GROUP SHARE SCHEMES

One of the group's core values is Partnership, with the most important partnership being the one with the associates of Mr Price Group. By offering shares and options to permanent associates, they become partners who can share in the success of the group as it grows over time. This is one way in which the group fulfills its purpose of adding worth to its partners' lives.

The group currently operates eight share and share option schemes which are open to all permanent associates within the Southern African Customs Union (SACU) region. The details of each scheme are as follows:

Mr Price Group Employees Share Investment Trust (operating the Share Purchase Scheme)
This scheme, facilitating the purchase of shares in the group by associates, was launched in 1992. The purpose of the scheme is to make ownership in the group more accessible to all permanently employed associates within the SACU region. Participants fund the scheme through monthly salary deductions, subject to a limit of 15% of salary and car allowance. The group assists by adding a further 15% to all contributions and sponsoring the brokerage on the purchase of shares. Dividends received are used to purchase further shares on behalf of participating associates. The brokerage on the sale or transfer of shares from the scheme is for the participants' account. Participants are encouraged to retain their shares to benefit from long-term share price appreciation.

Divisional directors are eligible to participate in this scheme but are prohibited from selling or adjusting the quantum of their monthly contribution during closed periods of the group. Executive directors, prescribed officers and the company secretary may not participate in this scheme.

PARTNERS' OWNERSHIP SCHEME

Mr Price Partners Share Trust

Instead of entering into an ownership deal with external parties, the Board resolved to embrace the true spirit of B-BBEE and create a share scheme which empowers and incentivises the entry level and store associates, most of whom are previously-disadvantaged. This ensures that those responsible for contributing to the group's success become partners in the business and are rewarded for sustained high performance.

Once-off share allocations to new, qualifying associates are made annually in November. Participation depends on the associate having at least one year's full-time employment with the group within the SACU region and earning below a salary threshold, which increases annually with the group salary increase rate. Shares are offered to the associates for no consideration. Originally offers were made on the basis of 1 250 shares for assistant store managers and 1 000 shares for all other eligible associates. In November 2011, in line with the stipulations of the scheme rules, the Board approved a revision of the basis of allocation to ensure that the award per individual is based on their annual guaranteed remuneration, multiplied by a scheme related factor, divided by the share price relevant for the award. This aligns the allocation formula of all the new schemes, maintains the affordability of the schemes and limits the group's exposure during a period of share price strength. The allocation of awards, having been duly considered by the remuneration and nominations committee, is recommended to the Trustees of the scheme for approval and ratified by the Board.

Upon acceptance of the offers, voting rights vest with the associates and dividends accrued are paid to them bi-annually. Complete and unconditional vesting of the shares occurs after a minimum of 60 days following the retirement or death of the associate, with shares being forfeited if employment is terminated prior to either of these events.

SHARE OPTION SCHEMES

The four share option schemes detailed below are tiered and tailored towards the various employment levels within the group. They operate on a "rolling" basis, in that smaller annual awards are made (rather than larger upfront awards) according to market benchmarked criteria, where available. The timing of the new awards usually coincides with the vesting of a previous award. This mechanism spreads the market risk, avoiding the disadvantageous situation where all options could be out of the money.

All option awards are now based on a formula of annual guaranteed remuneration multiplied by a scheme related factor, divided by the share price, which limits the group's exposure during a period of share price strength. The strike price mechanism for all share option schemes is calculated at the lower of the 30-day volume weighted average price (VWAP) for the period preceding the offer date, or the price on the day prior to the offer date. Re-pricing of strike prices is not permitted, and options are not awarded to, accepted or exercised by, participants in the executive director share schemes during closed periods. However, other key senior management may accept or exercise their options during closed periods subject to adhering to strict criteria prior to entering the closed period. The allocation of awards, having been duly considered by the remuneration and nominations committee, is recommended to the Trustees of the scheme for approval and ratified by the Board.

In November 2012, minimum performance conditions were introduced on all option schemes. The purpose of this hurdle (of HEPS growing a minimum of CPI+1% over the vesting period) was to ensure that share options would not vest in the event group performance was not at the desired level. Whilst consideration was given to shareholders' request for a performance hurdle, the intention was not to raise the hurdle to a height that would cause the schemes to lose their motivational appeal to the valued partners within the group. In addition to the growth hurdle, the schemes were amended to prevent the awarding and vesting of share options in the event of poor performance on the part of a participating associate. Such performance would be objectively determined by management for review by the remuneration and nominations committee.

In all four schemes, all unvested options are retained and allowed to vest in the ordinary course of time upon the retirement of an associate at the age of 65. However, given that associates are entitled to take early retirement from the age of 50, sliding-scale guidelines were established that consider the age and years' service of associates retiring before 65. These guidelines permit the retention of unvested options post-retirement, whereby associates can take early retirement from 50 and retain their options if they have a minimum 25 years' service, to retirement at 64 which requires 11 years' service. Retirement at 65 does not require a minimum service period. Options vesting within the first year of an associate's death are exercisable by the estate. Under all other conditions, unvested options are forfeited if employment is terminated.

Mr Price General Staff Share Trust

This trust caters for associates who have been in the group's full-time employment within the SACU region for at least one year and who earn above a salary threshold, which is increased annually with the group salary increase rate. Store managers are eligible for participation regardless of their salary level. Awards were previously made on the basis of one option per R1 of monthly basic salary but the Board, in line with the stipulations of the scheme rules, approved a revision of the allocation basis. Since November 2011, awards per individual have been based on annual guaranteed remuneration, multiplied by a scheme related factor, divided by the share option price relevant for the award. This aligns the allocation formula of all the new schemes.

Allocations are made to participants on a rolling annual basis. In November 2013, an age tapering mechanism was applied to allocations made to participants nearing retirement. This is in recognition of the administrative and short-term nature of the job functions of the associates and the diminishing retention power of the scheme as retirement approaches.

The option price of all offers is the lower of the weighted average share price for the 30 days prior to the offer date or the closing price on the day immediately preceding the offer date. There are no discounts to the strike price. The vesting periods of the options have been adjusted over time ensuring the balance between encouraging the retention of young, mobile talent and allowing sufficient time for the shares to appreciate. Since November 2015, all allocations vest in a single tranche five years after the offer date. Options need to be exercised within 90 days of vesting.

Mr Price Senior Management Share Trust
This trust aims to motivate and retain key senior associates, as defined by management. Participation in the scheme for permanent associates is purely at management's discretion and no minimum period of employment is required. When the scheme was launched in 2006, the quantum of share options offered was dependent upon the associate's position. In November 2011, the Board, in line with the stipulations of the scheme rules, approved a revision of the allocation basis. Awards are now based on annual guaranteed remuneration, multiplied by a scheme related factor, divided by the share option price relevant for the award. This aligns the allocation formula of all the new schemes.

Allocations are made to participants on a rolling annual basis. In November 2013, an age tapering mechanism was applied to allocations made to participants nearing retirement. This is in recognition of the job functions of the associates and the diminishing retention power of the scheme as retirement approaches.

The option price of all offers is the lower of the weighted average share price for the 30 days prior to the offer date or the closing price on the day immediately preceding the offer date. Options offered prior to November 2013 were subject to a performance-based reduction of the strike price on vesting, linked to the achievement of the five-year compound growth rates in divisional profits or, in the case of head office and service divisions, to a hurdle rate in group profits. The first level of discount was only applicable in the event that the financial targets per the group's strategic plans were met. Two levels of stretch targets above this level were also set. Since November 2013, options offered under this scheme are no longer eligible for a strike price discount upon vesting.

Initially, new allocations were subject to a staggered vesting in tranches between five and seven years. Subsequent allocations vested in a single tranche after five years. Since November 2012, all allocations vest in a single tranche five years after the offer date. Options need to be exercised within 90 days of vesting.

Mr Price Executive Share Trust
Certain divisional directors and senior managers participate in this scheme and there is no minimum period of permanent employment required for eligibility. When the scheme was launched in 2006, the quantum of share options offered was dependent upon the associate's position. In November 2011, the Board, in line with the stipulations of the scheme rules, approved a revision of the allocation basis. Awards are now based on annual guaranteed remuneration, multiplied by a scheme related factor, divided by the share option price relevant for the award. This aligns the allocation formula of all the new schemes.

Allocations are made to participants on a rolling annual basis. The option price is the lower of the weighted average share price for the 30 days prior to the offer date or the closing price on the day immediately preceding the offer date. Options offered prior to November 2013 were awarded subject to a performance-linked reduction on the strike price on vesting, linked to a combination of the five-year compound growth rate in core headline earnings per share and the five-year compound growth rates in divisional profits or, in the case of head office and service divisions, to a hurdle rate in group profits. The first level of discount was only applicable in the event that the financial targets per the group's strategic plans were met. Two levels of stretch targets above this level were also set. Since November 2013, options offered under this scheme are no longer eligible for a strike price discount upon vesting.

Initially, new allocations were subject to a staggered vesting in tranches between five and seven years. Subsequent allocations vested in a single tranche after five years. Since November 2012, all allocations vest in a single tranche five years after the offer date. Options need to be exercised within five years of vesting.

Mr Price Executive Director Share Trust
Only executive directors of the group are eligible to participate in this scheme. In line with the allocation formula of the other new schemes, awards are based on annual guaranteed remuneration, multiplied by a scheme and position related factor, divided by the share option price relevant for the award. The quantum of the allocation is benchmarked against a peer group.

Allocations are made to participants on a rolling annual basis. The option price is the lower of the weighted average share price for the 30 days prior to the offer date or the closing price on the day immediately preceding the offer date. Options awarded are not subject to any discounts on the strike price.

Initially, new allocations were subject to a staggered vesting in tranches between three and seven years. Subsequent allocations vested in a single tranche after five years. Since November 2012, all allocations vest in a single tranche five years after the offer date. Options need to be exercised within five years of vesting.

FORFEITABLE SHARE PLANS

The group's remuneration advisors, PwC, recommended the implementation of a Forfeitable Share Plan (FSP) in order to align the group with the 82% of companies surveyed which had more than one type of long-term incentive scheme operating in parallel. Forfeitable shares are free shares awarded to participants, subject to certain conditions and offer more certainty to the recipient as the value is in the share that vests, not growth on strike price as is the case with options. From a group perspective, FSP's are attractive due to the strong retention element as well as the fact that the shares result in a lower number of instruments than options. The allocation of awards, having been duly considered by the remuneration and nominations committee, is ratified by the Board.

The following plans were introduced in November 2013:

Mr Price Executive Forfeitable Share Plan (EFSP)

Participation in this scheme is limited to participants of the Mr Price Executive Share Scheme and the Mr Price Executive Director Share Scheme where a portion of the options which would have been awarded under the option schemes are instead allocated as free shares under the EFSP. The shares are held in escrow until vesting five years from the offer date. All dividends accrued during this period are for the participants' benefit. No performance conditions are attached to the vesting of the employment related forfeitable share award. A matching performance related share award is also made; however, vesting is subject to the achievement of stretch heps targets linked to the group's five-year strategic plan. For awards effective from November 2016, the heps growth targets are linked to a tiered headline CPI based structure. Allocations are awarded on an annual basis.

Mr Price Group Forfeitable Share Plan (GFSP)

Participation in the GFSP is restricted to those executives who are central to the group's medium and long-term growth strategy. Participants are awarded a once-off allocation of free shares equivalent to between two and three times annual guaranteed remuneration. Awards are offered subject to the participants entering into a restraint and retention agreement, precluding them from joining a competitor for a period of two years should they leave the employment of the group. The shares vest in full five years from the date of offer.