Remuneration policy

The principles behind the remuneration policy designed to ensure attraction and retention of high-quality staff are as follows:

- competitive remuneration packages that are realistic within the construction markets within which the group operates;
- reward high-performing employees for the contribution made in the region, division or company for which they work;
- each employee conducts themselves in line with the code of conduct (available for download as a PDF document in this section) of the group;
- key performance indicators (KPIs) are based on economic, social and environmental targets;
- manage the total cost to company for every employee (guaranteed salary);
- incentive packages to reward both company performance and individual/team/project performance;
- share-based incentives for key personnel;
- reference to external sources on comparative remuneration levels within the industry;
- non-financial rewards and recognition to ensure key employee retention;
- the remuneration policy is reviewed regularly to ensure that WBHO keeps pace with the continually changing market;
- attention to and consideration for all employees’ requirements; and
- ensure that all stakeholders understand the remuneration policy.
Remuneration structure
The integrated remuneration structure is made up of three components:

- **total cost to company (TCTC)**
  incorporating basic pay, car allowance, provident fund (superannuation), medical aid, leave and various other allowances (where applicable)

- **short-term incentive bonuses (performance-based)**
  dependent on company and individual performances for the previous financial year and accounted for on a cash paid basis in the following financial year

- **long-term incentives (equity based)**
  involving share schemes and offered to senior executives and future leaders identified by the executive. The company has adopted a remuneration structure that is biased toward the performance of senior directors and key management and bonuses form a material portion of their total remuneration. Consideration is given to rewarding certain senior key staff with long-term sustainable incentives (through share-based incentives)

The remuneration structure for junior employee categories varies in accordance with levels determined by the market and the operational/functional responsibilities expected from each individual employee.

Long-term, share-based incentive schemes
As per the circular attached to the 2013 Integrated Report, the company proposes to implement a new executive share plan. The 2013 WBHO Share Plan will provide for the inclusion of a number of performance criteria designed to align the interests of participants (senior executives) with those of WBHO shareholders.

The historic, long-term, share-based incentive schemes are provided for key management and future leaders identified by the executive. These shares are allocated at a discount and ownership vests over five years.

Executive directors’ contracts
Notice periods for directors range from 30 to 180 days, dependent on strategic considerations. Certain executives who have shares in WBHO or subsidiaries have restraint of trade (non-compete) agreements for varying periods, depending on the individual circumstances. Contracts do not commit to payment for failure, balloon payments on termination, entitlement to bonus or share based payments for termination for non-performance.

South African executives have standard WBHO employment contracts, which do not have contract periods and there are also no restraints.
Non-executive remuneration
The remuneration of non-executive directors is based on proposals from remco, which are submitted to the board for approval. Non-executive directors sign service contracts with the company upon appointment.

The term of office of non-executive directors is governed by the memorandum of incorporation (MOI), which provides that:

- directors who have served for three years will retire by rotation, but may, if eligible, offer themselves for re-election for a further three-year term; and

- directors who have served for more than nine years will retire at the end of that term, but may, if eligible, be re-elected annually for further periods of one year at a time.

Fee structure
The remuneration of non-executive directors who serve on the board and its committees is reviewed by the committee annually. Remuneration is compared with that of selected peer companies on an annual basis and recommendations are then submitted to the board for approval.

Non-executive remuneration is determined and paid quarterly based on an annual fee, a non-attendance penalty is deducted for non-attendance at any meeting.

Any additional time spent on company business is paid at a fixed hourly rate.

Fees are approved annually on this basis at the annual general meeting and apply with effect from 01 September of that financial year.

Expenses
Any travel and accommodation expenses of directors are included in the fees and paid by WBHO.

Akani Investments participation
The Akani empowerment share scheme for black partners is a 10 year share scheme with accumulative hurdle requirements, which aligns with the long-term objectives of shareholders. Three of the non-executives are ‘partners’ in the Akani Investment Holdings (Pty) Limited and Broad Based Employment Trust incentive scheme, whereby in 2006 to 2010 they were allocated 633 333 Akani shares linked one-for-one to WBHO shares locked in for 10 years. The number of WBHO shares that, ultimately, vest to each partner is dependent on the market value at the end of that period dependent on a predetermined threshold. A partner is entitled to leave the scheme if a trigger event occurs and, if this were to happen at 30 June 2013, then that individual would receive 119 010 WBHO shares plus 58
196 WBHO shares purchased from dividends received during the seven (7) years that the scheme has been in existence, giving that partner 177,206 WBHO shares if the taxes due on vesting were paid directly by that partner. The indirect shares held at 30 June 2013 equal 633,333 Akani linked shares plus the 58,196 WBHO shares bought from the open market, which equals 691,529 shares.

**Considerations ruling the remuneration structure**

1. **Total cost to company (guaranteed pay)**

   **Salaried employees**
   
   The TCTC that makes up our employees’ guaranteed remuneration, other than the guaranteed thirteenth cheque, is monitored through stringent cost management. This procedure ensures that the cost of the remuneration package paid to employees is properly controlled and does not include excessive liabilities. The TCTC represents a generally accepted practice for paying employees, which enables accurate and meaningful benchmarking of remuneration packages.

   The company attempts to position itself against the industry from which we acquire skills, or to which we are likely to lose skills. In Australia, the levels of remuneration are compared with the national and state statistics, both for the public and private sectors. These statistics take into account TCTC and incentives, as well as allowing for seasonal requirements and special requirements. In South Africa, WBHO compares itself to the general market and the market in which it operates; furthermore, the pay levels of top executive positions in the company are benchmarked against national market executive remuneration surveys. General adjustments to guaranteed pay levels are reviewed and adjusted. These adjustments are effective 1 March (for Africa) and 1 July (for Australia) each year.

   The annual TCTC increase process of the group takes place during January/February, in the case of our African operations, and in May/June for our Australian operations. Annual increase parameters are determined by the committee, with guidance from executive management and reference to: market-related TCTC increases; individual promotions; individual performance; the performance of the division and company; and other relevant factors.

   The company follows an informal measurement framework when considering performance for increases in TCTC. Increases are dependent on divisional or department performance, personal performance and achievement. The proposed increases in TCTC are submitted to the executive committee (ExCo) for thorough review before authorisation. Following this review they are ratified by the remco.

   A number of specific indicators are assessed when considering increases for each executive director. These are undertaken by the executive chairman and lead independent non-
executive director, who assesses the executive chairman and, thereafter, are confirmed by the committee.

**Hourly paid employees**

In South Africa, the annual increase in remuneration and annual bonus allocations for hourly paid employees are determined at industry level, through the process of substantive negotiations between industry representatives and the trade unions. Enterprise agreements are agreed with the unions at state and/or project level, whereby pay rates, allowances and benefits are determined for set periods. Management, however, are integrally involved with applying increases based on merit for deserving employees.

During the year, the hourly paid employees of the group are continually trained and monitored and, where appropriate, are promoted to higher levels with the aligned rate increase for that particular trade or occupation. These promotions are discussed and authorised by both the supervisors and the managers who are directly involved with these employees.

**2. Short-term incentive bonuses**

There is a guaranteed annual bonus equivalent to a thirteenth payment of basic pay. Otherwise, bonuses are discretionary and depend on the performance of the individual and business unit in which they are employed; therefore, besides the thirteenth payment, no employee has a guaranteed bonus.

The executive committee members participate in the determination of performance bonuses for the group, divisions, departments and subsidiary companies; the levels of which are set by the financial and strategic performance of these entities, as well as the personal performance of individual employees, with the exception of the WBHO executive directors. In awarding the incentive, management consider all subject issues, e.g. commitment to empowerment and the environment.

With regard to the executive directors, certain specific indicators are considered when determining the short-term bonus for each executive. These assessments are conducted by the executive chairman and lead independent non-executive director when assessing the executive chairman and, thereafter, confirmed by remco.

Non-executive directors do not qualify to participate in the short-term bonus incentives.

Below executive level, annual performance bonuses for all employees are discretionary and are paid out at various multiples of basic pay, dependent on company, divisional, departmental, project and individual performance. All the bonuses are debated and reviewed thoroughly prior to recommendation by ExCo. The recommendations are debated and considered prior to authorisation by remco.
In the case of our hourly paid staff, bonuses are determined annually in line with the agreements signed with the various unions. Where appropriate, certain individuals are awarded additional bonuses in line with their individual performances. These bonuses are then reviewed and approved by the divisional managing directors.

3. Long-term incentives

These are special purpose vehicles that the group utilises with the aim of retaining, rewarding and attracting talent for the group. Generally, the historic schemes are not used for executive directors, which highlighted the requirement for the proposed new scheme detailed below.

Proposed WBHO 2013 Share Plan

Executives and selected managers of the company will, in terms of the WBHO 2013 Share Plan, be offered annually one of or a weighted combination from:

- Allocations of share appreciation rights (akin to net settled share options), and
- Awards of performance shares.

The Share Plan will provide for the inclusion of a number of performance conditions, designed to align the interests of participants with those of shareholders in WBHO, and to reward company and individual performance, more so than merely the performance of the economy or the construction sector in which the company operates.

The design of the Plan will be implemented in the following manner and have the following features:

Share appreciation right element

The share appreciation right element is similar in architecture to a share option plan, but with a number of variations to bring it more in line with best practice, and with the remuneration guidelines of King III. Annual allocations of share appreciation rights will be made to executives and selected managers. They will be available to be settled in equal thirds no earlier than the 3rd, 4th and 5th anniversaries but need not be exercised until the 7th anniversary, at which time they will need to be exercised or they will lapse.

On settlement, the value accruing to participants will be the appreciation of the share price of WBHO. The appreciation may be calculated as the full appreciation in the share price.

Performance criteria might be stipulated which will:

- either take the form of a performance underpin in which a minimum company operational or financial performance must be achieved prior to vesting;
- or full performance vesting in which the number vesting from the number allocated is reduced if company operational or financial performance targets are not met.

Performance Share element
Annual conditional awards of performance shares will be made to executives. Performance shares will vest no earlier than the 3rd anniversary of their award, and to the extent that the company has met specified performance criteria over the intervening period.

The Board will dictate the performance criteria for and at the time of each award.

No retesting against the performance criteria will be allowed. Any performance shares which do not vest at the end of the vesting period will lapse.

The Performance share element will closely align the interests of shareholders and executives by rewarding superior shareholder and operational / financial performance in the future.

**WBHO Management Trust**

Trustees may award eligible employees options or an offer to purchase shares at the greater of the weighted average price that the trust purchased the shares or 70% of the market price ruling. Share or option awards are not granted within a closed period. The option may be exercised at the end of the fifth year, but must be exercised at the end of the seventh year and the purchase settled after five years this should guard against inappropriate gains. Dividends relating to options only go to the employees once they have exercised their rights. Dividends on purchase of shares are used to repay loans if applicable. Unless the main board determines otherwise, options/purchases granted to an employee will also lapse if employment is terminated. The shares on offer are limited to the number of shares that the trust has in stock.

**The scheme is a retention scheme for key future management, the ability to issue at a discount with no performance conditions ensure the long-term retention objective is met.**

**WBHO Share Trust**

The trustees are permitted to grant employees options or an offer to purchase shares at 90% of the market price ruling. Share or option awards are not granted within a closed period. One third of the option may be exercised at the end of the third, fourth and fifth years, which should guard against inappropriate gains. Any option/purchase not exercised after the fifth year will automatically lapse. Dividends relating to these options only go to the employees once they have exercised their rights. Dividends on purchase of shares are used to repay loans if applicable. Unless the main board determines otherwise, options granted to an employee will also lapse if employment is terminated.

**The scheme is a retention scheme for key future management, the ability to issue at a discount with no performance conditions ensure the long-term retention objective is met.**

The maximum number of shares that may be utilised as share issues and for share options is 11 000 000, as agreed to at a meeting of the shareholders, and the maximum number which
may be offered to one participant is 750 000. Only executive directors are entitled to this offer.

The acceptance of the Proposed WBHO 2013 Share Plan would bring about the following changes to the number of shares that could be issued:

The maximum number of shares which may be utilised as share issues under any scheme is not to exceed 1 980 000 (one million nine hundred and eighty thousand) Shares, and for any one participant in terms of any scheme is not to exceed 330 000 (three hundred and thirty thousand) Shares. In the determination of the above limits, shares which have been acquired through the JSE and transferred to participants shall not be taken into account.

**Akani Investment Holdings (Pty) Ltd and the Broad-Based Employee Share Incentive Trust**

The company and the trust are both special purpose vehicles created to give effect to the Black Economic Empowerment initiative of the group, which is aimed at sourcing strategic black partners and rewarding black employees who have been in the service of the group for more than five years.

**The Edwin Share trust**

This trust is a special purpose vehicle through which Edwin Construction (Pty) Limited aims to retain and reward talent within the company. The company issues Edwin Construction shares to the trust at the discretion of the directors.

**Taxation of share schemes**

Tax is payable at personal rates on the difference between the offer price and the ruling price on the date when the vesting period has expired; furthermore, capital gains tax is payable on the gain made on shares sold, calculated from the ruling price on the expiry date of the vesting period and the price at which the shares were sold.

Interest free loans are taxed, at the ruling tax rate, on an annual basis, for the duration of the five year vesting period.

**Employee Share Schemes of Australian Subsidiaries**

Selected employees participate in these employee share schemes. Participants are chosen based on their responsibility, seniority and length of service, and a number of shares are then offered to them. Participants are required to purchase shares at fair market value (FMV), based on an annual calculation that takes into consideration audited earnings, the current budget and retained earnings. Where required, company loans are provided to the
participants (secured against their shareholding). Loans are progressively repaid through a compulsory dividend reinvestment programme.

**Probuild and Probuild Civil Long-Term Incentive Schemes**

There are a number of participants of this incentive scheme in the Probuild and Probuild Civil businesses. Participants are selected based on their contribution to the growth and profitability of the business. Participants are issued profit (phantom) shares at FMV based on an annual calculation that takes into consideration audited earnings, the current budget and retained earnings. These phantom shares are redeemed at the end of three years at the prevailing FMV. The difference between the issued value and redemption value is the incentive that is paid to the participant.

**Potential dilution**

As all current share schemes are supported by shares there is currently no dilution of shareholding.