Remuneration **report**

Part 1 – Background statement

Maya **Makanjee**

Remuneration Committee Chairman

Dear stakeholders

Introduction

On behalf of the Board of directors and the Remuneration Committee, I am pleased to present the remuneration report ("the report") for 2020.

The Remuneration Committee aims to ensure that Datatec remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long terms (King IVTM Principle 14). Our committee's focus remains to ensure that the remuneration structures at Datatec drive value creation for our stakeholders, with a reward framework and value proposition for our executives which complies with best practice corporate governance standards.

Our performance and pay outcomes in FY20

All Datatec's divisions delivered solid operational execution in FY20 with Logicalis' performance especially strong in Latin America.

Westcon International returned to profitability and its central cost reductions were achieved. Analysys Mason had a record year. However, the macroeconomic background presented problems and the ambitious short-term incentive ("STI") targets set for management were only partly achieved.

Shortly after the year-end, the COVID-19 pandemic escalated to crisis levels with an immediate impact on the setting of remuneration targets for FY21.

A brief summary of the main remuneration outcomes follows with the detail set out in the policy and implementation sections of this report:

- Base pay of the CEO and CFO was reduced by 20% and 10% respectively compared to FY19
- Executives received no increases to guaranteed pay for the forthcoming year due to COVID-19. Likewise non-executive directors will receive no fee increases
- STIs earned for FY20 decreased 56% compared to FY19
- The SYNNEX transaction earn-out element of the FY18 STI which was previously deferred, was paid out in FY20 upon receipt of the earn-out payment
- We awarded long-term incentives ("LTIs"), but as a result of our lower STI levels, the deferral and co-investment by the Company into the deferred bonus plan ("DBP") was lower compared to previous years. Conditional share plan ("CSP") awards were made in line with our normal policy
- None of the historic share appreciation rights ("SARs") granted in 2016 and 2017 have vested but the 2016 and 2017 long-term incentive plan ("LTIP") awards are vesting

Linking pay to our strategy

Datatec's strategy remains to improve shareholder returns over the medium term through a combination of corporate and business actions aimed at enhancing the competitiveness and profitability of our subsidiaries and operating divisions. The Group's remuneration policy seeks to align remuneration to the achievement of the Group's strategic objectives.

Aligning remuneration to our strategic objectives

STI	STRATEGIC OBJECTIVE	LTI
	Value generation	**FY20:** The performance condition for 50% of CSP awards vesting in 2023 is return on invested capital ("ROIC") **FY21:** The performance condition for two-thirds of CSP vesting in 2024 is absolute total shareholder return ("TSR"). Furthermore, executive share ownership requirements and the DBP's additional two-year holding period post-vesting ensure shareholder alignment over the long term
FY20 target for 50% of STI was budget uEPS **FY21** target for 25% of STI is target uEPS	uEPS	**FY20:** Performance condition for 50% of CSP vesting is uEPS growth over three years to FY22 **FY21:** Performance condition for one third of CSP vesting is uEPS growth over three years to FY23
FY20 target for 30% of STI was budget Group EBITDA **FY21** target for 25% of STI is target Group EBITDA	EBITDA	
FY20 metrics focused on Westcon International turnaround **FY21** metrics addressing Logicalis and Westcon International working capital	Other quantitative measures addressing current short-term priorities	
FY21 metrics address crisis management and post-COVID-19 strategy	COVID-19	**FY21:** CSP starting point for TSR performance condition will be average share price over 30-business days to the date of the FY20 results announcement (27 May 2020) to take account of the unprecedented market effects of the COVID-19 pandemic arising after the year-end date (29 February 2020)

The context in which the committee has set STI and LTI targets for FY21 flows from the strategic imperatives of the Group.

As the Group has moved into a strategic value creation and realisation phase of its development, the committee is of the view that the LTI performance conditions should better reflect this. As a result, the ROIC measure used previously in the CSP will be replaced by absolute TSR which will make up two-thirds of the weighting. The committee believes the use of absolute TSR will align remuneration with value creation for shareholders. Performance conditions are normally set with reference to the start of the Company's financial year. As this fell before the unprecedented market effects of the COVID-19 pandemic were widely felt, the committee will take the impact of the pandemic into consideration and will use an average share price over 30 business days to the date of the FY20 results announcement as the share price for the start of the TSR performance period. By the same token, a stretching and wider range of targets will be used to reflect the starting point of TSR at a depressed price with the aim to achieve a balanced and fair approach to shareholders and management.

Motivating the drive to improve profitability remains of high importance for which the uEPS and EBITDA growth targets are key in the STI. The uEPS growth performance condition remains part of the LTI via the CSP, constituting one-third of the weighting.

The management of Westcon International is incentivised to realise its strategy, which is to establish itself as the leading go-to-market distribution partner for vendors in the networking and cyber security sectors serving international markets in Europe, the Middle East, Africa and across the Asia-Pacific region.

For Westcon International the Equity Appreciation Plan ("EAP") is the primary incentive programme intended to retain key line executives in the organisation and motivate them to attain the strategic objective. As the Datatec CEO and CFO also manage Westcon International directly in the leadership roles of CEO and CFO there, they also participated in the Westcon International EAP grants made in FY19 but their participation is subject to important caveats to prevent "double dipping". Their grants of Datatec LTI in the form of the Datatec CSP are being reduced every year proportionately to their participation in the Westcon International EAP. Further, their ultimate opportunity to benefit under the EAP has been capped. The operation of these provisions is explained in detail in this report.

The Remuneration Committee is satisfied that the remuneration policy has achieved its objectives in FY20, and that the refinements to the policy and implementation introduced after consultation with shareholders continue to improve the equitable alignment of shareholder and management interests.

Remuneration Committee constitution and operation

The role of the committee is to assist the Board in ensuring that the Company remunerates directors and executives fairly and responsibly in alignment with the creation of long-term shareholder value and to ensure that the disclosure of director and senior management remuneration is accurate, complete and transparent. The Remuneration Committee operates under terms defined in its charter, which has been approved by the Board.

The Remuneration Committee charter is available on the Group's website **www.datatec.com**.

The Remuneration Committee comprises the following independent non-executive directors:

- Maya Makanjee (Chairman)
- Stephen Davidson
- John McCartney
- Johnson Njeke

I took over the Chairmanship of the committee on 1 September 2019. Stephen Davidson and John McCartney will stand down from the committee on 31 May 2020 and Ekta Singh-Bushell will join the committee on that date.

The Remuneration Committee's meetings during FY20 and subsequent to the date of this report (all meetings were scheduled), together with the attendance of the committee members, are shown in the table below:

	14 March 2019	14 May 2019	18 July 2019	15 Oct 2019	19 March 2020 (video-conference)	19 May 2020 (video-conference)
M Makanjee	P	P	P	P	**P**	**P**
JF McCartney	P	P	P	P	**P**	**P**
SJ Davidson	P	P	P	P	**P**	**P**
MJN Njeke	P	A	P	P	**P**	**P**

P = present
A = absent (medical reason)

Remuneration **report** continued

Part 1 – Background statement continued

The CEO and the CFO may be invited to attend portions of meetings of the Remuneration Committee, but neither may take part in any discussions regarding their own remuneration.

The Remuneration Committee employs the services of specialist consultants in the field of executive remuneration to provide advice. The consultants have been retained in this role during FY20 and to date are PricewaterhouseCoopers and Vasdex Associates. The committee is satisfied that the consultants have provided independent and objective advice and, while giving due consideration to any advice received, has made its decisions independently in accordance with its charter.

The committee reviews its performance annually by means of questionnaires completed by individual committee members and attendees which are then discussed at Board and committee meetings. These appraisals enable the committee to evaluate its effectiveness objectively and to conclude whether it is meeting its objectives as described in its charter.

The committee's main functions and the specific activities during 2020 were as follows:

Executive remuneration

- Determining specific remuneration packages for executive directors of the Company, including basic salary, benefits, pension, annual performance-based bonuses (STIs) and share incentives (LTIs)
- Ensuring the STI and LTI elements of remuneration provide adequate incentive to executive directors and senior management to deliver, and at the same time stretch them to overachieve (pay for performance)
- Determining any grants to executive directors and other senior employees made pursuant to the Company's share schemes, and satisfying itself as to the accuracy of recorded performance measures that govern the vesting of incentives
- Designing share incentive schemes to motivate the retention of key executives

Company-wide remuneration

- Ensuring the remuneration strategy facilitates the attraction and retention of key talent
- Developing the Company's general strategy and policy on executive and senior management remuneration so that it will promote the achievement of strategic objectives and encourage individual performance
- Regularly reviewing incentive schemes to ensure continued contribution to shareholder value creation and that these are administered in terms of the rules – the committee undertook a review of the LTIs during 2020 and as a result introduced new performance conditions for the CSP and a post-vesting holding period for the DBP

Non-executive directors

- Ensuring the Company's recommendation for remuneration of non-executive directors is equitable and based on third-party advice where appropriate

Compliance

- Ensuring that the remuneration policy and implementation report are put to a non-binding advisory vote at the AGM of shareholders
- Consulting with shareholders in the light of the AGM votes
- Overseeing the preparation of, and recommending to the Board, the annual remuneration report and the summary for inclusion in the Company's annual Integrated Report
- Consideration of market trends – in this regard a clawback and malus policy was adopted during 2020

Performance relating to past performance cycle

- Assessment of STI outcomes for FY20
- Assessment of the achievement of performance targets for LTI awards vesting in 2020

Performance relating to the forthcoming performance cycle

- Setting of STI targets for FY21
- Setting of performance conditions for LTI awards granted in 2020

Future focus areas

The committee intends to continue the consultation process with shareholders and discuss the continuing evolution of the remuneration policy. During the next financial year, the committee also intends to review fair and responsible pay, diversity and inclusion and talent management.

Shareholder engagement

Last year, the Remuneration Committee undertook a fundamental review of its role and of the remuneration policy and how remuneration decisions are implemented. This involved a major enhancement of reporting in the remuneration report. A programme of shareholder consultation was undertaken to ensure shareholders' views on remuneration were properly and accurately addressed by the committee and taken into account in the Group's remuneration policy and implementation practices. This consultation process was continued this year with a further round of shareholder visits in December 2019 conducted by Stephen Davidson, the Chairman of the Board and myself. During our road show we addressed remuneration-related issues and concerns directly with investment managers, following the non-binding advisory votes on remuneration at the August 2019 AGM. The key matters discussed during the FY20 consultation and the outcomes for our remuneration policy and implementation report are summarised on the following pages. The shareholders' views are matters raised by more than one shareholder, which we have taken to be indicative of the concerns of shareholders. The main outcomes of the consultation were changes to the participation of executive directors in the Westcon International EAP and the implementation of a clawback and malus policy.

Committee's rationale	Shareholders' views	Actions taken
Remuneration policy The committee had made several important changes to the remuneration policy in the previous year and felt that the policy is fit for purpose with its emphasis on aligning remuneration with shareholders' interests. The committee has proposed some further enhancements which are set out below	Shareholders generally agreed that the policy aligned with their interests and were supportive of the policy in FY19. However, a proxy voting advisor did not support the policy in FY19	Further refinements to the policy are explained below The consultation process in December 2019 included the proxy voting adviser and the specific concerns cited in relation to the FY19 policy have been addressed
STI metrics The committee has used budget metrics as STI targets (typically uEPS and EBITDA) which are not disclosed at the start of the financial year as they are linked to budget and considered to be commercially sensitive information	Some shareholders expressed preference for STI metrics not being based on budgets or year-on-year growth but on a target which could be disclosed at the start of the financial year	The committee assured shareholders that the targets based on budget were disclosed at the end of the financial year when the achievement of the STI is assessed and reported in the implementation section of the remuneration report. Such targets had not been changed while in operation at any time to date. The committee intends to continue with its current STI methodology as set out in the remuneration policy on page 103
Westcon International EAP The committee discussed the refinements to the participation of the Datatec shared executives (ie the CEO and CFO) in the Westcon International EAP made in the prior year: (a) The Datatec shared executives' participation in the CSP will from FY20 be reduced in proportion to the valuation of their holding in the Westcon International EAP (b) The valuation threshold for gains under the Westcon International EAP will be escalated each year by a 10% compound annual growth rate ("CAGR") However, the committee noted that further work to clarify the arrangements was needed	A proxy adviser had raised two further issues in relation to the Datatec shared executives' participation in the Westcon International EAP: • The potential remuneration arising from the Westcon International EAP is not capped • Disclosure of potential rewards/ outcomes is not set out clearly	• Both these issues have been addressed: A cap on the maximum pay-out achievable by the Datatec shared executives has been specified • To better disclose the potential outcomes of participation in the EAP, an analysis is now included showing the outcome for the Datatec shared executives in a series of growth scenarios for the Westcon International business Both these items are explained in the policy section on page 108 of this report
Clawback and malus policy As noted in last year's remuneration report, the committee has developed a clawback and malus policy	The importance of such a policy was discussed with shareholders and the committee was in full agreement with shareholders' concerns on this topic	A clawback and malus policy was implemented with effect from 1 March 2020 and is explained in the policy section on page 112 of this report

Remuneration **report** continued

Part 1 – Background statement continued

Committee's rationale	Shareholders' views	Actions taken
Deferred Bonus Plan ("DBP")		
The committee had noted some concerns among shareholders about the DBP which rewards participants who invest part of their STI bonus in Datatec shares with a co-investment from the Company. Notwithstanding that such concerns were not reflected in the 90% approval vote when the DBP was implemented in 2017, the committee discussed the possible implementation of performance conditions for the co-investment element of shares from the Company	Shareholders who disagreed with the current retentive structure of the DBP preferred that there should be no co-investment from the Company. However, their second preference was that such a co-investment be subject to performance conditions	In response to shareholder comments, the committee's view is as follows: The committee carefully considered the previous intention to impose performance vesting conditions on the co-investment portion and have decided to defer the implementation. In the current COVID-19 environment, the committee is of the view that the setting and calibration of a set of new forward-looking performance conditions is challenging and poses risks to all stakeholders. However, the committee wishes to highlight the following features of the DBP which address some of the concerns raised: (i) Both the deferred and co-investment elements of the DBP are subject to forfeiture – this means the total offering is at risk if employment is terminated before the vesting period (ii) To ensure long-term shareholder investment, the current vesting period of three years will be followed by a mandatory two-year holding period (iii) All dividends earned on the deferred and co-investment portions are repayable should a participant leave the services of the Company before the expiry of the three-year vesting period (iv) If a satisfactory personal performance rating (which by implication includes metrics aligned with shareholder value creation), is not maintained over the three-year vesting period, the committee retains the discretion to recoup the awards
Fair and responsible pay		
Currently under review by the committee, this topic was discussed during the consultation	Shareholders' views on fair and responsible pay, diversity and inclusion were all discussed	There is good alignment with shareholders' views and the committee will continue to devote attention to this area

At the AGM on 29 July 2020, you will be requested to endorse our remuneration policy and the implementation thereof. We will continue our engagements with shareholders to discuss areas of concern; your constructive input is valued and appreciated as we continue to improve our remuneration framework. On behalf of the Remuneration Committee I thank you for your continued support and feedback.

Maya Makanjee
Chairman
Remuneration Committee

Part 2 – Remuneration policy

Objectives of the policy

The objectives of the remuneration policy are to:

- set remuneration levels to attract and retain the best local and international talent who will enhance business performance;
- recognise and reward superior performance when it occurs;
- direct employees' energies and activities towards key business goals and strategic outcomes; and
- align employees' and shareholders' interests.

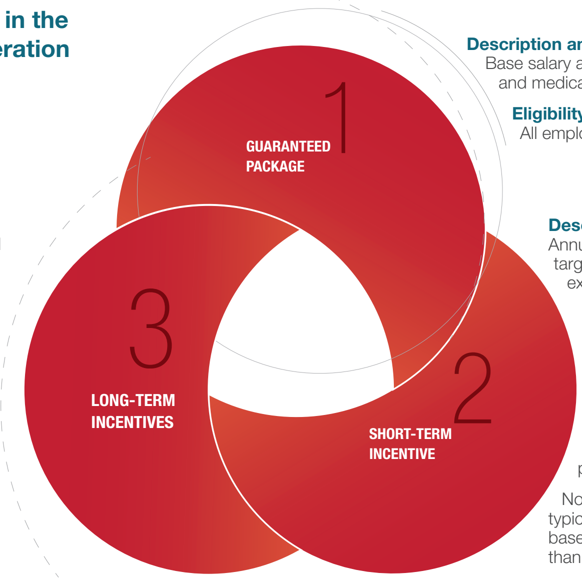
To achieve this, Datatec rewards its executives and managers in a way that reflects market dynamics and the context in which it operates. Datatec is structured as a group which actively manages its two principal divisions, Logicalis and Westcon International. The remuneration policy applies throughout the Group but the details provided are applicable to the Datatec executives. All elements of the remuneration policy are aligned to the strategic goals of the Group. For purposes of this report, a high level overview of the remuneration elements and design principles informing remuneration arrangements for all employees are provided, with in-depth focus on Datatec executives.

Key principles

Key principles of the remuneration policy are to:

- reward all employees suitably for their contribution to the Group's operating and financial performance;
- apply fair and responsible pay principles to all employees across the Group. The committee intends to further enhance implementation practices and monitoring procedures in this area in the future;
- promote a common interest with shareholders;
- consider the international ICT industry, market and country benchmarks to ensure the Group's remuneration is competitive in regions in which the Group operates, particularly the US, Brazil and the UK;
- make a significant proportion of the remuneration of executive directors and senior managers performance-based; and
- balance the performance-based element of remuneration between the achievement of short-term and long-term objectives.

These principles are enshrined in the three main elements of remuneration



1 – Guaranteed package

Description and policy
Base salary and benefits including retirement and medical scheme contributions

Eligibility
All employees

2 – Short-term incentive

Description and policy
Annual bonus plan with performance targets, subject to deferral as explained below

Eligibility
Group executives participate in an annual STI as explained in detail below. Management of divisions participate in STI plans similar to the Group executives but based on divisional performance targets and personal performance targets

Non-management employees typically receive lower levels of STIs based more on personal targets rather than on corporate goals

3 – Long-term incentives

Description and policy
Share-based remuneration plans with performance targets. Two share-settled Group plans are used, namely:

- CSP – a performance share plan
- DBP – a portion of the bonus is deferred and the Company contributes a co-investment. Both of these components are in the form of shares which are forfeitable

A number of cash-settled share-based remuneration plans are operated in divisions. These are explained in further detail below.

Eligibility
Datatec Group executives and senior management participate in the Datatec CSP

Executive directors and two other senior managers participate in the DBP

Senior management of Logicalis, Westcon International and Analysys Mason participate in divisional share schemes

The **base salary** provides individuals with a fixed income and is subject to annual review by the Remuneration Committee. Executive directors and senior executives are entitled to employment benefits determined by the level of base salary including defined contribution pension; medical insurance; and death and disability insurance. When executive roles change or new appointments are made, the committee makes use of external market data relating to comparable international ICT companies, including those based in the USA and the UK, and benchmarking exercises are carried out by third-party advisers in determining appropriate levels of base salary.

Short-term incentives refer to the annual bonus plan. All executive directors and senior executives participate in the STI based on the achievement of short-term (annual) performance targets. These targets are determined by the Remuneration Committee and primarily comprise measures of corporate financial performance with an element of individual objectives (which may include non-financial metrics), congruent with the Group's business strategy. At the end of each financial year, the achievement of the corporate financial targets is measured and the achievement of the personal targets is assessed by the Remuneration Committee.

The STI is calculated in relation to base salary as follows:
Base salary x on-target STI percentage x [(personal score x personal weighting) + (corporate score x corporate weighting)]

For executive directors:
80% corporate
20% personal – with exception for FY21 this has been changed to 70% corporate; 30% personal as a result of the global COVID-19 pandemic

For other senior management:
50% corporate
50% personal (with exceptions where appropriate as agreed by the Remuneration Committee)

Remuneration **report** continued

Part 2 – Remuneration policy continued

The majority of the corporate element of the bonus will always comprise financial metrics (eg earnings per share and/or EBITDA). Each element of the bonus is based on the achievement of a target: if that target is reached the bonus element is described as "on-target". The Remuneration Committee establishes the target and a range around the target demarcated by "guard-rails" such that the bonus for each element is capped if the upper guard-rail is reached. Below the lower guard-rail, zero bonus is earned and at the lower guard rail, 40% of on-target bonus is earned. Between the guard-rails and the on-target position the bonus outcome is obtained by linear interpolation.

For FY20 and FY21, the on-target bonus levels in relation to base salary are set out in the table below. The maximum bonus achievable, referred to as the cap, is 143% of the on-target STI for the CEO and 153% of the on-target STI for the CFO. The on-target bonus levels for FY20 are: 175% of the base salary for the CEO capped at 250%; and 95% of the base salary for the CFO capped at 145%.

STI as a percentage of base salary	On-target STI	Maximum STI (cap)
CEO	175%	175% x 143% = 250%
CFO	95%	95% x 153% = 145%

Potential outcomes for the STI in relation to base salary are illustrated in the **scenario analysis** on page 110. The metrics used and bonus outcomes for FY20 are shown in the **implementation report** on page 114.

The metrics to be used for the STI in FY21 are set out on the following page. In response to the COVID-19 crisis, the Remuneration Committee has varied the corporate financial goals as well as the personal KPI targets.

The corporate financial goals constitute 70% of the total STI for FY21 and include cash management/working capital targets which the committee sees as particularly critical under the COVID-19 environment. There are separate metrics for Logicalis and Westcon International as the two businesses have different working capital dynamics.

FY21 bonus structure

(1) uEPS

		US cents	Bonus	
Lower guard-rail	-33%		40%	25%
On-target	FY21 target		100%	
Upper guard-rail	33%		160%	

(2) Adjusted* EBITDA

		US$ million	Bonus	
Lower guard-rail	-50%		40%	25%
On-target	FY21 target		100%	
Upper guard-rail	50%		160%	

(3a) Logicalis net overdraft – H1**

		US$ million	Bonus	
Lower guard-rail	25%		40%	5%
On-target	Target		100%	
Upper guard-rail	-25%		160%	

(3b) Logicalis net overdraft – H2**

		US$ million	Bonus	
Lower guard-rail	25%		40%	5%
On-target	Target		100%	
Upper guard-rail	-25%		160%	

(4a) Westcon net working capital days – H1**

		Days	Bonus	
Lower guard-rail	10%		40%	5%
On-target	Target		100%	
Upper guard-rail	-10%		160%	

(4b) Westcon net working capital days – H2**

		Days	Bonus	
Lower guard-rail	10%		40%	5%
On-target	Target		100%	
Upper guard-rail	-10%		160%	

(5) Personal KPIs

Refer to the following page	30%
TOTAL ON-TARGET BONUS	**100%**

** Adjusted means excluding all restructuring costs.*
*** Based on budget for the six months.*

Remuneration **report** continued

Part 2 – Remuneration policy continued

The FY21 targets for profit and working capital metrics are not shown as this is commercially sensitive information but will be fully disclosed next year in the implementation section of the FY21 remuneration report. The personal KPIs agreed by the committee for the executive directors for FY21 are as follows:

For the CEO:
- **COVID-19 crisis management** – covering all aspects of the Group's response to the pandemic
- **Culture/leadership** – qualitative measure assessed by the Remuneration Committee considering how the executive director has led the Group while promoting its values and Code of Conduct
- **Post-COVID-19 crisis strategy** – development of the Group's operational and organisational strategy for the "new normal" post the pandemic

For the CFO:
- **COVID-19 crisis management** – covering all aspects of the Group's response to the pandemic
- **Westcon International refinancing** – to be assessed in relation to debt restructuring advisers' advice as to what a successful outcome is (note: this KPI is a continuation of the FY20 KPI as explained in the implementation report)
- **External auditor transition** – PwC replaces Deloitte as the Group's external auditor from FY21

The executive directors and senior Group executives are required to defer a portion of their cash bonus into the Company's **DBP**. The Company contributes a co-investment equal to the amount of the bonus deferred (ie a multiplier of x2 is applied) and Datatec shares are purchased at the prevailing market price. The Datatec shares acquired by participants under the terms of the DBP must be held for a retention period. If a participant resigns or is dismissed for fault during the vesting period, all the DBP shares (deferred and co-investment portion) are forfeited to the Company. Participants are also required to repay dividends earned on both portions if employment is terminated before the end of the vesting period.

With effect from 1 March 2020, ie for the DBP relating to the FY20 bonus to be awarded in June 2020, the Remuneration Committee has added a holding period of two additional years to follow the vesting period of three years.

The minimum participation level for executives in the DBP is on a sliding scale with a 20% mandatory investment between 50% of target and on-target bonus and 33% for above on-target bonus. The maximum proportion of annual bonus which participants may defer into the DBP is 75%.

The maximum number of shares which can be delivered to any individual participant in the DBP is 1.6 million shares. The maximum number of new shares which can be issued to participants to settle obligations under the DBP is 3.2 million shares.

LTIs: share-based incentive schemes for Group employees are in place to motivate and reward performance and to align the interests of participants as closely as possible with those of shareholders.

The Board has appointed Simon Morris as the Compliance Officer (as defined by section 97 of the Companies Act) for the Datatec share-based remuneration schemes, to be responsible for their administration.

In addition to the DBP referred to previously, the equity-settled share-based incentive scheme for Datatec Group executives is the Datatec **CSP** which was approved by shareholders at the 2017 AGM. The CSP operates by granting conditional awards of Datatec shares to participants annually. The quantum of awards is based on annual base salary and the face value of awards which is the current Datatec share price (using a 30-day volume weighted average price) as follows:

CEO – 150% x base salary

CFO – 120% x base salary

Datatec Group executives and staff – range from 100% to 50% of base salary

The number of awards granted to participants who also participate in the Westcon International EAP is scaled down to avoid "double dipping" as explained on page 108.

Performance conditions apply to the grants and the conditional awards are held for a performance period of three years. At the end of the three-year performance period the performance conditions are tested and if met, awards vest on a sliding scale between 50% at threshold and 100% at the upper target. Up to and including the May 2019 ("FY20"), CSP grant, the performance conditions were based on uEPS growth for 50% of the award and ROIC for 50%. Shareholders are referred to the 2019 report for historic targets set. The outcomes against these targets will be disclosed in part 3 (implementation) as and when they vest.

Recognising that the Group has now moved into a strategic value creation/realisation phase of its development, the Remuneration Committee will implement new performance conditions for the May 2020 ("FY21") grant of CSP awards. The performance conditions will better reflect the strategic value creation/realisation goals of the business using a combination of absolute TSR and uEPS. Absolute TSR is considered a good proxy for ROIC over the long term and has a transparent basis as a market performance condition.

As explained in the background statement, the calibration of forward-looking performance conditions under the current circumstances are challenging and the wider stretch in targets reflects the starting point at a depressed base. For the May 2020 ("FY21") CSP grant the following performance conditions and targets will apply:

Condition	Weighting	Performance period	Threshold (50% vesting)	Target (100% vesting)
Absolute TSR	Two-thirds	Taking the impact of the COVID-19 pandemic into consideration, an average share price over 30 business days to the date of the FY20 results announcement will be used. In line with normal practice the performance period will end on 28 February 2023	11.34% CAGR	13.34% CAGR
uEPS growth	One-third	1 March 2020 to 28 February 2023	US CPI inflation +2% CAGR	US CPI inflation +4% CAGR

Linear vesting applies between threshold and target levels.

The maximum number of shares which can be delivered to any individual participant in the CSP is 3.7 million shares. The maximum number of new shares which can be issued to participants to settle obligations under the CSP is 7.4 million shares.

Potential outcomes for LTI in relation to base salary are illustrated in the scenario analysis on page 110.

Divisional LTIs

Share-based incentive schemes operate in the Group's divisions to incentivise management to generate value in the divisional entity. These schemes are cash-settled (with the exception of the Analysys Mason performance share scheme which is partly settled in Analysys Mason shares) and are based on the divisional entity's valuation/notional share price. Datatec shares are not used in the settlement of the subsidiary share schemes.

All the divisional share-based remuneration schemes operating in the Group are accounted for under IFRS 2.

Westcon International equity appreciation plan

The Remuneration Committee implemented an EAP for Westcon International senior management to incentivise value generation. Participants have been awarded a once-off grant of "units", whose value will be linked to the value of Westcon International; this is a notional base value which was estimated to be US$125 million (the "hurdle"). The units will not have any share rights, in particular they will not have the right to dividends or votes.

Ten percent of the value of Westcon International above the hurdle will be paid to the EAP pool on a sale of Westcon International. Each unit will receive a *pro rata* share of the EAP pool when Westcon International is sold.

For example, if Westcon International is sold for US$300 million, the EAP pool will be US$17.5 million: ((US$300 million – US$125 million) x 10%). If there are 100 000 units in issue, each unit will be worth US$175.

Remuneration **report** continued

Part 2 – Remuneration policy continued

If Westcon International is not sold within five years of the start of the scheme on 1 March 2018, the business will be valued by an independent valuer at 1 March 2023 and the EAP will pay out to participants on the basis of that valuation. Such a valuation will be undertaken using a methodology which is fair and reasonable to all stakeholders including Datatec shareholders and participants in the EAP.

The following arrangements are in place for the Datatec Group executives:

Because the executive directors of Datatec Group are also executives of Westcon International, they participate in the Westcon International EAP in addition to their participation in the Datatec CSP and DBP. The annual grant of Datatec CSP conditional shares for the Datatec executives who participate in the Westcon International EAP is reduced by an "equivalence" factor to avoid double participation in relation to reward opportunities.

In addition, for the Datatec executives who participate in the Westcon International EAP an adjustment of 10% carried interest (CAGR) will be added to the equity base of US$125 million. This annually increasing threshold will be used for the equivalence factor calculation above.

Potential outcomes for the executive directors of Datatec Group under the Westcon International EAP illustrating the effect of the reduction in CSP grants are set out in the Scenario Analysis section on page 110.

Logicalis and PromonLogicalis Latin America conditional share plan schemes

During FY19 Logicalis and PromonLogicalis Latin America Limited ("PLLAL") introduced CSP for the most senior tier of management with similar terms to the Datatec CSP but cash-settled and based on the Logicalis and PLLAL share price as determined by annual independent valuations.

Awards of conditional shares are granted annually to participants starting with the first grant in December 2018 during FY19. After a three-year performance period the CSP awards will vest as follows:

- 25% of each participant's award is subject only to an employment condition and will vest, provided the participant remains in the employment of Logicalis or PLLAL at the end of the three-year period since grant
- The remaining 75% of each participant's award is subject to performance conditions:
  - One-third (ie 25% of the total award) based on Logicalis or PLLAL share price growth
  - One-third (ie 25% of the total award) based on net income per share growth
  - One-third (ie 25% of the total award) based on ROIC

Each performance condition has a threshold level at which 50% vesting will occur and a target level for 100% vesting. Between the threshold and target, vesting will be calculated by linear interpolation.

Logicalis and PLLAL share appreciation rights schemes

Under the terms of the Logicalis share appreciation rights scheme 2005 ("the Logicalis SARs scheme"), SARs are granted annually to senior managers. Since the implementation of the Logicalis and PLLAL CSPs (above), participation in the Logicalis and PLLAL SAR schemes has been restricted to those senior managers who do not participate in the CSP.

Vesting of the SARs is subject to certain earnings performance conditions. Provided that the performance conditions are met, 50% of the SARs vest after 24 months and the remainder after 36 months. All rights lapse if not exercised by the end of the seventh year after grant.

Logicalis also operates the PLLAL SARs scheme for its 65% subsidiary PromonLogicalis Latin America Limited. The terms of this scheme are the same as those of the Logicalis SARs scheme, but the grants are made to key employees of PLLAL and the annual valuations and appreciation rights are based on the equity value of PLLAL.

Westcon International SARs scheme

Westcon International has implemented a SARs scheme to incentivise the cadre of senior management who were not awarded units in the EAP (previously mentioned).

SARs were granted in FY19 and some further awards were made in FY20 to additional participants. The SARs scheme is a once-off grant like the EAP and each SAR has an exercise price of US$1.25 based on a notional share capital for Westcon International of 100 million shares. The base valuation for the SARs was thus the same as the hurdle for the EAP. The SARs will vest after two years without performance conditions and thereafter may be exercised over the following three years (a maximum of one-third per year).

Analysys Mason performance share scheme

Analysys Mason operates a performance share plan, approved by its board of directors and shareholders, under the terms of which conditional shares are granted to participants. One-third of the conditional shares vest unconditionally after three years, if the participant is still an employee, and are settled with the same number of Analysys Mason ordinary shares. The vesting of the remaining two-thirds is conditional on an earnings-based performance condition and may be settled in cash or shares.

Other share schemes

Some start-up operations within the Group have involved the use of share incentive schemes for key management of the new operations whereby they will receive a cash-settled share of the equity growth in the business excluding any capital advanced by Datatec. Such schemes are in operation in Datatec Financial Services and Logicalis SA.

Details of the operation of the subsidiary division share schemes, including grants, exercises and lapses during FY20 and the prior year, are included in **Note 2 to the consolidated annual financial statements**.

Discretion

The remuneration policy set out in part 2 of the remuneration report sets out in detail the methodology, metrics and principles which will be used to determine the remuneration of Datatec directors and executives. It is not intended that there should be any departure from the policy in FY21. However, the Remuneration Committee notes that exceptional circumstances can arise, for example the COVID-19 pandemic and the global economic crisis as at the date of this report, which makes it expedient for the committee to retain the ability to exercise discretion in responding to particular situations.

If the committee's exercising of discretion necessitates any departure from the policy, such an occurrence would be reported in future implementation reports. Any significant changes to the policy will be undertaken only after consultation with shareholders.

Exceptional incentive awards

In addition to the three elements of remuneration noted above (base salary, STIs and LTIs) the Remuneration Committee may, in highly exceptional circumstances, award bonuses to management for the successful execution of significant disposal transactions which generate exceptional value for shareholders. In such rare circumstances the committee would consult with shareholders in advance of making such awards.

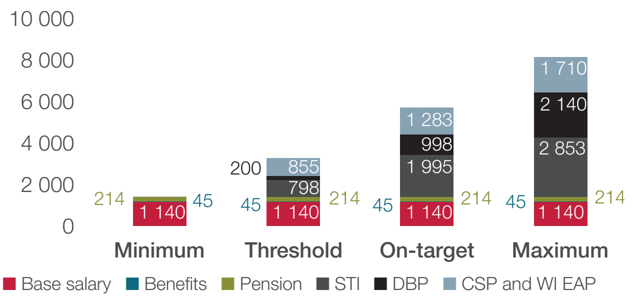
Remuneration **report** continued

Part 2 – Remuneration policy continued

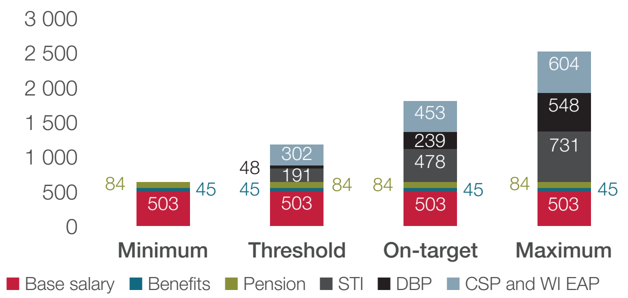
Scenario analysis

The following graphs show the minimum, threshold, on-target and maximum remuneration the executive directors can earn under the remuneration policy in the next financial year, FY21, compared to FY20. The actual remuneration earned in FY20 is shown in **part 3 of this report – implementation**.

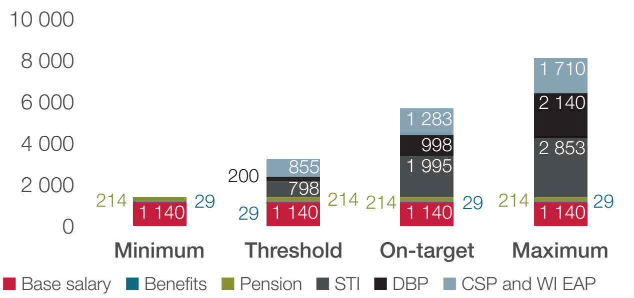
CEO – FY21 (US$'000)



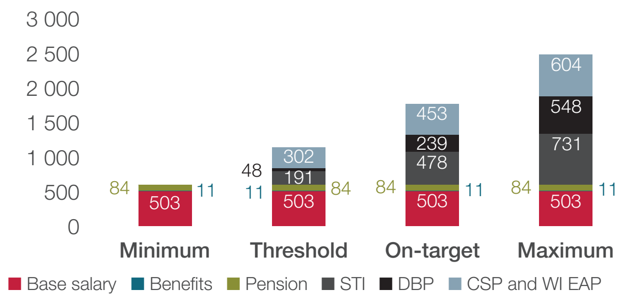
CFO – FY21 (US$'000)



CEO – FY20 (US$'000)



CFO – FY20 (US$'000)



*Under the **minimum scenario** the executives earn only their guaranteed package of base salary, benefits and Company pension contributions. All STI metrics are assumed to be below the lower guard-rail resulting in no STI payment and consequently no DBP deferral being possible. The CSP performance conditions are assumed not to be met resulting in no LTI value.*

*The **threshold scenario** includes the guaranteed package plus the minimum STI which would be earned if all STI metrics were triggered at the lower guard-rail threshold and 40% of on-target bonus was earned. It assumes that 25% of the bonus would be deferred into the DBP with the corporate co-investment multiplier of x2 applied. Under this scenario it is assumed that the CSP performance conditions are triggered three years after grant only at threshold level resulting in 50% vesting.*

*The **on-target scenario** assumes the achievement of STI targets and it assumes that 50% of the bonus will be deferred in the DBP with the corporate co-investment multiplier of x2 applied. In addition the CSP award is assumed to vest 75% (half-way between the threshold and maximum scenarios).*

*The **maximum scenario** assumes the all STI metrics are over-achieved above the upper guard-rail resulting in the maximum STI being earned (which is 143% of the on-target STI for the CEO and 153% of the on-target STI for the CFO). This scenario also assumes the executives will defer the maximum proportion of their bonus, 75%, into the DBP with the corporate co-investment multiplier of x2 applied. For the CSP, the assumption is that all performance conditions are met at target level resulting in 100% vesting of the conditional share awards (there is no "overperformance" provision in the CSP).*

It should be noted that the CSP and DBP components of the scenario analysis will only become available to the executives three and five years respectively after the financial year shown in the analysis. The LTI values shown in the above analysis are based on the share price at the date of grant and no discounting for the time value of money has been applied.

The annual grant of Datatec CSP conditional shares for the Datatec executives who participate in the Westcon International EAP is reduced by an "equivalence" factor to avoid "double dipping" in relation to reward opportunities. The equivalence factor was 27.1% for the May 2019 CSP grant in the FY20 figures above and 36.5% for the May 2020 CSP grant in the FY21 figures above. This reduction in the annual CSP grants is to take into account the potential benefit of the once-off Westcon International EAP grant in FY19 and consequently the potential benefit arising from the Westcon International EAP is illustrated in the above graphs using the element of the CSP grant foregone by the CEO and CFO as a proxy for the notional increase in the value of the Westcon International EAP units, even though the once-off grant of Westcon International EAP units was in FY19 before the years shown in the analysis.

Further scenario analysis of the executive directors' participation in the Westcon International EAP and the CSP grants foregone as a result is provided on the following page.

Westcon International EAP – Scenario analysis

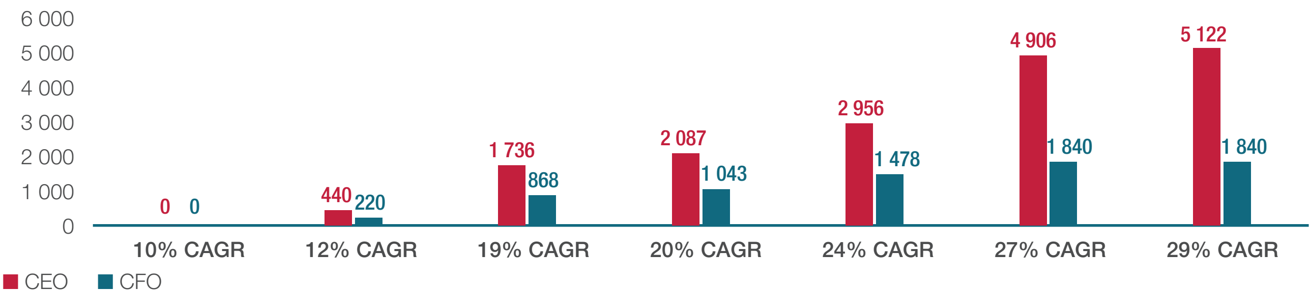
As noted on the previous page, the executive directors of Datatec Group are also executives of Westcon International and they participated in the once-off grant of the Westcon International EAP in FY19 while continuing to participate in the Datatec CSP. The annual grant of Datatec CSP conditional shares for the Datatec executives is accordingly reduced by an "equivalence" factor to avoid double participation in relation to reward opportunities.

For the Datatec executives who participate in the Westcon International EAP an adjustment of 10% carried interest (CAGR) will be added to the equity base of US$125 million. This annually increasing threshold will be used for the equivalence factor calculation mentioned previously.

The value of the potential outcome of the Westcon International EAP at 28 February 2023 (ie five years after starting) to the Datatec executives is shown below (prior to adjusting for the CSP grants foregone) for a range of compound annual growth rates of the value of Westcon International starting from the notional value of US$125 million on 1 March 2018.

WI EAP benefit to participants (US$'000)

(before deducting value of CSP grants foregone)



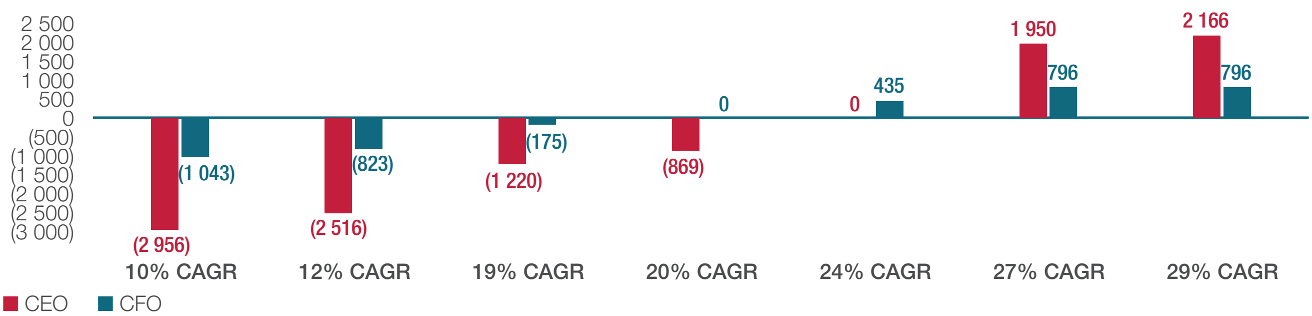
The net benefit to participants must be considered after the deduction of the CSP grants foregone over the five-year period of the Westcon International EAP. In the scenario analysis some assumptions need to be made about the value of the CSP grants and the assumption used to prepare the graph below are:

(i) the Datatec share price will increase by 20% per annum CAGR; and
(ii) 60% of the CSPs will vest on average (ie performance conditions will be met for 60% vesting).

The graph below shows the outcome for the same range of growth of Westcon International valuation from the notional starting value of US$125 million after deducting the economic value of the CSP awards foregone.

Net benefit to participants after deduction of value of CSP grants foregone (US$'000)

(assumptions – Datatec share price at 20% CAGR and CSP vesting at 60%)



Remuneration **report** continued

Part 2 – Remuneration policy continued

This analysis shows that the CEO will only benefit from the arrangement if the CAGR of Westcon International (above the notional starting point of US$125 million) over five years is 24%. This equates to a valuation of US$297 million for Westcon International on 28 February 2023.

Similarly, the CFO will only benefit from the arrangement if the CAGR of Westcon International (above the notional starting point of US$125 million) over five years is 20%. This equates to a valuation of US$264 million for Westcon International on 28 February 2023.

The CEO has an additional incentive in relation to Westcon International which will be earned if the business is sold for more than US$300 million. This additional incentive is equal to the cash value of 10 000 Westcon International EAP awards with the same condition of 10% CAGR in the threshold as the other awards. The economic value of this incentive for the CEO is shown in the above analysis at the 27% and 29% CAGR levels at which the valuation of Westcon International exceeds US$300 million.

Cap on the Westcon International EAP

The Remuneration Committee has determined that there will be a financial cap on the benefit the CEO and CFO can receive from their participation in the Westcon International EAP. The cap is based on the upper-end of the scenarios above at which the Westcon business is valued at/sold for US$350 million. The level of the cap is:

- CEO: US$5.2 million
- CFO: US$1.9 million

Shareholding guidelines

The Board has set out shareholding guidelines for executive directors whereby a shareholding with a market value of twice annual base salary should be built up over time. The LTIs are intended to enable new executive directors to achieve this shareholding guideline.

Directors' service contracts

In order to properly reflect their spread of responsibilities, executive directors have employment contracts as follows: Jens Montanana has a contract with Datatec International Services FZE, a 100% subsidiary of the Group registered in the Dubai World Trade Centre free zone, Dubai, UAE, and Ivan Dittrich has an employment contract with Logicalis, Inc, a 100% subsidiary of the Group registered in New York State USA.

The employment contracts of executive directors are terminable at six months' notice by either party and contain contractual provisions for payment on termination covering the guaranteed package but no commitment relating to STI.

If an executive director resigns from the Company or is terminated for fault, eg dismissal on grounds of misconduct, proven poor performance, dishonest or fraudulent conduct (bad leaver) all unvested LTI awards are forfeited. This includes shares in the DBP (both the employee's deferred STI element and the co-investment from the Company) within the three-year vesting period. In addition, such executives will be required to repay all dividends (pre-tax value) earned from the award date under the DBP.

If termination is at the Company's instigation and not for fault (good leaver), the executive will retain a portion of LTI share incentive awards which have been granted but not yet vested. The proportion will be determined *pro rata* to the time of the vesting period which has elapsed up to the termination date and will in the case of the CSP, be adjusted based on the extent to which performance conditions have been met. The terminated executive will continue to hold the reduced amount of awards until the vesting date when they will vest along with the other grants in accordance with the rules of the scheme if the relevant performance conditions are satisfied.

All non-executive directors have letters of appointment with Datatec Limited. Under these contracts, non-executive directors retire in accordance with the MoI of the Company, which is at least every three years. Retiring directors may offer themselves for re-election.

Clawback and malus policy

The Board has instituted a clawback and malus policy with effect from 1 March 2020 based on simple and logical principles:

- The quantum of STIs received by directors is a function of the financial results of the Group as published in the annual financial statements.
- Participants' investment and the Company's co-investment in the DBP is a mathematical consequence of the STIs.
- The vesting of the CSP is conditional upon performance conditions which are likewise a function of metrics published in the annual financial statements.
- If the annual financial statements are incorrect, all the logic above is faulty and the clawback and malus policy will take effect to correct all the elements of remuneration which have been obtained based on the incorrect financial statements.
- The definition of incorrect annual financial statements which would trigger the policy is a material restatement ("restatement") of the Company's financial results as a result of material non-compliance with financial reporting requirements.

As the restatement of annual financial statements is a published event, the trigger of the clawback and malus policy will be well defined and the process of clawing back STI and LTI which had been based on the annual financial statements before restatement will be transparent.

The committee notes that eventualities other than those which cause a restatement of annual financial statements may also arise which could inflict reputational damage on the Company. However, it believes the Board's fiduciary responsibility and the committee's ability to apply discretion in exceptional circumstances will enable appropriate actions to be taken without needing to address such hypothetical scenarios in the clawback and malus policy.

External appointments of executive directors

Subject to the approval of the Board, executive directors are permitted to hold a directorship in one non-Group listed company and to retain the fees payable from this appointment.

Non-executive directors' remuneration

The fee structure for non-executive directors, including the Chairman, is recommended to the Remuneration Committee by executive management. It is periodically reviewed based on benchmarking studies prepared by external advisers using data from comparable companies and taking account of the international nature of the business.

For FY21, no change in non-executive directors' annual fees is proposed so the fees will remain at the FY20 levels approved by shareholders at the last AGM on 29 August 2019 as set out in the Implementation Report on the following pages.

The Chairman's fee covers his role on the Board and its committees and attendance at subsidiary board meetings and shareholder meetings as required. Other non-executive directors receive a fee for their Board role plus fees for membership/chairmanship of individual committees.

The terms and conditions of appointment of non-executive directors are available on request from the Company Secretary. Non-executive directors are not eligible to participate in the annual bonus plan or any of the Datatec share incentive schemes.

The operation of the Group's remuneration policy in FY20 is described in the implementation report later in this remuneration report.

Approval of the remuneration policy

The FY19 remuneration policy was put before shareholders for an advisory vote at the AGM on 29 August 2019 and received support from 64.4% (2018 AGM: 50.1%) of shares voted.

Shareholder consultation was undertaken in December 2019 as summarised in part 1 of this report and was used to inform further refinements to the policy.

The remuneration policy set out herein will be put before shareholders for an advisory vote at the 2020 AGM.

The Remuneration Committee is committed to continuing open, constructive dialogue with shareholders.

Remuneration **report** continued

Part 3 – Remuneration implementation

Base pay adjustments

Following shareholder consultation which the Remuneration Committee undertook during November 2018, the committee implemented a change in the executive directors' remuneration structure, to take effect from 1 March 2019, as follows:

- For the CEO, a 20% reduction in base pay; 2% reduction in on-target earnings ("OTE"); and 7% reduction in capped (maximum achievable) pay
- For the CFO, a 10% reduction in base pay with no change to OTE or capped pay

There was no reduction in Company pension contributions for the executives as a result of this change which resulted in FY20 Company pension contributions for the executive directors of the CEO 18.8% and CFO 16.7% expressed as a percentage of base salary.

For FY21, the Remuneration Committee has kept base salary for the executive directors unchanged in light of the COVID-19 crisis.

Datatec Group STIs

The FY20 STI bonus structure comprised Company and individual performance targets. The outcome is set out in the following table:

FY20 bonus outcome

(1) uEPS

		US cents	Bonus	Target	Outcome
Actual		9.9	0%	50%	0.0%
Lower guard-rail	-18%	12	40%		
On-target	FY20 budget	15	100%		
Upper guard-rail	22%	18	160%		

(2) EBITDA

		US$ million	Bonus	Target	Outcome
Lower guard-rail	-13%	150	40%	30%	19.3%
Actual		159	64%		
On-target	FY20 budget	171	100%		
Upper guard-rail	17%	200	160%		

(3) Personal KPIs

	Target	Outcome
See commentary on the personal KPIs on the following page	20%	21.0%
TOTAL ON-TARGET AND ACTUAL BONUS OUTCOME	**100%**	**40.3%**

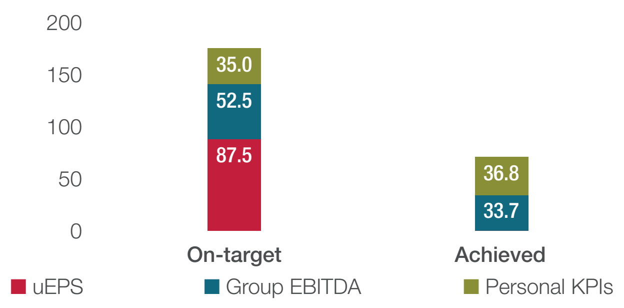
Recognising the crucial part the Westcon International reshaping continues to play in the Group's strategic goals, the Remuneration Committee gave both executive directors quantitative metrics for Westcon International as personal goals. The committee assessed achievement against the personal KPI goals as follows:

- **Westcon International EBITDA** – target was FY20 budget of US$52.7 million; achievement was US$40.0 million and in light of the considerable improvement in Westcon International profitability the Remuneration Committee decided that this metric had been sufficiently achieved to merit 3% out of the 5% on-target level.
- **Westcon International reduction in central costs** – the target of US$33 million for FY20 central costs was disclosed at the time of the FY18 results announcement. The actual central costs for FY20 were US$29 million which the committee considered to be a highly successful overachievement of the target and awarded 8% for this metric as against the 5% on-target level.
- **Culture/leadership (CEO)** – the committee discussed the CEO's leadership of the Group and his role in promoting an ethical culture and determined the outcome for this KPI should be on target at 5%.
- **ESG (CEO)** – the committee noted the Group's improving metrics in a number of areas and determined the outcome for this KPI should be on target at 5%.
- **Westcon International refinancing (CFO)** – very good progress had been made towards new financing options for Westcon International prior to COVID-19 being declared a global pandemic. Given the COVID-19 environment, it was considered expeditious and essential to rather renew the existing facilities for a further 12 months to secure liquidity. This has been achieved in extremely challenging circumstances. Therefore, it was determined the outcome for this KPI should be 10%.

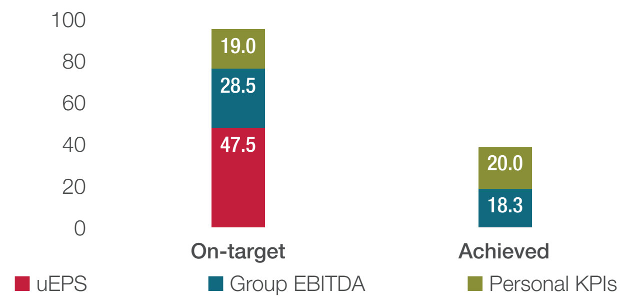
The bonus of 40.3% is less than half of the on-target bonus, therefore the executive directors have no obligation to invest any of their FY20 bonuses in the DBP. However, both have elected to do so. See the DBP to be awarded during FY21 section for details.

The targets and outcomes of the annual bonuses of the executive directors for FY20, shown as a percentage of base salary and split by the bonus elements, are illustrated below.

CEO FY20 bonus composition as a percentage of basic salary

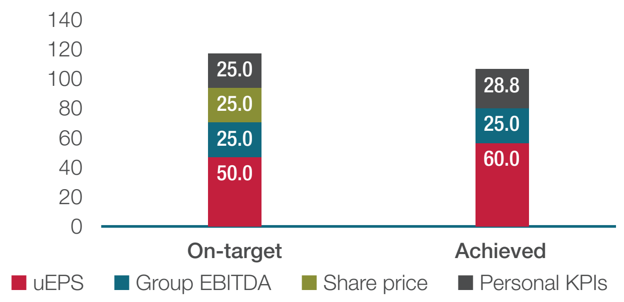


CFO FY20 bonus composition as a percentage of basic salary

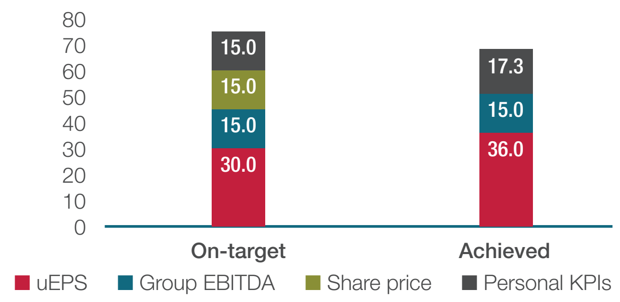


For comparison the FY19 bonuses of directors, shown as a percentage of base salary and split by the bonus elements, are illustrated below.

CEO FY19 bonus composition as a percentage of basic salary



CFO FY19 bonus composition as a percentage of basic salary



The metrics for the executive directors' STI in FY21 are set out in part 2 of this remuneration report.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

FY18 STI element deferred to FY20

One of the metrics for the FY18 STI was the SYNNEX transaction earn-out. As this earn-out had not been settled when the FY18 STI payment was determined by the committee, it was deferred until the earn-out was determined.

The SYNNEX transaction earn-out metric constituted 25% of the on-target bonus structure for FY18. The target was a SYNNEX transaction earn-out of US$100 million with a lower-end guard-rail of zero and an upper-end guard-rail of US$200 million (the maximum possible earn-out). The earn-out was determined on 29 May 2019 to be US$14 million. This translated to 3.5% of the on-target FY18 bonus and was paid in October 2019 as follows:

- CEO: US$58 643
- CFO: US$14 700

Datatec Group LTIs awarded during FY20

CSP awarded during FY20

The second annual grant of CSP awards was made on 1 June 2019 following approval by the Remuneration Committee. The awards will vest after three years subject to the Group meeting certain performance conditions set by the Remuneration Committee. The performance conditions used for the FY20 award are:

ROIC performance condition – 50% of grant: the threshold necessary for half of the conditional award subject to the ROIC condition (ie 50% of the total conditional award) to vest is that the Company's average reported ROIC for the three years ending 28 February 2022 must equal or exceed 10%. The target necessary for the second half of the conditional award subject to the ROIC condition (ie 50% of the total conditional award) to vest is that the Company's average reported ROIC for the three years ending 28 February 2022 must equal or exceed 12%. If the Company's average reported ROIC for the three years ending 28 February 2022 falls between levels above, ie between 10% and 12%, the proportion of conditional awards which vest will be determined by linear interpolation between 25% and 50% in proportion to the average reported ROIC for the three years ending 28 February 2022 between 10% and 12%.

The ROIC figures which will be used for the assessment of the performance condition in this section will be those reported in the FY22 Integrated Report of Datatec Group for FY20, FY21 and FY22.

uEPS performance condition – 50% of grant: the hurdle necessary for the full portion of the conditional award subject to the uEPS condition (ie 50% of the total conditional award) to vest is that the Company's reported uEPS for FY22 must equal or exceed 20.5 cents. If this target level in uEPS is not achieved, the portion relating to this condition will lapse.

The uEPS figure which will be used for the assessment of the performance condition in this section will be that reported in the FY22 Integrated Report of Datatec Group.

Executive directors' CSP awards are as follows

CSP	Grant date	Number of awards FY20	Number of awards FY19	Fair value of awards on grant US$'000	Grant fair value as % of base pay	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	1 Jun 18		1 291 148	2 142	150	**277**	2 704
	1 Jun 19	**538 870**		1 246	109	**115**	–
						392	2 704
IP Dittrich	1 Jun 18		405 066	672	120	**87**	848
	1 Jun 19	**190 212**		344	87	**41**	–
						128	848

The fair value of these awards at date of grant was R33.05 (FY19: R20.78) per award being the 30-day volume weighted average share price on the day the Group's FY19 results announcement. The fair value at 29 February 2020 is based on the 30-day volume weighted average share price on 29 February 2020 (R33.44) multiplied by an estimate of the performance conditions being achieved. In both cases the fair value assumes 10% vesting of the awards, ie that the performance condition targets will only be 10% achieved, mainly as a result of the COVID-19 crisis. In the prior year the fair value assumed 100% vesting. The actual value of any benefit received by the directors from these CSPs will be reported in future remuneration reports when the awards vest.

DBP awarded during FY20

Executive directors deferred part of their FY19 bonuses under the terms of the DBP in June 2019. In accordance with the policy, a co-investment multiplier of x2 was applied to the deferred bonus amount for which Datatec shares were purchased. These will be held for the benefit of the participants but forfeited should they leave the employment of Datatec within the following three years.

The DBP grants awarded during FY20 and in the prior year are shown in the table below:

DBP	Bonus year	Grant date	Amount of bonus deferred %	Amount of bonus deferred US$'000	Company contribution (x2 multiplier) US$'000	Total invested in shares US$'000	Total number of shares purchased	Fair value of awards on grant US$'000	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	FY18	Jun 18	83.3	837	837	1 675	1 000 000	1 675	**2 142**	2 094
	FY19	Jun 19	50.0	399	399	798	702 407	798	**1 504**	1 471
							1 702 407	2 473	**3 646**	3 565
IP Dittrich	FY18	Jun 18	20.4	40	40	80	47 000	80	**101**	98
	FY19	Jun 19	25.0	48	48	96	82 636	96	**177**	173
							129 636	176	**278**	271
							1 832 043	2 649	**3 924**	3 836

The fair value of these awards at date of grant was the share price at which the DBP shares were purchased on the dates shown in the table. The fair value at 29 February 2020 is R33.44 (FY19: R29.19) being the 30-day volume weighted average share price on 29 February 2020.

The DBP shares above are included in the directors' shareholdings at 29 February 2020 disclosed later in this report.

The fair value of the Company co-investment shares purchased in relation to the DBP is shown as LTI in total remuneration for the financial year in which the bonus (STI) was earned.

The value of dividends received on the above DBP shares was:

	FY20 US$'000	FY19 US$'000
JP Montanana	**120 185**	–
IP Dittrich	**9 152**	–

DBP to be awarded during FY21

Executive directors have deferred part of their FY20 bonuses under the terms of the DBP. In accordance with the policy, an equal co-investment from the Company was applied to the deferred bonus amount and Datatec shares will be purchased which are held for the benefit of the participants but will forfeited if they should leave the employment of Datatec as a "bad leaver" (ie resignation or dismissal for cause) within the following three years. Any dividends earned during the three-year vesting period are also repayable if they terminate their services. In addition, a further holding period of two years will apply during which participants will not be able to sell the vested DBP shares.

DBP	FY21 grant date (expected)	Amount of bonus deferred %	Amount of bonus deferred US$'000	Company contribution (x2 multiplier) US$'000	Total invested in shares US$'000	Fair value of awards on grant US$'000
JP Montanana	Jun 20	37.3	300	300	600	600
IP Dittrich	Jun 20	25.0	48	48	96	96

The table above shows the monetary amount of the FY20 STI deferral and Company co-investment to be used to purchase Datatec shares in June 2020. The fair value of the Company co-investment shares purchased in relation to the DBP is shown as LTI in total remuneration for the FY20 financial year in which the bonus (STI) was earned.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

Directors' interests in subsidiary share schemes – awarded during FY19

The executive directors received once-off awards under the Westcon International EAP in FY19 by virtue of their leadership roles as CEO and CFO of Westcon International (in addition to their Datatec roles). The Westcon International EAP is explained in part 2 of this remuneration report. The Datatec executives who participate in the Westcon International EAP will have an adjustment made to the threshold of 10% carried interest (CAGR) annually added to the equity base of US$125 million and their ultimate pay-out from the plan, if any, is capped as described in the policy section above.

Westcon International EAP	Grant date (FY19)	Number of awards	Fair value of awards on grant US$'000	Grant fair value as % of base pay	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	14 Mar 18	30 000	–	–	**102**	88
IP Dittrich	14 Mar 18	15 000	–	–	**51**	44

In addition to the above, Mr Montanana was granted a conditional award equivalent to 10 000 Westcon International EAP units by Datatec on 14 March 2018. This award is conditional on the sale of Westcon International being for US$300 million or more. If that condition is met Mr Montanana will receive a cash payment equivalent to the value of 10 000 units in the Westcon International EAP. The award will have the same adjustment made to the threshold, 10% carried interest (CAGR) annually added to the equity base of US$125 million, as the other Westcon International EAP awards provided to Datatec executives. This award had a fair value of US$38 000 at 29 February 2020 (FY19: US$14 000).

The fair value of these awards on grant was deemed to be US$nil because the value of Westcon International based on book value was below the equity base threshold of US$125 million. The fair value of the Westcon International EAP awards at 29 February 2020 was determined by an actuarial calculation.

In accordance with US practice, John McCartney participated in the legacy Westcon Group, Inc SARs scheme which terminated on the change of control arising from the SYNNEX transaction in FY18. Participants were entitled to receive a final payment under the terms of the scheme upon determination of the SYNNEX transaction earn-out. The earn-out was determined in May 2019 (during FY20) and as a result John McCartney received a final settlement of US$14 731 in relation to his Westcon Group, Inc SARs.

Previous Datatec Group share schemes

The previous Datatec Group share schemes, the SARs, LTIP and old DBP, operated from 2005 with some modifications approved by shareholders in 2010 and 2011. The last grants under these schemes were in July 2017 (in FY18) and thereafter they were superseded by the CSP and new DBP. Existing grants under the previous share schemes remained active for the three-year performance periods and an update on vesting during FY20 follows.

Modification to previous Datatec Group share schemes

As was explained in last year's report, all share-based awards (SARs, LTIP and old DBP) in the course of their performance periods at the time were modified in FY18 to account for two material transactions: the sale of Westcon Americas to SYNNEX on 1 September 2017; and the disposal of Logicalis SMC. In addition, during FY18, a special dividend was paid to shareholders in January 2018. The modifications made to Datatec's share-based remuneration to keep the economic interests of participants unchanged were as follows:

- Number of awards increased by 69.7%
- Exercise price (if applicable) reduced by a factor of 1.697. The factor is calculated as R56/(R56 – R23) where R56 is the share price close the day prior to the ex-dividend date and R23 is the amount of the special dividend
- Non-market performance condition modified to account for the fact that Westcon Americas' profits were included in the performance targets at the start of the performance period but not at the end of the period (Westcon Americas having been disposed of during the performance period)

At the time, the Remuneration Committee decided the non-market performance condition would be modified by adding back the accounting profit on sale of the two disposals to underlying earnings in the third year of each award which was granted prior to the disposal. The accounting profit per share of the disposal of Westcon Americas and Logicalis SMC in FY18 should therefore be added to the final year uEPS used in assessing the vesting of the May 2015, May 2016 and July 2017 awards all of which are based on the reported uEPS of financial years which included the earnings of Westcon Americas and Logicalis SMC. The same logic was applied to the ROIC performance condition which applied to LTIP awards granted in May 2016 and July 2017 and in order to have time to determine and verify this issue properly, the Remuneration Committee extended the vesting period of the 2016 LTIP to four years to coincide with the vesting date of the 2017 LTIP.

The impact that the modification had on awards that vested during FY20 is explained below.

Datatec SARs scheme

The SARs granted in May 2016 ("2016 SARs") were assessed for vesting in May 2019. The performance condition set by the Remuneration Committee was that the Datatec share price (30-day volume weighted average price) growth from 1 March 2016 to 28 February 2019 was required to be in excess of South African CPI. This is a market performance condition.

The performance condition was not met and therefore the 2016 SARs lapsed in May 2019 (during FY20).

Directors' interests in Datatec SARs are shown in the following table:

	Grant date	Grant price (ZAR)	SARs held at beginning of year	Exercised during the year	Lapsed during the year	SARs held at year-end	Status at 29 Feb 20	Fair value of awards at 29 Feb 20 US$'000
JP Montanana	14 May 15	35.79	629 000	–	–	629 000	**Vested**	**–**
	12 May 16	27.20	1 122 269	–	(1 122 269)	–	**Lapsed**	**–**
	28 Jul 17	34.94	748 955	–	–	748 955	**Not vested**	**–**
Sub-total			2 500 224	–	(1 122 269)	1 377 955		**–**
IP Dittrich	12 May 16	27.20	308 665	–	(308 665)	–	**Lapsed**	**–**
	28 Jul 17	34.94	230 039	–	–	230 039	**Not vested**	**–**
Sub-total			538 704	–	(308 665)	230 039		**–**
Total			3 038 928	–	(1 430 934)	1 607 994		**–**

The fair value of the SARs granted in May 2015 (during FY16) which vested during FY19 is US$nil because the grant price (as modified) exceeds the share price at 29 February 2020.

The SARs granted in July 2017 (during FY18) will not vest in May 2020 (during FY21) because the performance condition for vesting (share price growth from 1 March 2017 to 29 February 2020 required to be in excess of South African CPI) has not been met. For this reason and because the grant price (as modified) exceeds the share price at 29 February 2020, the fair value of these SARs is nil.

Datatec LTIP

Conditional awards under the LTIP granted in May 2016 ("2016 LTIPs") were assessed for vesting in May 2019. Non-market performance conditions were set by the Remuneration Committee for the 2016 LTIP as follows:

ROIC performance condition – 50% of grant: the threshold necessary for half of the conditional award subject to the ROIC condition (ie 25% of the total conditional award) to vest was that the Company's reported ROIC for the year ended on 28 February 2019 (three years from grant) must equal or exceed 8%. The target necessary for the second half of the conditional award subject to the ROIC condition (ie 50% of the total conditional award) to vest is that the Company's average reported ROIC for the year ended on 29 February 2020 must equal or exceed 12%. If the Company's average reported ROIC for the year ended on 29 February 2020 fell between levels above, ie between the levels of 8% and 12%, the proportion of conditional awards which would vest is determined by linear interpolation between 25% and 50% in proportion to the reported ROIC for the year ended on 29 February 2020 between 8% and 12%.

uEPS performance condition – 50% of grant: the threshold set for half of the conditional award subject to the uEPS growth condition (ie 25% of the total conditional award) to vest is that the Company's uEPS must increase by the increase in the US Dollar Consumer Price Index ("US CPI") over the three-year performance period plus 6%. If the condition is met, 25% of the conditional awards will vest. The target necessary for the second half of the conditional award subject to the uEPS growth condition (ie 50% of the total conditional award) to vest is that the Company's uEPS must increase by the increase in the US CPI over the three-year performance period plus 12%. If the condition is met, a further 25% of the conditional awards would vest making 50% in total. If the Company's uEPS increased over the three-year performance period by the increase in the US CPI plus between 6% and 12% (ie an outcome in between the threshold and target), the proportion of conditional award which vests and becomes exercisable is determined by linear interpolation between 25% and 50% in proportion to the increase in the Company's uEPS between 6% and 12% above US CPI inflation over the three-year performance period.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

Conditional awards under the final LTIP grant in July 2017 ("2017 LTIPs") had the same performance conditions as the 2016 LTIP grant. The 2017 LTIPs were assessed for vesting in May 2020.

The modification explained above applied to the number of LTIP awards in issue which was increased by 69.7% and also to the non-market performance conditions.

The Remuneration Committee determined that the 2016 LTIP would vest 50% in May 2019 (during FY20) and 50% in May 2020 (during FY21) after postponing the vesting period while considering the modification to the ROIC performance condition. As mentioned above, the original performance period of three years was retained, but the vesting period for the portion of the award subject to ROIC was extended to four years to allow the Remuneration Committee to evaluate the outcome of the ROIC performance condition modification. The impact of the modification was assessed in FY20 and therefore included in FY20. Also in accordance with the modification described above, the committee has determined that the 2017 LTIP will vest 100% in May 2020.

Directors' interests in Datatec LTIP awards are shown in the following table:

	Grant date	Awards held at the beginning of the year	Vested and settled during the year	Lapsed/ forfeit during the year	Awards held at year-end	Fair value of awards at 29 Feb 20 US$'000	Fair value of awards at 28 Feb 19 US$'000
JP Montanana	12 May 16	1 122 269	(561 134)	–	561 135	**1 202**	1 175
	28 Jul 17	748 955	–	–	748 955	**1 604**	784
Sub-total		1 871 224	(561 134)	–	1 310 090	**2 806**	1 959
IP Dittrich	12 May 16	231 499	(115 750)	–	115 749	**247**	242
	28 Jul 17	172 529	–	–	172 529	**370**	179
Sub-total		404 028	(115 750)	–	288 278	**617**	421
Total		2 275 252	(676 884)	–	1 598 368	**3 423**	2 380

All the awards held at the year-end will vest in May 2020. The fair value of these awards is accordingly the number of awards multiplied by the 30-day volume weighted average share price at 29 February 2020 which was R33.44.

The value delivered to participants from the LTIP awards vesting during the year was as follows:

	FY20 US$	FY19 US$
JP Montanana	**1 271 791**	–
IP Dittrich	**262 341**	–

Datatec old DBP

The previous Datatec DBP operated in a different way from the current DBP and the last grant was made in June 2016 based on deferring FY16 bonuses. The Remuneration Committee decided not to operate a grant under the old DBP in 2017.

The final settlements under the old DBP were explained in the FY19 remuneration report and the benefit to participants arising during the year was as follows:

	FY20 US$	FY19 US$
JP Montanana	**593 412**	577 169
IP Dittrich	**271 456**	–

Dilution attributable to Datatec Group share incentive plans

The estimated commitment to settle outstanding share-based payment awards would give rise to the dilution shown in the following table if new shares were to be issued in settlement:

LTI	Dilution
SARs	0.00%
LTIP	0.82%
Old DBP	0.00%
CSP	0.00%
Total	**0.82%**

In practice, the Company has not issued new shares in settlement of share schemes in the recent past and currently has no intention to do so in future. Instead, shares for settlement of share schemes are purchased in the market.

The new DBP does not give rise to any dilution effect because forfeitable shares are granted to participants at the start of the holding period and settled using shares purchased in the market. None of the divisional share-based remuneration plans could have any dilution effect as they are not settled with Datatec shares.

Single figure remuneration of executive directors

The following tables show the composition of a single figure of remuneration for the executive directors:

		CEO		CFO	
Component		FY20 US$'000	FY19 US$'000	FY20 US$'000	FY19 US$'000
Old LTI	SARs	–	–	–	–
	LTIP	2 806	1 175	617	242
	DBP	–	183	–	84
New LTI	CSP	–	–	–	–
	DBP	300	812	48	95
Total LTI		**3 106**	2 170	**665**	421
STI	FY18 – cash	59	–	15	
	FY19 – cash	–	812	–	287
	FY19 – deferred	–	812	–	95
	FY20 – cash	503	–	144	–
	FY20 – deferred	300	–	48	–
Sub-total STI		**862**	1 624	**207**	382
Pension		214	214	84	84
Benefits		48	28	47	43
Base salary		1 140	1 428	503	560
Guaranteed package		**1 402**	1 670	**634**	687
		5 370	5 464	**1 506**	1 490

Old LTI
No SARs vested in May 2019 or will vest in May 2020 so no LTI remuneration arises in either FY19 or FY20.

The May 2016 award of LTIPs vested 50% in May 2019 and 50% in May 2020. The May 2017 award of LTIPs vested 100% in May 2020. The fair value of the awards vesting in May 2020 at 29 February 2020 is shown as FY20 LTI in the above table.

The DBP pledged shares acquired by directors in May 2016 earned a 50% performance-based matching in addition to the matching shares arising from the employment condition. The performance-based matching element (which had a performance period ended 28 February 2019) plus the shares accruing to it in lieu of dividends during the performance period is shown as FY19 LTI in the above table at fair value (being the share price at 28 February 2019). There is no LTI arising from the old DBP in FY20.

New LTI
The value of the shares purchased by the Company equal to the amount of bonus deferred by the directors in respect of their bonuses for FY19 and FY20 is shown in the table.

For the CSP, LTI remuneration will only arise in the financial year preceding vesting subject to performance conditions being achieved.

STI
The deferred element of the FY18 bonus relating to the SYNNEX transaction earn-out was paid during FY20 and is disclosed separately in the table above.

Remuneration **report** continued

Part 3 – Remuneration implementation continued

Non-executive directors' remuneration

During FY20, non-executive directors received the following fees, as approved by shareholders at the AGM on 29 August 2019:

Role	Fee US$
Chairman of the Board (total fee inclusive of all committee and subsidiary board work)	201 552
Senior non-executive director	74 256
Non-executive director	63 648
Chairman of the Audit, Risk and Compliance Committee	31 824
Member of the Audit, Risk and Compliance Committee	15 912
Chairman of the Social and Ethics Committee	10 608
Chairman of the Remuneration Committee	15 912
Member of the Remuneration Committee	7 956
Member of the Nominations Committee	5 304
Chair of Datatec Technology and Education Foundation	12 000

Non-executive directors are reimbursed for travel costs necessary for attending Board meetings and do not receive any employment benefits.

For the year ending 28 February 2021, the Remuneration Committee proposes that fees for non-executive directors will remain at the levels set out above. These fees will be presented for approval by shareholders at the AGM on 29 July 2020.

Summary of directors' remuneration

The remuneration of directors serving on the Board in FY20 and FY19 is shown in the following tables:

	FY20						
	Guaranteed package						
US$'000	**Basic salary**	**Pension**	**Other benefits**	**Fees**	**STI**	**LTI**	**Total**
Executive directors							
JP Montanana	**1 140**	**214**	**48**	**–**	**862**	**3 106**	**5 370**
IP Dittrich	**503**	**84**	**47**	**–**	**207**	**665**	**1 506**
Total executive directors	**1 643**	**298**	**95**	**–**	**1 069**	**3 771**	**6 876**
Non-executive directors							
SJ Davidson	**–**	**–**	**–**	**202**	**–**	**–**	**202**
M Makanjee	**–**	**–**	**–**	**93**	**–**	**–**	**93**
JF McCartney	**–**	**–**	**–**	**101**	**–**	**15**	**116**
CRK Medlock (from 1 January 2020)	**–**	**–**	**–**	**13**	**–**	**–**	**13**
MJN Njeke	**–**	**–**	**–**	**109**	**–**	**–**	**109**
E Singh-Bushell	**–**	**–**	**–**	**99**	**–**	**–**	**99**
Total non-executive directors	**–**	**–**	**–**	**617**	**–**	**15**	**632**
Total directors' emoluments	**1 643**	**298**	**95**	**617**	**1 069**	**3 786**	**7 508**

	FY19						
	Guaranteed package						
US$'000	Basic salary	Pension	Other benefits	Fees	STI	LTI	Total
Executive directors							
JP Montanana	1 428	214	28	–	1 624	2 170	5 464
IP Dittrich	560	84	43	–	382	421	1 490
Total executive directors	1 988	298	71	–	2 006	2 591	6 954
Non-executive directors							
SJ Davidson	–	–	–	202	–	–	202
O Ighodaro (to 31 October 2018)	–	–	–	62	–	–	62
JF McCartney	–	–	–	90	–	–	90
M Makanjee (from 1 November 2018)	–	–	–	28	–	–	28
MJN Njeke	–	–	–	110	–	–	110
CS Seabrooke (to 20 September 2018)	–	–	–	50	–	–	50
E Singh-Bushell (from 1 June 2018)	–	–	–	71	–	–	71
NJ Temple (to 20 September 2018)	–	–	–	45	–	–	45
Total non-executive directors	–	–	–	658	–	–	658
Total directors' emoluments	1 988	298	71	658	2 006	2 591	7 612

Note: the non-executive directors' fees shown above do not include VAT.

Remuneration **report** continued

Directors' interests in shares

Directors' interests in the ordinary shares of the Company at 29 February 2020 and 28 February 2019 are shown below:

	At 29 February 2020				At 28 February 2019			
	Direct beneficial	Indirect beneficial	Associates	Total	Direct beneficial	Indirect beneficial	Associates	Total
Executive directors								
JP Montanana	500 000	24 180 000	–	24 680 000	–	24 004 635	–	24 004 635
IP Dittrich	293 724	–	–	293 724	93 329	–	–	93 329
Non-executive directors								
SJ Davidson	–	–	11 001	11 001	–	–	11 001	11 001
JF McCartney	–	1 278 877	–	1 278 877	–	1 278 877	–	1 278 877
	793 724	25 458 877	11 001	26 263 602	93 329	25 283 512	11 001	25 387 842

Of Mr Montanana's shareholding, 1 000 000 shares have been pledged as security for certain equity funding transactions.

Directors' interests in ordinary shares of the Company shown above are unchanged from 29 February 2020 to the date of this report. Non-executive directors not shown in the above tables did not hold any Datatec shares in either year. Executive directors' interests in shares via LTI share schemes (which have not vested/been exercised) are shown earlier in the implementation report. Shares held by executive directors in relation to the DBP (which are forfeited if they resign from the Company) are included in the above table.

The implementation of remuneration during FY20 as set out above has been in compliance with the policy in part 2 except as noted in the text.

The FY19 remuneration implementation report was put before shareholders for an advisory vote at the AGM on 29 August 2019 and received support from 64.41% (2018: 37.1%) of shares voted.

This FY20 remuneration implementation report will be put before shareholders for an advisory vote at the 2020 AGM.