



## Group Policy Remuneration Policy

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## 1. Introduction

AlexForbes employee value proposition aims to offer competitive pay and rewards that contribute towards the financial well-being of our employees now and into the future. Our total reward philosophy strives to create a culture that enables high performance, and development growth to attract and retain talent. This Policy sets out the Company Total Rewards approach, framework, and its applicability to all AlexForbes occupational levels.

The Company believes that by offering competitive total rewards and fit for purpose ways of working, will cultivate a culture of collaboration, innovation, customer centricity and service excellence. Also offering total rewards that include development and growth will enable our employees to reach their full potential and achieve the required performance in a sustainable manner over a period of short to long-term.

The Company reward philosophy is key to fostering a high-performance culture to achieve business objectives, ensure sustainable organisational growth over the years for the benefit of its shareholders and for the prosperity of its employees. The effective and appropriate implementation of this policy will require the Company to impactfully communicate its philosophy and principles as the value proposition to employees so that they can understand the connection between total rewards, performance and development.

## 2. Purpose

The purpose of this policy is to ensure competitive, equitable, affordable, and market related remuneration is paid to all employees. Remuneration is to be based on objective criteria to ensure that there is no unfair discrimination based on race, gender or creed. To ensure that remuneration philosophy and principles are aligned with the AlexForbes strategy, business objectives and core values that aligns to the principle of pay for performance. The strategic aim of this policy is to:

- attract, motivate, reward and retain high-performing talent.
- encourage high performance to drive the achievement of both short-term and long-term results that promote ESG principles and contribute to overall organisational sustainability
- promote a culture that supports the enterprise, winning mindset and innovation with appropriate short- term and long-term performance rewards that are fair and achievable
- balance innovation and enterprise needs, whilst avoiding undue risk-taking
- balance business unit performance and support an integrated, client-centric approach to delivering services and value to clients
- contribute to the promotion of an ethical culture and responsible corporate citizenship within the realm of remuneration, including but not limited to the evaluation of employees' performance

## 3. Scope

This policy applies to all employees of AlexForbes Group Holdings Limited.

In determining remuneration applicability across operations and locations, local economic nuances, local legislation, and current remuneration terms and conditions will be taken into consideration. These practices will be aligned to and informed by current Remuneration Committee (Remco) decisions or principles based on the overall group performance.

Governance provisions such as the annual shareholder voting on the remuneration policy and implementation report are not referenced in this policy as they are provided for in the Remco's Terms of Reference. The focus of this policy is to guide the operationalisation of approved remuneration philosophies, frameworks and principles for the Group.

## 4. Policy statements

### 4.1 Core reward principles and governance

AlexForbes is committed to a total reward philosophy, that recognizes multifaceted elements, consisting of both financial and non-financial rewards. An appropriate mix between total guaranteed pay and benefits, as well as short-term and long-term incentives, will apply at particular levels in the business.

The Remco is a sub- committee of the board and governs the remuneration policy to ensure that directors, senior management, and employees are paid fairly and responsibly. Remco also ensures that the remuneration practices are consistently implemented, and justifiable discretions are objective and aligned to the approved policies that enable the company to achieve its business performance objectives in a short and long-term. Remco is required to provide a strategic oversight by governing pay structures and decisions according to the following key principles:

- Long-term interest

Overall remuneration policy and practices must be in line with the company's overall business strategy, industry dynamics, risk management strategy and practices, profile, objectives, values, interests of its stakeholders, long-term sustainability and performance.

- Risk management

The roles of different levels of employees which involve significant risk are taken into account. The policy allows for innovation within the company's set risk tolerance.

- Transparency

This includes clear and transparent engagement and communication, and an effective governance structure for pay, including the definition of the remuneration policy and its oversight.

- Appropriate mix of short-term and long-term pay

AlexForbes balances fixed and variable pay, with fixed pay being the anchor of the overall pay mix and, depending on level or type of role, fixed pay may be higher than variable pay especially lower down in the organization. More senior employees are expected to have a longer-term focus that invariably is more aligned with long-term variable incentives. The variable portion is calculated on a combination of company and individual performance. The variable pay can change year on year, depending on company and individual performance.

- Discretion

Remco has discretion to withdraw or change the STI scheme. The Remco may also reserve a percentage of the STI pool for discretionary allocations. In addition, Remco holds overriding discretion on incentive payments, including zero STI awards and in the event of exceptional individual performance achieved (within the context of poor company performance) ex-gratia payments may also be approved. The Remco may also reserve a percentage of the STI pool for discretionary allocations, up to a maximum of a third based on the pre-determined principles aligned to the performance outcomes.

The Executive has discretion to allocate up to a third of the approved Short Term Incentive pool, and up to a third of the calculated on-target Long-Term Incentive amounts, as approved annually by Remco. Such discretion shall however always be applied within the confines of approved governance guidelines. For clarity, such discretion does not apply to setting or adjusting the quantum of the STI pool or the on-target Long-Term Incentive amounts, for which Remco remains accountable. In all cases of departure from the formulaic calculation of incentive amounts, detailed records of the reasoning underpinning such departures shall be kept and presented to Remco if required.

- Treating customers fairly

Performance scorecards and incentives are structured to reward people at all levels without any unfair outcomes for customers. Customers' interests and company interests are treated with equal importance.

- Defining performance within the context of risk appetite

Performance assessments, when linked to pay, include financial as well as non-financial measurement, taking into account the company's risk appetite and risk profile. Incentive payments:

- should not excessively reward short-term profit,
- should not reward taking risks that do not meet the company's risk performance criteria, and
- include non-financial performance factors

- Internal and external disclosure

The remuneration policy is transparent internally and adequately disclosed externally where required.

- Approvals and decision-making

Remco has the mandate to approve all changes to the remuneration policy, including the long-term incentive plan and its rules, and the yearly short-term incentive determination.

The following core reward principles play a crucial role in guiding reward decisions, policies, processes, and practices:

- Internal parity

AlexForbes endeavours to reward its people according to their contribution and performance, striving for internal equity and parity, especially aligning with the South African Employment Equity Act requirement of equal pay for work of equal value.

- External benchmarking

AlexForbes continuously keeps abreast with market updates to strategically position itself to ensure competitive total reward within the parameters of affordability. Benchmarking is targeted at different percentile points in the market depending on role, competency, skill scarcity and market competitiveness for talent, with 50th percentile level being a weighted average and not the target.

Our relative market position strives to ensure that we attract and retain the core competencies required for achieving our strategy.

- Fairness

This policy aims to ensure that all employees are treated equally by establishing one consistent reward system. This means that all employees have access to principally the same or similar benefits, even if it's in different ways, based on:

- appropriate organisational level divergence and alignment with market trends
- legislation and practical considerations. Within this context, the fairness of executive remuneration practices in relation to all employees shall be considered and executed in the Group.

- Elimination of discriminatory practices

All reward policies and practices are free of inequitable distinctions, such as discrimination based on race, gender, age and so on. Where appropriate as decided by the Remco Chairperson, this may require interaction between Remco and the Social, Ethics and Transformation Committee.

- Components of Remuneration

Total guaranteed pay (TGP) should be reflective of job complexity with annual increases in TGP based on performance and affordability; short-term incentives (STI) should be paid for results achieved in the previous year and long-term incentives (LTI) should align with longer term sustainability and performance expectations from stakeholders. AlexForbes recognises that the correct remuneration component must be used for the correct purpose.

- Performance-based reward

Strengthening the link between reward and performance (pay for performance) is a core principle. An individual's value contribution, as determined by their performance, type of role and level is an important factor in determining guaranteed reward.

- Reward for performance – variable pay

Variable pay is used to motivate employees towards achieving the company's short- and long-term strategic objectives and is directed at recognizing outperformance in particular. Executive pay is appropriately linked to the company's long-term objectives and performance and aligns with the interests of clients or company shareholders.

- Long versus short term

Even though short-term incentives are offered, holistically the pay structure focuses on a long-term view of the company's financial performance rather than merely on short-term results. It considers:

- our overall business strategy
- our broader performance management framework
- our compliance and risk culture
- our ethics and values
- the impact of the remuneration policy and practices on clients and other stakeholders
- measures implemented to avoid conflicts of interest between the employees and the company as a whole

- Affordability

In accordance with our budgeting process and a prudent cost management approach, limits are set in terms of what is affordable for reward and other employee management costs.

- Reward for skills and competencies application

AlexForbes rewards the application of skills or competencies as reflected in outputs and results. We encourage employees to improve themselves through development programmes and training.

- Risk principles, especially for employees engaged in risk-taking and compliance functions:

- The respective roles of employees involved in risk management, risk-taking activities, compliance, actuarial and any other tasks affect our risk profile. This policy does not encourage unauthorised or unwanted risk-taking above the company's level of tolerated risk.
- The policy and processes promote sound and effective risk management and are structured and managed to avoid any manipulation.

- Performance management measures achievement of objectives of employees' functions and not only in relation to the performance of their business areas but also the company's overall performance.
- Employees engaged in risk management, actuarial, compliance and internal audit function will not be paid according to assumptions that incentivise excessive risk-taking or underestimate existing risks.

#### 4.2 Total Reward Pay Mix

The total reward pay mix reflects the relative proportions of pay represented by total guaranteed package, short-term incentives, and the long-term incentive plan:

<b>total guaranteed package + variable pay = total pay</b>
<b>short-term incentives + long-term incentive plan = variable pay</b>

The ratio of total guaranteed package to variable pay is the pay mix. Total guaranteed package includes all guaranteed items such as basic salary, car allowance, medical aid contributions, retirement fund contributions and guaranteed allowances.

AlexForbes adopted appropriate levels of variable pay and the total reward pay mix that varies per grade. There will not be a one-size-fits-all approach to the pay mix. In support of organisational sustainability and long-term performance, there will be a long-term incentive bias for senior management. In setting the total reward mix from time to time, the lifecycle stage of the business will be considered. The table below outlines the eligibility qualification of variable pay per grade.

Employee level	Total guaranteed package	Short-term incentives	Long-term incentive plan	Employee share ownership plan (ESOPS)
6	✓	✓	✓	
5	✓	✓	✓	
4	✓	✓	✓	
3	✓	✓		✓
2	✓	✓		✓
1	✓	✓		✓

#### 4.3 Total Guaranteed Package

This emolument is designed for developing pay ranges and remuneration benchmarking. It includes all contributions to the organisation's benefit structures and consists of:

- a cash component
- retirement funding
- medical aid
- risk cover and insured benefits
- other allowance (travel only if the employee qualifies in terms of income tax legislation)
- In determining the job grade pay ranges of Total Guaranteed Package, the company assess the market pay range percentiles in line with the competency, skill scarcity to ensure that pay is relative and competitive.



- AlexForbes reviews individual total guaranteed pay once a year with effect from 1 July. This annual review includes merit adjustments. The average increase in employment cost is approved by the Remco and is a factor of the increase in cost of living, market payment rates, affordability, and general employment market trends. Annual reviews will be informed by:
  - Movement in inflation including consideration for projections
  - internal equity
  - external market benchmark
  - performance
  - affordability
- Although individual employee performance ratings are the primary driving factor in the yearly reward cycle review, the following variables will also be considered:
  - The individual's assessed long-term potential contribution to the organisation
  - Employee payment positioning within an appropriate pay scale
  - Payment of others in similar positions internally
  - Market alignment

Remco will from time to time scrutinise all employee remuneration and benefits, including retirement funds and other financial arrangements, to make sure they are justified, correctly valued and suitably disclosed.

#### **4.4 Job evaluation**

It's recognised that properly determined and applied level of work is essential for appropriate management of remuneration within AlexForbes. The AlexForbes job evaluation process and resultant level of work support the pay scales. This establishes a logical basis for salary benchmarking (internal and external parity) and pay structuring by:

- using the approved method of job evaluation to assess and compare jobs.
- ensuring equity and consistency as the fundamental principles for the comparison of jobs within AlexForbes.
- conducting the job evaluation process by trained internal job evaluation committee members.

Where levels of work anomalies are identified, the chief human capital officer will be accountable for developing and implementing remedial actions.

#### **4.5 Pay Scale Design**

AlexForbes's pay scales are guided by best-practice principles, balancing affordability and competitiveness. The following features are included in their design:

- Pay structure in line with the remuneration philosophy
- Principles of internal and external equity are upheld
- It's flexible enough to respond to internal and external pressures
- Allows for superior performance to be rewarded
- Ensures consistent decision-making and application of remuneration philosophy
- Implementation is not disruptive or unnecessarily costly
- Has appropriate stakeholder buy-in
- Is legally defensible
- Is affordable yet competitive
- Complies with technical best practice on design criteria such as midpoint progression, range spread, range overlaps and pay slope

When designing pay scales, internal and external equity will always be considered:



- Internal equity exists when employees at an organisation are being rewarded fairly according to the relative value of their jobs. Internal equity can be examined at two levels – horizontally (between departments) and vertically (within one department). Ensuring that relative grades are defensible both horizontally and vertically within the organisation supports internal equity.
- External equity exists when an organisation’s total rewards are relatively equitable to the targeted average ranges in the National or Financial market. External equity is the second consideration in the design of a pay structure. The focus in this area is on external equity (in other words, the competitiveness of the level of pay assigned to each grade) and AlexForbes’s needs to compete in a free market for skills. Part of this competition is managing labour costs – this is making sure that the labour force is neither overpaid nor underpaid, possibly leading to a high turnover or low morale, which could harm employee effectiveness.
- The date the pay scales take effect is 1 April each year. The pay scales are reviewed every year (in line with the budgeting cycle and ahead of the annual review). They are based on benchmarking, pay increase trends, performance, CPI inflation and affordability considerations. Pay bands will be determined for each level, based on current market forces that will determine the ranges of pay for each grouping.

#### 4.6 Variable Rewards

Variable reward consists of the short-term and long-term incentive plans. Emphasis will be placed on factors under management control. Factors affecting company performance outside the control of senior executives, and to which the executives have made no contribution, may be rewarded to a limited extent at the discretion of Remco.

- Short-term incentive plan

The short-term incentive plan is linked to the performance management outputs. The company performance management process aligns individual performance to the organisational strategy. The guiding principles are as follows:

- Performance management and rewards are linked directly.
- Objectives and measures are derived from the overall yearly strategic objectives for the company and its risk appetite, but always within the context of long-term value creation and sustainability. These will be cascaded down to determine relevant objectives and targets at all levels.
- The incentive programme allows participants to have a clear understanding of what they can do to maximise their pay.
- All permanent, active employees with at least three months of service at financial year-end qualify, excluding those who receive sales incentives or commissions. Awards are pro-rated for employees who join during the financial year.
- Employees serving notice do not qualify for a short-term incentive award.
- The amount of an award depends on the company’s financial performance, as well as an individual’s performance and contribution.
- Individual performance evaluation is based on personal scorecard which includes both financial and non-financial measures.
- Company performance is measured against the group scorecard, which includes both financial and non-financial measures.
- Company and individual performance weightings for cumulative ratings vary for each employee level, with company performance weighting higher for the more senior levels.

Employee level	Company weighting	Individual weighting
<b>Group executive</b>	80%	20%
<b>6</b>	70%	30%
<b>5</b>	60%	40%
<b>4</b>	50%	50%
<b>3</b>	40%	60%
<b>2</b>	30%	70%
<b>1</b>	20%	80%

- This cumulative rating is determined by calculating the weighted score of the company scorecard and individual performance.

Weighting	x	Company Score	+	Weighting	x	Individual Rating
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- To qualify for a short-term incentive scheme, both an individual performance score of 3.0 and a threshold cumulative rating of 3.0 (in a 1 to 5 rating scale) are required.
- A cumulative performance modifier is used to differentiate between and reward top performers appropriately.
- Executives may propose discretionary adjustments for Remco's approval (rainmakers, top performers, key individuals, scarce skills, leadership succession). At all times employment equity and fairness considerations will be taken into account.
- Bonuses may be deferred for senior managers and any other identified roles. Deferral percentages will vary and will be determined depending on the company's needs. From time-to-time Remco may approve deferral or claw back provisions deemed appropriate.
- The target short-term incentive pool is calculated based on a percentage of adjusted operating profit before non-trading and capital items (operating profit). The calculation of adjusted operating profit includes our reported profits from associate investments but excludes:
  - the bonus pool expense
  - any quality of earnings adjustments identified through the year-end audit process
  - minority interest from emerging markets
- The short-term incentive pool is modified by a multiplier for performance above and below a target rate set by the Remco. Actual growth achieved above the target rate enhances the pool by a factor of twice the marginal growth achieved. Any shortfall to the target rate decreases the bonus pool by a factor of twice the deficit in the growth.
- A short-term incentive pool provision is accrued and disclosed in the annual financial statements.
- Discretionary adjustments may be proposed by executive for the Remco's approval
- A maximum of one third of the 'STI Pool' may be retained for discretionary awards
- Discretionary portion utilised to reward rainmakers / top or out-performers ensuring appropriate alignment / balance versus performance (company and individual)
- The short-term incentive pool size will determine the final amounts paid
- The individual award is calculated in line with the employee level, employee performance and company performance, which is calibrated (readjusted) to the size of the pool
- Short-term incentive awards are paid in June each year depending on Remco approval. The committee may decide to cancel or change the short-term incentive plan from time to time. In addition, Remco holds overriding discretion on incentive payments. These include: zero short-term incentive awards or ex-gratia (goodwill) payments for exceptional individual performance within the context of poor company performance or both.

■ Long-term Incentive Plan

The long-term incentive plan is designed to:

- align performance to company’s long-term objectives
- retain employees
- drive a culture of continuous and sustained growth and improvement

The company’s long-term incentive plan will apply to qualifying employees (reference to the pay mix eligibility qualification of variable pay per grade table), in line with the long-term incentive rules. The long-term incentive plan is approved by Remco and shareholders (where applicable). The remuneration policy and the long-term incentive plan rules should complement each other to ensure compliance, alignment and consistent application v/s plan rules will always apply. The long-term incentive plans include specific company and/or Group performance criteria, allocated in a form of shares to qualifying employees.

AlexForbes long-term incentives aligns to shareholders interests by linking reward to performance outcome over the longer term. The allocation and vesting of shares are based on performance conditions measured underpinned by long-term incentive plans rules. Performance conditions and weightings have been set in line with the long-term incentive plans rules yearly. The table below provide the metric and weighting.

Metric and weighting	Rationale and measurement
<p>Normalised headline earnings per share (HEPS)</p> <p><b>35%</b></p>	<ul style="list-style-type: none"> <li>■ This is the basis on which management manages the company. Normalised results reflect the economic substance of the company’s performance.</li> <li>■ Normalised HEPS growth over time should be the foundation upon which the share price should appreciate and shareholder wealth creation rests.</li> <li>■ Sustainable growth in normalised HEPS is important to achieving long-term performance. Therefore, this measure is based on a 3-year and 4-year capital annual growth rate.</li> </ul>
<p>Normalised return on equity (ROE)</p> <p><b>35%</b></p>	<ul style="list-style-type: none"> <li>■ Measurement incorporates the annual delivery of results against the capital held within the business.</li> <li>■ Normalised ROE is measured over the performance period and is calculated based on the simple average of the reported return on equity over the vesting period.</li> </ul>
<p>Strategic initiatives</p> <p><b>30%</b></p>	<ul style="list-style-type: none"> <li>■ Inclusion of strategic initiatives gives the board a further tool to drive specific objectives which contribute to long-term sustainability.</li> <li>■ The initiatives will be clearly defined and measurable, scored by the board every year.</li> </ul>

Performance measures and the reasons for selecting them are fully disclosed in the annual report. They will be linked to factors enhancing shareholder value and require strong levels of overall corporate performance. Awarding long-term incentives will be on a sliding scale to avoid an ‘all or nothing’ profile. Full awards require significant value creation. The Remco may determine different performance conditions for different years’ allocations, although they will strive to keep the above conditions constant for a number of allocations.

In approving performance measures, the Remco shall give preference to measures that support positive outcomes across the economic, social, and environmental context in which the company operates; and/or all the capitals that the company uses or affects.

The company wishes to encourage group executive members to hold shares in the company, reinforcing the alignment between executive and shareholder interests. A further condition to exercise vested awards, group executives should meet the minimum shareholder requirement conditions set out in the MSR policy. This condition requires that executives build up and hold a specified number of shares (the target minimum shareholding) over predetermined holding periods, after which there is an expectation that executives, depending on the minimum shareholder requirement (MSR), will continue to maintain their shareholding in good faith while in the employment of the company or such period as determined by Remco from time to time.

In line with corporate governance standards and the alignment of the interests of all employees with those of stakeholders holistically, the long-term incentive plan rules provide for the recovery or clawback of vested shares, if incentive pay is made and a trigger event (malus) occurs. The recovery policy provides for the right to reduce incentive remuneration awards or payments in whole or in part (including to nil) after the occurrence of malus or to claw back incentive pay because of the malus. Remco may seek:

- repayment of the value of any payment,
- forfeiture of the award or shares,
- or both.

#### ■ Employee Share Ownership Plan

An employee share ownership plan (ESOP) was established in June 2015 for the benefit of all permanent South African employees on Levels 1 to 3 (reference to the pay mix eligibility qualification of variable pay per grade table), who do not participate in the long-term incentive plan. There is a significant weighting to all qualifying black female employees. As a result, 70% of the beneficial interest of the ESOP Trust is held by black women, with the balance held by all remaining permanent employees:

- Shareholders approved the implementation of the employee share ownership plan and the issue of 39 070 700 AlexForbes Holdings ordinary shares to the ESOP Trust.
- In terms of the trust deed, three employee representatives were elected to the ESOP Trust.
- Trustees implement the allocation of dividends to permanent employees (excluding long-term incentive plan participants).
- 30% of the dividends will be allocated to employees permanently employed by AlexForbes group businesses in South Africa (excluding long-term incentive plan participants).

### **4.7 Other Rewards**

AlexForbes will not allow merit increases apart from the yearly remuneration increase process without a good motivation and following the appropriate approval process. The following are some circumstances where special increase approval will be granted:

- Promotions
- Actuarial increases and bonuses
- Sign-on bonuses
- Retention bonuses.

Practices may in future be introduced for other occupational groupings where deemed appropriate and market related. Any other payments apart from the yearly reward cycle and the instances stipulated will not be allowed.

#### ■ Promotions

A promotion is defined as an employee advancing to a role that has a higher level of work and often increased and higher-level job responsibilities. In some instances, a promotion results in an employee

taking on responsibility for managing or overseeing the work of other employees. Decision-making authority tends to increase with a promotion as well. Promotions generally result in a pay increase at the time of promotion. The percentage increase should be appropriately aligned to the role and proficiency level of the individual. Depending on the employee's current total guaranteed pay, the pay scale minimum can also be used as a reference point to justify a higher increase. Consult the divisional HR head when determining the pay of employees who are promoted.

Pay adjustments may be required when an employee takes on significantly more responsibility, which is considered when more than 50% of the employee's job content changes to reflect additional responsibility. The same principles apply to a promotion or a new appointment.

- Actuarial increases and bonuses

These are governed by the actuarial study policy as updated from time to time. Increases to total guaranteed pay will be awarded for passing exams. However, the performance of the student will also be considered, and such awards are therefore paid at the discretion of the company. Bonuses are also awarded on passing exams. The increases and bonuses will be reviewed from time to time to make sure they remain market related and will not necessarily be adjusted for inflation.

- Sign-on bonuses

To attract key talent, it is sometimes necessary to compensate for the loss of unvested awards or unpaid but earned short-term incentives from a previous employer. This would normally be through the allocation of appropriate long-term incentive plan awards, depending on vesting generally aligned to the previous employer period or on other conditions as specifically agreed. In certain situations, cash buy-out awards may be made on joining, requiring repayment if the employee leaves the group within a certain period.

The divisional heads of the respective businesses, together with the group chief human capital officer, should sign off all sign-on bonuses and the group chief executive officer should approve them. Any executive and heads of control function offers must, in accordance with the delegation of authority, be approved by Remco. FAIS key individuals and representatives may not receive sign-on bonuses in terms of regulations.

- Retention bonuses

Retention agreements are only entered into in exceptional circumstances. Retention payments must be repaid in full should the employee leave within the contractually agreed period. The divisional heads of the respective businesses, together with the group chief human capital officer, should sign all retention bonuses, restraint of trade, or both and the group chief executive officer should approve them. Retention payments are approved in accordance with the delegation of authority and will only take effect when an appropriate agreement detailing all the conditions have been signed.

In time the Group will develop and implement a standalone Retention Policy. Such policy will cover topics such as the scope of application (retention awards are typically used below executive level given the existence of the LTIP scheme); the nature of the plan (cash or shares); the basis of the awards; the lock-in period and the terms relating to termination of employment before the end of the retention period.

## 4.8 Temporary employees

AlexForbes may need to use the services of fixed-term contractors to assist with the increased volumes of work, back logs, and projects. The Labour Relations Act places significant restrictions on the use of 'non-standard' employees, including fixed-term and part-time contracts:

Employees are deemed to be permanent after three months; they may be considered to be 'temps' if they are dealing with increases in the volume of work or projects; however, this period must not exceed 12 months.

When a temporary position is requested, proof that the position is temporary will need to be submitted. The proof will need to include the duration of the contract and a statement that the contract will not be rolled over.

## 4.9 Termination of Service

AlexForbes policy doesn't provide for balloon payments on termination of service, as they generally don't meet the requirements of a balanced and fair remuneration policy. As AlexForbes bonuses have a contractual link between variable pay and performance, in the event of early termination employees will not be automatically entitled to bonuses or share-based payments.

AlexForbes employment contracts make it clear that if an employee is dismissed because of a disciplinary procedure, a shorter notice period than that given in the contract would apply without entitlement for compensation for the shorter notice period. Where individuals leave voluntarily before the end of the service period, or are dismissed for good cause, any unvested long-term incentive awards will lapse.

Employment contracts and incentive-scheme rules shall not be worded to automatically sever employment contracts with Executives because of a change in control. The contracts and schemes should also not allow for the early vesting of long-term incentives or entitle Executives to automatic incentive payments when there is a change in control.

## 4.10 Communication

AlexForbes endeavours to communicate with all employees about the reward programme design and of ongoing changes made from time to time, with clear statements of what reward is designed to achieve. The behaviour of employees is influenced by their level of understanding and by their perceptions of the reward and benefits system. Inadequate knowledge or incorrect perceptions can impact negatively on the effectiveness of the reward programmes and can lead to costly and unnecessary skills loss and unjustified demands.

AlexForbes communication plans should outline the way in which the rewards will be promoted internally and externally: target audiences, channels used, frequency of communication, how coverage in the various channels will be achieved and the underlying message to be conveyed. We believe reward to be a management instrument with which to change, establish and reinforce the outputs and behaviours of employees to achieve strategic business objectives and results. The key is not reward itself; it is viewing pay and other forms of reward as the language of the business: it is using reward in

all forms to communicate what is important in business performance. The more visibly this is demonstrated, the more effective the communication.

## 5. Disclosure

AlexForbes gives full disclosure of each individual executive (prescribed officer) and non-executive directors' pay as required in accordance with the Companies Act 71 of 2008 requirements. The AlexForbes Annual Remuneration Report and related implementation report, included in the integrated report, explains the pay policies with a special focus on executive management, and the strategic objectives that it seeks to achieve, and provides clear disclosure of the implementation of those policies.

The remuneration report includes:

- A background statement
- remuneration philosophy, strategy and an overview of the main provisions of the policy
- key remuneration decisions taken during the period under review
- overview of remuneration
- prescribed officer's special contract conditions and policies
- payments made to executive directors and other specified individuals
- payments made to non-executive directors for their services as directors
- prescribed officer and director shareholding
- share plan funding and dilution

All employees must be able to access the remuneration policy, to allow them to know in advance the criteria that will be used to determine their pay. Any information that is regarded as market competitive will not be included in this policy or in the integrated report disclosure. The remuneration policy shall be made available on the AlexForbes website and/or the intranet.

## 6. Non-executive directors (NEDs) Fees

Non-executive directors' fees are informed by the following:

- The company's market capitalisation and sector
- The level of complexity and responsibility, especially in relation to regulated companies
- The time commitment (both for meetings and continuously)
- Levels of individual competence do not influence individual pay, other than certain committees that may require a different level of competence.
- Residency does not influence pay, although the company would cover travel and accommodation in addition to the normal fees payable.
- The chairperson's fee is based on an all-inclusive fee, considering the number of applicable boards and regardless of board committee attendance (which the chairperson is expected to attend as far as possible as a standing invitee).
- The lead independent director does not receive a special fee.
- Non-executive directors do not qualify for performance-based shares or for participation in any performance bonus schemes.
- The company uses external consultants as approved by the Remco from time to time for employee and non-executive director remuneration benchmarking. All elements of remuneration and benefits should be benchmarked. An appropriate peer group for benchmarking should be selected from comparable organisations, with reference to variables such as but not limited to organisation size, complexity, geographical location, business life cycle, revenue, profits, market capitalisation, geographical footprint, business model and number of employees. Comparator organisations should be recommended by the Executive for consideration by the Remco. The company targets



non-executive director pay at the median (50th percentile), although certain instances may warrant the upper quartile (75th percentile).

## 7. Policy Disclosure

This remuneration policy is based on best-practice and good governance principles. AlexForbes strives to comply with the remuneration guidelines of King IV and any remuneration-related guidance provided by legislative and regulatory outlined in Annexure A and B regimes in all jurisdictions in which it operates.

## 8. Roles, Responsibilities and Accountabilities

The Remco has full discretion in determining appropriate remuneration policies and practices for the company, including yearly pay increases, performance bonuses and share incentives for the company.

The proceedings and the mandate of Remco are governed by the terms of reference approved by the board and read with the specific mandates as contained in the delegation of authority and this policy. The following outline may be used for defining roles and responsibilities related to the execution of this policy. Note that not all role players may be applicable to this policy, and the list may be amended as necessary.

Structure / function	Role	Interest, duties & responsibilities
<b>Board of Directors</b>	Approval	The remuneration committee comprises non-executive and independent non- executive directors.
	Oversight	Its mandate is detailed in its terms of reference and it is specifically mandated to approve this policy.
	Governance	
<b>Executive committee (Group Exco)</b>	Enforcement	The executive committee is responsible for the operational implementation and compliance with this policy.
	Governance	The executive committees delegate responsibility for operational implementation to the human capital department's operational management.
	Operations	
<b>Compliance</b>	Notification	The compliance office is responsible for policy storage, version control, and policy passport publication.
<b>Group Human Capital and Transformation</b>	Governance	Group human capital is accountable to implement this policy and ensure compliance with the policy.
	Operations	Deviation is reported to the executive committee and, if required, to the Remco.
	Monitoring	
	Reporting	

## 9. Glossary of Abbreviations and Definitions

This section includes definitions for all terms used within this policy, including acronyms where applicable.

Use the following outline and be sure that all terms appear in alphabetical order.

Term	Acronym	Definition
<b>External Equity</b>		External equity exists when an organisation's total rewards are relatively equitable to the targeted average ranges in the National or Financial market.
<b>Internal Equity</b>		Internal equity exists when employees at an organisation are being rewarded fairly according to the relative value of their jobs. Internal equity can be examined at two levels – horizontally (between departments) and vertically (within one department).
<b>Job Evaluation</b>	JE	The systematic and objective process of determining the relative worth of a job in the organisation using a structured process and system. The result of this process would be positioning relative to level of work.
<b>Total Guaranteed Package</b>	TGP	<p>The total annual guaranteed cost to a company of employing an individual. The cost includes the total annual salary (basic salary), plus non-cash fringe benefits and fixed allowances. Typically, these include allowances, vehicle benefit, company pension or provident fund and medical aid contributions, company assistance or subsidies and any other recreational or other benefits. In summary, the term can be defined as follows:</p> $\begin{aligned} &\text{Basic salary/ Base Pay} + \text{fixed allowances} + \text{benefits} + \\ &\text{employer contributions to employee benefits (medical aid,} \\ &\quad \text{retirement, or group life)} \\ &= \\ &\quad \text{total guaranteed package} \end{aligned}$
<b>Remuneration</b>	pay or payment	The financial award an individual may receive for their performance and contributing to the achievement of the objectives of the organisation, including section 30(6) of the Companies Act of 2008 relating to directors' remuneration.
<b>Pay Percentiles</b>	Lower quartile or 25th percentile	three-quarters of companies pay more and a quarter pay less.
	Median or 50th percentile	The 50th percentile is the exact middle (or median) of the market. Half of companies pay more and half pay less.
	Upper quartile or 75th percentile	A quarter of companies pay more and three-quarters pay less. Note that this doesn't mean that employees are being paid 75% of the market.
<b>Variable pay</b>		Performance-related payment for individual, team or divisional performance that is not guaranteed. Variable pay comprises short-term and long-term incentives.

Term	Acronym	Definition
<b>Short-term incentives</b>	STIs	An annual bonus or incentive tied to individual and overall company performance. Short-term incentives refer to incentives that apply for up to one year. This forms part of variable pay linked to performance.
<b>Long-term incentive plan</b>	LTIP	The financial award an individual may receive for their performance and contributing to the achievement of the objectives of the organisation, including section 30(6) of the Companies Act of 2008 relating to directors' remuneration.
<b>Remuneration</b>	pay or payment	The financial award an individual may receive for their performance and contributing to the achievement of the objectives of the organisation, including section 30(6) of the Companies Act of 2008 relating to directors' remuneration.
<b>Total Pay</b>		The sum of total guaranteed package (TGP) and variable pay.
<b>Total reward</b>	reward	This includes total pay, together with all other forms of recognition and appreciation offered to the individual. It can have both cash and non-cash rewards.

## 10. Administration and Approval of this Policy

<b>Policy name</b>	Remuneration Policy
<b>Policy owner</b>	Chief Human Capital and Transformation Officer
<b>Effective date</b>	August 2022
<b>Last approved date</b>	June 2021
<b>Approval</b>	Remuneration Committee (Remco)
<b>Version</b>	4
<b>Last review date</b>	June 2021
<b>Next review date</b>	June 2022
<b>Distribution list</b>	ALL Staff or ALL Staff excluding Emerging Markets or Specific Staff / Cluster / Manco and Exco
<b>Process required for implementation</b>	Acknowledgement only
	Basic understanding test
	Detailed understanding test
	Training required

Process for Policy updates (will be left blank if first version)

Version	Date	Revision author	Summary of changes
1.0	2015 - 03		
2.0	2015 - 11		
3.0	2019 – 08		
4.0	2021 - 07	Human Capital and Transformation	
5.0	2022 - 08	Human Capital and Transformation	

## Annexure A: legislative framework

This section should state the laws, regulations and best practice guidance that were considered in developing the policy. If possible, these should be listed in order of priority and importance.

No.	Name of legislation, regulation, framework or guideline
1	Basic Conditions of Employment Act
2	Labour Relations Act
3	Companies Act
4	Financial Advisory and Intermediary Services Act
5	Insurance Act
6	Employment Equity Amendment Act 47 of 2013

## Annexure B: Reference Documentation

If this policy is related to any other important governance documentation it should be referenced here, so that changes to this policy can consider changes which may be required in other policies, procedures, standards or guidelines.

The following relationships are identified:

- **Governed by:** Any over-arching policies with which this policy must comply.
- **Referenced:** Any policy or governance documentation which has been used or referenced in the creation of this policy. Updates or changes to any of these policies may impact this policy.
- **Linked to:** Any other governance documentation which may be affected should this policy be changed or updated.

Policy name	Relationship
Delegation of Authority (Authority Matrix)	Governed by
Job Evaluation Policy	Referenced
Long-Term Incentive Plan Rules (2015 & 2022)	Linked to
Malus and Clawback	Referenced
Recovery Policy	Referenced
Minimum Shareholder Requirement Policy	Referenced
Employee Share Ownership Plan Trust Deeds	Referenced
Actuarial Increase and Bonus Policy	Linked to
Promotion Policy	Linked to
Overtime Policy	Referenced
Risk Management Policy	Linked to
Prudential Standards GOI3 Regime	Linked to
Policy on policies	Linked to