

REMUNERATION REPORT 2015

This report provides an overview of the company's remuneration philosophy, policies, practices and governance, with particular focus on executive and non-executive directors.

Remuneration governance structure

The Board is responsible for the company's remuneration policies and is assisted in its endeavours by the RemNomco. RemNomco operates according to its Terms of Reference as reviewed and approved annually by the Board.

RemNomco's Chairman reports to the Board after each RemNomco meeting and attends the AGM to take questions from shareholders on RemNomco's areas of responsibility.

Remuneration philosophy

Strate aims to attract, retain and motivate employees of the highest calibre, while at the same time aligning their remuneration with shareholder interests and best practice. All incentives are thus performance based.

In 2015, Strate implemented a revised performance management system. This rewarded employees based on two performance criteria, namely their contribution to the Corporate Balanced Scorecards (which includes Financial, Stakeholder, Operational and Learning Organisation elements) and a predefined 'stretch target'. Remuneration is thus conducive to rewarding, developing and retaining appropriate top talent, critical skills and intellectual capital. It also ensures the sustainability and growth of the business based on sound discipline and investment by staff in the results of Strate.

Remuneration policies and practices

Fair and competitive reward is vital to being an employer of choice. To ensure that Strate remunerates its employees competitively, it uses information from a wide variety of industries in South Africa at a national level sourced from an independent service provider. These benchmarks are used by RemNomco to set the guaranteed base remuneration for employees.

RemNomco also considers 'total reward' information (benchmark information for guaranteed base remuneration, short-term incentives and long-term incentives for individual positions) to evaluate remuneration of executives.

Remuneration structure

The remuneration structure consists of the following elements:

- Guaranteed base remuneration; and
- Performance bonuses in the form of:
 - short-term bonuses;
 - discretionary bonuses; and
 - long-term incentive bonuses.

Of these elements, only the base remuneration is guaranteed. All other elements are discretionary and are based on predefined performance deliverables and measurable criteria.

PWC completed an independent review of all Strate's Remuneration policies and practices which was presented to the Committee in early 2016.

Employment contracts

With the exception of the CEO, who has a six-month notice period, the service contracts of the executive directors of Strate are subject to a three-month notice period. There are no service contracts in place with non-executive directors.

The remuneration policy is tabled at the AGM for a non-binding advisory vote, in terms of King III.

Job evaluation and benchmarking

Job evaluations and benchmarking exercises are performed regularly by independent consultants.

The guaranteed base remuneration is developed around the job evaluations and grading of positions and the associated benchmark information using a wide variety of industries in South Africa at a national level. This is considered the most appropriate benchmark for Strate, since its activities are broader than pure financial services. The guaranteed base remuneration is reviewed annually.

An employee's guaranteed base remuneration is benchmarked between the 40th and 75th percentile of the market on an annual basis according to certain marketability criteria.

Executive director remuneration

Executive director remuneration is disclosed in the annual financial statements.

Only executive directors and, where applicable, their alternates are viewed as prescribed officers of the company.

Non-executive director remuneration

During 2015 RemNomco evaluated the estimates used in determining the non-executive directors' fees and considered information contained in the PE Corporate Services (PECS) Management Consultants Non-Executive Directors' Report, published in August 2015 and the PwC Non-Executive

Directors Practices and Remunerations Trends Report, based on information at 30 November 2014. Based on this analysis, non-executive director fees have been determined for a three-year period ending December 2018. The annual fees during this period will be adjusted for inflation. These fee proposals apply to the independent directors, but not to shareholder nominated directors who receive no fees from the company. The fees are subject to shareholder approval in each year.

The non-executive directors' fees for 2015, which included a 6% inflation adjustment, were approved by the shareholders at the AGM.

Non-executive director remuneration is disclosed in the annual financial statements.

Board and Executive Succession Planning

The Committee considered succession for the Board and Executive Committee and believes that the company has an adequate pipeline and / or a succession plan in place for all key positions.

I wish to express my gratitude to the members of the committee and management for their efforts and contributions during the year.

Mr RJG Barrow
Chairman: Remuneration and Nominations Committee