

## 29. Share-based payments

The Bidvest Share Incentive Scheme (BIS) grants options to employees of the Group to acquire shares in the Company. The share options scheme has been classified as equity-settled schemes, and therefore an equity-settled share-based payment reserve has been recognised.

The Bidvest Group Share Appreciation Rights (SARs) Plan was adopted, in 2016, to replaced the BIS and has been classified as an equity-settled scheme, therefore an equity-settled share-based payment reserve has been recognised. Executive directors do not participate in the SARs Plan.

A Conditional Share Plan (CSP), which awards executive directors with a conditional right to receive shares in the Company, free of any cost, is also operated by the Group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment reserve has been recognised.

### **Replacement rights scheme (previously share option scheme)**

Following the unbundling of Bidcorp (30 May 2016), Bidvest option holders exchanged each one of their existing options for one right over one Bidcorp share and one Bidvest share (replacement right). In terms of the amended scheme rules, the original option price was not adjusted, but on exercise of the replacement right, the original option price will be deducted from the combined value of the Bidcorp share and the Bidvest share. The vesting date and lapse dates of the replacement rights will be the same as those of the original options.

The terms and conditions of the replacement rights are:

- Replacement right holders are only entitled to exercise their rights if they are in the employment of the Group in accordance with the terms referred to hereafter, unless otherwise recommended by the board of the Company to the trustees of the Bidvest Share Incentive Trust; and
- Replacement right holders may exercise the rights at such times as the right holder deems fit, but not so as to result in the following proportions of the holder's total number of instruments being purchased prior to: 50% of total number of instruments at the expiry of three years; 75% of total number of instruments at the expiry of four years; and 100% of total number of instruments at the expiry of five years from the date of the holder's acceptance of an option. All rights must be exercised no later than the 10th anniversary on which they were granted unless approval is obtained from the trustees of the Bidvest Share Incentive Trust.

The number and weighted average exercise prices of replacement rights are:

|                                                                                                                                                                                                                                                                                                                                   | 2020             |                 | 2019             |                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------|------------------|-----------------|
|                                                                                                                                                                                                                                                                                                                                   | Number           | Average price R | Number           | Average price R |
| Beginning of the year                                                                                                                                                                                                                                                                                                             | 2 009 755        | 258.67          | 3 438 923        | 257.73          |
| Lapsed                                                                                                                                                                                                                                                                                                                            | (34 345)         | 280.83          | (84 605)         | 272.60          |
| Exercised                                                                                                                                                                                                                                                                                                                         | (716 308)        | 251.59          | (1 344 563)      | 189.77          |
| <b>End of the year</b>                                                                                                                                                                                                                                                                                                            | <b>1 259 102</b> | <b>262.10</b>   | <b>2 009 755</b> | <b>258.67</b>   |
| The replacement rights outstanding at 30 June 2020 have an exercise price in the range of R134.56 to R301.54 (2019: R135.00 to R301.54) and a weighted average contractual life of 0.4 to 5.4 (2019: 1.4 to 6.4) years. The average combined value of the Bidvest and Bidcorp shares during the year was R462.75 (2019: R485.41). |                  |                 |                  |                 |
| Replacement rights outstanding at 30 June by year of grant are:                                                                                                                                                                                                                                                                   |                  |                 |                  |                 |
| 2011                                                                                                                                                                                                                                                                                                                              | 26 515           | 135.00          | 33 515           | 135.00          |
| 2012                                                                                                                                                                                                                                                                                                                              | 68 500           | 134.56          | 95 000           | 134.56          |
| 2013                                                                                                                                                                                                                                                                                                                              | 89 750           | 208.91          | 162 625          | 208.91          |
| 2014                                                                                                                                                                                                                                                                                                                              | 217 173          | 235.59          | 380 499          | 234.74          |
| 2015                                                                                                                                                                                                                                                                                                                              | 220 260          | 250.80          | 485 741          | 251.65          |
| 2016                                                                                                                                                                                                                                                                                                                              | 636 904          | 301.54          | 852 375          | 301.54          |
|                                                                                                                                                                                                                                                                                                                                   | <b>1 259 102</b> | <b>262.10</b>   | <b>2 009 755</b> | <b>258.67</b>   |

The fair value of services received in return for shares allotted is measured based on a modified Black Scholes model. The contractual life of the replacement right is used as an input into this model.

## Notes to the consolidated financial statements (continued)

**29. Share-based payments (continued)****Share Appreciation Rights Plan**

The terms and conditions of the SARs Plan are:

- SAR holders are only entitled to exercise their rights if they are in the employment of the Group in accordance with the terms referred to hereafter, unless otherwise recommended by the board of the Company to the trustees of the Bidvest Share Incentive Trust; and
- SAR holders in the Scheme may exercise the SARs at such times as the holder deems fit, but not so as to result in the following proportions of the holder's total number of instruments being purchased prior to: 50% of total number of instruments at the expiry of three years; 75% of total number of instruments at the expiry of four years; and 100% of total number of instruments at the expiry of five years from the date of the holder's acceptance of an appreciation right. All SARs must be exercised no later than the 7th anniversary on which they were granted unless approval is obtained from the trustees of the Bidvest Share Incentive Trust.

The number and weighted average exercise prices of SARs are:

|                                                   | 2020              |                 | 2019       |                 |
|---------------------------------------------------|-------------------|-----------------|------------|-----------------|
|                                                   | Number            | Average price R | Number     | Average price R |
| Beginning of the year                             | 11 107 675        | 166.27          | 7 335 500  | 152.96          |
| Granted                                           | 4 069 000         | 173.43          | 4 151 500  | 188.42          |
| Lapsed                                            | (536 366)         | 165.21          | (338 310)  | 151.55          |
| Exercised                                         | (628 933)         | 146.74          | (41 015)   | 150.58          |
| <b>End of the year</b>                            | <b>14 011 376</b> | <b>169.26</b>   | 11 107 675 | 166.27          |
| SARs outstanding at 30 June by year of grant are: |                   |                 |            |                 |
| 2017                                              | 2 490 959         | 146.53          | 3 253 350  | 146.55          |
| 2018                                              | 3 474 567         | 158.75          | 3 702 825  | 158.75          |
| 2019                                              | 3 976 850         | 188.42          | 4 151 500  | 188.42          |
| 2020                                              | 4 069 000         | 173.43          | –          | –               |
|                                                   | <b>14 011 376</b> | <b>169.26</b>   | 11 107 675 | 166.27          |

The SARs outstanding at 30 June 2020 have an exercise price in the range of R138.48 to R188.42 (2019: R138.48 to R188.42) and a weighted average contractual life of 3.4 to 6.4 (2019: 4.4 to 6.4) years. The average value of the Bidvest share during the year was R177.68 (2019: R197.05)

The fair value of services received in return for shares allotted is measured based on a modified Black Scholes model. The contractual life of the SARs is used as an input into this model.

The fair value of the SARs allotted during the current year and the assumptions used are:

|                                                                        | 2020      | 2019      |
|------------------------------------------------------------------------|-----------|-----------|
| Fair value at measurement date (Rand)                                  | 192.70    | 209.35    |
| Exercise price (Rand)                                                  | 173.43    | 188.42    |
| Expected volatility (%)                                                | 28.35     | 29.16     |
| Option life (years)                                                    | 4.00-6.00 | 4.00-6.00 |
| Distribution yield (%)                                                 | 3.20      | 2.83      |
| Risk-free interest rate (based on the ZAR Bond static yield curve) (%) | 7.22      | 7.60      |

The volatility is based on the recent historic volatility.

## 29. Share-based payments (continued)

### Conditional share plan

In terms of the CSP scheme, a conditional right to a share is awarded to executive directors subject to performance and vesting conditions. The vesting period is as follows: 75% of total number of awards vest at the expiry of three years and 25% of total number of awards vest at the expiry of four years from the date of the award, unless otherwise determined by the board. These share awards do not carry voting rights attributable to ordinary shareholders.

The fair value of services received in return for the CSP awards has been determined by multiplying the number of CSP awards expected to vest, by the share price at the date of the award less discounted anticipated future distribution flows. A total number of 375 619 (2019: 576 201) of the 767 682 (2019: 711 280) shares are expected to vest, taking into account the performance of the Group to date and forecasts to the end of the performance period, against the targets set at the time of the award. The average discounted share price used in the calculation of the share-based payment charge on the conditional share awards allotted during the year is R172.44 (2019: R174.94) per share. These awards will vest in the next three years.

25 950 (2019: Nil) conditional share awards were forfeited as a result of performance conditions not being met, 53 504 (2019: 15 456) conditional share awards were forfeited as a result of accelerated vesting.

The number of conditional share awards in terms of the conditional share plan are:

|                                                          | 2020<br>Number | 2019<br>Number |
|----------------------------------------------------------|----------------|----------------|
| Beginning of the year                                    | 711 280        | 451 280        |
| Allotted during the year                                 | 335 000        | 282 000        |
| Awarded during the year                                  | (155 648)      | –              |
| Awarded during the year as result of accelerated vesting | (43 496)       | (6 544)        |
| Forfeited during the year                                | (79 454)       | (15 456)       |
| <b>End of the year</b>                                   | <b>767 682</b> | <b>711 280</b> |

The maximum number of shares which may be allocated at any one time under the SAR and existing CSP shall not exceed 17 000 000 shares (5% of shares in issue). A total number of 2 220 942 (2019: 5 081 045) remain available for allocation.

The 53.6% subsidiary, Adcock Ingram, has share option plans, which have been designated as equity settled and include an ordinary equity scheme, a B-BBEE scheme and a performance based long-term incentive scheme. The Group's proportionate share of Adcock Ingram's share based payment reserves since recognition is a debit balance of R2 million (a charge to share based payment expenses of R11 million less settlement of R16 million, R2 million of the reserve is attributable to non-controlling interests).

In addition to the above Adcock Ingram has an ordinary and a B-BBEE equity based incentive scheme, which have been designated as cash settled. The liabilities relating to these incentive schemes have been disclosed in *note 36 Trade and other payables* and in aggregate amount to R42 million. An amount of R14 million was credited to share based payment expenses during the year for these cash settled incentive schemes.