Governance report

The Board of Famous Brands holds ultimate responsibility for governance, the setting of strategy, the monitoring of strategy and the setting of short to medium-term operational objectives for Executive management. The Board also holds responsibility for setting the ethical tone and creation of a culture of integrity and compliance.

KING IV

In recognition of the need to conduct the affairs of the Group according to the highest standards of corporate governance and in the best interests of investors, the Group's commitment to good governance is formalised in its policies and operating procedures. These are intended to cover all aspects of the organisation's activities wherever situated, and in its reporting internally and externally to stakeholders.

The Board is committed to achieving high standards of corporate governance, business integrity and ethics across all of its activities.

The principles and structures for facilitating good corporate governance are in place throughout the Group and are operating well. The directors are satisfied that the Group substantially complies with the principles and spirit of King IV.

Principle	Focus areas in review period	Actions in review period
Governance outcome: ethical culture		
1. Ethical leadership The governing body should lead ethically and effectively.	The Board of Famous Brands acknowledges and accepts the responsibility for ensuring that the appropriate tone is set for the Group, which is one of integrity, fairness, transparency and accountability. The Board operates under a Charter that outlines the responsibility.	The Board Charter is reviewed annually. In ensuring that the appropriate tone is set, the Board oversees that the Code is properly implemented and monitored. The Code outlines acceptable standards of conduct. In assessing performance evaluations of the Board itself and members of the Executive Committee, compliance with the required standards is essential. New members of the Board subscribe to and accept responsibility for providing the highest standards of ethical leadership.
2. Organisation values, ethics and culture The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board sets the direction of the Company's values, ethics and culture. Although the Board assumes responsibility for the governance of ethics, it has delegated the responsibility to the Audit and Risk Committee and the Social and Ethics Committee. The day to day implementation of the Code of Ethics (the Code) is delegated to management. Management is required to ensure that it is implemented in all functions and sectors of the business on a day-to-day basis, which include, *inter alia*, recruitment, remuneration, supplier selection, franchisee appointments and engagement with all stakeholders. The Code is reviewed annually. Stakeholders are made aware of the Code by making it available on the Company's website and by regular communication to employees.	The Audit and Risk Committee reviewed and approved the Code. The Audit and Risk Committee monitors reports received on the independent whistleblowing facility in order to ensure that appropriate action is taken. The Committee is assisted in this regard by the internal audit function. The directive issued by CIPC in November 2018 relating to corruption was considered by both the Audit and Risk Committee and the Social and Ethics Committee. Management was tasked with ensuring that the recommendations were implemented. The Company will continue to ensure that the highest ethical standards are maintained and specifically will focus on ensuring that there is zero tolerance for corrupt practices.

Principle	Focus areas in review period	Actions in review period
3. Responsible corporate citizenship The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board accepts that it is essential that the Company is and is seen to be, a responsible corporate citizen. Being a responsible corporate citizen entails that it is sensitive to the cultural and acceptable standards where it has its operations and places responsibility on its employees, franchisees and suppliers in ensuing that its operations are environmentally friendly. The Board has zero tolerance for non-compliance with legislation. The Board delegates to management the responsibility of ensuring compliance with the Company's own policies and procedures. Material breaches are reported to the Board. The Board approves the delegation of authority policy that is reviewed annually.	The Audit and Risk Committee reviews any breaches of legislation and recommends action. There have been no material breaches of legislation that were brought to its attention. The Board ensures that its strategy is consistent with the requirement that the Company is a responsible corporate citizen. Future areas of focus on minimising environmental impact are outlined elsewhere in this report.
Governance outcome: performance and value creation		
4. Strategy, implementation and performance The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Board sets the direction, purpose and strategy of the Company and delegates to management the responsibility of formulating and implementing the strategy. The Board approves the overall strategy and operational strategic plans. The plans include key performance measures and targets approved by the Board and it oversees the reporting on and implementation of the plans. The Board thus plays a key role in the oversight of strategy implementation. In assessing and approving the strategy, the Board takes into account risks and opportunities relating to the strategy and its implementation. The Board is required to satisfy itself that the business model is appropriate for the strategy implementation and that sustainable development is an important factor in the strategy.	The Board annually sets aside a day to review the progress on the strategy implementation and to review and approve the strategy for the following five years. At each Board meeting, management reports on progress with regard to its implementation of the approved strategy and whether targets that had been set were met. Enhanced focus has been given to the assessment and mitigation of risk, which is reported on elsewhere in this report.
5. Reports and disclosure The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Board sets the direction, approach and conduct for reporting to the Company's stakeholders and approves the framework and when appropriate, the detail to be used. The Board ensures that the reporting frameworks are compliant with all regulatory requirements, which include the Companies Act and the JSE Listings Requirements, which include the requirement to adhere to the provisions of King IV. The Board approves this Integrated Annual Report, the basis of materiality to be used within the report and satisfies itself as to the assurances required from external parties.	The Board has satisfied itself that all reporting has been done in compliance with the Companies Act and the JSE Listings Requirements. The Company engages with stakeholders to discuss its reporting and how the reporting can be enhanced and improved. All other reports that are required in an Integrated Annual Report are included in this report.

Principle	Focus areas in review period	Actions in review period
Governance outcome: adequate and effective control – governing structures and delegation		
6. Role of the governing body The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	The Board is aware of its responsibility as being the focal point and custodian of corporate governance in the Company. The Board exercises this leadership role through ensuing that it performs its functions in terms of its Charter and the Charters of the Committees of the Board.	The Board is satisfied that it has fulfilled its obligations in terms of its Charter. The Board met five times in the period under review, being four quarterly Board meetings and one strategic planning meeting. Details of the meetings and attendance appear elsewhere in this report. The Board is satisfied that there is no one director or group of directors who have unfettered powers of decision making.
7. Composition of the governing body The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board comprises a majority of independent non-executive directors. The Nominations Committee considers whether the size, knowledge, skill, diversity, experience and independence of the Board are appropriate for the Company. The Committee is satisfied that the Board currently has the appropriate skills set. The CEO and Group FD are executive directors. The Board encourages and supports diversity of gender, race, age, culture and fields of expertise. The Board has adopted a gender policy as part of the Charter of the Nominations Committee which encourages the appointment of females to the Board and to its Committees. At the time of printing this report, one third of the Board was female. Prior to the resignation of Thembisa Skweyiya subsequent to the year-end, females comprised 40% of the Board. At the time of issuing this report one third of the Board were black persons as defined in the BBBEE Act. Prior to the resignation of Thembisa subsequent to the year-end, it was 40% of the Board. The rotation of Board members is outlined in the Company's Memorandum of Incorporation. The process for the nomination and approval of new Board members is outlined in the Charter of the Nominations Committee. There is a formal induction process for new Board members. Conflicts of interest are required to be tabled in terms of the Companies Act and are updated at each Board meeting. The Chairman of the Board is independent. The Chairman is not Chairman of the Audit and Risk Committee, the Remuneration Committee nor the Social and Ethics Committee.	An internal Board evaluation conducted by the Company Secretary on an anonymous basis, was conducted. The evaluation comprised a questionnaire, broken down into the following categories: Board Composition, Board Culture, Role and Responsibilities, Board Committees, Relationship between Board and Executive management, Board meetings, Evaluation and fees, Leadership pool and Stakeholders. The Board and the Nominations Committee considered the results of the evaluation and have agreed steps to further improve the functioning of the Board and the knowledge base of Board members. The Nominations Committee assessed whether Bheki Sibiya, who has been a member of the Board for over nine years, could be considered independent. The Committee was satisfied that notwithstanding his years of service, Bheki was regarded as independent. Bheki has, however, subsequently indicated that he will stand down as a director at the conclusion of the AGM in July 2019.

Principle	Focus areas in review period	Actions in review period
8. Committees of the governing body The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	The Company has established the statutory Committees of Audit and Risk and Social and Ethics. It was considered appropriate that the assessment of risk would be the responsibility of the Audit and Risk Committee. The Board has established a Remuneration Committee, a Nominations Committee and an Investment Committee. The Investment Committee is convened on an *ad hoc* basis when considered appropriate. Each Committee has a Charter that is reviewed annually.	The Committees met on a regular basis, details of which are outlined on page 96. Details of the membership of the Committees is reflected elsewhere in this report. The Charters were all reviewed. The reports of the appropriate Committees are included in this report.
9. Performance evaluations The governing body should ensure that the evaluation of its own performance and that of its Committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.	The Board acknowledges that it is important that a regular assessment be made of the performance and composition of itself and of its Committees through an evaluation exercise.	An evaluation was conducted by the Company Secretary which was on an online anonymous basis. Details of the process are reflected in Principle 7 adjacent.
10. Delegation to management The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	The Board accepted that it is the responsibility of the CEO, assisted by his management team, to lead the implementation of strategy and operational management. The CEO is not a member of the Audit and Risk Committee, Remuneration or Nomination Committees, but attends meetings by invitation. The CEO is a member of the Social and Ethics Committee. Succession of the CEO and senior executives is considered by the Nominations Committee and the Remuneration Committee. A delegation of authority framework is delegated to the Audit and Risk Committee for annual review. The Board is satisfied that it contributes to clarity of responsibilities and assists in the effective exercise of authority and responsibilities. The Remuneration and Nominations Committees have been delegated the responsibility of ensuring that Executive management functions are appropriately resourced and remunerated. The performance of the CEO and senior executives is annually evaluated by the Remuneration Committee. Board members are entitled to seek independent legal advice.	The delegation of authority framework was reviewed by the Audit and Risk Committee. The Nominations Committee and the Remuneration Committee assessed succession of the CEO and senior executives. The report of the Remuneration Committee which outlines the Remuneration Policy and the Remuneration Implementation Report are published on pages 99 to 111. They are submitted to shareholders in terms of the Notice of the AGM in non-binding advisory resolutions.

Principle	Focus areas in review period	Actions in review period
Governance outcome: adequate and effective control – governance functional areas		
11. Risk and opportunity governance The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The Board accepts it holds responsibility for the governance of risk. This responsibility has been delegated to the Audit and Risk Committee. The assessment of risk and the implementation of risk management is the responsibility of Executive management.	The Board has given careful assessment to risk management during the year. The refinement of risk management was identified in the previous year as an area that required enhanced focus. The outcome of the enhanced focus on Risk is outlined elsewhere in this report.
12. Technology and information governance The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	The Board accepts that the role of technology is a key enabler for success and competitive advantage, and as such, gives rise to enhanced risk for the Company and its operations. The Board has acknowledged it holds responsibility for the governance of technology. The Board has delegated to management the implementation of effective technology and information practices and to monitor the rapid advances and improvements in technology. Management has established an Information Technology Steering Committee to manage this important function.	The Board has sought from management assurance as to the effectiveness and reliability of the Company's technology and information arrangements. The Board has overseen the risks associated with technology as a key area of focus. There have been no major incidents during the review period.
13. Compliance governance The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Board sets the requirement of compliance by all operations with relevant legislation, codes, regulations, standards and policies. There is a zero tolerance policy towards breaches of legislation where material breaches are reported to the Audit and Risk Committee. The Board delegated to management the responsibility of ensuring such compliance.	Compliance is an ongoing responsibility for directors, employees, franchisees and suppliers. No material breaches have been brought to the attention of the Audit and Risk Committee during the review period. The Board seeks assurance on compliance from internal and external audit functions. Particular focus has been given to implementing the minimum guidelines outlined by the CIPC in November 2018.
14. Remuneration governance The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	The Board through the Remuneration Committee sets the direction and approach for remuneration practices. The Remuneration Policy and Implementation Report are detailed on pages 99 to 111 in this report.	During the period under review particular focus has been given to reviewing the remuneration practices. The views of major shareholders were sought, the outcome of which is outlined in the Remuneration Policy and Implementation Report. Shareholders will be requested to vote on the Policy and Implementation Report at the AGM.

Principle	Focus areas in review period	Actions in review period
15. Assurance The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and of the organisation's external reports.	The Board has delegated the responsibility for the oversight of direct assurance services and functions to the Audit and Risk Committee. The Audit and Risk Committee has assumed the responsibility in order to ensure the existence of an effective internal control environment and thus reliability can be given to the integrity of information for decision-making. The Committee is responsible for ensuring that an applied assurance model is implemented that covers significant risks and material matters through the use of internal and external assurance providers. The Committee is satisfied as to the effectiveness of the model in respect of both financial and non-financial issues. The Board has delegated the oversight of the internal audit function to the Audit and Risk Committee. The Internal Audit Charter is reviewed annually. The Internal Audit Executive has a direct reporting line to the Chairman of the Audit and Risk Committee in addition to his day-to-day internal management reporting line. The Internal Audit Executive is not a member of Executive management.	The Audit and Risk Committee has addressed the assurance issues in compliance with its Charter and responsibility to the Board. The internal audit function was enhanced through additional appointments. The Internal Audit Charter was reviewed. The Internal Audit Executive attends the Audit and Risk Committee meetings and the internal audit report is part of the agenda for each meeting.
Governance outcome: trust, good reputation and legitimacy		
16. Stakeholders In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Board accepts that stakeholder management is a key responsibility that it holds. It has delegated the responsibility to management. Stakeholders include employees, shareholders, franchisees, suppliers, customers and government.	The Board has encouraged pro-active engagement with shareholders. A management committee meets regularly to discuss investor relations issues in a structured approach. Engagement with major shareholders took place on remuneration issues in order to assess their views on best remuneration practices. The engagement was seen by both management and the shareholders as being positive and constructive. The quality of the relationship with significant stakeholders is regarded as sound.

GOVERNANCE FRAMEWORK

Attendance at Board and Board Committee meetings during the year ended 28 February 2019

	Board	Audit and Risk Committee	Social and Ethics Committee	Nominations Committee	Remuneration Committee	Investment Committee
Number of meetings	**5**	**3**	**3**	**2**	**3**	**1**
Board/Committee members						
NJ Adami	3/5	3/3	n/a	1/2	n/a	1/1
SL Botha	5/5	3/3*	n/a	2/2	3/3	1/1
CH Boulle	5/5	3/3	n/a	n/a	3/3*	1/1
DJ Fredericks (appointed 1 August 2018)	2/4	2/2	n/a	n/a	n/a	n/a
N Halamandaris	5/5	3/3*	3/3	n/a	n/a	1/1*
JL Halamandres	5/5	n/a	n/a	n/a	3/3	0/1
DP Hele	5/5	3/3*	3/3	2/2*	3/3*	1/1*
TE Mashilwane	5/5	3/3	n/a	n/a	n/a	1/1
K Ntlha	5/5	3/3*	n/a	n/a	n/a	1/1*
BL Sibiya	5/5	n/a	2/3	n/a	2/3	n/a
T Skweyiya	5/5	3/3	3/3	2/2	n/a	n/a

** By invitation*

CHANGES TO THE COMPOSITION OF THE BOARD

During the year, Deon Fredericks was appointed to the Board effective 1 August 2018. Subsequent to the year end, Thembisa Skweyiya resigned effective from 8 March 2019. Bheki Sibiya will be retiring as a director at the conclusion of the AGM in July 2019.

COMPANY SECRETARY ASSESSMENT

The Company Secretary is Ian Isdale who was reappointed for a further period from 1 March 2019 until such time as a suitable replacement is found. Ian holds the degrees of BA, LLB (Natal) and EDP (Wits) and has served as Company Secretary of listed companies for over 25 years. The Board of Directors is satisfied that the Company Secretary has the experience and expertise to fulfil the role and that there is an arm's length relationship between the Company Secretary and Board members.

BOARD AND COMMITTEE CHARTERS

The Board and its Committees have Charters that are reviewed on an annual basis. The latest reviews took place during the period under review.

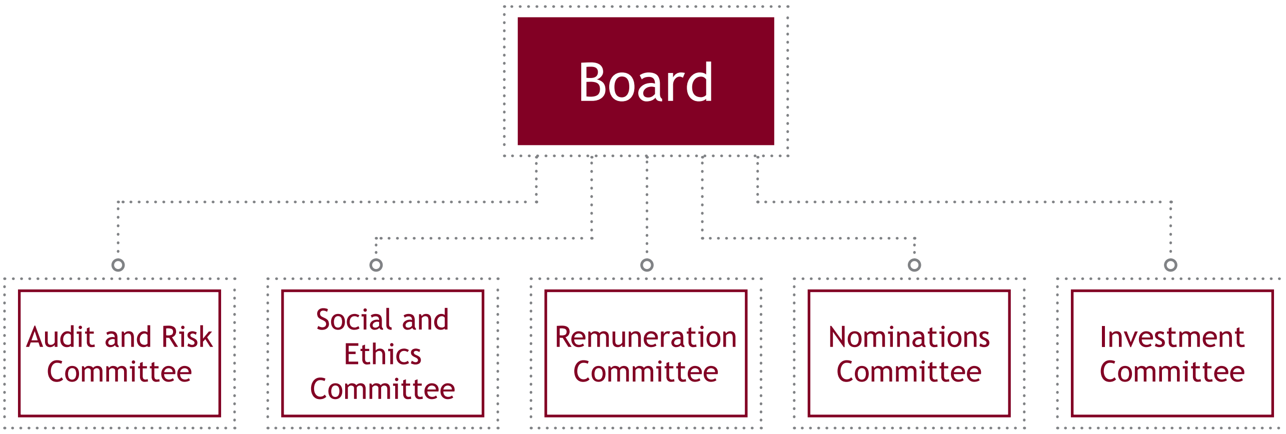
CODE OF ETHICS

The Company has a Code of Ethics that is reviewed on an annual basis and the compliance with the Code is a requirement of employment.

REGULATORY ISSUES

In January 2018 the Financial Sector Conduct Authority (FSCA) notified the Company that it was investigating share trades that had taken place in the first days of October 2017 prior to the release of a trading statement on 9 October 2017. The Company fully co-operated with the FSCA and provided all information that had been requested. The FSCA advised the Company on 24 July 2018 that no further action would be taken.

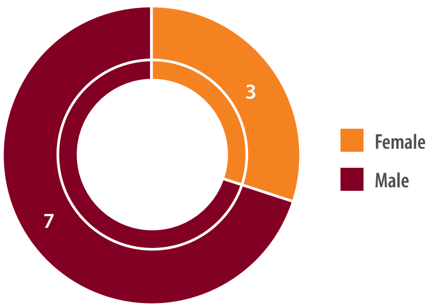
Subsequent to the year-end John Halamandres, a non-executive director of the Company received a private censure from the JSE for a non-timeous notification of two trades in the Company's shares. It related to two donations to family members, totalling 880 shares.



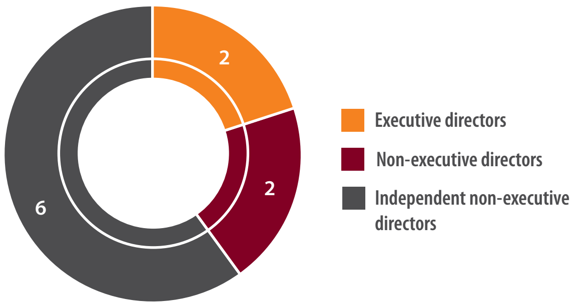
GOVERNANCE FRAMEWORK

Board statistics

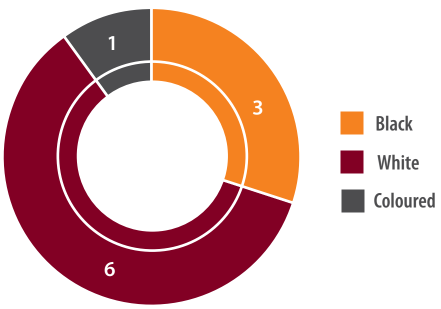
Gender



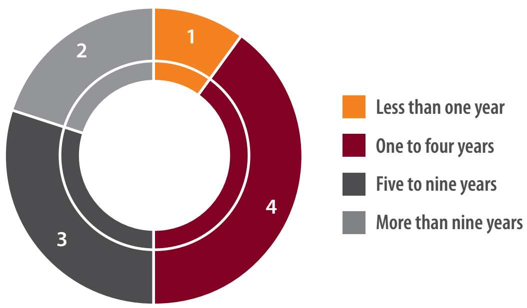
Board balance



Demographics



Tenure (years)



Remuneration Committee report

CHAIRMAN'S LETTER

Dear shareholders and other stakeholders,

I am pleased to provide you with the Remuneration Report, which includes the approved Remuneration Policy and Implementation Report as recommended by King IV that will be considered and voted upon at the forthcoming Annual General Meeting (AGM) of shareholders.

The Remuneration Committee (the Committee) at Famous Brands is governed by its Charter that is reviewed annually. The Committee has during the year under review complied with its obligations as reflected in its Charter and in terms of the policy which is outlined hereunder.

The Committee is chaired by myself. Other Committee members are Santie Botha, (Chairman of the Board), and John Halamandres, (non-executive director of the Company). The independent non-executive director Chris Boulle, the Chief Executive Officer (CEO), Darren Hele, and the Human Resources Executive Jabu Mahange attend by invitation. Darren and Jabu recuse themselves from the meeting when a conflict of interest arises. The Company Secretary is the secretary of the Committee.

The Committee met on three occasions during the year under review.

In direct response to requests from shareholders for greater transparency at the AGM in 2017, Famous Brands (in line with the King IV guidelines) requested the Company Secretary and the then Human Resources Executive to engage with key shareholders in order to seek from the shareholders their views and preferences on remuneration issues. The engagement covered the top three quarters of the investor base and the insights gained were very valuable. Following feedback from key shareholders, a redesign of the incentive structures was finalised. There is now greater focus on more appropriate performance-related measures which are used to assess and drive the business, resulting in a better alignment of management incentives with shareholder interests. Shareholder focus on sustainability and governance has increased and has resulted in the inclusion of measurable metrics in the Short-Term Incentive Scheme. This has resulted in changes to short-term incentive (STI) and long-term incentive (LTI) metrics, the introduction of minimum shareholding requirements, and a review of other remuneration practices as set out in the Remuneration Policy and Implementation Report which follows.

All shareholders who were contacted, welcomed the move to greater transparency and detail in the reporting of remuneration, and we are open to further engagement going forward. At the AGM in 2018, the Remuneration Report received a 77.12% "yes" vote and the remuneration Implementation Report a 75.58% "yes" vote, both above the 75% as per King IV requirements.

Our commitment is to enhance transparent communication to our shareholders and stakeholders, which is a goal that we intend improving upon each year.

Please send any comments to the Company Secretary at: companysecretary@famousbrands.co.za.

Bheki Sibiya
Chairman
27 June 2019

Remuneration Report

KEY AREAS OF FOCUS FOR THE YEAR

The Committee's key area of focus for the year has been in reviewing all remuneration practices to ensure convergence with King IV and with shareholder feedback. This included focus on the Group's STIP and LTIP. Details are provided in this report.

Throughout this report the term 'executive directors' is used to refer to both the CEO and the Group Financial Director (Group FD), whilst the Executive Committee (excluding the executive directors) is referred to as Exco. Reference to the Executive management team includes the executive directors and Exco. The Committee is responsible for the governance of the remuneration associated with these roles and this report will refer to both categories or separately highlight individual roles where it is appropriate.

REMUNERATION POLICY

At Famous Brands our Remuneration Policy is aligned to the longer-term strategic objectives of the Company and shorter-term operational, financial and other targets whilst ensuring that remuneration levels are competitive. This is accomplished through a governance and application framework that primarily aims to retain and where necessary attract talent through fair, transparent and competitive remuneration.

Key principles of the Remuneration Policy

In order to continue to support our remuneration approach, we have a Remuneration Policy which is based on the following key principles:

- to support the business strategy, objectives, core beliefs and long-term interests of Famous Brands;
- we reward for value created, contribution and performance and to ensure alignment to shareholder interests;
- we aim to provide competitive rewards to attract, motivate and retain the highest calibre of individuals through the payment of industry-competitive packages and incentive awards, which ensure alignment with key stakeholders in our business;
- sustainable and demanding performance metrics are set, and cover all aspects of the business;
- the Remuneration Policy will guide the structure of remuneration to ensure that our core beliefs are upheld, and the correct governance frameworks are applied across our remuneration decisions and practices; and
- in setting remuneration, appropriate remuneration benchmarks will be applied.

Remuneration design and pay mix

When determining appropriate remuneration, the Committee considers:

1. The potential maximum total remuneration that each executive could earn, and the external influences, primarily being:
   - shareholder views and recommendations;
   - economic trends;
   - competitive pressure; and
   - the labour market, and the pay gap between Executive management and the rest of the employee population in the Company.
2. Market benchmarks, choosing the appropriate benchmarks in a market with similar attributes including:
   - complexity;
   - size; and
   - geographic spread.

Remuneration Committee

The purpose of the Remuneration Committee is to assist the Board in discharging its oversight responsibilities relating to all compensation, including annual base salary, annual incentive compensation, long-term incentive compensation, employment, severance pay and ongoing perquisites, and equity compensation of the Company's executives including the CEO, as well as retention strategies, design and application of material compensation programmes and share ownership guidelines.

Shareholder feedback

Famous Brands conducted a series of shareholder consultations with some of the largest shareholders to obtain their feedback on the Remuneration Report and their views on remuneration practices. Several changes have been made to the Remuneration Policy and the Implementation Report as a result and these have been highlighted in this report. Famous Brands will continue to consult with shareholders to obtain feedback on any issues/concerns and will strive to improve transparency in terms of the Remuneration Policy and the determination of the incentive metrics.

Executive directors

Remuneration mix:

- Base salary is targeted at the 50th percentile of the market benchmark.
- The STI bonus for the CEO at target is 45% and is capped at 60%, while the STI bonus for the Group FD at target is 25% and is capped at 40% of base pay.
- On the LTIP, shares are targeted at maintaining a multiple of base salary in line with the JSE market benchmark as follows:
  - CEO: Share Appreciation Rights (SARs) at 4.0 times base salary at target and Retention Shares (RS) at 1.2 times base salary at target; and
  - Group FD: SARs at 3.0 times base salary at target and RS at 0.9 times base salary at target.

Components of remuneration

The table below details elements of remuneration for the financial year ended February 2019 in terms of the policy and the maximum performance associated with each component. The changes to the metrics of the STIP and LTIP are clearly indicated.

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
Base salary			
A competitive salary awarded to executives to ensure that their experience, contribution and the appropriate market comparisons are fairly reflected.	• Base salaries are reviewed annually and are effective on 1 March each year. In the case of executives, salaries are reviewed in May (post audited results) and increases are backdated to March. • The executive base salaries are determined by considering the executive's performance; market conditions; companies with a similar geographic spread, market complexity, size and industry; and internal peer comparisons. • The CEO makes recommendations in respect of the Exco to Remco but does not make any recommendations on his own base salary, which is reviewed by the Committee.	Executive base salary increases and increases for all non-Bargaining Unit employees are aligned and this is informed by the inflation percentage, which has an upward or downward adjustment to recognise individual performance (the overall increase pool being limited to a percentage agreed by the Committee).	Individual performance is reviewed on a scale of 1 to 3, which changed to a 5 point scale with the implementation of People Sage X3 (new HR information system) in March 2019. Performance is measured against specific Key Performance Indicators (KPIs) approved by the Committee. The 1-3 performance rating (which changed to 1-5 on 01 March 2019) determines the percentage of the CPI increase pool which an executive will receive.

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
Retirement fund			
Provides a retirement benefit aligned to the schemes in the respective country in which he or she operates.	• The funds vary depending on jurisdiction and legislation (some countries have national insurance). • All Company-related funds are defined contribution funds. • Any Company contribution towards the employee's membership of a retirement fund shall form part of the total guaranteed package.	In South Africa, tax deductible contributions to retirement funds are capped at R350 000 per annum in line with current legislation.	Not applicable.
Medical insurance			
Provides medical aid assistance aligned to the schemes in the respective country in which he or she operates.	• The funds vary depending on jurisdiction and legislation (some countries have national insurance). • Any Company contribution towards the employee's membership of a medical aid fund shall form part of the total guaranteed package.	All contributions to medical aid funds form part of the total guaranteed package, in line with Company policy.	Not applicable.
Benefits			
Provided to ensure broad competitiveness in the respective markets.	Benefits are provided based on local market trends and can include items such as life assurance, disability and accidental death insurance, assistance with tax filing, cash in lieu of leave not taken (above legislated minimum leave requirements) and occasional spousal travel as per the executive travel guidelines.	In line with Company policy.	Not applicable.

Remuneration element	Operation and objective	Maximum opportunity	Performance measures
Short-Term Incentive Plan (STIP)			
The STIP is designed to focus the participating executives on delivering on the key priorities for the year through achieving defined Company objectives/ targets. The performance objectives are reviewed and agreed upon annually based on their short to medium-term impact on the Company.	STIP metrics are defined annually and weightings are applied to each of the measures. The metrics are defined against the objectives that most strongly drive Company performance and are heavily weighted to EBITDA and HEPS achievements. Each metric is weighted and has a target and stretch definition based on the Company budget and the desired stretch targets for the year. The STIP is paid as a cash bonus (usually in June) after Company financial results have been externally audited. 25% of executive bonuses were paid out in November in line with the interim results performance measures as endorsed by the Group Remuneration Committee, and the balance was approved at the end of May 2019 and paid out in June 2019.	**CEO** • Maximum award: 60% of base salary. • Target award: 45%. **Group FD** • Maximum award: 40% of base salary. • Target award: 25%. **Executives** Maximum award: 40% of base salary for Customer-Centric Executives, 35% for Strategic Support Executives and 30% for Corporate Support Executives.	**CEO and Group FD** • Performance measures: › 70% Company objectives; and › 30% individual KPIs (as reviewed by the Committee). **Other executives** • Performance measures: › 30% Company objectives; and › 70% individual KPIs (as reviewed by the Committee). Divisional performance and non-financial measures are contained in the individual scorecards of executives. Both Company and individual performance are assessed over the financial year. Company metrics for FY2018/19 remain as follows for all participants with the exception of the CEO and Group FD: • EBITDA; and • HEPS. For the CEO and Group FD, the new Company metrics are as set out below. These metrics will apply to all other participants from FY2019/20: • operational plan performance (weighting of 30%); • financial performance (weighting of 35%); • market share performance and customer measures (weighting of 15%); • people performance (weighting of 10%); and • Transformation and Environmental, Social and Governance (ESG) measures (weighting at 10%). See description of these in the Implementation Report. The executive directors and Corporate Support Executives are measured on Group performance while the SA-based Customer-Centric Executives are measured on SA business performance, and the UK-based Executives are measured on UK business performance.

Long-Term Incentive Plan (LTIP)

Remuneration element

The primary intention of the LTIP is to ensure that the medium to long-term interests of the executive and shareholders are aligned, providing reward to the executive and wealth creation to the shareholders when the strategic performance drivers are achieved.

The strategic drivers are used in defining the LTIP metrics.

Operation and objective

The LTIP metrics are reviewed and defined for each grant in accordance with the strategy.

Weightings are provided to the metrics which must be achieved over a three, four and five-year period for the first allocation and over a three-year period for subsequent allocations.

Long-term incentives are granted annually to the CEO, Group FD, executives and senior management (Paterson Grades E and D-upper roles on the Paterson Grading system).

The Company operates the following LTIP:

- RS; and
- SARs.

Shares are usually allocated in the ratio of 25% RS: 75% SARs.

In terms of clause 9.1 of the Share Incentive Scheme (2015) rules, if a participant's employment with Famous Brands terminates prior to the vesting date by reason of his resignation, or dismissal on the grounds of misconduct, proven poor performance or proven dishonest or fraudulent conduct (whether such cessation occurs as a result of notice given by him/her or otherwise or where he/she resigns to avoid dismissal on grounds of misconduct, poor performance or proven dishonest or fraudulent conduct), the grant will be forfeited in its entirety and all rights will lapse immediately on the date of termination of employment.

Maximum opportunity

The shares are awarded with a 1st allocation and top ups annually and vesting occurs as follows:

- **1st allocation:** targeted to 50th percentile of JSE benchmarked levels. Vesting is staggered in equal portions in years 3, 4 and 5 from date of allocation.
- **Subsequent allocations:** to top up to the 50th percentile of JSE benchmarked levels as required. Vesting is cliff vesting at 100% at three years from allocation.

The SARs are issued at a price determined by the 30-day VWAP[1] and the RS are issued at a zero-strike price. The range of benchmarked levels which guide initial allocations and any subsequent annual top up to maintain market alignment are:

CEO

- SARs: 4.0 times base salary at target.
- RS: 1.2 times base salary at target.

Group FD

- SARs: 3.0 times base salary at target.
- RS: 0.9 times base salary at target.

Exco

- SARs: 2.25 times base salary at target.
- RS: 0.75 base salary at target.

The individual grants will not exceed the maximum allocations allowed per level and subsequent top ups will be done to maintain alignment with the market levels and will be the same for all qualifying employees of each level in the business.

Annual allocations will not exceed 1% of shares in issue per year.

Minimum Shareholding Requirements (MSR)

Executive directors shall build and maintain a minimum holding of Famous Brands shares as follows:

- CEO: 200% of net base salary; and
- Group FD: 100% of net base salary.

Executive directors may sell only up to 50% of their shares that vest until such time as they have reached their MSR.

Performance measures

Performance and service conditions are attached to the granting of SARs.

Service conditions are attached to the allocation of RS for vesting (retention objective).

Company metrics for the FY2018/19 grants were as follows:

- EBITDA; and
- HEPS.

New Group financial measures for future grants FY2019/20 onwards are:

- HEPS (defined as growth in headline earnings per share vs. CPI) – weighted 50% of the Company metrics;
- ROCE – weighted 20% of the Company metrics; and
- relative Total Shareholder Return (TSR) compared to a peer group, as per the suggested list of companies below:
  - Spur Corporation;
  - Taste Holdings;
  - City Lodge;
  - Sun International; and
  - Tsogo Sun.

TSR is weighted 30% of the Company metrics.

For share grants from 2019 going forward, the following conditions will apply on vesting:

For SARs, vesting will be subject to:

i. Targets for Company metrics for LTIs (e.g. HEPS, TSR and ROCE) having been achieved.
ii. Average level of individual performance = meeting expectations (as measured against the KPIs on the individual scorecard).
iii. The individual must still be in service and in good standing (i.e. the individual is not undergoing disciplinary action and/or is not in a formal poor performance management process), with the in-service conditions met.
iv. Any other conditions set by Remco being fulfilled.

RS vesting will be subject to:

i. average level of individual performance = meeting expectations (as measured against the KPIs on the individual scorecard) over the three years between the grant and vesting dates; and
ii. the individual must still be in service and in good standing, with the in-service conditions met.

[1] *VWAP = Volume Weighted Average Price*

RECRUITMENT POLICY

When recruiting new executives, a comparative benchmarking exercise is done to determine the size, nature and complexity of the role and also the skills availability in the market prior to making a competitive offer. For new appointments, the Committee may compensate for remuneration forfeited by the appointee. The intention is to not grant more than what the executive would have received from the Company in a 12-month period. The Committee does have the discretion to compensate higher values if through a fair-value valuation it can be demonstrated that the forfeited amounts exceed the grants. The Committee will compensate the forfeits through a combination of equity and cash.

Termination policy

The Executive management team does not have fixed term contracts and thus contracts are all open-ended (except where prescribed retirement ages apply), but they do have termination notice periods defined. In addition, the incentive scheme rules are clear on the termination provisions by termination category. In the event of termination, the Company has the discretion to allow the executive to either work out his or her notice or to pay the base pay for the stipulated notice period in lieu of notice.

	Reason for termination			
	Voluntary resignation	**Dismissal/ termination for cause**	**Normal and early retirement, retrenchment and death**	**Mutual separation**
Base salary	Paid over the notice period or as a lump sum.	Base pay is paid up to date of dismissal (exit date).	Base pay is paid up to date of retirement or death or for a defined period based on policy and legislation governing retrenchment conditions. Death benefits would be paid to the spouse (if relevant).	Paid over the notice period or as a lump sum or per agreement to remain on Famous Brands' payroll until agreed date.
Retirement fund	Provident fund contributions for the notice period will be paid; the lump sum would not include provident fund contributions unless it is contractually agreed.	Contributions to provident fund will be paid until such time that employment ceases.	Contributions to the provident fund will be paid until such time that employment ceases.	Provident fund contributions for the notice period will be paid; the lump sum will be excluding provident fund contributions and risk benefits.
Medical provisions	Where applicable medical provision for the notice period will be paid.	Medical provision/ payment will be provided until such time as employment ceases.	Medical provision/ payment will be provided until such time as employment ceases. Subject to the medical aid rules, the employee can become a direct paying member to the medical aid.	Where applicable medical provision for the notice period will be paid; the lump sum can include medical fund employee contributions if it is contractually agreed.
Benefits	Applicable benefits may continue to be provided during the notice period but will not be paid on a lump sum basis.	Benefits will fall away at such time as employment ceases.	Benefits will fall away at such time as employment ceases.	Applicable benefits may continue to be provided during the notice period.

Reason for termination				
	Voluntary resignation	**Dismissal/ termination for cause**	**Normal and early retirement, retrenchment and death**	**Mutual separation**
Short-term performance bonus	Forfeit, no bonus.	No bonus.	No bonus, but Remuneration Committee has discretion to pro-rata for period worked during the financial year.	No bonus, but Remuneration Committee has discretion to pro-rata for period worked during the financial year.
Sign-on or retention deferred bonuses	Deferred bonuses lapse. Sign-on bonus work-back clause will apply – i.e. if not worked back in full, pro-rata repayment.	All deferred bonuses lapse. Sign-on bonus work-back clause will apply – i.e. if not worked back in full, pro-rata repayment.	Pro-rata deferred bonuses based on the length of employment from date of allocation. Sign-on bonus – work-back clause will apply.	Remuneration Committee determines whether a pro-rata portion may be granted, and work-back clause may not apply.
LTIP	Unvested long-term shares will lapse in their entirety and all rights will lapse immediately.	Lapse of all long-term shares, (both unexercised and unvested). Vested shares will be unaffected.	Pro-rata unvested long-term incentives based on the length of employment from date of offer. Performance conditions tested over the full performance period and vest on the normal vesting dates. (In case of death, test performance as per the latest results apply immediate vesting).	Remuneration Committee (or the Board in the case of the executive directors) determine whether a pro-rata portion may be granted. Performance conditions tested over the full performance period and vest on the normal vesting dates.

Service contracts

All members of the Executive management team have permanent employment contracts which entitle them to standard Group benefits as defined by their specific region and participation in the Company's Bonus Share Plan, and the LTIP. The Executive management team's contracts include a three-month notice period.

NON-EXECUTIVE DIRECTORS REMUNERATION POLICY

Remuneration policy

The Company's non-executive directors are paid based on their role and the policy is applied using the following principles:

- A Board fee is paid for the five Board meetings held each year and the Committee members receive Committee fees for participation. The fees are split with a base fee of 20% and the remaining 80% paid based on meeting attendance. Each director's fee is paid quarterly in arrears.
- Fees are reviewed annually, and increases are implemented in June after approval by shareholders at the AGM. The level of fees is set using a benchmark comparable group which is derived from companies with similar size, complexity and geographic spread.
- The non-executive directors are not eligible to receive any short or long-term incentives.
- Shareholder approval is being sought for payments to non-executive directors who sit on the Boards of associate and subsidiary companies.

Remuneration consultants

Where appropriate, the Committee obtains advice from independent remuneration consultants[1]. The consultants are employed directly by the Committee and engage directly with them to ensure independence.

[1] Consultants used in this financial year included Bowman Gilfillan and 21st Century Remuneration.

The Committee engaged the services of 21st Century Remuneration Consultants to conduct a remuneration benchmarking exercise for the Executive management to determine remuneration proposals ahead of the May 2019 Remuneration Committee meeting (which took place after audited results) and once approved, are backdated to 1 March 2019. The benchmarking included a comparison of guaranteed remuneration, STIs and LTIs, relative to the market. It is anticipated that the next formal benchmarking exercise will be conducted prior to the review of remuneration effective 1 March 2020.

The Committee is satisfied with the independence and objectivity of the service providers.

PART 2 – IMPLEMENTATION REPORT

This report relates to the actual implementation of our policies through providing details of the remuneration paid to the executive and non-executive directors for the period ended 28 February 2019.

This information is contained in Note 28 of the AFS.

EXECUTIVE PAY

Changes to Exco structure

During FY2019 there was a restructure of the Exco and the new structure comprises the following positions:

- CEO – Darren Hele (unchanged);
- Group FD – Lebo Ntlha (unchanged);
- COO Leading Brands (currently vacant pending recruitment outcome);
- COO Enterprise Development – Andrew Mundell (unchanged);
- Supply Chain Executive – Norman Richards; Norman retired from this role in February 2019, but is retained on a fixed term contract until end of January 2020;
- Managing Executive, Africa and Middle East – Philip Smith (unchanged);
- HR Executive – the appointment of Jabu Mahange as Group HR Executive was effective from 16 July 2018;
- Group Risk Officer – (currently vacant pending recruitment outcome);
- Company Secretary – Ian Isdale (incumbent unchanged, role to be an Exco position); and
- MD, GBK – Derrian Nadauld (unchanged).

This new structure recognises the increased importance of managing risk and creates a tighter focus on operational management. The current role descriptions for all the Exco positions were submitted to 21st Century Remuneration Consultants for an independent grading on the Paterson grading method.

Executive increases

After taking market surveys into account and based on the remuneration analysis conducted, the Committee was satisfied that market adjustments were required for the remuneration of the CEO and Group FD. The CEO was awarded an above-inflation increase to place him in line with the 50th percentile of market data, and to correct his job grading. The Group FD was given an above-inflation increase to also place her in line with the 50th percentile of market data, and to correct her job grading. Both these adjustments were made in line with commitments made in last year's Remuneration Report to position them at the 50th percentile, as per the Remuneration Policy.

Other executives were considered to be reasonably in line with the market and with the Group's remuneration strategy at that time. Increases were calculated on a principle of performance ranges around a percentage equating to overall CPI in their respective regions. The increases in South Africa were in a range of 4% (inflation) to a maximum of 8% (for top performers).

Famous Brands conducts an annual bespoke executive remuneration survey through independent consultants. For FY2019 the Committee reviewed the comparable peer group to ensure that changes in the market and the impact on both Famous Brands and the original peer group had not led to variances that made the current matches inappropriate.

Increases given to general Administration staff across the Group's operations were linked to local country inflation.

Company strategic focus areas

The strategic focus areas of the Company are discussed later in this report and the redesign of the STIP and LTIP Group metrics have been aligned to these key areas.

In addition, every year specific KPIs are set for executives to align with changing business conditions and areas requiring special focus.

Short-term incentive performance outcomes (STIP)

The CEO and Group FD's performance measures for the STIP are:

- 70% Company objectives; and
- 30% individual KPIs (on a balanced scorecard format, and as reviewed by the Committee).

Other Executive Committee members' performance measures are:

- 30% Company objectives; and
- 70% individual KPIs (on a balanced scorecard format as reviewed by the CEO).

The Group financial metrics for all executives other than the CEO and Group FD on the short-term incentives for FY2019 were HEPS growth (relative to CPI), and EBITDA growth (relative to CPI) each of which count 50% of the Group metrics. Individual scorecards contain KPIs on business plan performance, other financial metrics, market share performance and customer service, people performance and strategic projects. The new metrics described below were applied to the CEO and Group FD for FY2019.

The executive directors are measured on Group performance while the Corporate Support Executives and SA-based Customer-Centric Executives are measured on SA business performance, and the UK-based Executives are measured on UK business performance.

New metrics for the STIP FY2020

Following decisions taken in the October 2018 Remuneration Committee meeting, the new metrics for the STIP are outlined in the table below:

Weighting (%)	Key performance measures	Related key strategic material matter	Affected key stakeholders
30	**Business plan performance**		• Franchise partners. • Customers. • Shareholders, analysts and prospective investors. • Suppliers and business partners.
35	**Financial performance**		• Shareholders, analysts and prospective investors. • Funding institutions.
15	**Market share performance and customer measures**		• Franchise partners. • Customers.
10	**People performance**		• Employees. • Trade unions.
10	**Transformation and ESG measures**		• Employees. • Trade unions. • Government and regulators. • Customers. • Civil society.
100	**Total**		

These new measures applied to the CEO and Group FD for FY2019. However, as two thirds of the financial year had already passed before these were approved, it was deemed appropriate to implement the new measures for the rest of the executives only in the next financial year (FY2020) rather than apply them retrospectively in the 2019 financial year.

In line with the previous STIP metrics, the CEO and Group FD are measured on Group performance, while the SA-based executives are measured on SA business performance and the UK-based executives are measured on the UK business performance.

The narrative which follows is a report-back by the CEO on the main achievements during the review period, and illustrates the relationship between strategy, objective measurement and remuneration.

The five key performance measures (KPMs) outlined below are aligned with the Group's most material matters which determine its strategic imperatives. The CEO's report on page 54 and the Key strategic material matters report on page 44 provide further comprehensive information in this regard.

Business plan performance

This strategic imperative links to the Group's key material matters to improve operational efficiencies; enhance financial performance; lead in a competitive landscape; and prioritise the franchise partners.

The main components of this imperative were to:

- optimise the portfolio;
- entrench operational excellence;
- improve financial and cost management; and
- refine and implement the strategy for GBK UK.

The business plan was executed under difficult trading conditions with minimal shortfall or delay of the strategic imperatives. Key work has been done on clearly managing the various business units' potential and defining narrower profit pools, whilst ensuring the business has been simplified and costs managed in the right places.

By implementing a tighter growth agenda and applying a brutal filter to unclutter and grow the business, a more streamlined business model has been achieved.

In addition, an operational foundation was laid to enable the Group's Brands, Logistics and Manufacturing divisions to compete more aggressively in an increasingly competitive yet weak economic environment.

A key development was reorientating the business to prioritise its most valuable assets – the brands. The operational excellence programme implemented across the Group started to pay off. Among other initiatives, the new ERP investment was leveraged to enhance analysis and reporting in the business; a logistics upgrade programme was developed to manage capacity growth over the next decade; and the first phase of a three-phase efficiencies plan was implemented in all our manufacturing plants.

A range of transactions were well managed and successfully concluded, including: the completion of a challenging restructuring process in the UK; ceasing operations at Coega Concentrate; the formation of the TruBev joint venture; execution of Put/Call options in Mythos; establishing an offshore structure to manage the tashas business outside of SA; overhauling of Lamberts Bay Foods; putting the Paul venture on a stable footing; and creating FoodConnect.

Deliberate simplification of the business has facilitated a tightening of capital expenditure. In the short term it may appear that expansionary activity has been constrained, but given the acquisitive activity in 2016, consolidation remains an appropriate strategy.

Restructuring GBK to improve the long-term viability of the business model was a significant challenge for management. However, improved trading has been reported by the business as a result of remedial operational measures implemented. This, together with the anticipated benefits of the completed CVA programme should improve the long-term sustainability of the operation.

Financial performance

This strategic imperative links to the key material matters to enhance financial performance as well as optimise capital management in the Group.

The main components of this imperative were to:

- achieve/exceed FY2019 internal Group budgets; and
- improve capital discipline and allocation.

Disappointingly, the overall financial performance of the business was below budgeted expectations, hampered by the under-performance of GBK in the UK and the subdued second half performance of the SA business, largely attributable to macro factors.

Good progress was, however, achieved in entrenching a focus on balance sheet management to complement the rigorous approach that was adopted to income statement management. The debt profile was also successfully restructured to better suit the business and more definitive allocation of corporate costs to the appropriate business units was implemented.

Market share performance and customer measures

This strategic imperative links to the key material matters to improve operational efficiencies; lead in a competitive landscape; and prioritise the franchise partners.

The main components of this imperative were to:

- develop and implement a marketing strategy for the digital and convenience-driven world;
- support the Leading brands' generation of 'Big Bold Ideas'; and
- achieve/exceed the internal FY2019 new restaurant opening budgets by brand.

The clear strategy to prioritise the franchise partners and customers was embedded in the Group's activities throughout the year.

Capability in the digital arena was grown and home delivery reinforced across all the brands. A range of digital projects were implemented to ensure the business keeps pace with the rapidly evolving digital sphere. Key projects, managed by the tech hub and overseen by the CEO, include the Wimpy APP to create a CRM launch pad, driver tracking, self-service terminals, order-at-table functionality, and central delivery service. These projects were all run on time and within budget.

The reorientation of focus around Leading brands has ensured the Group's stronger brand assets are receiving the proportionate time, resources and funding to compete and support franchise partners appropriately. The re-prioritised resources supported the Leading brands to deliver Big Bold ideas. The brands remained extremely popular, endorsed by the plethora of consumer awards that were received across the offering over the year.

In the current constrained economy the priority has been to ensure the profitability of the franchise partners and the viability and sustainability of the franchise model, which has compelled the business to rationalise non-performing stores and brands.

People performance

This strategic imperative links to the Group's key material matter to develop and transform its people.

The main components of this imperative were to:

- upweight succession planning and talent management; and
- implement a new HR structure to deliver people capability.

This intervention has delivered a fundamental difference to the organisation's Human capital capability, transformation, and succession planning and morale factor. An acute gap in the HR capability has been filled and the right leadership installed. A process of building a clear succession pipeline that is more aligned to market norms has begun.

Transformation and ESG measures

This strategic imperative links to the organisation's key material matters to develop and transform its people, and ensure regulatory compliance.

The key components of this imperative were to:

- achieve improved BBBEE targets; and
- monitor ESG performance against agreed measures.

The business embraced the challenges arising from its slow progress with regard to transformation and the increasing demand for improved ESG awareness and reporting.

The concerted efforts to improve the BBBEE score resulted in the Group achieving a rating of level 7.

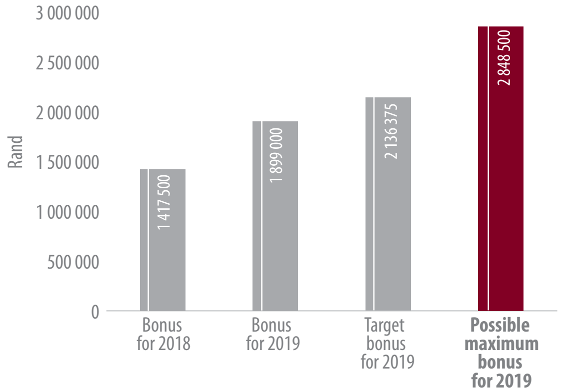
Furthermore, the ESG progress is reflected in the initiatives implemented in the operations, namely the Better for You campaign and Sustainability Journey policies and timeframes in the Brands' division, and the heightened awareness, improved reporting, and reduced consumption of non-renewable resources in the Manufacturing and Logistics divisions.

In line with the Group's goal to improve relationships with key stakeholders and align closer with best practice, management conducted, and will continue to implement an ongoing shareholder and prospective investor engagement programme to convey the Group's investment proposition in a clear consistent manner.

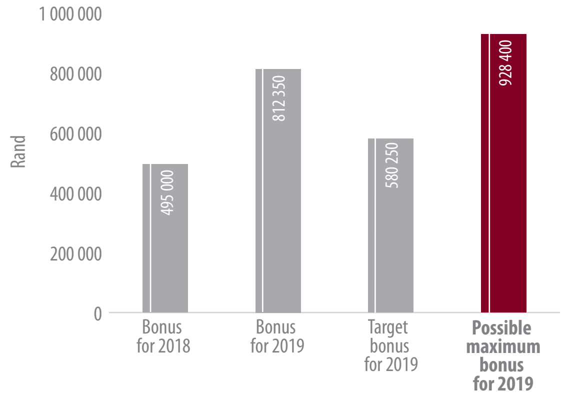
Performance bonus: executive directors

This year's performance resulted in the following bonus outcomes for the CEO and Group FD. The CEO received a bonus of 40% (threshold) of annual pay while the Group FD received a bonus of 35% of annual pay. The last three years' bonuses for the CEO and Group FD are depicted below together with the relevant target and maximum bonuses for each.

STI bonuses – CEO



STI bonuses – Group FD



Long-Term Incentive Plan (LTIP)

Vesting of 2015 share grants

The LTIP replaced the Share Options Scheme during the year ended 29 February 2016 and the first tranche of a five-year scheme with staggered vesting was 1 November 2018.

One third of the RS which were issued on 1 November 2015 at a zero strike price vested on 1 November 2018. However due to a cautionary announcement being in place, the Committee determined that the actual vesting date would be the first trading date after the cautionary announcement was lifted and thus the actual vesting took place on 12 November 2018, the value being determined by the 30 day VWAP of the share price on the date of vesting.

All share grants are equity settled at the time of vesting.

The SARs vest on the later of the dates that the Committee determines the performance condition has been met or the vesting condition has been satisfied (Rule 8.2 of the Share Scheme rules). As a result of the Committee determining that the original grant letters were not specific on the performance period for the performance condition, that this should be aligned to the 5-year term of the grant. Thus the first vesting of SARs will be 1 November 2020. (New grant letters have specific performance periods clearly specified).

FY2019 LTIP

The CEO and the Group FD elected not to accept shares for the FY2019 LTIP as per grants in November 2018 as they did not believe the performance of the Company justified any award for themselves.

The remainder of the Executive Committee members received an LTIP award in respect of FY2019 to top up to the 50th percentile of the respective JSE benchmarked levels as required. The shares were in the ratio of 25% RS to 75% SARs. Both RS and SARs are subject to vesting conditions and the SARs awards are all subject to meeting the scheme performance conditions. While the first allocation to a new participant in the scheme vests in equal portions in years 3, 4 and 5, the shares granted as top ups in the scheme for existing participants cliff-vest at 100% three years from the date of allocation.

New metrics for the LTIP FY2020

Following decisions taken in October 2018 by the Remuneration Committee, the metrics for the LTIP were modified, as discussed on page 103.

These new metrics will be applied to share allocations from June 2019.

Future focus areas for the LTIP are that in the longer term, the Committee plans to work with 21st Century Remuneration Consultants to complete a review of the Share Scheme, its cost and overall effectiveness in driving performance and retention, and the appropriate mix of RS and SARs.

MSRs

MSRs have been introduced for executive directors, as discussed on page 103. These provisions include a limitation on sale of shares but do not limit the maximum number of shares an executive director may hold. The executive directors adhered to this when transacting in November 2018, ensuring all options were converted into shareholding.

Non-executive directors' fees and allowances

The proposal which will be put to shareholders at the AGM is an increase of 5% in fees for FY2019. This is in line with salary increases in 2019.

Note 28 of the AFS summarises the directors' fees for the period.

Other employees

The Group head count is 4 805 including employees in the UK. The number is 2 411 excluding employees in the UK.

The remuneration process for other employees is as follows:

- management assesses performance of Administration employees against measurable scorecards aligned with the business objectives on an annual basis;
- employee rewards are influenced by individual and Company performance and employees are recognised by way of a discretionary performance bonus; and
- aggregate bonus pool amounts are reported to the Committee.

Bonuses were paid out at 100% as per the performance ratings and the provision, resulting in savings of R1 738 560 against the maximum bonus payout.

Bargaining Unit employees are subject to the terms of wage agreements and enjoy a 'basic plus benefits' remuneration scheme whereby Famous Brands contributes to their provident fund. They also qualify for a guaranteed bonus equal to a 13th cheque.

Famous Brands remains committed to equitable and competitive pay practices.

In South Africa, we conduct pay audits in terms of the Code of Good Practice on Equal Pay/Remuneration For Work of Equal Value under the Employment Equity Act 1998 (as amended). In the UK, we conduct gender pay audits under the terms of the Equality Act 2010.

Fair and responsible remuneration of executives relative to overall employee remuneration

Good practice would suggest that a benchmarking analysis of all employees is to be conducted every five years.

Management is initiating a project to reassess new and/or changed roles throughout the Group and conduct suitable benchmarking to be able to perform an objective assessment of the appropriateness of remuneration levels throughout the organisation in time for the annual salary reviews effective 1 March 2020. One of the key deliverables of this project will be to provide a benchmarked salary band for each employment level. This will allow a more factual assessment of whether the Group's Remuneration Policy achieves the objective of fair and responsible executive remuneration relative to overall employee remuneration.

Pay audits

In January 2019, a pay audit exercise was completed in South Africa, in accordance with the Code of Good Practice on Equal Pay/Remuneration for Work of Equal Value. The exercise excluded the Bargaining Unit and the executives. Out of 843 Administration staff, 48 employees ranging in grades from B2 to D3 on the Patterson grading system, had their salaries adjusted in line with the Code of Good Practice to address different forms of what appeared to be arbitrary discrepancies.

Gender pay gap legislation: GBK UK

In the UK, Gender Pay Reporting is a regulation under the Equality ACT 2010. With effect from 4 April 2018, all UK employers with 250 or more employees are required to publish statistics relating to the pay rates and pay gaps of their male and female workforce. In accordance with UK legislation, GBK published its gender pay gap on 29 March 2019. The data is as follows:

- Mean Average Pay Gap = 5.24% compared to 12.26% in March 2018; and
- Median Average Pay Gap = 10.8% compared to 12.79% in March 2018.

The proportion of male and female employees according to quartile pay bands is:

- upper quartile = 65% male/35% female;
- upper middle quartile = 51% male/49% female;
- lower middle quartile = 42% male/58% female; and
- lower quartile = 37% male/63% female.

In addition, the data shows that 15% of men working at GBK received a bonus compared to 11% of women.

While our figures are below the UK national median gap of 17.9%, we recognise that as an equal and fair opportunities employer, we have a responsibility to attract more women into managerial positions as well as provide a clear career pathway to achieve those top jobs.