12. Staff remuneration

12.1 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;
- 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; and
- 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:

	2021		2020	
	Number	Average price R	Number	Average price R
Beginning of the year	**1 259 102**	**262.10**	2 009 755	258.67
Lapsed	**(107 813)**	**266.31**	(34 345)	280.83
Exercised	**(428 205)**	**259.88**	(716 308)	251.59
End of the year	**723 084**	**262.78**	1 259 102	262.10
The replacement rights outstanding at 30 June 2021 have an award price in the range of R134,56 to R301.54 (2020: R134.56 to R301.54) and a weighted average contractual life of 0.4 to 4.4 (2020: 0.4 to 5.4) years. The average combined value of the Bidvest and Bidcorp shares during the year was R434.30 (2020: R462.75).				
Replacement rights outstanding at 30 June by year of grant are:				
2011	**–**	**135.00**	26 515	135.00
2012	**46 250**	**134.56**	68 500	134.56
2013	**44 500**	**208.91**	89 750	208.91
2014	**136 173**	**235.92**	217 173	235.59
2015	**142 972**	**250.84**	220 260	250.80
2016	**353 189**	**301.54**	636 904	301.54
	723 084	**262.78**	1 259 102	262.10

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)

FOR THE YEAR ENDED 30 JUNE

12. Staff remuneration (continued)

12.1 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.
- 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; and
- all SARs must be exercised no later than the seventh 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 share appreciation rights are:

	2021 Number	2021 Average price R	2020 Number	2020 Average price R
Beginning of the year	**14 011 376**	**169.26**	11 107 675	166.27
Granted	**4 695 000**	**148.75**	4 069 000	173.43
Lapsed	**(1 274 399)**	**167.56**	(536 366)	165.21
Exercised	**(744 657)**	**152.76**	(628 933)	146.74
End of the year	**16 687 320**	**164.25**	14 011 376	169.26
Share appreciation rights outstanding at 30 June by year of grant are:				
2017	**1 916 926**	**146.53**	2 490 959	146.53
2018	**2 702 889**	**158.75**	3 474 567	158.75
2019	**3 551 710**	**188.42**	3 976 850	188.42
2020	**3 847 295**	**173.43**	4 069 000	173.43
2021	**4 668 500**	**148.75**	–	–
	16 687 320	**164.25**	14 011 376	169.26

The SARs outstanding at 30 June 2021 have an award price in the range of R138.48 to R188.42 (2020: R138.48 to R188.42) and a weighted average contractual life of 2.4 to 6.4 (2020: 3.4 to 6.4) years. The average value of the Bidvest share during the year was R157.58 (2020: R177.68).

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:

	2021	2020
Fair value at measurement date (Rand)	**165.28**	192.70
Exercise price (Rand)	**148.75**	173.43
Expected volatility (%)	**33.50**	28.35
Option life (years)	**4.00–6.00**	4.00–6.00
Distribution yield (%)	**3.00**	3.20
Risk-free interest rate (based on the ZAR Bond static yield curve) (%)	**5.63**	7.22

The volatility is based on the recent historic volatility.

Conditional share plan

In terms of the CSP scheme, a conditional right to a share is awarded to executive directors and officers 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.

12. Staff remuneration (continued)

12.1 Share-based payments (continued)

Conditional share plan (continued)

The fair value of services received in return for the conditional share awards has been determined by multiplying the number of conditional share awards expected to vest, by the share price at the date of the award less discounted anticipated future distribution flows. A total number of 737 397 (2020: 375 619) of the 964 915 (2020: 767 682) 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 R129.45 (2020: R172.44) per share. These awards will vest in the next three years.

79 520 (2020: 25 950) conditional share awards were forfeited as a result of performance conditions not being met, 180 000 (2020: 53 504) 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:

	2021 Number	2020 Number
Beginning of the year	767 682	711 280
Allotted during the year	560 550	335 000
Awarded during the year	(103 784)	(155 648)
Awarded during the year as result of accelerated vesting	–	(43 496)
Forfeited during the year	(259 533)	(79 454)
End of the year	964 915	767 682

The maximum number of shares which may be allocated at any one time under the SAR and existing Conditional Share Plan shall not exceed 16 750 000 shares (5% of shares in issue). Based on the closing price the Bidvest and Bidcorp share prices at 30 June 2021, it is estimated that 3 200 000 (2020: 1 825 000) Bidvest ordinary shares would be required to settle the Group's share-based payment obligations.

The 57.9% 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 ("PBLTIS"). The Group's proportionate share of Adcock Ingram's share-based payment reserves since recognition is a credit balance of R7.4 million (2020: R2.3 million debit balance), which comprises a charge to share-based payment expenses of R28.4 million (2020: R11.4 million) less settlement of R16 million (2020: R15.7 million), with R5 million (2020: R2 million) of the reserve 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 8.10. Trade and other payables* and in aggregate amount to R43 million (2020: R42 million). An amount of R1 million (2020: R13,9 million) was credited to share-based payment expenses during the year for these cash settled incentive schemes.

12.2 Directors' remuneration

The remuneration paid to executive directors while in office of the Company during the year ended 30 June 2021 is analysed as follows:

Director	Basic remuneration R'000	Retirement/ medical benefits R'000	Other benefits and costs R'000	Cash incentives R'000	Benefit arising from the exercise of replacement rights R'000	Total emoluments R'000
NT Madisa	8 099	589	183	13 935	2 181	24 987
GC McMahon	3 176	315	192	5 292	1 153	10 128
LP Ralphs[1]	6 207	522	459	–	11 241	18 429
MJ Steyn	4 174	266	222	6 626	–	11 288
	21 656	1 692	1 056	25 853	14 575	64 832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE

12. Staff remuneration (continued)

12.2 Directors' remuneration (continued)

For comparative purposes the remuneration paid to executive directors, while in office of the Company during the year ended 30 June 2020, is analysed as follows:

Director	Basic remuneration[2] R'000	Retirement/ medical benefits R'000	Other benefits and costs R'000	Cash incentives[3] R'000	Benefit arising from the exercise of replacement rights R'000	Total emoluments R'000
AW Dawe[4]	2 340	110	241	–	16 232	18 923
NT Madisa	4 271	340	254	3 912	5 597	14 374
GC McMahon	2 899	321	211	2 808	1 626	7 865
LP Ralphs	11 153	946	904	11 668	23 621	48 292
MJ Steyn	3 817	258	228	3 560	–	7 863
	24 480	1 975	1 838	21 948	47 076	97 317

1 *Retired 30 September 2020.*
2 *A 30% salary and fee sacrifice was agreed to for the fourth quarter.*
3 *A provision for FY20 short-term incentives had been made in FY20, based on the performance testing outcome. The payment of the incentives were deferred to November 2020.*
4 *Retired 28 November 2019.*

Certain executive directors serve as non-executive directors of companies outside of the Group. Directors' fees in this regard are paid to the Group.

	2021			2020
Directors	**Directors' fees R'000**	**As directors of subsidiary companies and other services R'000**	**Total emoluments R'000**	Total R'000
L Boyce[5]	**232**	**–**	**232**	–
EK Diack[6]	**1 114**	**–**	**1 114**	1 802
AK Maditse[6]	**654**	**–**	**654**	931
SN Mabaso-Koyana[5]	**272**	**–**	**272**	–
S Masinga	**745**	**–**	**745**	863
BF Mohale	**1 664**	**–**	**1 664**	1 135
RK Mokate	**801**	**155**	**956**	1 527
NG Payne[7]	**–**	**1 766**	**1 766**	2 052
MD Ruck[8]	**496**	**–**	**496**	368
N Siyotula	**692**	**–**	**692**	534
T Slabbert[9]	**–**	**–**	**–**	405
NW Thomson	**846**	**–**	**846**	905
2021 total	**7 516**	**1 921**	**9 437**	10 522
2020 total	8 079	2 443	10 522	–

5 *Appointed 12 March 2021.*
6 *Retired 1 April 2021.*
7 *Retired from The Bidvest Group board with effect from 28 November 2019, however, remains a director of Bidvest Bank Holdings Limited. Disclosed remuneration is for the 12 months ended 30 June 2021.*
8 *Resigned 30 June 2021.*
9 *Retired 28 November 2019.*

12. Staff remuneration (continued)

12.2 Directors' remuneration (continued)

Prescribed officers

Due to the nature and structure of the Group and the number of executive directors on the board of the Company, the directors have concluded that there are no prescribed officers of the Company.

Directors' long-term incentives

Details of the directors and officers' outstanding replacement rights[7] are as follows:

	Replacement rights at 30 June 2020		Replacement rights exercised during the year		Replacement rights lapsed during the year		**Replacement rights at 30 June 2021**	
Directors	Number	Average price R	Number	Market price	Number	Market price	**Number**	**Average price R**
NT Madisa	26 250	286.30	–	–	–	–	**26 250**	**286.30**
GC McMahon	20 000	288.84	–	–	–	–	**20 000**	**288.84**
MJ Steyn	11 250	284.60	–	–	–	–	**11 250**	**284.60**
	57 500	286.85		–	–	–	**57 500**	**286.85**

A share appreciation right ("SAR")[7] is a right awarded subject to the appreciation of the Company's shares.

	SAR at 30 June 2020		SAR granted during the year		SAR lapsed during the year		**SARs at 30 June 2021**	
Directors	Number	Average price R	Number	Average price R	Number	Market price	**Number**	**Average price R**
MJ Steyn	80 000	152.68	–	–	–	–	**80 000**	**152.68**

These SARs are exercisable over the period 1 July 2021 to 31 December 2024. A detailed register of SARs outstanding by tranche is available for inspection at the Company's register office.

A grant in terms of the conditional share plan ("CSP")[7] is a right to a share, which is awarded subject to performance and vesting conditions.

Director	Balance at 30 June 2020 Number	New award Number	Forfeited Number	Shares vested Number	Accelerated vested shares Number	**Closing balance 30 June 2021 Number**
NT Madisa	149 429	134 000	(15 197)	(15 532)	–	**252 700**
GC McMahon	97 657	46 000	(7 599)	(8 208)	–	**127 850**
LP Ralphs	420 596	–	(236 737)	(80 044)	–	**103 815**
MJ Steyn	100 000	57 000	–	–	–	**157 000**
	767 682	237 000	(259 533)	(103 784)	–	**641 365**

Share-based payment expense

	2021 R'000	2020 R'000
AW Dawe	**–**	1 479
NT Madisa	**9 872**	2 373
GC McMahon	**5 462**	1 639
LP Ralphs	**5 320**	6 807
MJ Steyn	**6 210**	2 709
	26 864	15 007

7 Refer note 12.1. Share-based payments for further details.

12. Staff remuneration (continued)

12.3 Post-retirement obligations

The Group's liability for post-retirement benefits, accruing to past and current employees in terms of defined benefit schemes, is actuarially calculated. Where the plan is funded, the obligation is reduced by the fair value of the plan assets. Unfunded obligations are recognised as a liability in the financial statements. Contributions to defined contribution schemes are recognised as an expense in the income statement as incurred.

The projected unit-credit method is used to determine the present value of the defined benefit obligations and the related current service cost and, where applicable, past service cost. Actuarial gains or losses in respect of defined benefit plans are recognised in other comprehensive income. However, when the actuarial calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group's obligation for post-retirement medical aid to past and current employees is actuarially determined and provided for in full.

Liabilities for employee benefits which are not expected to be settled within 12 months are discounted using the market yields at the statement of financial position date on high quality bonds with terms that most closely match the terms of maturity of the related liabilities.

	2021 R'000	2020 R'000
Post-retirement assets		
Defined benefit pension surplus	**(252 230)**	(214 329)
Post-retirement obligations		
Post-retirement medical aid obligations	**77 040**	79 075
	(175 190)	(135 254)

Pension and provident funds

The Group provides retirement benefits for its permanent employees through pension funds with defined benefit and defined contribution categories and defined contribution provident funds or other appropriate industry funds.

The PHS Group operates a defined benefit scheme, which is closed to new members. The assets of the scheme are measured using closing market values. The scheme liabilities are measured using the projected unit method discounted at rates of return of a high quality bond of equivalent term and currency to the liability. The summarised details of the *Warner Howard Limited Pension and Life Assurance Plan* are included below:

There are also a number of small funds within various employers of the Group. All funds are administered independently of the Group and are subject to the relevant pension fund legislation.

The Group operates a defined benefit fund through The Bidvest South Africa Pension Fund.

Employer contributions to defined contribution funds are set out in *note 5.5. Profit before finance charges and associate income*.

12. Staff remuneration (continued)

12.3 Post-retirement obligations (continued)

Summarised details of the defined benefit pension funds

	Warner Howard Limited Pension Plan		The Bidvest South Africa Pension Fund	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Defined benefit pension obligations (assets) of the fund	**–**	–	**(252 230)**	(214 329)
	–	–	**(252 230)**	(214 329)
Contributions to the fund				
Employee contributions	**–**	–	**170**	338
Total pension fund asset				
Fair value of plan assets	**250 736**	272 073	**637 473**	587 143
Actuarial present value of defined benefit obligations	**(217 584)**	(240 939)	**(384 498)**	(363 155)
Net surplus in the plans	**33 152**	31 134	**252 975**	223 988
Amounts not recognised due to ceiling adjustments and other limitations	**(33 152)**	(31 134)	**(745)**	(9 659)
	–	–	**252 230**	214 329
Movement in the liability for defined benefit obligations				
Balance at beginning of year	**(240 939)**	–	**(363 155)**	(381 253)
Benefits paid	**10 126**	1 378	**31 095**	27 797
Risk premiums and expenses	**–**	–	**817**	990
Current service costs	**–**	–	**(1 923)**	(2 338)
Transfers in for the benefit of pensioners	**–**	–	**–**	(1 399)
Interest expense	**(3 230)**	(1 072)	**(37 402)**	(34 580)
Member contributions	**–**	–	**(170)**	(338)
Actuarial gains	**(2 588)**	(30 774)	**(13 760)**	27 966
Acquisition of businesses	**–**	(232 062)	**–**	–
Exchange rate adjustments on foreign plans	**19 047**	21 591	**–**	–
Balance at end of year	**(217 584)**	(240 939)	**(384 498)**	(363 155)

12. Staff remuneration (continued)

12.3 Post-retirement obligations (continued)

Summarised details of the defined benefit pension funds (continued)

	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Movement in the plans' assets				
Balance at beginning of year	**272 073**	–	**587 143**	625 295
Transfer in*	**–**	–	**–**	2 797
Contributions paid into the plans	**–**	–	**170**	338
Benefits paid	**(10 126)**	(1 378)	**(31 095)**	(27 797)
Risk premiums and expenses	**–**	–	**(817)**	(990)
Interest income	**3 665**	1 247	**60 941**	57 059
Return on plan assets in excess of interest income	**6 875**	28 937	**21 131**	(69 559)
Acquisition of businesses	**–**	268 095	**–**	–
Exchange rate adjustments on foreign plans	**(21 751)**	(24 828)	**–**	–
Balance at end of year	**250 736**	272 073	**637 473**	587 143
* *(2020: from the unclaimed benefits reserve)*				
The plans' assets comprise				
Cash	**251**	272	**51 635**	56 366
Equity securities	**–**	92 505	**305 987**	267 737
Bills, bonds and securities	**250 485**	179 296	**107 733**	110 970
Property	**–**	–	**14 662**	21 137
International	**–**	–	**142 156**	124 474
Other	**–**	–	**15 300**	6 459
	250 736	272 073	**637 473**	587 143
Amounts recognised in the income statement				
Current service costs	**–**	–	**1 923**	2 338
Interest on obligations	**3 230**	1 072	**37 402**	34 580
Interest income on plan assets	**(3 665)**	(1 247)	**(60 941)**	(57 059)
Ceiling adjustments and other limitations	**435**	175	**1 024**	247
	–	–	**(20 592)**	(19 894)
Amounts recognised in other comprehensive income				
Return on plan assets in excess of interest income	**(6 875)**	(28 937)	**(21 131)**	69 559
Actuarial (gains) losses	**2 588**	30 774	**13 760**	(27 966)
Transfers in	**–**	–	**–**	(1 398)
Ceiling adjustments and other limitations	**4 287**	(1 837)	**(9 938)**	6 760
	–	–	**(17 309)**	46 955
Key actuarial assumptions used in the actuarial valuations:				
The Bidvest South Africa Pension Fund				
Number of in-service members 30 June	**–**	–	**8**	15
Number of pensioners 30 June	**138**	143	**486**	530
Discount rate (%)	**1.75**	1.4	**9.8**	10.6
Inflation rate (%)	**3.65**	3.3	**5.8**	5.6
Salary increase (%)	**–**	–	**6.8**	6.6
Pension increase allowance (%)	**3.45**	3.2	**4.1**	3.9
Date of valuation of all funds	**30 June 2021**	30 June 2020	**30 June 2021**	30 June 2020

Assumptions regarding future mortality are based on published statistics and mortality tables.

12. Staff remuneration (continued)

12.3 Post-retirement obligations (continued)

Summarised details of the defined benefit pension funds (continued)

Sensitivity analysis

The table below summarises the impact that a reasonably possible change in the respective assumption, occurring at the end of the year, would have, by increasing (decreasing) the net surplus in the plan, while holding all the other assumptions constant.

	2021 Impact of an increase in assumption R'000	2020 Impact of an increase in assumption R'000	**2021 Impact of an increase in assumption R'000**	2020 Impact of an increase in assumption R'000
The Bidvest South Africa Pension Fund				
Discount rate – 1%	**(7 764)**	28 773	**3 309**	4 346
Pension increase – target 100% of inflation (assumption 50%)	**(11 696)**	(10 886)	**(6 316)**	(14 343)
Salary increase – 1%	**–**	–	**(1 759)**	(1 284)

The sensitivity analyses presented above may not be representative of the actual change in the net surplus in the plans as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Post-retirement medical aid obligations

The Group provides post-retirement medical benefit subsidies to certain retired employees and is responsible for the provision of post-retirement medical benefit subsidies to a limited number of current employees.

Provision for post-retirement medical aid obligations

	2021 R'000	2020 R'000
Opening provision raised against unfunded obligation	**79 075**	74 317
Current service costs (relief)	**(572)**	369
Interest expense	**6 314**	5 667
Benefits paid	**(8 288)**	(7 722)
Actuarial adjustments recognised in other comprehensive income	**511**	(8 226)
Acquisition of businesses	**–**	15 660
Disposal of businesses and transfer to discontinued operations	**–**	(990)
Closing provision raised against unfunded obligation	**77 040**	79 075
	%	%
Key actuarial assumptions		
Discount rate	**9.0**	9.0
Inflation rate (CPI)	**4.4**	4.4
Health care cost inflation	**6.4**	6.4
Date of valuation	**30 June 2021**	30 June 2020

A change in the medical inflation rates will not have a significant impact on the post-retirement medical aid cost and related obligations.

12. Staff remuneration (continued)

12.4 Segmental employees, benefits and remuneration

	Employees		Employee benefits and remuneration	
	2021 Number	2020 Number	**2021 R'000**	2020 R'000
Services	**95 555**	103 213	**17 292 289**	13 076 649
Branded Products	**7 670**	9 458	**2 794 743**	2 984 888
Freight	**4 689**	5 290	**1 573 780**	1 666 968
Commercial Products	**7 921**	8 074	**1 926 375**	1 797 802
Financial Services	**1 359**	1 708	**711 776**	752 051
Automotive	**3 495**	4 501	**1 644 860**	1 606 807
Properties	**14**	14	**18 839**	16 088
Corporate and investments	**641**	612	**246 767**	406 845
	121 344	132 870	**26 209 429**	22 308 098
Share-based payment expense	**–**	–	**246 096**	202 494
	121 344	132 870	**26 455 525**	22 510 592
Geographic region				
Southern Africa	**91 513**	112 064	**15 509 919**	16 014 727
International	**29 830**	20 807	**10 699 509**	6 293 371
	121 343	132 870	**26 209 428**	22 308 098