

5. EMPLOYEES

5.1 Equity compensation benefit

During the year, 6 674 989 (2024: 17 000 314) conditional shares were granted to qualifying employees (participant). The participant will forfeit the conditional shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the Board. In the event that the participant is not in the employ of the Group, or the performance conditions are not met, the shares allocated to the participant will be forfeited and will either be sold on the open market by the Escrow agent and the proceeds will be returned to the participating employer, or may be retained by the Group for future awards.

Dividends declared in respect of conditional shares are held in Escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. No dividends were declared during the current or prior year.

The performance conditions for the fourteenth award grant that vested on 31 August 2024 were as follows:

Group long-term incentive (LTI) metrics*

	Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group	CPI + 2%	CPI + 4%
	Vesting %	30.0%	42.0%
Total shareholder return (TSR) (30%) (performance against JSE Capped All Share Index)	Group	JSE Capped All Share Index Return + CPI +5% (average not compounded over three years)	JSE Capped All Share Index Return + CPI +15% (average not compounded over three years)
	Vesting %	30.0%	42.0%
Return on capital employed (ROCE)** (20%) (compared to weighted average cost of capital (WACC) over the three-year period not compounded)	Group	ROCE greater than or equal to WACC +1% over three years	ROCE greater than or equal to WACC +2% over three years
	Vesting %	20.0%	28.0%
Environmental, social and governance (ESG) (20%) (specific ESG metrics)	Group	Specific ESGs selected	Specific ESGs selected
	Vesting %	20.0%	28.0%
ESG and Individual performance measures	Group	Specific ESGs selected and KPIs	
	Vesting %	72.0%	

* Remco may review metrics and targets post-FY2024 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro rata basis applying linear interpolation basis save for the ESG, strategic and individual metrics which will be assessed on a binary basis.

** ROCE is calculated using the following formula:

ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).

The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

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for the year ended 31 May 2025

5. EMPLOYEES continued

5.1 Equity compensation benefit continued

The performance conditions as at 31 May 2025 for the fifteenth award grant vesting on 31 August 2025 are as follows:

		Group long-term incentive (LTI) metrics*		
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group		CPI + 2%	CPI + 4%
	Vesting %		30.0%	42.0%
Total shareholder return (TSR) (30%) (performance against long bond compounded over three years plus spread)	Group		Performance equal to three to five-year SARB nominal long bond rate +7.5%**	125% of target
	Vesting %		30.0%	45.0%
Return on capital employed (ROCE)*** (20%) (compared to weighted average cost of capital (WACC) over the three-year period not compounded)	Group		ROCE greater than or equal to WACC +1% over three years	ROCE greater than or equal to WACC +2% over three years
	Vesting %		20.0%	30.0%
Environmental, social and governance (ESG) (20%) (specific ESG metrics****)	Group		Specific	No stretch
	Vesting %		20.0%	20.0%
ESG and Individual performance measures	Group	Specific ESGs selected and KPIs		
	Vesting %	72.0%		

* Remco may review metrics and targets post-FY2025 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro rata basis applying linear interpolation basis, save for the ESG metric which will be assessed on a binary basis.

** In setting the TSR target, consideration was given to utilise a risk-free rate that is aligned with a typical vesting and performance period of the award, consequently a 3-5 SARB nominal long bond rate was applied as the anchor in setting TSR targets, with an appropriate spread applied to this anchor in order to set realistic but stretching targets. In addition, TSR will be assessed based on growth in market cap as well as dividends distributed to shareholders over the performance period.

*** ROCE is calculated using the following formula:

ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).

The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

**** Remco removed the stretch component of the ESG KPIs in the LTIP as these measures are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro rata basis relative to target.

The performance conditions as at 31 May 2025 for the sixteenth and seventeenth award grants vesting on 31 August 2026 and 31 August 2027 respectively are as follows:

Group long-term incentive (LTI) metrics*				
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over three years)	Group	CPI	CPI + 2%	CPI + 4%
	Vesting %	21.6%	30.0%	45.0%
Return on capital employed (ROCE)** (20%) (compared to WACC over the three-year period not compounded)	Group	ROCE greater than or equal to WACC over three years	ROCE greater than or equal to WACC +1% over three years	ROCE greater than or equal to WACC +2% over three years
	Vesting %	21.6%	30.0%	45.0%
Strategic performance scorecard (20%)	Group	Linked to strategic milestones	Linked to strategic milestones	Linked to strategic milestones
	Vesting %	14.4%	20.0%	30.0%
Environmental, social and governance (ESG) (10%) (specific ESG metrics***)	Group	Pro-rata of target	Specific	No stretch
	Vesting %	7.2%	10.0%	10.0%
Personal performance (10%) (specific individual metrics***)	Group	Pro-rata of target	Specific	No stretch
	Vesting %	7.2%	10.0%	10.0%

* Remco may review metrics and targets post-FY2025 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro rata basis applying linear interpolation basis save for the ESG, strategic and individual metrics which will be assessed on a binary basis.

** ROCE is calculated using the following formula:

$$\text{ROCE} = \frac{\text{Net operating profit (EBIT)}}{\text{Capital employed}}$$
Capital employed = total assets – current liabilities (excluding interest-bearing borrowings).
The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

*** The stretch component of the ESG and Individual KPIs in the LTIP are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro rata basis relative to target.

Critical accounting estimates and assumptions

In determining the number of conditional shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

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for the year ended 31 May 2025

5. EMPLOYEES continued

5.1 Equity compensation benefit continued

Critical accounting estimates and assumptions continued

Movements in the number of conditional shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 1 June 2023			27 246 883	136 153
13th award			11 619 396	37 182
14th award			7 642 302	49 064
15th award			7 985 185	49 907
Granted during the year			17 000 314	54 741
16th award	23 October 2023	31 August 2026	17 000 314	54 741
Awarded during the year – achievement of stretch targets			1 075 066	3 440
13th award			1 075 066	3 440
Shares forfeited during the year			(835 508)	(5 278)
13th award			—	—
14th award			(328 333)	(2 108)
15th award			(507 175)	(3 170)
Shares vested during the year			(12 694 462)	(40 622)
13th award		31 August 2023	(12 694 462)	(40 622)
At 31 May 2024			31 792 293	148 434
14th award			7 313 969	46 956
15th award			7 478 010	46 738
16th award			17 000 314	54 741
Granted during the year			6 674 989	32 908
17th award	19 November 2024	31 August 2027	6 674 989	32 908
Shares forfeited during the year			(4 172 301)	(21 722)
14th award			(2 175 761)	(13 969)
15th award			(437 134)	(2 732)
16th award			(1 559 406)	(5 021)
Shares vested during the year			(3 014 702)	(19 332)
14th award		31 August 2024	(2 882 727)	(18 507)
15th award		19 December 2024	(107 352)	(671)
15th award		22 May 2025	(24 623)	(154)
At 31 May 2025			31 280 279	140 289
14th award*			2 255 481	14 480
15th award			6 908 901	43 181
16th award			15 440 908	49 720
17th award			6 674 989	32 908

* Although 2 255 481 shares vested to certain employees during the year, the transfer and/or sale of these shares were restricted due to a closed period in terms of the JSE Listings Requirements. The shares will be transferred once the closed period expires. The shares are included in treasury shares and management has concluded that no agency relationship exists over the shares while these rights are restricted.

Refer to note 5.2 for the expense recognised in the income statement relating to the equity compensation benefits.

The fair value of the shares is based on the open market closing price at grant date. The total number of conditional shares issued to Executive Directors during the period is nil (2024: 4 596 356). The share-based payment expense in relation to these Executive Directors is R13.4 million (2024: R12.2 million). Refer to note 5.3 for details of awards per Director.