

## 102 Remuneration report

In a competitive and rapidly-evolving industry, finding and retaining the calibre of people required to effectively run the group and its subsidiary companies is an ongoing challenge – one that Altron has successfully met over the years through attractive and appropriate remuneration packages that are aligned with the interests of shareholders.

### Membership

The remuneration committee has a majority of non-executive directors and is chaired by Jacob Modise (independent non-executive). Other members are Myron Berzack, Peter Wilmot and Altron chairman, Dr Bill Venter.

## Remuneration philosophy and policies

Altron's philosophy is to set appropriate remuneration levels to attract, motivate and retain the calibre of directors and executives needed to run the group and its subsidiaries successfully, while aligning their interests with those of shareholders over the short, medium and long term. The overall policy is to ensure that executive directors are fairly rewarded for their individual contribution to the group's operating and financial performance, and that this reward is aligned with industry and market benchmarks.

For each executive director, group policy is to provide a remuneration package comprising a base salary, an ability to earn a cash bonus, long-term incentives through participation in share incentive schemes or similar instruments, pension contributions, medical aid benefits and other benefits in kind.

The objective is to establish a level of guaranteed pay that is competitive with the upper quartile level for similar companies. The variable element of short-term incentives is intended to provide superior total pay opportunities should corporate performance merit it as well as reward individual performance. Long-term incentives have been based on multiples of base pay and structured to align with shareholders' interests.

The chief executive has right of attendance at meetings unless deemed inappropriate and the chief financial officer attends meetings by invitation, but neither participates in discussions regarding their own remuneration.

### **Composition and proceedings**

The committee meets bi-annually, unless additional meetings are required. During the review period, the committee met twice.

### **Role**

The committee operates under a board-approved mandate and terms of reference, updated in the prior period and aimed at:

- ▶ ensuring that Altron's chairman, executive directors and other senior executives are fairly rewarded for their individual contributions to group performance. Packages are structured to be competitive with the upper-quartile level of peer companies and market benchmarks
- ▶ ensuring that Altron's remuneration strategies and packages, including short- and long-term incentive plans, are based on performance and are appropriately competitive
- ▶ recommending fees for non-executive directors for service on the board or its committees. Once approved by the board, these are submitted to shareholders at the annual general meeting for ratification

- ▶ balancing the interests of shareholders with the financial and commercial viability of the group.

Altron's sub-holdings, Altech and BTG, have their own remuneration committees which review and recommend remuneration and related awards for executive directors and senior management, to their boards and within the parameters of group policies. The Altech and BTG CEO's remuneration, once approved by their respective boards, is submitted to the Altron remuneration committee for noting and confirmation.

### **Service contracts**

Executive directors are subject to Altron's standard terms and conditions of employment where notice periods are between 30 and 60 days. In line with the stipulations of the Companies Act of 1973 (as amended), group policy prevents any director from being compensated for loss of office.

### **Advisors**

The committee regularly consults with a range of external independent advisors on market information and remuneration trends as well as other advice necessary to fulfil its responsibilities. It also considers the views of the chief executive, Robert Venter, on the remuneration and performance of his colleagues on the Altron executive committee.

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### Executive directors' salaries

The remuneration committee reviewed and revised the salaries of executive directors at its meeting in February 2006. The salaries of executive directors were compared to a market information survey on companies of similar size and structure and adjusted to reflect levels in the median to upper-quartile levels of the survey.

### Annual incentive plans

Executive directors and Altron executive committee members participate in an annual bonus plan that rewards the achievement of group and subsidiary financial performance as well as strategic and personal performance objectives agreed with the chief executive. All objectives are approved beforehand by the remuneration committee. Under this plan, the chief executive may earn a bonus of up to 75% of his base salary. Other executive directors and executive committee members may earn 55% to 65% of their base salaries.

Group and subsidiary financial performance targets include:

- headline earnings per share growth
- return on capital employed
- return on operating assets
- cash generation.

These targets vary according to individual company needs. In all cases, 60% of the bonus is based on financial objectives with the balance relating to strategic and personal performance, benchmarked against identified key performance indicators.

At its meeting in April 2005, the remuneration committee reviewed the performance of executives participating in the bonus plan against their agreed targets. Within these parameters, and subject to meeting the noted criteria, bonuses were approved. Performance measures are stringently monitored and penalties imposed in cases where targets are missed.

### Share option schemes

Altron's share option scheme grants options to all senior employees within Altron and Powertech. Grants have historically been made annually and capped at 8.5 x base salary for the chief executive, and 6.5 x to 7.5 x base salary for Altron executive committee members. Options may be exercised after three years and vest in equal tranches in years 3, 4 and 5. All options granted expire within a six-year period. The share option scheme includes options granted under a previous scheme which is in run-off and has an expiry period of no later than 2012. Additional options, based on both corporate and

individual performance, may be granted annually to ensure that the multiple-of-base salary parameter reflects increases in base salary.

As a result of recent changes in tax legislation and accounting requirements, shareholders approved certain amendments to the Altron Share Incentive Scheme at the company’s annual general meeting on 15 July 2005. In terms of the amendments, rights to acquire shares may now include achieving set performance targets, including growth in headline earnings per share. These share acquisitions will occur in equal tranches over three years, starting from the third anniversary of the rights being granted. The quantum of shares that can be acquired may vary, depending on the extent to which performance targets are met.

**Pensions**

During the year, the companies made contributions for executive directors to the Altron Group Pension Fund. The rate of contribution is 12%, based on the cash salaries of these individuals. The value of contributions for each executive director appears in the summary of directors’ emoluments on page 106.

**Other benefits**

Executive directors receive medical aid assistance, a company car or car allowance and a death-in-service benefit.

**Non-executive directors’ fees**

The fees of non-executive directors are recommended by the remuneration committee, approved by the Altron board and ratified by shareholders at the annual general meeting. Fees for the 2005/6 financial year were reviewed and revised in April 2005, with the basic annual fee set at R80 000.

Annual fees for membership of various committees for the review period were:

Audit committee	
– chairman	R50 000
– member	R25 000
Nomination committee	
– chairman	R10 000
– member	R10 000
Remuneration committee	
– chairman	R50 000
– member	R25 000
Risk management committee	
– chairman	R50 000
– member	R25 000

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The table below provides an analysis of the emoluments paid to directors for the financial year ended 28 February 2006

## Disclosure for directors' emoluments

				R'000	
Non-executive directors	Subsidiaries	Altron	2006 Total	2005 Total	
<b>Fees for services as directors</b>					
IM Ayob*		35	35	70	
MC Berzack		115	115	80	
DA Hawton**		103	103	143	
MJ Leeming		165	165	143	
MJ Lamberti†		36	36		
JRD Modise		120	120	70	
Dr PM Maduna		85	85	23	
DC Mpfu‡		61	61		
PL Wilmot	268	180	448	355	
	268	900	1 168	884	

\* Resigned as an independent non-executive director of Altron on 30 June 2005.

\*\* Resigned as an independent non-executive director of Altron on 10 October 2005.

† Appointed as an independent non-executive director of Altron on 12 October 2005.

‡ Resigned from the employment of Altron on 31 July 2005 and remained as non-executive director of Altron from 1 August 2005.

							R'000	
Full-time directors	Basic salary	Perfor- mance related bonuses (Accrued)	Share option expense	Allow- ances	Defined contribu- tion pension payments	Other benefits	2006 Total	2005 Total
<b>Chairman</b>								
Dr WP Venter*	3 249	—	—	120	—	1 884	5 253	4 777
<b>Executive</b>								
Dr HA Serebro	1 569	—	—	120	—	4	1 693	1 689
RE Venter	3 243	2 310	218	120	389	157	6 437	5 760
DC Radley	2 061	1 369	79	240	247	18	4 014	3 596
CG Venter	2 512	1 693	283	262	301	143	5 194	4 542
PD Redshaw	2 384	1 650	176	—	286	170	4 666	4 048
PMO Curle	1 537	859	182	127	184	16	2 905	2 605
N Claussen**	667	1 003	28	82	80	8	1 868	—
DC Mpfu#	541	—	—	111	65	10	727	2 313
	17 763	8 884	966	1 182	1 552	2 410	32 757	29 330

\* Remuneration as Chairman of Altron includes remuneration as a director of Altech and Powertech and Chairman of BTG.

\*\* Represents remuneration received as a director, from 1 October 2005.

# Represents remuneration received as an executive director from 1 March 2005 to 31 July 2005.

## Directors' options

Directors' options	Entity	Strike price	Balance 1 Mar 05	Awarded	Exercised	Exercise date	Net gains R'000	Exercise price	Balance 28 Feb 06	Expiry date
CG Venter	Altron	6.50	3 400	—	1 720	7/21/05	20	18.00	<b>1 680</b>	May 06
	Altech	12.80	106 400	—	53 222	7/21/05	1 654	44.20	<b>53 178</b>	Apr 10
	Altech	20.35	113 200	—	37 733	7/21/05	899	44.50	<b>75 467</b>	Mar 08
	Altech	32.25	63 500	—	—	—	—	—	<b>63 500</b>	Sept 10
	Altech CRI	50.99	—	337 100	—	—	—	—	<b>337 100</b>	Dec 11
DC Radley	Altron	7.25	937 900	—	312 633	11/4/05	3 914	19.92	<b>625 267</b>	Oct 08
	Altron	11.20	134 100	—	—	—	—	—	<b>134 100</b>	Jul 10
	Altron CRI	22.50	—	477 520	—	—	—	—	<b>477 520</b>	Feb 12
HA Serebro	Altron	6.10	5 800	—	2 920	10/13/05	34	18.00	<b>2 880</b>	Sep 06
	BTG	4.50	50 000	—	50 000	10/13/05	—	Exercised	—	Aug 07
N Claussen	Altron	7.25	19 600	—	—	—	—	—	<b>19 600</b>	Oct 08
	Altron	11.20	115 100	—	—	—	—	—	<b>115 100</b>	Jul 10
	Altron CRI	22.50	—	466 190	—	—	—	—	<b>466 190</b>	Feb 12
PD Redshaw	Altron	6.50	6 300	—	6 300	7/1/05	60	16.20	—	Apr 05
	Altron	4.80	12 000	—	6 000	12/20/05	92	20.20	<b>6 000</b>	Dec 06
	BTG	4.50	833 333	—	—	—	—	—	<b>833 333</b>	Aug 07
	BTG	2.90	166 667	—	—	—	—	—	<b>166 667</b>	Sep 08
	BTG	3.85	100 000	—	—	—	—	—	<b>100 000</b>	Oct 09
	BTG	5.58	477 100	—	—	—	—	—	<b>477 100</b>	Aug 11
	BTG CRI	11.56	—	1 234 000	—	—	—	—	<b>1 234 000</b>	Feb 12
PMO Curle	Altech	20.35	10 000	—	3 333	10/21/05	84	46.00	<b>6 667</b>	Mar 08
	Altech	32.25	40 000	—	—	—	—	—	<b>40 000</b>	Sept 10
	Altech CRI	50.99	—	219 460	—	—	—	—	<b>219 460</b>	Dec 11
RE Venter	Altron	4.85	1 068 700	—	534 050	11/9/05	8 807	21.50	<b>534 650</b>	Jun 10
	Altron	7.25	136 100	—	45 366	11/9/05	—	Exercised	<b>90 734</b>	Oct 08
	Altron	11.20	368 500	—	—	—	—	—	<b>368 500</b>	Jul 10
	Altron CRI	22.50	—	837 360	—	—	—	—	<b>837 360</b>	Feb 12
WP Venter	Altron	6.10	9 600	—	4 800	10/13/05	57	18.00	<b>4 800</b>	Sep 06

CRI = conditional rights.