

remuneration report

Group remuneration philosophy

Blue Label Telecoms is committed to ensure that through its remuneration strategy it achieves an optimum balance between the interests of shareholders and providing attractive and competitive remuneration packages.

The remuneration practices are structured to ensure that the group attracts, retains, and continually motivates the high calibre of employees required to run the group efficiently and successfully.

Blue Label Telecoms seeks to ensure that the application of remuneration structures are applied equitably, fairly and consistently in relation to responsibility, personal performance and the employment market.

Remuneration committee

The committee operates under the delegated authority from the board and focuses its activities on the group's remuneration policy, the determination of levels of remuneration, annual bonuses and long-term incentive plans.

The joint chief executive officers attend most meetings of the committee as invitees, at the request of the committee. They do not attend or participate when their own remuneration is discussed.

The mandate of the committee is to:

- determine and agree with the board the framework or broad policy for the remuneration of the executive directors, non-executive directors and such other members of the executive management as it is designated to consider;
- review, for recommendation to the board, the design of, and targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes;

- review the design of all share incentive plans or similar plans for approval by the board and shareholders and, determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards to executives and other senior management;
- in consultation with the chief executive officers, determine specific remuneration packages for executive directors of the company including, but not limited to, basic salary, bonuses, performance based incentives and share incentives;
- make recommendations to the board regarding the remuneration of non-executive directors for final approval by the shareholders;
- oversee any major changes in employee benefit structures throughout the group;
- ensure that all provisions regarding disclosure of remuneration, including retirement benefits, are fulfilled.

In applying agreed remuneration principles, the committee is committed to principles of accountability, transparency and to ensuring that the reward arrangements are linked to performance and support the business strategy.

Executive directors' service contracts

The executive directors have concluded three-year employment contracts, which commenced in November 2007. The contracts provide for an option to renew (by mutual agreement) upon the expiry of the initial term.

Advisers

The committee consults with external independent advisers on market information and remuneration trends, as well as other advice necessary to fulfil its responsibilities. In addition, the committee frequently reviews remuneration and board best practice reports.



Executive directors' remuneration

The directors are appointed to the board based on their ability, know-how and experience. The committee aims to ensure that executive directors receive remuneration that is appropriate to their scope of responsibility and contribution to the group's operating and financial performance.

The primary principles that the committee applies in determining the executive directors' remuneration are, *inter alia*:

- to ensure that remuneration levels are appropriate to reinforce the entrepreneurial culture of the organisation and to create a performance orientated environment whilst keeping a balance between the interests of management and the interests of shareholders;
- to provide a competitive remuneration package in the median to upper quartile of the market, taking into account appropriate benchmarks including the remuneration payable at companies of a similar size and scope, to attract, motivate and retain the exceptional quality individuals the group requires to sustain its growth;
- to use such benchmarks and comparisons with caution, so as to avoid an upward ratchet of remuneration levels with no corresponding improvement in performance;
- to establish an appropriate balance between fixed and variable remuneration which is based on realistic targets that are relevant and verifiable so as to align the interests of management with the interests of shareholders.

Annual performance incentives

Executive directors and senior management participate in an annual executive performance incentive scheme to reward and motivate the achievement of group and subsidiary financial performance as well as strategic and personal performance.

The joint chief executive officers may earn an annual incentive bonus of up to 120% of fixed remuneration and other executive directors up to 70%. Senior management may earn up to 50% of annualised salary. The payment of bonuses is not an entitlement. The quantum of bonuses paid is determined with reference to the achievement of stipulated performance criteria.

Emoluments

A full disclosure of executive directors' emoluments is recorded in note 27 to the group annual financial statements on pages 114 and 115 of this report.

Non-executive directors

The fees payable to the chairman and non-executive directors are recommended by the remuneration committee, and approved by the shareholders at the annual general meeting. In determining the fees payable to non-executive directors the committee considered the opinions from external independent advisers. The primary principles that the remuneration committee applies to non-executive remuneration are, *inter alia*:

- fee based;
- market related – having regard to the fees paid and number of meetings attended by non-executive directors of companies of similar size and structure;
- not linked to share price or the group's performance.



remuneration report (continued)

The proposed annual fees for membership of the board and membership of the various committees for the 2009 financial year are:

	Fee per meeting*	Capped fee per annum**
Services as directors		
• chairman of the board	—	R600 000
• board members	R30 000	R150 000
Audit and risk management		
• chairman	R41 666	R166 664
• member	R25 000	R100 000
Remuneration committee		
• chairman	R33 333	R133 333
• member	R20 000	R80 000
Investment committee		
• chairman	R25 000	R200 000
• member	R15 000	R120 000
Transformation committee		
• chairman	R25 000	R100 000
• member	R15 000	R60 000
Ad hoc committee		
• chairman	R25 000	R100 000
• member	R15 000	R60 000

*In the event that there are fewer meetings as envisaged, the member shall receive the fee in respect of the number of meetings attended.

**In the event that there are more meetings per year than initially planned, directors fees will be paid only up to the cap.

Share incentive plan

In order to align management and employee interests with those of shareholders, the committee has recommended the establishment of a Forfeitable Share Plan (the plan), which will be submitted to shareholders for approval at the annual general meeting. There will be performance conditions governing the vesting of shares under the plan which will correlate with financial performance of the group and growth in shareholder value.

It is proposed that the plan participants will be granted an annual award of shares equal to an agreed percentage of the participant's annual salary. It is intended that the percentage of annual salary used to allocate the shares will be regularly reviewed and benchmarked.

Employees will receive an annual forfeitable award, which is an award of a specified number of 'forfeitable' shares. If the participant resigns or is dismissed prior to the vesting date, or if the specified performance conditions are not met, the shares will be forfeited. The shares will be subject to forfeiture conditions and restrictions on disposal for specified period from the grant of the award. Thereafter the participants are entitled to deal freely with the shares.

The salient features of the Forfeitable Share Plan are detailed in an annexure to the notice of annual general meeting and appear on pages 139 to 142 of this annual report.

