



**AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED**  
**("AEEI")**

**REMUNERATION POLICY**

## **ROLE OF THE REMUNERATION COMMITTEE**

The remuneration committee is constituted as statutory committee of the AEEI Board in respect of its statutory duties in terms of the Companies Act and King IV and accountable to both the Board and shareholders. It is a committee of the Board in respect of all other duties the Board assigns to it and has been delegated powers to perform its functions in accordance with all regulatory requirements including the Companies Act and King IV.

The main aim of the committee is to assist the Board in fulfilling its responsibilities in establishing formal and transparent policies and guiding principles of a standardised approach in the application of remuneration practices within all the business units and functions.

The remuneration committee's main purpose is to implement the guiding principles in the application of remuneration governance, practices and policies and to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term.

### **1. REMUNERATION**

#### **1.1 Purpose**

The purpose of this remuneration policy is to:

- 1.1.1 Implement the guiding principles of a standardized approach in the application of remuneration governance, practices and policies within all AEEI business units and functions.
- 1.1.2 Ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of the strategic objectives and positive outcomes in the short, medium and long term.

The remuneration policy needs to be seen within the context of Total Rewards which embraces all elements of the Employee Value Proposition for the Group, including; career & growth opportunities; recognition; culture & values; compensation; benefits and work environment.

#### **1.2 Scope**

The policy aims to provide competitive market-aligned remuneration balanced with the need for cost containment. The policy needs to be seen within the context of total rewards, which embraces all elements of employee value proposition for the Group including career and growth opportunities, recognition, culture and values, compensation, benefits and the work environment. Total reward is differentiated between the various categories of employees, structured to meet their specific needs, in our South African businesses.

### 1.3 Objectives

The main objective of the remuneration policy is to ensure that the Group remunerates fairly, responsibly and transparently so as to promote the achievement Group's strategic objectives in the short, medium and long-term. The remuneration policy aims to implement the guiding principles of a standardised approach in the application of remuneration practices within all the business units and functions of the Group through sustainable, high performance based on the organisational culture and aligning it with the Group's approach to risk management.

### 1.4 Links to other policies

This document should be read together with all HR policies, but specifically the following:

- Employment
- Employment Equity and Transformation
- Payroll
- Leave
- Medical Aid & Fund Benefits
- Performance Management
- Skills Development
- Study Assistance
- Termination
- Employee Wellness

### 1.5 Definitions

Total Rewards	The monetary and non-monetary return provided to employees in exchange for their time, talents, efforts and results.
EVP	Employee value proposition; a set of attributes that the labour market and employee perceive as the value they gain through employment.
Strategy	AEEl's strategy as communicated.

Career Grid	A structured model, with jobs/roles positioned into levels of work and job families.
Levels of Work	Levels of work is based on the work of Elliot Jacques. An extensive body of research conducted over a 50-year period supports the theory of Levels of Work.
Job Family	A Job Family is a cluster of roles that have many aspects in common as far as competencies and outputs are concerned, e.g. Finance.
Culture	The set of beliefs, values and norms that represents the unique character of the organization and provides the context for action in it and by it.
Job Evaluation	A systematic process of defining the relative worth or size of jobs within the organization in order to establish internal relatives and provide the basis for designing an equitable pay and grading structure.
TASK	Tune Assessment of Skills and Knowledge system, predominately wage earners and salaries employees.
Execeval	Executive Evaluation, predominantly Executive, general managers and senior functional managers.
Wage Earners	Employees who fall within the bargaining units in the group and who are generally in Task Grades 1 to 6 within specified jobs whose conditions of service are set through collective bargaining and are governed by various collective agreements.
Salaried Employees	Employees between TASK grades 5 to 17 within specified jobs, whose conditions of service are set through Executive management and are governed by various human resources policies.
Executives, General Managers and Senior Functional Managers	Employees whose conditions of service are set through the Board's Remuneration Committee and are governed by various human resources policies.
Non-executive Directors	Members whose conditions of service are set through the Board's Remuneration Committee and are governed by relevant board resolutions and corporate governance codes.
Critical Work Force	

Segment	Skills set that is both scarce and leverages exponential value for the company.
Total Package	Guaranteed remuneration plus associated benefits.
Total Cost to Company	Total package plus the cost of incentives
STI	Short term incentive, a plan or arrangement for which the period of performance evaluation is one year and is paid out only once the performance objectives have been achieved.
LTI	Long term incentive, incentive managed over more than one year, typically share options.
Financial year	Financial year is from 1 September to 31 August each year.
Benefits	Programmes used to supplement cash remuneration.

## 2. REMUNERATION GOVERNANCE

- 2.1 The board is responsible for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis and has delegated this to Remuneration Committee.
- 2.2 The board shall approve a policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration.
- 2.3 The Remuneration Committee plays a pivotal role in governing the remuneration policy and procedure.
- 2.4 The Remuneration Committee shall oversee that the implementation and execution of the remuneration policy achieving the objectives of the policy and report to the board.
- 2.5 This remuneration policy is designed to achieve the following strategic objectives:
  - 2.5.1. Support the attainment of AEEI's strategic business objectives and strategies;
  - 2.5.2. To attract, retain and motivate key and talented individuals;

- 2.5.3. Compete in the market place to be an employer of choice;
  - 2.5.4. Reward individual, team and business performance and encourage superior performance;
  - 2.5.5. Support the key values of AEEI;
  - 2.5.6. To promote the achievement of the Group's strategic objectives within the organisations risk appetite;
  - 2.5.7. To promote positive outcomes; and
  - 2.5.8. To promote an ethical culture and responsible corporate citizenship.
- 2.6 This remuneration policy addresses the organisations remuneration and include provision for the following:
- 2.6.1. Arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation.
  - 2.6.2. The use of performance measures that support positive outcomes across the economic, social and environmental context in which the organisation operates, and all the capitals that the organisation uses or affects.
  - 2.6.3. The voting by shareholders on the remuneration policy and implementation report.
- 2.7 Key components of remuneration are contracted with salaried employees in employment offers, appointment letters and serve agreements.
- 2.8 Remuneration conditions on the termination of employees services, including severance pay are governed primarily by policy.
- 2.9 The role of the Remuneration Committee in the context of this policy and procedure is to ensure that all elements of remuneration that are offered in the organisation and the mix of these are set out below:
- 2.9.1. Base salary, including financial and non-financial benefits.
  - 2.9.2. Variable remuneration, including short and long-term incentives and deferrals.
  - 2.9.3. Payments on termination of employment of office.
  - 2.9.4. Sign-on, retention and restraint payments.
  - 2.9.5. Any commissions and allowances.

- 2.9.6. Determine the remuneration packages for non-executive directors and executive management (including executive directors);
- 2.9.7. Make recommendations in respect of mandates for adjustments to Company salary and wage bills within agreed frame of reference;
- 2.9.8. Ensure that all remuneration packages are fair and responsible;
- 2.9.9. Ensure that directors remuneration is accurately, completely and transparently reported;
- 2.9.10. Enable the Company to attract, engage and retain talent to drive performance and to meet the strategic objectives of the company.

### 3. **CAREER & GROWTH OPPORTUNITIES AND RECOGNITION POLICY**

- 3.1 Career opportunities in the Company are modeled in a career grid focusing on executive, general manager, senior manager and salaried employee category jobs; however, it is relevant to all categories of employees including wage earners.
- 3.2 The career grid is supported with a complete set of career documents per job including a detailed job profile, performance contract, development plan and career discussion questionnaire.
- 3.3 Career opportunities are triggered by vacancies and awareness of vacancies in the Company is driven by its centralized recruitment process.
- 3.4 The Company makes provision for the employee to submit and manage his/her curriculum vitae, alert the employee of a vacancy which occurs in his/her family of interest and to apply for the vacancy.
- 3.5 During the bi-annual performance review conversation, opportunity also exists to openly explore career aspirations.
- 3.6 Development requirements for jobs are also part of the career documents, performance management process and are agreed in a structured development plan.
- 3.7 Commitment to opportunities and resources are contracted subject to the Company's human resources planning, employees' performance and affordability.
- 3.8 Formal recognition of employee's performance should be integral to the performance management discussion. However, the Company also recognizes informal recognition programmes implemented in various divisions.

4. **CAREER & GROWTH OPPORTUNITIES AND RECOGNITION PROCEDURE**

- 4.1 The Company's career grid and training manual is available from the Human Resources Department.
- 4.2 Career documentation, job profile, performance contract, development plan and career conversation is available from the Human Resources Department.

5. **CULTURE & VALUES POLICY**

- 5.1 The total reward strategy seeks to create values alignment optimizing the attraction and retention of skilled people in order to maintain the Company's competitive advantage and achieve sustainable performance. When the values of individuals are aligned with the values of the Company and there is shared meaning, the Company is more successful at achieving its strategy.
- 5.2 Alignment of values starts in the recruitment process where assessment instruments enable the selection of employees with the desired value set.
- 5.3 Values are reinforced in orientation programmes where employees are inducted into the AEEI way of doing business.
- 5.4 The alignment is further strengthened in the career documentation, specifically the structured development plan, where individual and Company value alignment is discussed, identified and development actions contracted where gaps exist.
- 5.5 Central to Company values being regarded as reward for employees, are the leadership behaviours experienced by employees and leadership development.
- 5.6 A 360 Values Assessment is conducted annually for all leaders to identify development needs as input into development plans.

6. **CULTURE & VALUES PROCEDURE**

- 6.1 Recruitment, orientation programmes and career development activities; reinforcing values driven behaviour are conducted periodically by divisions.
- 6.2 The Human Resources Manager administers the 360' Vales Assessment annually.

7. **COMPENSATION**

- 7.1 Guiding Principles



- 7.1.1 Differentiated total reward; distinguishing six categories of people wage earners, salaried employees, executive, general managers, senior managers and non-executive directors.
- 7.1.2 Transparent communication of reward in general, while confidentiality of individuals personal reward information is respected.
- 7.1.3 No unfair pay discrimination based on race and gender.
- 7.1.4 Affordability.
- 7.1.5 Conservative approach towards employee taxation.
- 7.1.6 Compliance to relevant Acts.

## 7.2 **Job Evaluation Policy**

- 7.2.1 The company uses an internally developed evaluation system.

## 7.3 **Job Evaluation Procedure**

- 7.3.1 Job evaluation is triggered in line with the Hay System.
- 7.3.2 Job evaluation panel meets on request by business to evaluate jobs.
- 7.3.3 Job evaluation panel results are moderated by a committee for alignment of jobs across the Group.
- 7.3.4 The Company's job evaluation process and standard job title list must be audited annual by an externally appointed third party.

## 7.4 **Compensation Benchmarking Policy**

- 7.4.1 The Company benchmarks total packages against market value in job family segments.
- 7.4.2 In order to establish market values the Company conducts and participates in South African salary surveys. In the light of these surveys a reference salary is determined by job family, by level, nationally across all industries.
- 7.4.3 Different types of jobs on the same level will not necessarily carry the same reference salary. Each level may cover a number of reference salaries. The reference salary is at the 50<sup>th</sup> percentile.
- 7.4.4 Although the average of all salaries in any salary scale should tend to move towards the reference salary, actual salaries cover a range above and below the reference salary. An employee's positioning with the applicable salary range

will be influenced by a combination of factors such as relevant work experience, competence, performance, internal historical and market influences.

7.4.5 The Company may intentionally compensate employees above the reference salary to attract and retain critical work force segment skills or scarce skills

## 7.5 **Compensation Benchmarking Procedure**

7.5.1 Reference salaries are reviewed as necessary (at least once per year) in order to keep them in line with market changes, which are themselves influenced by changes in the cost of living and other factors.

## 7.6 **Total Package Policy**

7.6.1 This is a “bottom-up” approach as the total package is agreed first. The employee is then allowed to determine how this total package amount is to be distributed amongst the various available items.

7.6.2 The individual salaries are reviewed annually taking the following two factors into consideration:

- Current market conditions within the applicable labour market, including market movements and trends on remuneration;
- The performance merit rating the employee received

7.6.3 The Remuneration Committee will annually approve proposed increase percentages. These increase are limited to the approved budgeted for increases, but the actual amount to be rewarded to individuals is determined by the individual business unit/or line manager taking into account the applicable levels of authority and organization matrix responsibilities.

7.6.4 The Company applies a Pay for Performance remuneration strategy for all salaried employees who do not qualify for a sales commission or short term incentive payout. Typically, employees whose performance is below an acceptable standard, or who are on a formal performance improvement plan, will not be eligible for an annual increase until their performance has improved; and employees who exceed performance expectations will receive a premium increase on the average annual increase. The distribution of increases during the annual remuneration period must be motivated by business units and agreed by the Remuneration Committee and ratified by the board.

7.6.5 Executive, general managers, senior managers and middle managers participating in STI's receive a fixed annual increase.

## 7.7 **Total Package Procedure**

- 7.7.1 Proposed annual pay increases are submitted to the Remuneration Committee and the Board for approval and take effect from 1 September each year.
- 7.7.2 Collective agreements determining wage earners remuneration and other conditions of service are negotiated annually as agreed by the Company's various divisions, representative unions and in accordance with the Remuneration Committee approved wage mandates.

**7.8 Short Term Incentives Policy**

- 7.8.1 The objective of the short term incentive scheme is to motivate and reward employees for their collective contribution to the achievement of specific targets which support the main business drivers of their business units and therefore also the achievement of AEEI's objectives annually.
- 7.8.2 Executive, general managers, senior managers and middle managers participating in various business unit management teams, generally from Grade 14 and more senior qualify for STI's.
- 7.8.3 The business drivers and structure of STI's may be adapted annually and are described in the Annexure.
- 7.8.4 It is specifically emphasized that the payment of this incentive is to be made when actual performance levels are met or are better than pre-defined agreed target thresholds. The Company also reserves the right not to pay out any incentive scheme should circumstances within the business unit or the group warrant such a decision.
- 7.8.5 The Executive team determines the target thresholds applicable for each year. These thresholds are determined to ensure continuous improvement from an achievable base. This threshold is expressed in figures(s) that are clearly measurable and are applicable for the total business unit and/or function.
- 7.8.6 The incentive scheme rules must be approved by the Remuneration Committee and the Board. The maximum percentage payments that can be made are included in the approval process and are derived to ensure market competitiveness.
- 7.8.7 An additional incentive, limited to one month's remuneration package is payable to executive management, general managers and senior functional managers based on the formula approved by the Remuneration Committee and if predetermined broad based black economic empowerment goals are achieved.

7.8.8 Performance incentives are also payable to other members of management, based on the achievement of personal goals as well as Group, divisional or unit profit performance.

**7.9 Short Term Incentives Procedure**

7.9.1 STI's are calculated after the Companies audited financial year end results are known and final individual performance discussions have been concluded.

7.9.2 STI's are paid out in December each year to employees in service as at 31 December.

7.9.3 The Remuneration Committee considers and approves the formula and the hurdle rate for the STI's annually.

**8. BENEFITS POLICY**

8.1 The value of all benefits (including Company contributions) form part of the Total Package and include medical aid, provident/retirement funds and insurance.

8.2 Contributions are usually made according to compulsory statutory requirements and/or the applicable benefit fund rules.

8.3 Additional elements of reward such as annual leave, maternity leave, study leave etc are also considered under this aspect of remuneration and dealt with separately by the respective human resources policies.

8.4 A number of vendors as part of their marketing strategies leverage the size and reputation of the Group in offering our employees discounted benefits or preferential rates for goods and services. These beneficial partnerships impact positively on the Company's employee retention initiatives.

**9. BENEFITS PROCEDURE**

Refer to the respective Human Resources procedures guiding the various available benefits.

**10. WORK ENVIRONMENT POLICY**

10.1 This reward element is beneficial for the Company and employee. The manufacturing operations of the Company's divisions have various safety programmes ensuring best practice safety at all levels.

10.2 The Company's diverse geographical foot print offers mobility to a diverse set of employees from all parts of the country on their career journey.

- 10.3 These are opportunities for flexible work arrangements where flexi-hours and work from home schemes may be mutually agreed between the employer and the employee. The conditions and work processes of the various production plants and work places will largely dictate employees working hours.

## **11. WORK ENVIRONMENT PROCEDURE**

Refer to the respective divisional procedures guiding the various working environment conditions.

## **12. NON-EXECUTIVE DIRECTORS**

12.1 The remuneration of non-executive directors is reviewed annually by the AEEI's Executive Committee and thereafter the Remuneration Committee determines the fees paid to Non-Executive Directors.

12.2 Non-Executive Directors remuneration includes an annual retention fee, travel allowance, parking fee and a daily allowance for special & incidental meetings.

12.3 The following factors are taken into consideration in determining these fees:

- South African industry market rates
- Complexity of the organisation
- Size of the Company as determined from the South African national survey
- Responsibilities and accountabilities
- Preparation time required for meetings
- Relevant experience and specialist knowledge

## **13. REMUNERATION REPORT**

The Remuneration Committee via the board shall ensure that remuneration is disclosed by means of a Remuneration Report in the integrated report in three parts:

13.1 A background statement.

13.2 An overview of the main provisions of the remuneration policy

13.3 An implementation report which contains details of all remuneration awarded to individual members of the board and executive management during the reporting period.

## 14. VOTING ON REMUNERATION

- 14.1 In terms of the companies Act, fees for non-executive directors for their services as directors must be submitted for approval by special resolution by shareholders within the two years preceding payment.
- 14.2 The remuneration policy and the implementation report should be tabled every year for separate non-binding advisory votes by shareholders at the AGM.
- 14.3 In the event that either the remuneration policy or implementation report, or both have been voted against by 25% or more of the voting rights exercised, the board and remuneration shall follow:
  - 14.3.1. An engagement process to ascertain the reason for the dissenting votes.
  - 14.3.2. Appropriately address legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.
- 14.4 In the event that either the remuneration policy or the implementation report, or both were voted against by 25% or more of the voting rights exercised, the following should be disclosed in the background statement of the remuneration report succeeding the voting:
  - 14.4.1. With whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
  - 14.4.2. The nature and steps taken to address legitimate and reasonable objections and concerns.

No changes to the compensation and remuneration policies or rules may be introduced before the Remuneration Committee has formally approved them.

This revised Remuneration Policy Document was approved by the Remuneration Committee on 29 August and the Board of Directors on 30 August 2017.