OUR NOMINATION AND REMUNERATION COMMITTEES

This report comprises three parts:

1 THE NOMINATION AND REMUNERATION COMMITTEES' CHAIRPERSON'S REPORT

The Nomination and Remuneration Committees' (the Committee) Chairperson's report, which provides an overview of performance and remuneration in the 2019 financial year along with details of the governance arrangements in place with respect to nomination and remuneration. The Group has a single committee dealing with both nomination and remuneration matters and the Committee therefore prepares a single report combining both.

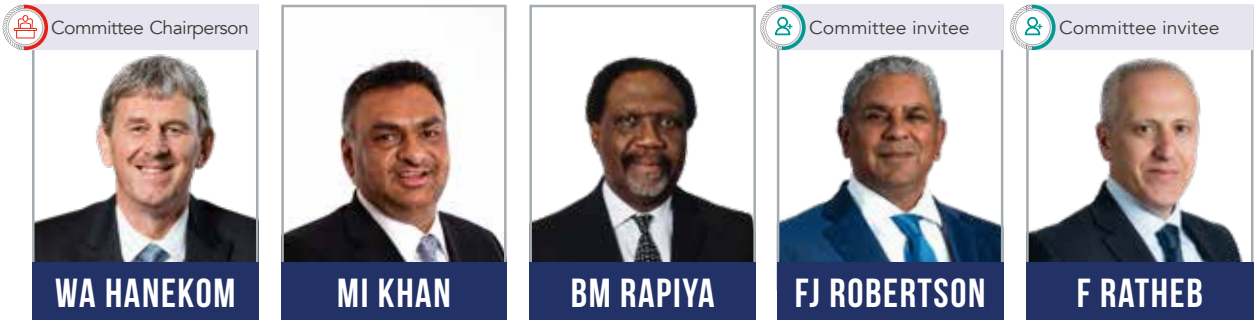
2 FORWARD-LOOKING REMUNERATION POLICY

The remuneration philosophy, policy and framework, which is to be tabled at the AGM for a non-binding advisory vote by the Group's shareholders.

3 IMPLEMENTATION REPORT

The implementation of the Remuneration Policy in the 2019 financial year, which is to be tabled at the AGM for a separate non-binding advisory vote by the Group's shareholders.

Membership and composition of the Committee



1 THE NOMINATION AND REMUNERATION COMMITTEES' CHAIRPERSON'S REPORT

Background

Sea Harvest, as a responsible corporate citizen, remains committed to ethical leadership and responsible corporate governance practices, thus creating sustainable growth in shareholder value through consistent improvement in earnings, clear growth and expansion of capital, and engaging with its shareholders and stakeholders.

This report describes the material matters dealt with by the Committee and summarises the Group's approach to fair, responsible and transparent remuneration. The report sets out how the Committee has discharged its duties in terms of statutory requirements, as well as additional duties assigned to it by the Board in respect of the financial year ended 31 December 2019. This report also provides an overview of the Group's approach to nomination matters and the remuneration philosophy, policy and framework, with a particular emphasis on executive directors, non-executive directors and management.

Overview of performance and remuneration

As detailed in the CEO's report, 2019 was a watershed year for Sea Harvest, being the first full financial year incorporating the Group's:

- 2 July 2018 acquisition of 100% of the assets and liabilities of Viking Fishing and a 51% shareholding in Viking Aquaculture; and
- 2 January 2019 acquisition of 100% of Ladismith Cheese.

The Group also successfully completed the take-out and delisting of Mareterram in May 2019, and renamed the company Sea Harvest Australia.

The Group has delivered a pleasing set of results, with the Viking Fishing and Ladismith Cheese businesses delivering solid performances. However, the Viking Aquaculture business underperformed as a result of the market disruption events in Hong Kong and, while Sea Harvest Australia had some prawn volume recovery, the business is not yet at the required levels of profitability.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

Sea Harvest's revenue increased 54% to R3.97 billion (2018: R2.58 billion), benefiting from the full-year effect of the acquisition of Viking Fishing and Viking Aquaculture on 2 July 2018 and the acquisition of Ladismith Cheese on 2 January 2019.

The Group delivered gross profit for the year of R1.27 billion, up 40% from R908 million in 2018, and the gross profit margin diluted from 35% to 32% as a result of the inclusion of the lower margin Ladismith Cheese business. The Sea Harvest Fishing gross profit margin expanded by one percentage point to 36%, benefiting from synergies relating to the Viking Fishing acquisition and improved efficiencies in the Saldanha Bay fresh fish processing factory in the second half of the year.

The Group delivered operating profit of R600 million for the year, 54% higher than last year (2018: R389 million) with the Group's operating profit margin steady at 15%. Sea Harvest Fishing's operating profit margin expanded by three percentage points to 20%.

Profit after tax increased 35% from R293 million to R396 million and HEPS increased 33% from R1.12 to R1.49 per share. The Group declared a total dividend of 50 cents per share payable on 14 April 2020, up 25% over the 2018 dividend of 40 cents per share.

In 2020, as a result of the significant organic and acquisitive growth of the Group, the Committee will continue the work commenced in 2019 in reviewing the Group's remuneration structures to ensure that it is fit for purpose and drives the behaviours required of employees.

Further details on specific activities of the Committee during the year are set out in this report.

There are no planned material changes to the Remuneration Policy for the 2020 financial year. Shareholders should note that the remuneration of certain executive directors and certain members of management was reviewed and adjusted during the second half of the 2019 financial year to take into account their increased responsibilities as a result of the expansion of the Group.

The Committee remains confident that the Group's remuneration philosophy and policy are aligned to its strategy and have contributed to the Group's growth. The Committee is also satisfied that the Remuneration Policy achieved its objectives in the 2019 financial year.

Governance

The Committee was established to assist in monitoring the Group's nomination and remuneration practices and performance and to perform the statutory functions required of a nomination and remuneration committee in terms of the Companies Act, No 71 of 2008, as amended, the King IV Report on Corporate Governance™ (King IV™), the Listings Requirements of the JSE Limited, the Committee's terms of reference (the Charter), the Group's Remuneration Policy and any other applicable legislation.

The Committee is a subcommittee of the Group's Board of Directors (the Board) and has an independent role with accountability to the Board. The Committee operates in terms of a formally approved Charter that was approved by the Board on 12 January 2017 and is reviewed annually. The Charter is available at **www.seaharvest.co.za**.

Composition of the Remuneration Committee

In line with best practice, the majority of the Committee members are independent non-executive directors of the Group. For the period under review the Committee consisted of:

- **Mr WA Hanekom** – Chairperson (Independent Non-executive Director)
- **Mr BM Rapiya** (Independent Non-executive Director)
- **Mr MI Khan** (Non-executive Director)

The Chairperson of the Board is an *ex officio* member of the Committee. To assist the Committee with the execution of its mandate, the CEO attended the meetings in the 2019 financial year.

Invitees attend Committee meetings, but are not present when their remuneration is discussed and hold no voting powers. Similarly, Committee members do not decide on their own remuneration.

The Committee holds two meetings a year (in line with its Charter) and draws matters within its mandate to the attention of the Board on a quarterly basis and as occasion requires. The attendance record of the Committee is set out in the corporate governance report on **page 75** of our IR.

Composition of the Nomination Committee

The Nomination Committee deals with dedicated nomination matters and comprises three members as follows:

- **Mr WA Hanekom** – Chairperson (Independent Non-executive Director)
- **Mr BM Rapiya** (Independent Non-executive Director)
- **Mr MI Khan** (Non-executive Director)

Independent external advice

The Committee actively sought independent external advice from PricewaterhouseCoopers (PwC) on remuneration trends and benchmarks for executive directors and management. Sea Harvest uses PwC's Remchannel survey to benchmark the salaries of employees. The Committee is satisfied that the advisers were independent and objective.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

Roles and responsibilities of the Committee

The role of the Committee in respect of nomination matters is to have oversight of:

- the process for nominating, electing and appointing members of the Board;
- the attributes of the members of the Board;
- the independence of the Board members;
- the succession planning in respect of Board members; and
- the Company's policy on diversity (including gender) for nominations and appointments of directors.

The role of the Committee in respect of remuneration is to assist the Board to ensure that:

- the employee value proposition promotes fair, responsible, transparent remuneration and reasonable employment practices;
- the review of executive performance is conducted;
- the Group remunerates executive and non-executive directors fairly and responsibly; and
- the disclosure of directors' remuneration is accurate, complete and transparent.

The Board delegates the following responsibilities to the Committee:

- Determine the Group's remuneration philosophy and policy to ensure alignment to the Group's strategy.
- Review and approve the composition of remuneration packages for executive directors and senior executives to ensure that the Group remunerates fairly and responsibly.
- Recommend the remuneration of non-executive directors.
- Determine the performance criteria and targets for both short- and long-term incentives.
- Approve the allocation and award of FSP shares in terms of the Group's long-term incentive plan rules.
- Consider the composition and performance of the Board as well as succession planning.
- Consider the succession planning for executive directors and key senior executives.

In satisfying its mandate during the year under review, the Committee:

- considered nomination matters;
- reviewed the composition of the Board and Board committees;
- considered the diversity of the Board;
- reviewed the performance of the Committee;
- considered succession planning for the Board, the CEO and the Executive Committee;
- considered the executive depth in the Group;
- reviewed the independent directors' (including the Chairperson's) outside professional commitments;
- reviewed the independence of directors;
- deliberated on the Board's diversity policy and targets;
- approved the short-term incentive payments for the 2018 and 2019 financial years;
- reviewed and approved the performance metrics and rules of the short-term incentives for the 2019 and 2020 financial years;
- reviewed the performance of the CEO for the 2018 and 2019 financial years;
- set the financial targets and functional targets for the CEO for the 2019 and 2020 financial years;
- considered and approved the allocation and award of shares in terms of the Group's FSP to eligible participants;
- benchmarked packages of executive directors and senior executives for recommendation;
- benchmarked non-executive directors' remuneration;
- considered and approved the increases in guaranteed pay for executives and employees in management positions for the 2019 and 2020 financial years;
- considered and recommended the increases in fees for non-executive directors for the 2019 and 2020 financial years;
- considered for approval by the Board the mandate for 2019 and 2020 plant level and bargaining council wage negotiations;
- considered the Committee's Charter and the Remuneration Policy;
- implemented the Committee's Charter and ensured its alignment to King IV™; and
- set the annual work plan for the Committee.

During the 2020 financial year, the main focus of the Committee is expected to be on ensuring that the Remuneration Policy is effective and driving the required behaviours of management and employees. This will be particularly important as a result of the organic and acquisitive growth experienced by the Group over the last two years and the alignment and integration of these businesses within the Group. For more information on our compliance with the King IV™ in terms of diversification and succession planning, refer to our King IV™ Application Register on our website: **www.seaharvest.co.za/investors/governance/**

The Committee will also provide input when requested with regard to the integration of the Group's acquisition targets.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

Non-binding advisory votes

At the AGM held on 27 May 2019, the 2018 Remuneration Policy and the implementation report both received support of 86% of shareholders voting in favour thereof.

In line with the requirements of King IV™ and the JSE Listings Requirements, the 2019 Remuneration Policy together with the implementation report will be tabled for two separate non-binding advisory votes at the upcoming AGM.

In the event of 25% or more of the shareholders voting against either resolution at the AGM, the Committee will:

- extend an invitation to dissenting shareholders in the Stock Exchange News Service (SENS) announcement with the results of the AGM for them to engage with the Committee regarding their reasons for voting against the relevant resolution; and
- propose in the invitation the manner and timing of engagement, which may include but is not limited to communication via email, telephone calls, meetings and roadshows.

The Committee will ascertain the reasons for dissenting votes, respond and provide constructive feedback to shareholders' questions, queries and legitimate concerns. After consideration of the results of shareholder engagement, the Committee reserves the right to amend elements of the Remuneration Policy to further align it to market practice and shareholder value creation.

The Committee is pleased to present the Remuneration Policy of the Group on **pages 89 to 93** and the implementation report on **pages 94 to 97** of our IR for separate non-binding advisory votes

2 FORWARD-LOOKING REMUNERATION POLICY

Background

This section of the report deals specifically with the remuneration of non-executive directors, executive directors, management and other grades of employees. It sets out the remuneration philosophy and policy and the reward framework in place for the financial year ended 31 December 2019 and the financial year ending 31 December 2020.

Policy and philosophy

The Group's remuneration philosophy is that employees are remunerated appropriately for their contribution to the delivery of the Group's strategy. The Remuneration Policy framework is based on the principles of fair and responsible remuneration and is formulated to attract, retain, motivate and reward high-calibre employees. The Group aims to encourage high levels of performance that are sustainable and aligned with the strategic direction and specific value drivers of the business. The way the Group remunerates employees reflects the dynamics of the market, as well as the social, economic and environmental context in which the Group operates.

The Committee aims to reward superior performance and the achievement of the Group's strategy and ensures that there are consequences for underperformance. Managers play a vital role in ensuring that the performance management process provides the right information required to inform remuneration decisions made by the Committee.

Sea Harvest's operations include a number of employees who either form part of a bargaining unit or are independent contractors engaged on fixed-term contracts (within the bounds of South African labour legislation). The employment and remuneration arrangements of these employees are governed by separate agreements and are negotiated on an operational level (subject to oversight by the Committee); therefore, they are not covered by the Remuneration Policy framework.

Fair and responsible remuneration

The principle of fair and responsible remuneration is at the core of the Group's remuneration philosophy. The Group is dedicated to improving employment conditions for all employees across the Group and may undertake and implement various initiatives, from time to time, to realise progressively the concept of fair and responsible remuneration.

Some of the principles driving this commitment include:

- ensuring compliance with legislative requirements in terms of remuneration and benefits; and
- on an annual basis, external benchmarking may be conducted on remuneration packages across the various grades and job functions, which is a determining factor for setting remuneration across the Group.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

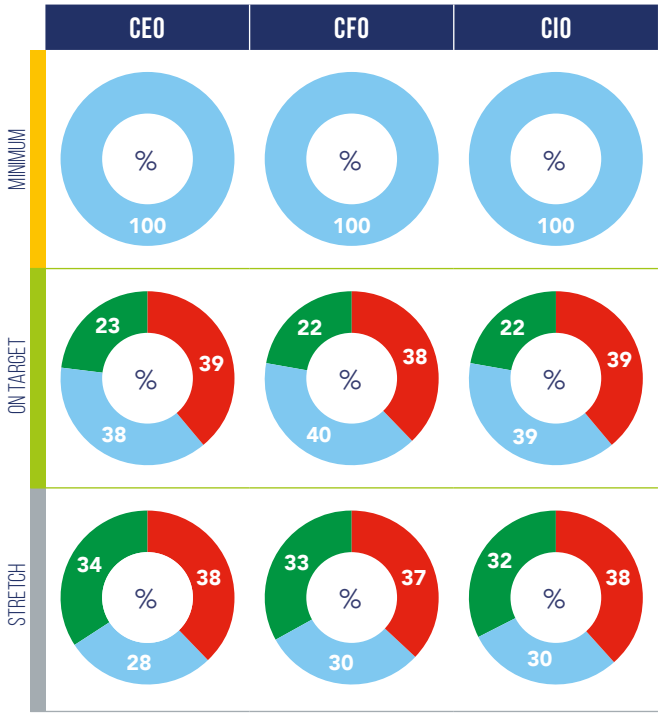
Remuneration mix

Remuneration comprises guaranteed pay (GP) and variable pay. Variable pay consists of short-term incentives (STI) and long-term incentives (LTI). The remuneration mix reflects the relative proportions of each component in the package, which is linked to a job type and the nature of expected outcomes. The target remuneration mix varies at each grade. As a guideline, more senior employees should have a higher proportion of variable pay in their remuneration mix as they have the ability to influence the financial performance and strategic outcomes of the Group. The Committee has designed the remuneration mix for executive directors in a way that avoids overdependence on the variable pay components, which in turn discourages any excessive risk-taking behaviour. At lower levels, the remuneration mix is weighted in favour of GP.

In order to drive a high-performance culture and an alignment with shareholders through shared value creation, the total reward mix for the CEO and executive directors is geared towards a higher percentage of variable pay at risk for the achievement of stretch targets. Implicit in the Remuneration Policy is that over time executives should build up a combination of restricted and unencumbered shares, ensuring significant alignment between executives and shareholders.

The graphs alongside illustrate the potential remuneration mix for each executive director at minimum, on-target and stretch performance levels. The methodology used is in line with that recommended by King IV™.

Aggregate executive director pay mix



Note: Retention shares have not been included in the pay mix graphs as they do not form part of the ongoing packages for executive directors.

ELEMENT	MINIMUM	ON-TARGET	STRETCH
GP	Salary and benefits in line with those paid in the 2019 financial year		
STI	Nil	50% of stretch	110% – 120% of GP
LTI	Nil	The maximum number of performance shares and bonus shares granted in 2019 multiplied by the fair value on grant	The maximum number of performance shares and bonus shares granted in 2019 multiplied by the share price on grant

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

Components of remuneration

	GUARANTEED PAY		VARIABLE PAY	
	BASIC SALARY	BENEFITS	SHORT-TERM INCENTIVE (STI)	LONG-TERM INCENTIVE (LTI)
PURPOSE AND LINK TO STRATEGY	Attract and retain talent	Improve employees' financial planning and security on retirement	Encourages a high-performance culture to promote the achievement of specific objectives. Motivates executive directors and key senior managers to achieve short-term strategic, financial and non-financial objectives in the one-year business plan.	Attracts, retains, incentivises and rewards key management by linking performance to shareholder expectations. This promotes the achievement of long-term objectives with the desired outcome of an appreciating share price and the payment of a regular dividend, thereby providing key employees with the opportunity to share in the success of the Group.
ELIGIBILITY	All staff employed by Sea Harvest	All permanent staff; benefit is dependent on grade	Permanent staff from senior management upwards	Executive directors and executives
REMUNERATION METHODOLOGY	Reviewed annually against market benchmarks	**Market-related benefits:** ➢ Pension/ Provident Fund ➢ Motor vehicle allowances ➢ Medical aid	Performance bonuses are dependent on financial performance (financial target) and achievement of agreed strategic and individual KPIs (functional target); the functional target cannot be earned if a minimum financial hurdle is not met. Executives have a higher weighting on financial targets (80%) with 20% based on functional targets. Lower-level executives have a greater weighting to strategic and individual performance. The levels of remuneration that can be earned by the CEO, CFO and CIO are as follows: ➢ On-target: 55% to 60% of GP ➢ Stretch target: 110% to 120% of GP Based on a sliding scale for performance in between. The STI is self-funding in that the threshold for the financial target of EBIT is calculated after taking into account the cost of the STI.	**Retention shares** *Ad hoc* award of retention shares acts as a means to retain certain executives and key senior management. Retention shares vest annually in equal portions over a three-year period (this period is five years for the CEO and CIO), subject only to continued employment. **Performance shares and bonus shares** Allocations are on an annual basis subject to the Committee's discretion: ➢ CEO – Performance shares 67% of GP and bonus shares 33% of previous year STI ➢ CFO and CIO – Performance shares 61% of GP and bonus shares 33% of previous year STI ➢ Senior management – Performance shares 22% to 61% of GP and bonus shares 28% to 83% of previous year STI **Employee Share Trust** Broad-based equity scheme for the benefit of all employees who are permanently employed for an unbroken period of 24 months and do not participate in any other equity incentive scheme.
PERFORMANCE CONDITIONS	Performance, i.e. meeting requirements of the job	n/a	A single financial target (i.e. EBIT) is used for lower-level executives, while dual financial targets (i.e. EBIT and HEPS) are used for executive directors. Functional targets for the executive directors include: ➢ delivery of organic growth projects and improving operational efficiencies; ➢ delivery of strategic acquisitions; ➢ integration of new acquisitions; ➢ B-BBEE credentials and transformation; ➢ retention of fishing rights; and ➢ building organisational capability.	Refer to the following table for performance conditions and characteristics of each share element.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

LTI allocation methodology

Long-term Incentive Eligibility Plan elements and performance conditions

1. RETENTION SHARES

EXECUTIVE DIRECTORS AND KEY SENIOR MANAGEMENT

- Awarded at listing and on an *ad hoc* basis, the retention share element of the FSP acts as a means to retain certain executive directors and key senior management.
- Retention shares vest equally over a three-year period (this period is five years for the CEO and CIO), subject only to continued employment.

2. PERFORMANCE SHARES (CONDITIONAL)

EXECUTIVE DIRECTORS AND KEY SENIOR MANAGEMENT

- The performance share element of the FSP rewards future Company and share performance.
- Performance shares are conditionally awarded to those individuals who can influence long-term strategic performance.
- Performance shares vest on the third anniversary of their award, the number vesting being tied to continued employment and the extent to which the Company has met preset performance criteria over the three-year period.

Currently, vesting (for the 2017 and 2018 allocation of performance shares) is:

- Governed by continued employment.

- Weighted 33% – the first performance criterion is the Group's comparative TSR performance in relation to a comparator group.
  - If the TSR over the three-year period places at the median of the comparator group or better, then the targeted number (30% of the maximum number) of performance shares awarded will vest.
  - If the TSR over the three-year period places at the upper quartile of the comparator group or better, then the maximum number (100% of the maximum number) of performance shares awarded will vest.
  - If the TSR over the three-year period places below the median group or worse, then all performance shares awarded relating to that TSR tranche will be forfeited.
  - TSR performance between any of the above points results in pro-rated vesting. No retesting will be allowed, and any shares not vesting will lapse.

- Weighted 33% – the second performance criterion is the Group's average HEPS growth weighted for the main territories in which the Group operates:
  - If the average HEPS compound annual growth rate (CAGR) over the three-year period places it at the average CAGR in CPI plus GDP, or better, then the targeted number (30% of the maximum number) of performance shares awarded will vest.
  - If the average HEPS CAGR over the three-year period places it at the average CAGR in CPI plus GDP plus 3%, or better, then the maximum number (100% of the maximum number) of performance shares awarded will vest.
  - If the average HEPS CAGR over the three-year period places it at the average CAGR in CPI plus GDP, or below, then all performance shares awarded relating to that HEPS tranche will be forfeited.
  - HEPS performance between any of the above points results in pro-rated vesting. No retesting will be allowed, and any shares not vesting will lapse.

- Weighted 33% – the third performance criterion is the Group's transformation credentials:
  - If the Group achieves a Level 3 B-BBEE rating on the current scorecard, then the targeted number (50% of the maximum number) of performance shares awarded will vest.
  - If the Group achieves a Level 2 B-BBEE rating on the current scorecard, or better, then the targeted number (100% of the maximum number) of performance shares awarded will vest.
  - The transformation condition will have a binary profile.
  - No retesting will be allowed, and any shares not vesting will lapse.

Changes relating to the 2019 and 2020 allocation of performance shares are:

- Based on the feedback from select shareholders who indicated the preference for a balance sheet performance criterion, the Remuneration Committee has amended the performance criteria relating to the 2019 and 2020 allocations (and subsequent years) of performance shares by replacing the TSR criterion with a return on capital employed (ROCE) criterion. Weighted 33%, the ROCE performance criterion measures the Group's average ROCE in relation to its WACC.
  - If the average ROCE over the three-year period places it at the average WACC over the three-year period, or better, then the targeted number (30% of the maximum number) of performance shares awarded will vest.
  - If the average ROCE over the three-year period places it at the average WACC over the three-year period plus 3%, or better, then the maximum number (100% of the maximum number) of performance shares awarded will vest.
  - If the average ROCE over the three-year period places it at the average WACC over the three-year period, or below, then all performance shares awarded relating to that HEPS tranche will be forfeited.
  - Average ROCE performance between any of the above points results in pro-rated vesting. No retesting will be allowed, and any shares not vesting will lapse.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

2.1 BONUS SHARES

EXECUTIVE DIRECTORS AND KEY SENIOR MANAGEMENT

- The bonus share element of the FSP provides share-based rewards for individual performance.
- Bonus shares are granted on an annual basis, the number of which is calculated with reference to the prior year's STI, thus ensuring a strong link to individual performance on an annual basis.
- Bonus shares vest at the end of the three-year period, subject to continued employment.

3. STAFF TRUST

ALL EMPLOYEES OF THE GROUP WHO DO NOT QUALIFY FOR THE LTI SCHEME AND ARE PERMANENTLY EMPLOYED FOR AN UNINTERRUPTED PERIOD OF 24 MONTHS

- Qualifying employees must be in "good standing" at all times.
- Employees who leave the employ of the Group due to retirement, death, permanent physical impairment or mental incapacity will receive 100% of the distribution when the Trust terminates.
- Employees who resign will lose all entitlements in the Trust.
- The Trust terminates in March 2022.

Share dilution limits

In terms of the FSP, the maximum number of shares to be issued under the FSP may not exceed 12 959 048 shares (4.40% of total shares in issue) and the maximum number of shares to be issued under the FSP to any one individual may not exceed 3 887 714 shares (1.32% of total shares in issue).

Executive director service contracts

Sea Harvest concludes permanent employment contracts with its executive directors (including the CEO), which can be terminated with notice periods of between one and three months. In the event of termination of employment, the Committee may elect to pay a departing executive director a cash lump sum *in lieu* of the notice period. The executive directors are not subject to any restraint of trade agreements. The retirement age for an executive director is 63 years.

In the event that an executive director's service contract is terminated due to operational reasons, the Group's obligation to make a severance payment will be governed by the provisions of the Labour Relations Act.

In the event of an executive director ceasing employment as a "bad leaver", all STI and unvested LTI awards will be forfeited. In other circumstances, STI and LTI awards will be treated in accordance with the relevant plan rules.

Executive directors may not serve as non-executive directors in other companies without the express approval of the Board.

Non-executive directors' fees

Non-executive directors' fees are paid on an annual retainer basis to account for the responsibilities borne by them throughout the year. They are not paid an attendance fee per meeting. The fee structure is evaluated on a regular basis based on non-executive director fee surveys and the results of benchmarking exercises conducted by PwC.

Fees are reviewed annually, and proposed adjustments are tabled by the CEO for review by the Committee, which will consider the proposed adjustments, taking into account remuneration increases across the Group. Non-executive directors do not qualify for share options nor do they participate in any variable pay incentive schemes, in order to preserve their independence. Where a non-executive director is appointed by a shareholder, the fee may be paid to the shareholder and not directly to the non-executive director.

The table below sets out the present and proposed non-executive director fees. The proposed fees will be tabled before shareholders for approval by special resolution at the AGM on Tuesday, 26 May 2020:

ROLE	1 JULY 2020 TO 30 JUNE 2021 (EXCLUDING VAT) R	1 JULY 2019 TO 30 JUNE 2020 (EXCLUDING VAT) R	CHANGE %
Board Chairperson	636 045	636 045	0%
Board Lead Independent Director	300 557	284 888	5.5%
Board member	240 445	227 910	5.5%
Audit and Risk Committee Chairperson	156 290	148 142	5.5%
Audit and Risk Committee member	83 145	78 810	5.5%
Nomination and Remuneration Committees' Chairperson	120 223	113 955	5.5%
Nomination and Remuneration Committees' member	60 112	56 978	5.5%
Social, Ethics and Sustainability Committee Chairperson	120 223	113 955	5.5%
Social, Ethics and Sustainability Committee member	60 112	56 978	5.5%
Investment and Hedging Committee Chairperson	120 223	113 955	5.5%

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

3 IMPLEMENTATION REPORT

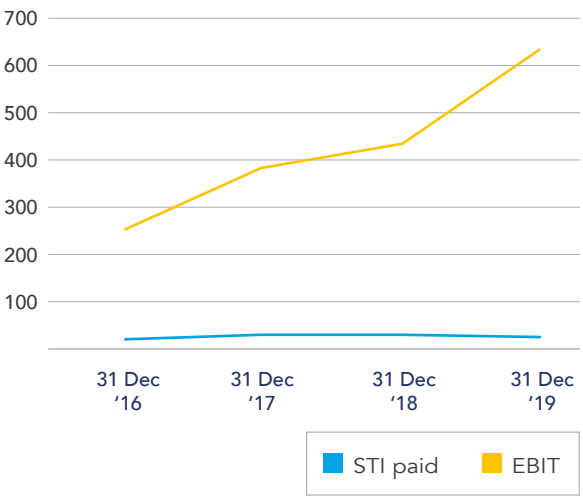
The Committee has monitored the implementation of the Remuneration Policy during the financial year and is of the view that the Group's compliance with the policy has been satisfactory. This implementation report discloses the detailed information and figures pertaining to the application of the Remuneration Policy in relation to the relevant executive and non-executive directors. The Committee is satisfied that variable pay outcomes for the 2019 financial year are aligned with the Group's financial performance for the 2019 financial year (as contextualised in the CEO's report).

The graph alongside compares the Group's STI paid to its EBIT, with EBIT growth well ahead of growth in STI. The Committee is satisfied that remuneration is linked to long-term performance and value creation.

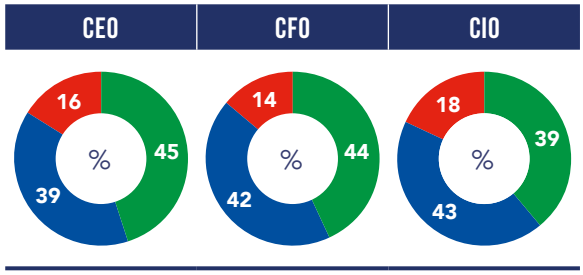
From an LTI perspective, the second tranche of retention shares vested in March 2019 (retention shares vest equally over a three/five-year period), whereas none of the performance shares or bonus shares qualified for vesting during 2019. The first tranche of performance shares and bonus shares are scheduled to vest in March 2020.

The following graph has been prepared on the same basis as the chart in part 2 that refers to pay mix which represents GP, STI and LTI, and shows the actual mix achieved for the year ended 31 December 2019.

STI paid vs EBIT R'000



Actual pay mix



Note: Actual pay mix comprises a much higher level of GP and STI, as the first tranche of performance shares and bonus shares are only scheduled to vest in March 2020. The LTI graph reflects the vesting of the second tranche of retention shares in March 2019.

GP STI LTI



OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

Guaranteed pay

In line with the principle of fair and responsible remuneration, the Group monitors the internal wage gap and disparities in remuneration in the Group. The average increase in executive director remuneration is determined after consideration of the average increase in remuneration for management and general staff.

SEA HARVEST CORPORATION	2019 NUMBER OF EMPLOYEES	2019 ANNUAL INCREASE IN GUARANTEED PAY %
Group CEO, executive team and senior management	53	5.9
Junior management	96	5.2
Salaried staff	125	5.3
Factory waged staff	1 061	8.0
Fleet waged staff	591	7.5

During the fourth quarter of the year, the Group undertook benchmarking studies for the compensation of executive directors and management and implemented the recommendations therefrom.

Short-term incentive

As set out in the Remuneration Policy, the STI for executive directors and senior management is based on a combination of financial targets and functional targets.

For the 2019 financial year dual financial targets, being EBIT and HEPS, were used for executive directors, while for senior management EBIT was used.

The functional targets for the executive directors for 2019 encompassed transformation, retention of fishing rights, efficiency initiatives, organic and acquisitive growth and building organisational capacity.

In line with the Group's performance in the 2019 financial year, only 36% of the total possible 2019 STI was achieved.

Long-term incentive

The FSP was put in place when the Group listed on 23 March 2017.

At listing, the Group issued retention shares and, on an annual basis, the Group issues performance and bonus shares to executive directors, executives and key senior management. The number of FSPs issued to the executive directors is set out in the table below. The first two tranches of retention shares vested in March 2018 and March 2019 respectively (retention shares vest equally over a three/five-year period), whereas none of the performance shares or bonus shares qualified for vesting during 2019. The first tranche of performance shares and bonus shares are scheduled to vest in March 2020.

In addition, in line with the recommendation of King IV™ included is an indicative value of the unvested instruments as at 31 December 2019. For the bonus shares and retention shares, the indicative value is calculated as the number of instruments multiplied by the share price of R14.55 at year end. For the performance shares a valuation was performed, based on assumptions as at 31 December 2019.

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

DATE OF AWARD	TYPE OF INSTRUMENT	NUMBER OF INSTRUMENTS AWARDED	SHARE PRICE ON DATE OF GRANT R	VESTING DATE	NUMBER OF INSTRUMENTS VESTED	NUMBER OF INSTRUMENTS LAPSED	CLOSING NUMBER OF UNVESTED INSTRUMENTS	INDICATIVE VALUE OF UNVESTED INSTRUMENTS R
		A	B		C	D	E=A-C-D	F
Felix Ratheb								
Thursday, 23 March 2017	Performance shares	219 385	12.50	Sunday, 22 March 2020	–	–	219 385	2 081 964
Friday, 7 September 2018	Performance shares	333 274	13.00	Monday, 22 March 2021	–	–	333 274	3 316 076
Saturday, 23 March 2019	Performance shares	325 575	14.00	Tuesday, 22 March 2022	–	–	325 575	2 891 106
Thursday, 23 March 2017	Bonus shares	119 998	12.50	Sunday, 22 March 2020	–	–	119 998	1 745 971
Friday, 7 September 2018	Bonus shares	199 964	13.00	Monday, 22 March 2021	–	–	199 964	2 909 476
Saturday, 23 March 2019	Bonus shares	172 881	14.00	Tuesday, 22 March 2022	–	–	172 881	2 515 419
Thursday, 23 March 2017	Retention shares*	789 786	12.50	Tuesday, 22 March 2022	315 914	–	473 872	6 894 838
John Paul de Freitas								
Thursday, 23 March 2017	Performance shares	113 120	12.50	Sunday, 22 March 2020	–	–	113 120	1 073 509
Friday, 7 September 2018	Performance shares	157 342	13.00	Monday, 22 March 2021	–	–	157 342	1 565 553
Saturday, 23 March 2019	Performance shares	155 361	14.00	Tuesday, 22 March 2022	–	–	155 361	1 379 606
Thursday, 23 March 2017	Bonus shares	61 874	12.50	Sunday, 22 March 2020	–	–	61 874	900 267
Friday, 7 September 2018	Bonus shares	91 573	13.00	Monday, 22 March 2021	–	–	91 573	1 332 387
Saturday, 23 March 2019	Bonus shares	82 031	14.00	Tuesday, 22 March 2022	–	–	82 031	1 193 551
Thursday, 23 March 2017	Retention shares	203 616	12.50	Sunday, 22 March 2020	135 744	–	67 872	987 538
Muhammed Brey								
Thursday, 23 March 2017	Performance shares	124 178	12.50	Sunday, 22 March 2020	–	–	124 178	1 178 449
Friday, 7 September 2018	Performance shares	179 688	13.00	Monday, 22 March 2021	–	–	179 688	1 787 896
Saturday, 23 March 2019	Performance shares	172 747	14.00	Tuesday, 22 March 2022	–	–	172 747	1 533 993
Thursday, 23 March 2017	Bonus shares	66 097	12.50	Sunday, 22 March 2020	–	–	66 097	961 711
Friday, 7 September 2018	Bonus shares	105 656	13.00	Monday, 22 March 2021	–	–	105 656	1 537 295
Saturday, 23 March 2019	Bonus shares	90 692	14.00	Tuesday, 22 March 2022	–	–	90 692	1 319 569
Thursday, 23 March 2017	Retention shares*	447 040	12.50	Tuesday, 22 March 2022	178 816	–	268 224	3 902 659

** Five-year vesting from 22 March 2018 to 2022*

OUR NOMINATION AND REMUNERATION COMMITTEES CONTINUED

Executive remuneration

for year ended 31 December 2019

Remuneration of executive directors and prescribed officers is set out in full in **note 34** of the AFS.

Diversity targets

The Committee set the following diversity targets during the 2017 financial year and reviewed these targets during the 2019 financial year.

Transformation – ACI targets

The Committee agreed that 70% of the Board composition should be made up of ACI designated groups within a period of three years. With the appointment of CK Zama and T Moodley to the Board during 2018, the Board made good progress and achieved a score of 60% at the end of the 2019 financial year.

Gender – female targets

The Committee agreed that 30% of the Board composition should be female within a period of three years. With the appointment of CK Zama, KA Lagler and T Moodley to the Board, the Board achieved its target of 30%.

Approval

This report was approved by the Nomination and Remuneration Committees of Sea Harvest Group Limited.

André Hanekom
Chairperson of the Nomination and Remuneration Committees
24 April 2020

