, and capped at an agreed growth point. STI payments are made annually on the 15 December after confirmation of the business results for the year ending 30 September.
- Long-term incentives ("LTI"), in the form of share appreciation rights ("SAR"), are allocated annually. Vesting takes place in years 3, 4 and 5 after allocation. 50% of the vesting thereof is time dependent and 50% performance dependent. Specific hurdle rates must be achieved for vesting

on the performance-based allocation. If performance conditions for any specific period are not met, the relevant SAR allocation is forfeited.

CEO, executive team and senior management remuneration

The remuneration mix of the CEO, Group executive management and senior management is differentiated to attract, retain and reward exceptional talent. These elements are explained in more detail below.

Guaranteed remuneration

The Company applies a total guaranteed package ("TGP") structure to guaranteed remuneration. The Company strives to pay on average, at the median for all positions. Jobs with the same grade can earn different amounts as determined by market factors, such as a shortage of skills. TGP structuring rules include the following:

- Compulsory membership of Group Retirement Fund
- Voluntary membership of a medical aid
- Travel allowance in accordance with the South African Revenue Service regulations, where applicable.

TGP surveys/benchmarking

The Company will, from time to time, use external benchmarking and survey data as deemed necessary. The organisation will select appropriate peer organisations for benchmarking based upon the industry, organisation size, specific job and any other parameters that are considered valid. As a rule, the benchmarking will take place according to job family.

Variable remuneration

Variable remuneration refers to the STI and LTI schemes.

STI 2015

The STI is a performance bonus that is designed to incentivise participants to drive business performance and increase shareholder value. It is based on both financial and non-financial performance indicators which can be summarised as follows:

- Growth in headline earnings before tax ("HEBT") for Group performance or operating profit ("EBIT") at a divisional level (40% of the bonus potential)
- Growth on the previous year's economic profit ("EP") for the Group and division respectively (40% of the bonus potential)

- Growth in defined market share (10% of the bonus potential)
- Achievement of employment equity targets (5% of the bonus potential)
- Improvement in employee engagement scores as measured annually (5% potential)

The following hurdle rates and maximums applied to the 2015 STI scheme:

- HEBT or EBIT growth element: the entry point was CPI plus GDP growth. The maximum bonus earned at a further 7% growth above this hurdle rate; and,
- EP element: the entry point was the prior year's EP with maximum bonus earned at growth rates in EP of 20%, 30% and 40% depending on the respective divisional goal.

The maximum bonus pool is calculated as a percentage of economic profit plus a share of the annual growth in economic profit. A key principle is that if there is no growth in EP, no bonus will be payable and the pool is zero.

Depending on seniority, payment for achieving the entry target point (based on TGP) is between 0% and 20%, and is capped between 15% and 150% of TGP for achieving the maximum targeted growth.

LTI 2015

The HCC determines the annual share allocations to qualifying management participants of the SAR scheme. Multiples of TGP determine the annual allocation of SARs to qualifying employees and varies from 1 to 9 times TGP. In determining the annual top-up calculations, the unvested value allocated in the past is taken into account. The Board can also make specific discretionary allocations to key talent. No qualifying employee can be allocated more than 1 million ordinary shares cumulatively, once converted.

Vesting conditions of the SARS:

- Vesting of the time-based portion of a specific allocation is at each of the respective 3rd, 4th and 5th anniversary dates.
- The hurdle rate for the vesting of the performance-based portion of a specific allocation is achieved at a compounded annual growth rate ("CAGR") in headline earnings per share ("HEPS") of CPI plus 1% real growth. Achieving the hurdle rate in respect of each vesting period will trigger vesting of 1/3 of the allocation on each of the 3rd, 4th and 5th anniversary dates.
- Full vesting for each period in respect of the performance-based portion will be achieved at CAGR growth of CPI plus 5% real growth.

The time allowed to exercise the SARS is six months after each respective vesting date. If performance vesting conditions are not met at vesting date, the relevant SAR allocation is forfeited.

The total number of ordinary shares that may be transferred to employees under the SAR scheme is limited to 14.5 million shares which represents approximately 7.5% of the issued ordinary shares during 2006, when the shareholders approved the scheme.

An additional annual allocation is made to senior black management. The exercise of these allocations is only possible after five years from the date of allocation. Depending on seniority, the cumulative value of these additional allocations vary between 75% and 100% of annual TGP.

Group benefits

The Company has the following benefit schemes available to all employees:

- Provident and retirement schemes: membership is compulsory for permanent employees
- Insured risk benefits: minimum cover of 1 times TGP up to 4 times (provident fund) or 7 times (retirement fund), by choice of the member
- Medical aid scheme: membership is not compulsory

Other remuneration points

The average notice period for CEO, Group executive management, and senior management is three months.

Non-executive directors

The overriding principle governing payment to non-executive directors is that they will be made in the context of good governance. The amounts will be determined by the HCC and approved by the Board.

Non-executive remuneration will primarily be based upon a fee that reflects, contribution of the directors and attendance. Where appropriate, independent benchmark advice will be sought as to levels of remuneration for non-executive directors.

If required, the directors may be requested to perform work outside of their standard duties, which standard duties would include annual general meeting and annual/interim results presentations, and for this they will be reimbursed based upon the time spent.

The fees paid to different roles, such as that of chairman, may vary from the fees paid to other non-executive directors.

Non-executive directors will not participate in any share-based incentive scheme or any other incentive scheme that the Group may implement, to avoid any potential conflict of interest.