WBHO

REMUNERATION POLICY

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INTRODUCTION

Remuneration within Wilson Bayly Holmes Ovcon Ltd (WBHO) is aligned to corporate strategy and in adherence to the principles set out in the King Report on Governance for South Africa 2009 (King III) and with the requirements of the Companies Act (2008) in relation to the remuneration of directors and principal officers. The remuneration policy of WBHO determines both executive and non-executive packages, including mix of pay. The policy is set, and reviewed annually, by the Remuneration committee (Remco). The Remuneration committee reports directly to the main board and submits all of its decisions to the board for ratification.

The purpose of the remuneration policy is to align the interests of senior executives with the interests of shareholders and with the business strategy formulated by the board, with regards to how performance-based rewards are used to drive corporate performance, in particular.

PRINCIPLES

The remuneration policy is informed by the following four principles, which are aligned with the concept of Total Remuneration for executives. Total Remuneration includes the components of (i) guaranteed pay and benefits and (ii) performance-variable pay (short-term and long-term incentives), with an appropriate 'pay mix' designed to achieve a balanced focus on achievable organisational goals and personal objectives in each case. The four guiding principles are as follows:

- Guaranteed remuneration packages are aligned to our performance-oriented philosophy (while benchmarked against realistically achievable packages within the construction market in which the group operates, packages are deliberately set at below the median of the market at senior levels).
- Conversely, performance-variable pay at senior levels is significantly above market norms (although total remuneration [i.e. guaranteed and targeted variable pay in combination] aligns with overall industry benchmarks).
- Short-term incentives reward high-performing employees for their performance contribution to the group, divisional cluster and division in which they work. Key team / individual performance metrics are based on a scorecard of economic, social and environmental targets.
- Long-term incentives (which were utilised for the retention of key talent on an ad hoc basis in the past) are now an integral part of a balanced mix of both short-term and long-term incentive packages to reward both company performance and individual/team/project performance (through the introduction of the proposed long-term share-based incentive scheme).

REMUNERATION STRUCTURE

The integrated remuneration structure is made up of the three components of Total Remuneration:

- Total Guaranteed Package (TGP): incorporating basic pay, vehicle allowance, provident fund (superannuation), medical aid, leave and various other allowances (where applicable).
- Short-Term Incentives (STIs): performance-based bonuses that are dependent on company and individual performances during the particular financial year.
- Long-Term Incentives (LTIs): equity-based, involving share schemes offered to senior executives and key senior employees identified by the executive committee.

The guaranteed pay levels of executive directors and senior management are deliberately benchmarked below the median level of comparable executive guaranteed remuneration within the construction industry. The purpose of this is to prevent large gaps in salary developing between executive directors and key senior operational management. It is the belief of the group that these large gaps (often found in comparable companies) are unhealthy in a construction company where working as a cohesive team is crucial to success.

With this principle in place, performance-variable pay carries a heavier weighting than guaranteed pay when rewarding the operational performance of senior directors and key management, with the result that short-term incentives form the major portion of their total remuneration.
The remuneration structure for other employee categories varies in accordance with levels determined by the market and the operational / functional responsibilities expected from each individual employee, but the principle of a performance-orientation is retained.

1. TOTAL GUARANTEED PACKAGE (TGP)

1.1 SALARIED EMPLOYEES

TGP determines our employees' guaranteed remuneration. TGP represents a generally accepted practice for paying employees, which enables accurate and meaningful benchmarking of remuneration packages. The company positions TGPs against the industry from where the relevant skills have been acquired, or to which the skills are likely to be lost. In South Africa, WBHO participates in an external remuneration survey, which includes most of the major players within the construction industry.

The annual TGP increase review process takes place during January / February, with adjustments made on 01 March. Overall increase percentages are determined by the Executive Committee (EXCO), with guidance from executive management and with reference to market-related TGP increases and individual, project, group, divisional cluster and divisional performance.

Following input from direct line managers and divisional executives, the proposed increases in TGP are submitted to EXCO for review, before authorisation and presentation to the remuneration committee for final approval.

1.2 HOURLY PAID EMPLOYEES

In South Africa, the annual increase in remuneration and annual bonus allocations for hourly paid employees are determined at Industry Bargaining Council level, through the process of substantive negotiations between industry and employee representatives.

2. SHORT-TERM INCENTIVES (STIs)

The STIs for executive directors and other senior management are short-term, cash-based annual performance rewards determined by performance scorecards, structured with the following weighting:

- 70% for financial targets; and
- 30% for personal scorecard objectives.

Group targets are set for the Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Divisional targets apply to the remainder of the executives; however, all executives are measured against the headlines earnings per share (HEPS) target, which is set on a group basis in recognition of their collective responsibility for the performance of the group as a whole.

The targets set take into account the current trading conditions and challenges being faced by the group and/or relevant division and incorporate a meaningful level of stretch. The threshold targets are set at a level that represents the minimum level of acceptable performance for the business.

In respect of personal scorecard objectives, these would typically include aspects such as safety performance, people development and training, sustainable development, empowerment and transformation objectives, customer loyalty and growth, ethical behaviour, acquisitions and disposals of businesses and/or major clusters of assets, and special projects.

Performance below the threshold of a financial target will result in no STI payment on that measure.

2.1 EXECUTIVE DIRECTORS

The financial targets are approved by the board annually and in advance, taking cognisance of operational budgets. These define 'minimum', 'expected' and 'maximum' targets for the business with respect to:

- the adjusted diluted HEPS growth rate;
- operating profit;
- the return on capital employed; and
- cash flow.

There is a further component based on personal scorecard objectives.

2.2 SENIOR MANAGEMENT

Targeted operating profit will be agreed at main board level annually and in advance, taking into account the operational budget for that year.

- Financial performance within individual area of responsibility at group, divisional cluster and divisional level (70%) on:
- final contract performance against budget, programme and client relations;
- divisional cluster operating profit against budget; and
- divisional operating profit per group division.

- Sustainability performance (30%) on:
- targeted transformational change, safety performance, environmental performance and adherence to the WBHO culture and ethos.

2.3 SALARIED EMPLOYEES

All full-time salaried employees are appraised annually by the manager and senior team to whom they report. In the case of employees other than senior executives and senior managers, their performance ratings at year-end are taken into account when determining merit incentives or promotion for the following year.

There is a guaranteed annual bonus equivalent to one month payment of basic pay for employees who have worked the full year. Below executive and other senior management 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 bonuses are reviewed by senior management. Their proposals are submitted to EXCO, which checks each proposed individual bonus and compares it with other staff members at a similar position in the company. Often, EXCO returns proposals for re-evaluation. Finally, the recommendations are presented to Remco for authorisation.

2.4 HOURLY PAID EMPLOYEES

In the case of hourly paid employees, bonuses are determined annually at Industry Bargaining Council level. Additional bonuses may be awarded for exceptional performance on the recommendation of their direct superior. All bonuses are then reviewed and approved by the divisional managing directors.

3. LONG-TERM INCENTIVES (LTIS)

3.1 EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT

LTIs within WBHO are to be provided through the proposed 2013 WBHO Share Plan, as well as the existing Share Trusts, which are detailed below. As a rule, the existing Share Trusts (the WBHO Management Trust and the WBHO Share Trust), which the group uses to attract, retain and reward future talent within the group, will not be used as an LTI for executive directors in the future.

3.1.1 2013 WBHO SHARE PLAN

The metrics and targets for the 2013 WBHO Share Plan have been approved by Remco and presented for approval by the shareholders. This proposed long-term incentive plan (once approved) is to become the third component of our remuneration structure. The purpose of the LTI is to retain and reward executive directors and key senior managers for their contribution to the creation of shareholder value over the long-term.

Full descriptive details of the Plan, and the JSE-approved Plan Rules, are contained in the Notice of Annual General Meeting, but the essential elements of the Plan architecture and the performance criteria to govern the first offers are set out below.

There are two components to the LTI:

- Share Appreciation Rights scheme (SAR)
- Performance Share scheme (PS)

Proportionate offers of each component will be made annually by the board, with the proposed initial offer in 2014 being split in terms of expected value one third SAR, two thirds PS.

SHARE APPRECIATION RIGHTS SCHEME (SAR)

The allocation of the SAR component will be made annually and will vest in equal tranches over three years. Rights will be available for settlement in equal thirds on the 3rd, 4th and 5th anniversaries, but need not be exercised until the 7th anniversary. On settlement, the value accruing to participants will be the full appreciation of the share price during the vesting period.

The performance target threshold that must first be achieved is the average growth in adjusted headline earnings per share (HEPS) compared against the average CPI plus 3%. The average calculation will be determined annually in three year cycles.

PERFORMANCE SHARE SCHEME (PS)

Conditional awards of performance shares will be made annually to participants. Vesting will commence on the 3rd anniversary of the award, to the extent that the company has met the specified performance criteria over the intervening period. Being a full value share element, essentially without a strike price, the number of shares that vest will depend on the extent of the company performance over the three year vesting period.

The performance criteria for each award will be decided at board level, based on the following:

- Return on Capital Employed (ROCE) (50% of award allocation) Calculated as:

$$\frac{\text{Earnings before Interest and Tax}}{\text{Average Shareholder Equity + Average long-term financial liabilities}}$$

The performance criteria is determined on an annual basis, with the current 2014 FY threshold set at 14%.

- Relative Total Shareholder Return (TSR) (50% of award allocation) Calculated as:

$$\frac{\text{(Share price end of period – Share price start of period) + Dividends paid during period}}{\text{Share price start of period}}$$

The TSR is the increase in value of a portfolio of shares, with dividends reinvested, over the performance period. The performance criteria will be determined on an annual basis, measured against a comparative peer grouping made up of the following companies:

- Aveng
- Basil Read
- Group 5
- Murray & Roberts
- Raubex
- Stefanutti Stocks
- Hudaco
- Barloworld
- PPC

Performance share awards will vest depending on the company placement in the peer group TSR levels as follows:

- placement in 8th position and below will result in no vesting
- placement in 5th position will achieve target, with vesting pro-rated down to 7th position and up to 3rd position

- placement in the top two positions will achieve maximum target vesting

AMENDMENT OF THE PLAN

The board will be able to amend any of the provisions of the Plan, subject to prior approval of all of the stock exchanges on which the Shares are listed, provided that no amendment that negatively affects the rights (whether conditional or otherwise) of any Participant shall be effected without the prior written consent of the Participant concerned. All elements of the Plan that require shareholder approval for amendment shall only be amended if approved by ordinary resolution approved by a 75% majority of the votes cast by shareholders present or represented by proxy at a general meeting (excluding all of the votes attached to Shares owned or controlled by existing Participants in the Plan).

TERMINATION OF EMPLOYMENT

Termination of employment is based on the definition of "no fault termination" versus that of "fault termination". No fault termination is the termination of employment of a Participant by the company by reason of:

- death;
- injury, disability or ill health, in each case as certified by a qualified medical practitioner nominated by the relevant Employer Company;
- dismissal based on operational requirements as contemplated in the LRA;
- retirement on or after his or her Retirement Date;
- a mutually agreed Termination of Employment; and
- the Employer Company by which he or she is employed ceasing to be a member company of the Group.

  Fault termination will be a dismissal for:

- misconduct;
- poor performance;
- or a resignation by the Participant.

The following provisions will apply under circumstances of termination:

SHARE APPRECIATION RIGHTS

If the termination is a "no fault termination" (as defined above) that occurs prior to the Vesting or Exercise of an Allocation, then the Allocation will automatically vest or be deemed Exercised on the Date of Termination of Employment and will be Settled to the Participant as soon as practically possible after the Date of Termination of Employment.

If the termination is a "fault termination" (as defined above) that occurs prior to Vesting or Exercise of an Allocation, then such Allocation will be cancelled on the Date of Termination of Employment.

PERFORMANCE SHARES

If the termination is a "no fault termination" (as defined above) that occurs prior to the Vesting of the award, the Performance shares available to be settled to the Participant shall vest on the Date of Termination of Employment and will be Settled to the Participant as soon as practically possible after the Date of Termination of Employment.

If the termination is a "fault termination" (as defined above), the Award shall be cancelled.

CHANGE OF CONTROL

"Change of Control" is defined as all circumstances where a party (or parties acting in concert), directly or indirectly, obtain:

- beneficial ownership of the specified percentage of 35% or more of the Shares; or
- control of the specified percentage or more of the voting rights at meetings of the Company; or
- the right to control the management of the Company or the composition of the board; or
- the right to appoint or remove Directors holding a majority of voting rights at board meetings; or
- the right to control the business or undertaking of the Company through a merger or consolidation with any other business or entity, or upon a sale of the whole or part of the assets or undertakings of the Company.

If the Company undergoes a Change of Control, then the rights (whether conditional or otherwise) in and to any outstanding Allocations or Awards will, to the extent necessary, be accommodated on a basis that shall be determined by the board to be fair and reasonable to Participants.

3.1.2 WBHO MANAGEMENT TRUST

The scheme is designed as a retention scheme for future key management members where the ability to issue shares at a discount to the market with no performance conditions assists in the long-term retention of employees at this level.

Trustees may award eligible employees options or an offer to purchase shares at the greater of the weighted average purchase price of 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.

Dividends relating to these options only accrue to employees once they have exercised their rights. Dividends received in respect of the shares are utilised 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 .

3.1.3 WBHO SHARE TRUST

The scheme is designed as a retention scheme for future key management members where the ability to issue shares at a discount to the market with no performance conditions assists in the long-term retention of employees at this level.

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 accrue to employees once they have exercised their rights. Dividends on the shares are utilised to repay loans, if applicable. Unless the main board determines otherwise, options granted to an employee will lapse if employment is terminated.

GENERAL TERMS AND CONDITIONS APPLYING TO THE 2013 SHARE PLAN, MANAGEMENT TRUST AND THE SHARE TRUST:

Proportionate awards are provided when there is a change in the effective control of the company or when an employee is retrenched, retires or dies while in service.

No extension or retesting of allocations, awards or grants, or retrospective allocations, awards or grants, are permitted.

Special awards of both share appreciation rights and bonus shares can, however, be made by the committee in special circumstances (for example, as an inducement to an employee to accept a job offer or to enter into a restraint of trade agreement).

LIMITS ON SHARES ISSUED BY THE COMPANY IN TERMS OF THE SCHEMES:

The aggregate number of WBHO shares ('shares') that may be issued to Participants under the Management Trust and the Share Trust is limited to 11% of the issued shares of WBHO; however, this limit (which has caused much concern among shareholders) will fall away as and when the 2013 WBHO Share Plan is approved. The limit will be replaced with the one that is cited in the Plan Rules (i.e. one million nine hundred and eighty thousand shares, equating to 3% of the issued shares of WBHO). This new limit will be applied to all three share-based incentive plans.

Settlement of SAR and PS allocations (2013 Share plan) is expected to be via the acquisition and transfer of Shares, although provision has been made in the 2013 Share Plan Rules for settlement to be made via the issue and allotment of Shares awarded within the parameters in the above paragraph or in cash, by granting a cash bonus equivalent to the aggregate market value of the shares to be settled (at the sole election of the board).

3.1.4 BROAD-BASED EMPLOYEE SHARE INCENTIVE TRUST

Akani Investment Holdings (Pty) Ltd and the Broad-Based Employee Share Incentive Trust are special purpose vehicles created to give effect to the Black Economic Empowerment initiative of the group, which is designed to attract strategic black partners and reward black employees who have been in the service of the group for more than five years.

Three of the non-executive directors participate in the Akani Investment Holdings (Pty) Limited incentive scheme, with a 10 year accumulative hurdle requirement that aligns with long-term shareholders objectives.

3.1.5 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 at the discretion of the directors.

GENERAL INFORMATION RELATING TO THE ABOVE SHARE TRUSTS:

TAXATION OF SHARE SCHEMES

Individual 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.

POTENTIAL DILUTION

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

EXECUTIVE DIRECTOR CONTRACTS

Notice periods for directors is 30 days. Contracts do not commit to balloon payments on termination; nor any entitlement to bonus or share-based payments on termination for non-performance.

Executives have standard WBHO employment contracts, which do not have contract periods and there are no restraints.

Retirement age is set at 60 years.

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, 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.

The remuneration of non-executive directors who serve on the board and its committees is reviewed by Remco 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 October of that financial year.

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

AUSTRALIAN SUBSIDIARIES

Remuneration in respect of the Australian subsidiaries of the group is governed by the Australian Remuneration committee (Remco), which consists of executive board members and follows similar procedures to those conducted in South Africa. Australian increases and incentives are approved following detailed presentations and discussion with those WBHO executives responsible for Australia.

1. TOTAL GUARANTEED PACKAGE (TGP)

1.1 SALARIED EMPLOYEES

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 TGP and incentives, as well as allowing for seasonal requirements. The annual TGP increase review process of the group takes place in May / June, with adjustments made on 01 July.

1.2 HOURLY PAID EMPLOYEES

In Australia, enterprise agreements are agreed with the unions at state and / or project level, whereby pay rates, allowances and benefits are determined for set time periods.

2. SHORT-TERM INCENTIVES (PROBUILD: SHORT-TERM INCENTIVE PLAN [STIP])

2.1 MANAGING DIRECTORS AND EXECUTIVES

The evaluation of the STIP for top management is divided into the following three categories:

- Financial performance of the group, as well as the division under the individual's direct control (this category carries the majority weighting);
- Safety performance of both the group and the division under the individual's management; and
- Individual performance against the goals that have been set for the year under review.

The evaluation and pay out of this STIP is done on an annual basis.

2.2 SENIOR EMPLOYEES

The essential principal of the STIP is to reward senior staff for the performance that they deliver over and above 'business as usual'. The key objectives of the STIP are to provide:

- reward for:
- successful company results;
- individual achievement based on set goals;
- improved outcome of project team results; and
- an incentive for valued employees to remain within the business; and
- flexibility in attracting high calibre people to join the company.

Operational employees at a senior managerial level are part of the STIP. Their Total Remuneration package is made up of a guaranteed annual amount, as well as the addition of a performance-based incentive. The performance-based incentive is capped at a percentage of the total annual guaranteed remuneration of the individual. The percentage cap is dependent on the seniority of the individual, as well as the influence he or she has on the success of the business or project for which he or she is responsible. The percentage caps range from 10% for senior managers to the maximum of 30% for the executives and managing directors of the company.

2.3 PROJECT STAFF

The evaluation of the STIP for project staff is divided into the following two categories:

- Individual performance (in terms of operations, customers and culture — this category carries the majority weighting); and
- Project performance (in terms of financial, safety and completion).

The evaluation and pay out of the STIP will be done on the completion of the project.

3. LONG-TERM INCENTIVES

The Remco of Probuild is investigating a long-term incentive scheme to be introduced in the company.

EXECUTIVE DIRECTOR CONTRACTS

Notice periods for directors range from 30 to 180 days, dependent on strategic considerations. Certain executives have restraint of trade (non-compete) agreements for varying periods, depending on individual circumstances. Contracts do not commit to any of the following payments: balloon payments on termination, and entitlement to bonus or share-based payments on termination for non-performance.