

# REMUNERATION, NOMINATION AND HUMAN RESOURCES REPORT

## Introduction

The Board established the Remuneration, Nomination and Human Resources Committee (“REMCO”) as a delegated committee of the Board to deal with the remuneration and general human resources issues of the organisation. The role of the Committee, having regard to applicable legislation and sound corporate governance, is to provide guidance and support to the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that the employees of the Company are appropriately and equitably compensated for their services to the Company and motivated to perform to the best of their ability in the interests of all stakeholders.

## REMCO Charter

The REMCO comprises three independent non-executive directors. The Chief Executive Officer (CEO) attends meetings by invitation only and does not participate in discussions regarding his own remuneration. Remuneration matters include:

- annual total guaranteed packages
- annual short-term incentive compensation
- long-term incentive compensation
- severance pay
- on-going prerequisites or special benefit items
- equity compensation of the Company’s executives
- retention strategies
- design and application of material compensation programmes
- share ownership policy guidelines.

Remuneration is reviewed at appropriate intervals with a view to aligning remuneration with market benchmarks. The reviewed remuneration

frameworks are then presented to the Board for final approval.

REMCO adheres to the following guiding principles in executing its mandate:

- Foster alignment with the business strategy;
- Manage risk and liability;
- Optimise the investment in people;
- Be fair and equitable and supportive of diverse needs;
- Comply with relevant legislation;
- Consider all stakeholders and particularly shareholders.

## Our Remuneration Philosophy

The remuneration philosophy is set with the intention of ensuring the achievement of the Company’s objectives and the sustainable long-term performance of the Company and to reward directors and senior management at market related benchmarks for value created, contribution and performance.

The directors are appointed to the Board to bring to the Company the skills and experience appropriate to its needs. REMCO aims to align the directors’ remuneration with the shareholders’ interest by ensuring that a significant portion of their package is linked to the achievement of performance targets.

REMCO reviews the remuneration packages of directors annually and which are recommended to the Board for approval.

## Total Guaranteed Package

The Total Guaranteed Package (TGP) is the remuneration which is contractually guaranteed to the employee and is generally paid on a monthly basis. At present the TGP does not include Retirement and Medical benefits and employees are

required to make their own arrangements in this regard.

The TGP salary levels are positioned between the median and upper 75<sup>th</sup> percentile of the benchmarking survey results conducted by an independent external consultant. Executive remuneration is aimed at attracting and retaining employees with the requisite skills to ensure that the company continuously meets its business objectives.

### Variable pay

Variable pay is that remuneration which is not guaranteed to eligible employees and which payment is dependent on the achievement of specific criteria at an individual employee and business level. Variable pay takes the form of a Short-term Incentive Plan (STIP).

### Short-term incentive plan

Short-term incentives form a key part of total remuneration and support and reinforce desired behaviour and delivery at all levels. The short-term incentive is performance based and measured against pre-determined objectives which, depending on the level and focus of the role, are derived from company metrics, which includes the overall financial performance of the company plus individual performance metrics which are set annually. The STIP focuses on the achievement of company metrics as a priority and then the individual metrics. Short-term bonus incentives payable to eligible employees, range between 10% and 45% of the total annual TGP.

Bonuses payable are purely discretionary and are determined annually after reviewing the performance of the Company.

### Long term incentive plan

The Company's long term incentive plan is the Conditional Share Appreciation Rights Scheme (SARS). The objectives of the SARS is to, *inter alia*, drive the longer term strategic and sustainable performance of the Company and to motivate participants to achieve the strategic objectives, thereby aligning shareholder and management interests to create a partnership culture.

Long term incentives are granted annually to employees in executive and senior management roles only and are subject to business performance metrics being met, as well as the approval of REMCO and the Board. Long-term incentive awards will be in the form of performance-vesting restricted stock over a five-year vesting period, with the first tranche of SARS vesting after a two-year period, subject to the vesting criteria being met. The conditional awards of shares will be subject to company performance conditions including total shareholder return and return on investment.

The total allocations under the long term incentive plan (LTIP) scheme over the life of scheme will be limited to a cap of 5% of issued share capital. Awards are subject to malus of unvested shares and clawback of vested shares in the case of a material misstatement of results or any wrong-doing discovered after the fact by the executive or senior manager concerned. Participation in the LTIP is at REMCO and Company discretion.

### Salary increases and salary reviews

As part of the business planning and operational budgeting cycle, annual compensation increases are budgeted for. The budgeted amount takes into consideration the current average consumer price index (CPI) as well as the company's overall market competitiveness and industry trends. Approval for these increases is in line with the business planning and budget cycle. Annual increases take place in March of each year.

### Non-executive director remuneration

The results of the benchmarking review conducted by an independent external remuneration consulting firm indicated that the non-executive directors' remuneration is in line with companies of a similar size and complexity.

Non-executive directors earn a basic fee and do not receive short-term incentives or participate in any long-term incentive schemes.

The remuneration of non-executive directors is reviewed annually and recommended by the Committee for approval by shareholders at the AGM.

## Conclusion

We are happy to report that the Hulisani Board, through its Remuneration Committee has established principles and frameworks to ensure that remuneration is carried out within sound governance principles.



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## CHAIRPERSON OF REMCO

**Ms Dudu Hlatshwayo**

**Non-Executive Director**