



Remuneration Report 2014

This report provides information regarding 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 Remuneration and Nominations Committee (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 Annual General Meeting (AGM) to take questions from shareholders on RemNomco's areas of responsibility.

RemNomco's role and responsibilities are to:

- determine, agree and develop the Company's remuneration policies. These policies are fully set out later in this report;
- determine and agree the remuneration packages for the executive directors and other Executive Committee members;
- ensure competitive reward to facilitate the recruitment, motivation and retention of high performance employees at all levels in support of corporate objectives and to safeguard stakeholder interests;
- consider the extent and participants of the discretionary performance bonus and make recommendations to the Board;
- consider the treatment of any undistributed balance of the discretionary performance bonus pool and make recommendations to the Board regarding the potential allocation of any undistributed balance to the long-term incentive;
- consider the appropriateness of participants in the long-term incentive as well as the extent of participation and make recommendations to the Board;
- review and recommend to the Board the relevant performance measures for executives and the evaluation of such measures;
- consider other special benefits or arrangements of a substantive financial nature;
- review promotions, transfers and terminations of employment of executives; and
- ensure compliance with applicable laws and codes.

Some of the matters dealt with during the year were:

- the assessment of the independent status of directors classified as independent;
- discussion on the results of the Chairman and Board evaluations conducted during 2014;
- consideration of nominations for Board appointments and made recommendations to the Board;
- consideration of the composition of the Board and all committees and made recommendations to the Board;
- consideration of the remuneration of non-executive directors and submission of the recommendation to the Board;
- review and approval of the remuneration policies and practices, including incentive schemes;
- review and approval of increases to guaranteed packages, awarding of bonuses and long-term incentives within the framework of the remuneration policies; and
- review of the succession planning.

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. Strate rewards employees for their contribution to its Corporate Balanced Scorecard, based on contributions to the Financial, Stakeholder, Operational and Learning Organisation elements, for which performance parameters are defined. Remuneration is thus conducive to 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.

We apply a performance management process aligned to the Corporate Balanced Scorecard, using individual appraisals and a feedback process that takes into account feedback from peers, managers, reports and external stakeholders (termed 360° appraisals). The process starts with setting the objectives of the Company which is cascaded down through the CEO to the Executive, managers and on to all employees. The outcome of the performance appraisal process influences the remuneration of executives.

Although the Company takes an holistic approach to reward, we are biased towards enhancing the Company as a learning organisation, with education in the forefront. Our employee value proposition is balanced across the following:

- individual growth and development;
- stimulating work environment; and
- a comprehensive remuneration structure.

The primary philosophy behind the bonuses is to align rewards of employees with those of the other stakeholders by sharing the profits of the Company in a 50:30:20 ratio with 50% of Net Profit After Tax being returned to the shareholders by means of dividends, 30% being retained in the business for growth and 20% being allocated to employees who have exceeded set performance hurdles, in the form of discretionary performance bonuses and long-term incentives.

Remuneration Policies and Practice

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 executives.

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

Remuneration structure

The remuneration structure consists of the following elements:

- Guaranteed base remuneration;
- Performance bonuses in the form of:
 - Short-term bonuses;
 - Discretionary bonuses; and
 - Long-term incentive.

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

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 who are reappointed annually.

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

Remuneration structure

The 4 main elements of the remuneration package are summarised as follows:

Remuneration Structure		
Element	Type	Objective
Guaranteed base remuneration	Fixed	Reflects scope and nature of role, experience required and performance expected.
Short-term bonus	Variable	Motivates and rewards achievement of performance objectives.
Discretionary performance bonus	Variable	Motivates and rewards achievement of performance objectives and aligns with shareholder interests.
Long-term incentive	Variable	Encourages longer-term performance and loyalty and helps retain key skills. Aligns with shareholder interests.

Short-term bonuses

Short-term bonuses are paid to reward employees for their contribution to the success of the Company. These are awarded each year based on the individual's performance against the objectives of the Company, appraised twice a year, including an annual 360 degree review. The value of the bonus is calculated by a formula, taking into account the monthly guaranteed base remuneration, individual performance, seniority and length of service.

Short-term bonuses are paid twice a year (in June and November). The June bonus can amount to a maximum of 70% of one month's guaranteed base remuneration and the November bonus can amount to a maximum of 5 times monthly guaranteed base remuneration.

Discretionary performance bonus

The performance bonuses are paid at RemNomco's discretion from a pool not exceeding 10% of the Net Profit After Tax. Each Executive member has agreed upon targets and stretch targets set each year. Stretch targets are required to be met for an appraisal score of 4.5 or 5, adding a measurable hurdle to achieving better than 90% of the discretionary performance bonus. This bonus is calculated with reference to the ratio of the short-term bonus pool. This evaluation is under review.

The discretionary performance bonus calculation could result in a portion of the discretionary performance bonus



pool remaining undistributed. RemNomco exercises its discretion regarding the application of any undistributed balance to enhance the long-term incentive pool. This bonus is paid in two instalments, 75% in November, after the appraisal process, and the balance after the financial results have been finalised, usually March/April.

Long-term incentive

The long-term incentive, which is a cash scheme, was implemented in 2006 and is designed to retain and reward critical staff members over the long term and is set at 10% of Net Profit After Tax.

Should the profits for any year be insufficient to constitute a pool, RemNomco has discretion, subject to Board approval to determine an amount to constitute a pool. Guidelines are considered annually by RemNomco to ensure that the needs of the various stakeholders are met.

Participants are nominated each year by the CEO in consultation with the Executives for approval by RemNomco. Selection to participate in one year does not guarantee participation in future years.

Factors considered in the nomination and selection of participants includes:

- importance and role played in achieving the Company's strategic objectives;
- specialised skills or knowledge;
- mobility;
- business continuity, including succession planning; and
- achieving a minimum of 3.5 in the appraisal process.

It is a 5 year scheme, with payments spread evenly over three years starting with year 3 and accruing interest at the corporate rate achieved by State.

Each participant in the LTI scheme does not share equally in the pool. A participants share in the available pool is calculated using the following inputs:

- a participants guaranteed package; and
- a factor based on the participants employment level.

The calculation achieves a weighted distribution of the available pool.

These multiples of the annual guaranteed base remuneration are:

- Executive Directors - 5 times
- Executives - 4 times
- All other staff levels - 2 times.

A participant's interest is capped not to exceed 20% of the long-term incentive pool.

OTHER AWARDS

Leave

Leave ranges from 16 days per annum for support staff with less than 5 years of service to 35 days per annum for Executive members who have served more than 5 years.



An additional 5 days leave are granted on every 5th anniversary or multiple thereof. This is granted for that year only and then reverts to the maximum for that category.

Special awards and recognition

To encourage excellent performance and achievement, Strate uses special awards that are flexible and meaningful. The factors considered in making these awards include:

- the contribution must be of measurable significance to Strate and the degree of that contribution will decide which award is given;
- initiative should be shown;
- where personal time has been infringed to a large extent, particularly lengthy projects; and
- effort expended and dedication shown in the successful completion.

They may be made to individuals or to teams, depending on circumstances. They are nominal in value and infrequent in occurrence.

Job evaluation and Benchmarking

Job evaluations are done with reference to the qualifications and experience required, problem solving and communication abilities required and the financial impact and influence required to fulfil the mandate for each role, using the Paterson Classic Grading System. From this a matrix is created against which each role is measured and benchmarked appropriately. Job evaluations and benchmarking exercises are performed on a regular basis. During 2014 PwC was requested to perform an updated job evaluation exercise for all Executive Committee members and senior management in order to determine the correct job grading and resultant benchmarking information. The exercise highlighted some exceptions which were addressed by RemNomco.

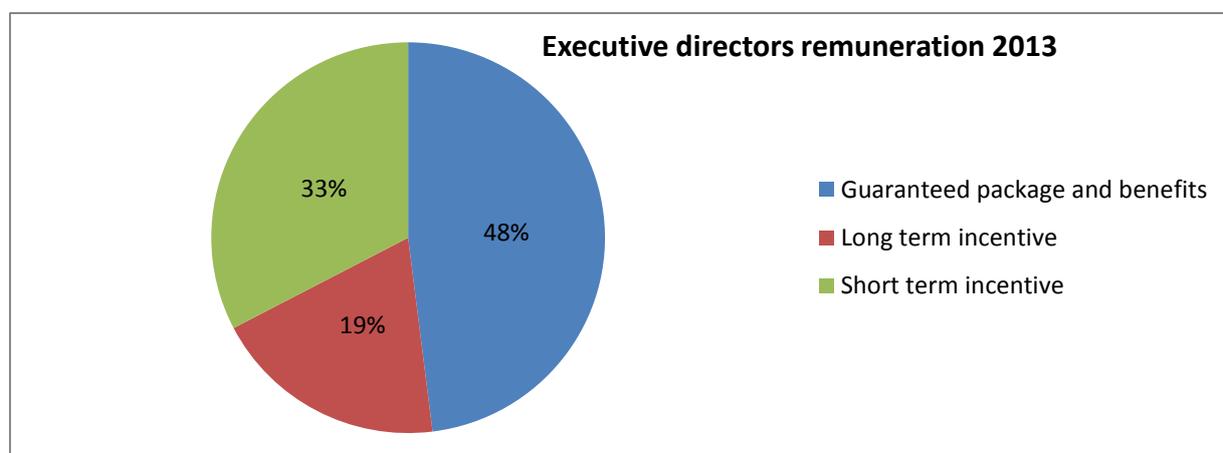
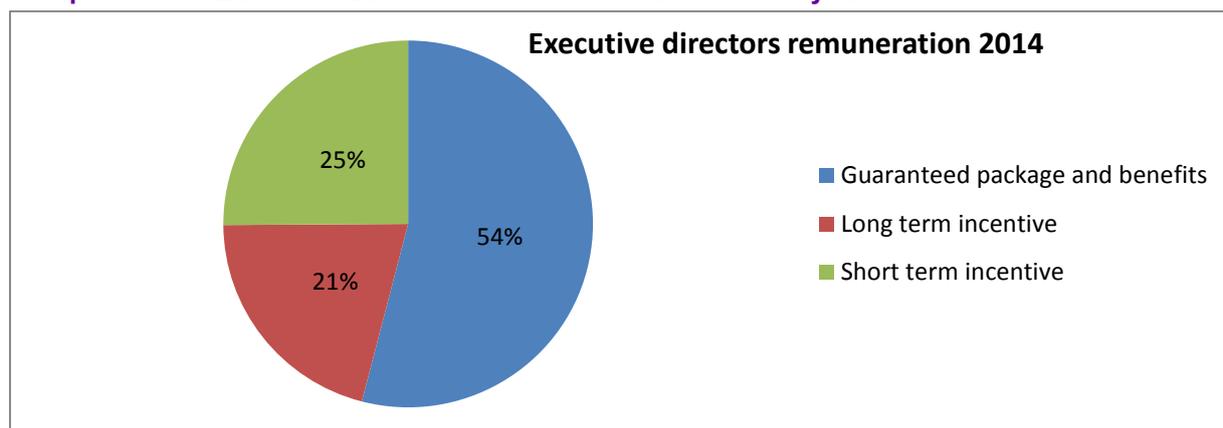
The guaranteed base remuneration is developed around the job evaluations and grading of positions and the associated benchmark information using a wide variety of industries in South Africa at a national level. This is considered the most appropriate benchmark for Strate, since its activities are broader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

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. The only people who may act as prescribed officers are the executive directors.

Composition of Executive Directors' total remuneration for the year:



Non-executive director remuneration

Following a detailed report and recommendations by PwC, a comprehensive analysis of the fee and time spent for Board and committee activities was undertaken in 2013.

Based on this analysis, Non-executive director fees were determined for a three year period ending December 2015. The annual fee during this period is adjusted for inflation. These fee proposals apply to the independent directors but not to shareholder nominated directors who continue to receive no fees from the Company.

During 2014 RemNomco evaluated the estimates used in determining the Non-executive directors' fees and considered information contained in the 2nd edition of the Non-Executive Fee Guide published by the Institute of Directors (IOD). Based on the detailed evaluation the estimate used in respect of the Chairman of the Regulatory and Supervisory Committee was revised downward based on the view that the required time would be less in 2014. All other estimates were viewed to be adequate.

The Non-executive directors' fees for 2014, which included the abovementioned revision and a 6% inflation adjustment, were approved by the shareholders at the AGM.

Non-executive director remuneration is disclosed in the Annual Financial Statements.

The proposed emoluments of non-executive Directors for 2015 and the actual emoluments paid for 2014 are:

Non-executive Director Fees	2015		2014	
	Retainer	Meeting	Retainer	Meeting
Chairman of the Board ¹	R 966 300		R911 600	-
Board Member	R 28 100	R 31 000	R 26 500	R 29 200
Audit, Risk & Compliance Chairman	-	R 67 400	-	R 63 600
Audit, Risk & Compliance Member	-	R 33 700	-	R 31 800
Regulatory & Supervisory Chairman	-	R 102 800	-	R 97 000
Regulatory & Supervisory Member	-	R 50 100 ² or R 19 700 ³	-	R 47 700 ² or R 18 600 ³
Remuneration & Nominations Committee Chairman	-	R 60 600	-	R 57 200
Remuneration & Nominations Committee Member		R 22 500	-	R 21 200
Ad hoc rate per hour Member	n/a	R 2 900	n/a	R 2 700
Ad hoc rate per hour Chairman	n/a	R 3 400	n/a	R 3 200
Participant Failure Committee Chairman	n/a	R3 400 ⁴	-	R3 200 ⁴
Participant Failure Committee Member	n/a	R2 900 ⁴	-	R2 700 ⁴

¹ The Chairman's retainer is inclusive of meeting fees. The Chairman is a member of the Regulatory and Supervisory Committee and is entitled to remuneration in his capacity as a member of that Committee.

² Fee payable to a member for attending Committee training sessions, the confidential and the non-confidential parts of the meeting.

³ Fee payable to a member for attending Committee training sessions and the non-confidential parts of the meeting.

⁴ To be remunerated at the hourly rate until such time as the fees have been determined.