REMUNERATION POLICY

Implementation date: 1 September 2019

GROUP HUMAN CAPITAL

ALEXANDERFORBES
Securing your financial well-being

Contents

1 Introduction

Alexander Forbes's employee value proposition includes offering competitive pay and rewards that contribute towards the financial well-being of our employees now and into the future. Our reward philosophy strives to create an environment and culture conducive to performance by enabling growth and development. We are constantly looking for ways to attract talented employees and work actively to nurture our internal talent.

We believe that by offering competitive benefits and a work environment that encourages collaboration and innovation, as well as by engaging frequently with our employees, we will enable our people to reach their full potential and achieve the required results. All payment practices must balance the need for both short-term results and long-term sustainability.

Appropriate pay and reward are powerful instruments influencing and reinforcing performance in achieving our business objectives and values. The effective and appropriate implementation of policies and principles requires employees to understand our approach to total reward, as well as having mechanisms in place to strengthen the connection between performance and reward.

2 Purpose

The purpose of this policy is to create a remuneration philosophy aligned with the Alexander Forbes core values and objectives, driving expected behaviours and outcomes, while balancing competitiveness and affordability.

- The strategic aim of this policy is to:
- attract, motivate, reward and retain talented high-performing people
- encourage high performance to drive the achievement of both short-term results and long-term results, contributing to overall organisational sustainability
- promote a culture that supports enterprise and innovation with appropriate short-term and long-term performance rewards that are fair and achievable
- balance innovation and enterprise with the objective to avoid undue risk-taking
- balance business unit performance and support an integrated, client-centric approach to delivering services and value to clients

3 Scope

This policy applies to all employees of Alexander Forbes Group Holdings Limited.

In determining remuneration awards (as applicable) for operational territories outside South Africa, 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 decisions or principles based on the overall group performance.

4 Definitions

External equity
External equity exists when an organisation's pay rates are equal to the average rates in the organisation's market or sector.

Internal equity
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).

Job evaluation
The systematic and objective process of determining the relative worth of a job in the organisation using a structured process. The result of this process would be accurate level of work.

Long-term incentive plan (LTIP)
A longer-term share allocation opportunity is tied to long-term company performance targets. Long-term incentive targets are set for three years or longer to drive the achievement of long-term objectives, as well as to retain key managers and reduce the risk of unanticipated outcomes from volatility and cyclical factors.

Remuneration (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.

Pay percentages
These scores out of a hundred show the spread of pay in a market:

- **Lower quartile:** 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:** 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.

Short-term incentives (STIs)
A yearly bonus 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.

Total pay
The sum of total guaranteed package and variable pay.

Total reward (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.

Total guaranteed package
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:

Basic salary

+ fixed allowances

+ benefits

+ employer contributions to employee benefits
(medical aid, retirement or group life)

= total guaranteed package

Variable pay
Performance-related payment for individual, team or divisional performance that is not guaranteed. Variable pay comprises short-term and long-term incentives.

5 Core reward principles and governance

Alexander Forbes is committed to the concept of total reward, which recognises that reward is multifaceted and consists 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, apply at particular organisational levels in the business.

The remuneration committee (Remco) as the governing committee of the board on remuneration philosophy ensures that directors, senior management, and employees are paid fairly and responsibly. They also ensure that the remuneration policies set are aligned with the company's overall reward philosophy, supported by a robust performance management practice, which is linked to long-term business objectives and risk management strategy. Remco is required to implement and govern pay structures 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**
  We balance fixed and variable pay, with fixed pay representing a sufficiently high portion of the total payment so that employees do not become overly dependent on variable pay. Exceptions are where the market dictates otherwise or where 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.
- **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
  - 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**
  Alexander Forbes 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 parity**
  Alexander Forbes continuously keeps abreast with market updates to strategically position itself to ensure competitive total reward within the parameters of affordability. Benchmarking is targeted at the market's 50th percentile level. Through incentive pay that is not guaranteed, total reward can be benchmarked at the market upper quartile in certain instances (consistently high performance, scarce skills, critical roles, and so on).

  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 uniform reward system. This means that all employees have access to principally the same benefits, even if it's in different ways, based on:
  - appropriate organisational level divergence and alignment with market trends
  - legislation and practical considerations
- **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.
- **Performance-based reward**
  Strengthening the link between reward and performance (pay for performance) is a core principle.
- **Reward for performance – guaranteed pay**
  An individual's organisational value, as determined by their performance and contribution, is an important factor in determining guaranteed reward. Sustained high performance over a long period should also be reflected in guaranteed reward (the opposite applies to poor performance). This may result in justifiable variances from guaranteed pay at the 50th percentile or median.
- **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 recognising 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. The short-term and long-term incentive plans are used for this purpose.

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**
  Alexander Forbes 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.

6 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:

total guaranteed package + variable pay = total pay

short-term incentives + long-term incentive plan = variable pay

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. It is the total guaranteed pay that will be set at the market median (50^{th} percentile in most instances) and not necessarily each of the parts.

Alexander Forbes will adopt, where appropriate, suitable levels of variable pay and the total reward pay mix may vary by 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.

Who qualifies for the following rewards as shown by the ticks for each level?

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

7 Total guaranteed package

This value is used for developing pay ranges and for benchmarking salaries. 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
- travel allowance (only if the employee qualifies in terms of income tax legislation)

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

Alexander Forbes 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:

- projected inflation
- internal equity
- external market
- 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

7.1 Job evaluation

It's recognised that properly determined and applied level of work is essential to properly manage remuneration within Alexander Forbes. The Alexander Forbes 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 Alexander Forbes
- conducting the job evaluation process by trained internal job evaluation committee members

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

7.2 Pay scale design

Alexander Forbes'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 pay rates are equal to the average rates in the organisation's market or sector. 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 Alexander Forbes'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. The range will consist of a minimum, midpoint and maximum (with the midpoint positioned at the 50th percentile of the market).

7.3 Pay scale position guideline

Only in exceptional circumstances should employees fall outside the scales. Movement within the scales is based on competency assessments and sustained performance management scores.

Above midpoint	The employee exceeds the job requirements. Experience and track record exceed the requirements set. Tangible evidence of outperformance.
Midpoint	The employee fully meets the job requirements.
Between minimum and midpoint	The employee meets threshold job requirements but requires further development. Some experience or exposure to the role. Further training and experience required to become fully competent.
Minimum	The employee is below the job requirements (for example a trainee). Little or no experience, requires full training and development. New to the role.

8 Variable rewards

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

8.1 Short-term incentive plan

To support the Alexander Forbes pay-for-performance reward approach, variable pay from the short-term incentive plan is linked to the performance management system outputs. The Alexander Forbes performance management system aligns individual performance to the organisational strategy. Alexander Forbes's short-term incentive plan rewards performance for meeting short-term organisational targets. The guiding principles are as follows:

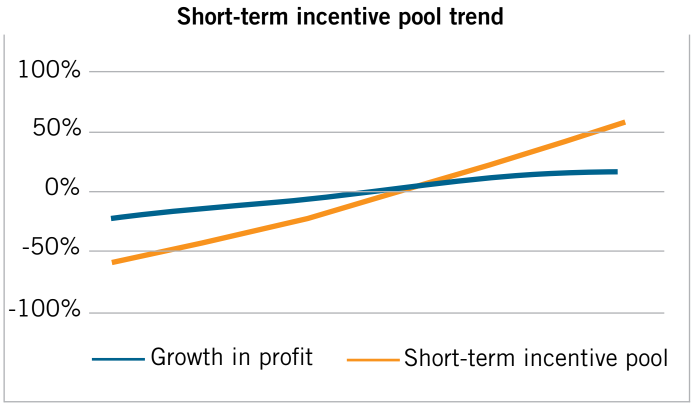
- Performance management and rewards are linked directly.
- Objectives and measures are derived from the overall yearly strategic objectives for the company and its risk appetite, but always within the context of long-term value creation and sustainability. These will be cascaded down to determine relevant objectives and targets at all levels.
- The incentive programme allows participants to have a clear understanding of value-added payment opportunities and 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 (cumulative performance rating).
- Individual performance evaluation is based on outcomes, job competencies and company values.
- 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
Group executive	80%	20%
6	70%	30%
5	60%	40%
4	50%	50%
3	40%	60%
2	30%	70%
1	20%	80%

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

Weighting × **Company score** + **Weighting** × **Individual rating**

- To qualify for a short-term incentive award, both an individual performance score of 2.5 **and** a threshold cumulative rating of 2.5 (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 (high performance, key individuals, scarce skills, employment equity, leadership succession).
- Bonuses may be deferred for senior managers and any other identified roles. Deferral percentages will change and will be determined depending on the company's needs. From time to time Remco may approve deferral or clawback 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:



- A percentage of the pool may be reserved for discretionary allocations based on Remco's approval.
- 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
- Remco may reserve a percentage of the short-term incentive pool for discretionary allocations.

8.2 Long-term incentive plan

The long-term incentive plan is designed to:

- align performance with achieving the company's long-term objectives
- help retain employees
- drive a culture of continuous and sustained growth and improvement

The Alexander Forbes long-term incentive plan will apply to qualifying employees – there is no automatic right to participation. The long-term incentive plan will be governed by rules approved by Remco and shareholders (where applicable). If there any conflicts between this policy and the long-term incentive plan rules, the long-term incentive plan rules will always apply.

Alexander Forbes long-term incentives will align executives' interests with those of shareholders and will link reward to performance over the longer term. Vesting of shares will be based on performance conditions measured over a period appropriate to the strategic objectives of the company. Performance conditions and weightings have been set as follows from the 2020 financial year allocation (different conditions apply for previous years):

Metric and weighting	Rationale and measurement
Normalised headline earnings per share (HEPS) **35%**	■ This is the basis on which management manages the company. Normalised results reflect the economic substance of the company's performance. ■ Normalised HEPS growth over time should be the foundation upon which the share price should appreciate and shareholder wealth creation rests. ■ 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.
Normalised return on equity (ROE) **35%**	■ Measurement incorporates the annual delivery of results against the capital held within the business. ■ 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.
Strategic initiatives **30%**	■ Inclusion of strategic initiatives gives the board a further tool to drive specific objectives which contribute to long-term sustainability. ■ The initiatives will be clearly defined and measurable, scored by the board every year.

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.

The company wishes to encourage executive members to hold shares in the company, reinforcing the alignment between executive and shareholder interests. A further condition for the vesting of awards to group executives is that the participant must have met the minimum shareholder requirement conditions. 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 to the minimum shareholder requirement, 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

8.3 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, 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 Alexander Forbes 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 Alexander Forbes group businesses in South Africa (excluding long-term incentive plan participants).

9 Other rewards

Alexander Forbes will not allow merit increases apart from the yearly remuneration increase process without a good motivation and following the appropriate approval process.

The following will be the only instances where approval will be granted to review reward apart from the yearly reward cycle:

- Promotions
- Actuarial increases and bonuses
- Counteroffers
- 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.

9.1 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 40% of the employee's job content changes to reflect additional responsibility. The same principles apply to a promotion or a new appointment.

9.2 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.

9.3 Counteroffers

As a general principle, counteroffers to employees may only be made under exceptional circumstances where the employee in question occupies a formally recognised scarce skill or critical category. They may only be made once to any individual. Where counteroffers are unavoidable, the divisional head and the group chief human capital officer must sign them off and the group chief executive officer must give final approval.

9.4 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.

9.5 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.

10 Temporary employees

Alexander Forbes 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.

11 Mandate and authority of the remuneration committee

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.

12 Disclosure

Alexander Forbes 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 Alexander Forbes Annual Remuneration 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:

- remuneration philosophy, strategy and 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.

13 Termination of service

Alexander Forbes 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 Alexander Forbes 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.

Alexander Forbes employment contracts make it clear that if an executive 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.

14 Non-executive directors' fees

Non-executive directors' pay is 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.
- The company uses PwC RemChannel for employee remuneration benchmarking and similarly uses PwC's yearly non-executive directors Practices and Fees Trends report for the benchmarking of non-executive director remuneration. Both overall market and financial sector data are considered during the process, with specific focus on financial sector data.
- The company targets non-executive director pay at the median (50^{th} percentile), although certain instances may warrant the upper quartile (75^{th} percentile).

15 Communication

Alexander Forbes 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.

Alexander Forbes 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.

16 Legislative framework and related policies

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

- *Basic Conditions of Employment Act*
- *Companies Act*
- *Financial Advisory and Intermediary Services Act*
- *Insurance Act*
- *Labour Relations Act*
- Actuarial increase and bonus policy
- Delegation of authority (authority matrix)
- Employee share ownership plan trust deeds
- Job evaluation policy
- Long-term incentive plan rules
- Malus and clawback policy
- Minimum shareholder requirement policy
- Policy on policies
- Promotion policy
- Prudential Standards GOI3 regime
- Risk management policy

17 Policy governance

The table outlines the roles and responsibilities of the stakeholders for this policy's governance:

Responsibility	Structure	Interest and duties
Supervision	Board of directors with delegated responsibility to the remuneration committee	The remuneration committee comprises non-executive and independent non-executive directors. Its mandate is detailed in its terms of reference and it is specifically mandated to approve this policy.
Operational implementation	Group executive committee	The executive committee is responsible for the operational implementation and compliance with this policy. The executive committees delegate responsibility for operational implementation to the human capital department's operational management.
	Group human capital	Group human capital is accountable to implement this policy and ensure compliance with the policy. Deviation is reported to the executive committee and, if required, to the Remco.

18 Policy review and approval

Document version	Reviewed by	Approval by	Approval date
1.0	Group human resources	Remuneration committee	March 2015
2.0	Group human resources	Remuneration committee	November 2015
3.0	Group human capital	Remuneration committee	September 2019

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