

REPORT OF THE REMUNERATION COMMITTEE

Members: MH Ahmed (chairman), JA Copelyn and NB Jappie.

All the members of the committee are non-executive directors and two (2) are independent. In line with the recommendations of King IV the chief executive officer attends the meetings of the committee at the request of the committee, but recuses himself from the meeting before any decisions are made.

The committee met two (2) times during the year under review on each of 29 May 2018 and 8 November 2018. The meetings were attended by all committee members. It has met once subsequent to the reporting date on 23 May 2019.

The non-binding advisory vote in respect of the remuneration report, as included in the integrated annual report for the 2018 financial year, was tabled at the annual general meeting of the Company and passed by the requisite majority. In the event that the non-binding advisory votes in respect of the Company's remuneration implementation report or its remuneration policy, as summarised in this report, are voted against by 25% or more of votes cast at the annual general meeting, the board will seek to engage directly with the disapproving shareholders in order to contemplate the reasons for dissent and implement corrective action, if it deems fit.

This committee is primarily responsible for overseeing the remuneration and incentives of the executive directors and executive management. It takes cognisance of best remuneration practices in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. Where required, the committee may utilise the services of independent remuneration consultants to assist in providing guidance on the remuneration for executive management. The Group's remuneration philosophy strives to reward employees in a fair and responsible way which ensures a culture of high performance to deliver returns to shareholders through employees who are motivated, engaged and committed. This philosophy's intended consequence is to attract, retain and develop employees with scarce and critical skills who contribute to sustained business growth and are aligned to the strategic and operational requirements of the business.

The functions and mandates of the remuneration committee include:

- making recommendations to the board on directors' fees and the remuneration and service conditions of Company executives, including the chief executive officer;
- providing a channel of communication between the board and management on remuneration matters;
- reviewing the Group's remuneration policies and practices, and proposals to change these and to make recommendations in this regard to the board;

- reviewing and approving the terms and conditions of any executive employment contracts, taking into account information from comparable companies; and
- reviewing and approving any disclosures in the integrated annual report or elsewhere on remuneration policies or directors' remuneration.

REMUNERATION POLICY

Basic remuneration

Executive directors and management earn a basic salary which escalates in line with inflation. These may be adjusted from time to time in accordance with each individual's experience and performance.

Non-executive directors earn a basic fee which is in line with companies of a similar size. These fees are determined in South African Rand and escalate annually in line with inflation and may be reviewed by an independent remuneration consultant at the request of the board. Non-executive directors can earn up to a maximum of R48 000 by serving on the committees responsible to the board of directors. Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive schemes.

Position	Actual fee FY 2019 R'000	Proposed fee FY 2020 R'000
Non-executive director	114	120
Member of audit and risk committee	46	48
Member of remuneration committee	46	48
Member of social and ethics committee	46	48

Short-term incentives

Executive directors' and management's annual incentive compensation bonuses are subject to the following maximum eligibility percentages:

	Maximum annual bonus as a % of salary
Chief executive officer	75%
Chief financial officer	60%
Other executive management	60%

The committee determines the annual bonus amount based on the Company achieving a board-approved consolidated EBITDA target as well as each member of the executive management team meeting committee-approved key performance indicators relating to budgetary cost control by the Company and each department, and compliance with safety training requirements.

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Long-term incentives

The Group operates two (2) share-based remuneration schemes, namely:

- The Montauk Holdings Restricted Stock Plan for U.S. Affiliates (“Restricted Stock Plan”); and
- The Montauk Holdings Share Appreciation Rights Scheme for U.S. Affiliates (“Share Appreciation Rights Scheme”).

Executive directors and members of the executive management team are eligible to participate in the share-based payment remuneration schemes to align incentive compensation with the interests of Company shareholders. Initial grants under the Share Appreciation Rights Scheme are determined based on a multiple of base salary, with the CEO eligible for six (6) times base salary and the rest of the executive management team eligible for four (4) times base salary upon recommendation of the committee to the board.

IMPLEMENTATION REPORT

Key management compensation is disclosed in note 27 of the annual financial statements on page 57. Refer to note 29 for more information on grants awarded during the year and balances outstanding at reporting date in respect of the Company’s share-based remuneration schemes.

The committee is satisfied that the Company’s remuneration policy has been implemented as described in this report and that the committee has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

MH Ahmed

Chairman: Remuneration Committee

23 July 2019