Remuneration Policy

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Title	Name	Approval	Date
Chairperson – Remuneration Committee	S Chaba	Minutes – Remuneration Committee	11 September 2019
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ABBREVIATIONS AND TERMINOLOGY

Abbreviation / Terminology	Definition
AGM	Annual general meeting
Alviva or the Group	Alviva Holdings Ltd and its subsidiary companies
Board	Board of directors of Alviva Holdings Ltd
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Committee	Remuneration Committee
Company	Alviva Holdings Ltd
CPI	Consumer Price Index
EPS	Earnings per share
FSP	Forfeitable Share Plan
KPIs	Key performance indicators
LTIPs	Long-term incentive plans
MOI	Memorandum of Incorporation
STI	Annual short-term incentive
TGP	Total guaranteed pay

1. Introduction

The Remuneration Policy has been prepared having regard to the JSE Listings Requirements, the Report on Corporate Governance for South Africa 2016 (King IV™) and the Companies Act of South Africa, No. 71 of 2008.

2. Scope

The Remuneration Policy addresses remuneration on a Group-wide basis and is one of the key components of the human resources strategy and supports Alviva's overall business strategy.

3. Objectives

The Remuneration Policy is aimed at ensuring that the Group:

- appropriately compensates employees for the services they provide;
- provides a flexible and competitive remuneration structure which:
  - is referenced to appropriate benchmarks;
  - reflects market practice;
  - matches individual contribution to Group performance, within the framework of market forces, while protecting shareholders' interest and the Group's financial health;
  - is tailored to promote the achievement of strategic objectives within the Group's risk appetite; and
  - attracts, motivates, rewards and retains appropriately skilled, qualified and experienced directors, executives and employees generally;
- motivates employees to perform in the best interests of the Group and its stakeholders;
- determines remuneration in a way that ensures a level of equity and consistency across the Group;
- promotes an ethical culture and responsible corporate citizenship by ensuring fair and responsible remuneration practices; and
- complies with all relevant legal requirements.

4. Executive directors' conditions of employment and remuneration

CONDITIONS OF EMPLOYMENT

Terms of service

- Alviva complies with relevant legislation when determining minimum terms and conditions for the appointment of executive directors. Unless stated otherwise in the contract of employment, there are no fixed terms of employment although, where appropriate, Alviva does enter into minimum service term agreements of up to four years, particularly with executives of recent business acquisitions. None of Alviva's current executive directors, however, are subject to such agreements.
- Employment ceases on the resignation or dismissal of the director upon notice of two months (other than during the first six months of employment), and the notice period may be waived at the discretion of Alviva.
- Employment contracts do not commit the Company to pay on termination arising from the director's failure.
- Balloon payments on termination are not seen as fair remuneration policy.
- The Committee reviews, at least annually, the terms and conditions of executive directors' service agreements, taking into account information from comparable companies, where relevant.
- All recently contracted employment agreements with executive directors, management and sales staff include a restraint of trade clause to protect Alviva's proprietary interests and to ensure that the business is not prejudiced in any way or form. The restraint of trade undertaking is applicable for a period of 12 months from the date that the employment terminates.
- Executive directors are expected to manage their leave in such a manner that leave is not accumulated. On leaving the Company, any leave not utilised is not paid out.

External appointments

Executive directors are not permitted to hold external directorships or office without the approval of the Board. The Board will only grant approval if such appointments will not create any conflict of interest and provided they will not impinge upon the executive director's ability to maintain the level of performance expected by Alviva from him/her in the execution of his/her duties as an executive. If such approval is granted, directors may retain the fees payable from such appointments.

Any fees paid by any of the subsidiaries in the Group to any of the executive directors for their services as directors to those companies are paid to Alviva and not to the individual concerned.

REMUNERATION

Remuneration of the executives shall consist of a fixed and variable component, as well as the possibility of participation in a LTIP. These components shall create a well-balanced remuneration structure reflecting individual performance and responsibility, both short-term and long-term, as well as incorporating the overall performance of the Group and individual subsidiaries.

As regards executive directors, the Group's objectives are to:

- apply key short- and long-term performance indicators including financial and non-financial measures of performance;
- demonstrate a clear relationship between individual performance and remuneration;
- apply an appropriate balance between fixed and variable remuneration, reflecting the short- and long-term performance objectives appropriate to the Group's circumstances and goals;
- link rewards to the creation of value to shareholders; and
- ensure their total remuneration is competitive by market standards.

Package design and pay mix

The Company's current policy relating to the pay mix for the CEO and the CFO is to achieve a fixed versus variable pay ratio of 40% (fixed), 20% (STI) and 40% (LTIP) over time. The pay mix is in line with Alviva's risk management policies and motivates executive directors to deliver on Alviva's short- and long-term strategic objectives. Due to legacy issues in previously established remuneration packages (such as Executives brought into the Group through acquisitions), this is a target to be achieved over time. The balance of the total remuneration package is weighted towards variable pay, in the form of STIs and LTIPs, however the percentage of fixed salary should be sufficient to ensure that executives are not overly reliant on variable pay.

Components of remuneration

Alviva aims to reward the Group CEO, CFO and other senior executives with a level and mix of remuneration commensurate with their position and accountability.

Remuneration comprises:

- Fixed pay: (basic salary and benefits), also known as TGP;
- Variable pay: STI (cash bonus – determined on a quarterly and annual basis); and
- Variable pay: LTIP (the FSP is now used for this purpose).

The table below summarises at a high level the components of the remuneration, followed by a detailed explanation below.

Element	Component	Details	Link to Company strategy
Fixed pay	**Salary**	➢ Benchmarked against the market annually. ➢ Takes into account performance, seniority and increase levels across the Group.	Appropriate salary levels to attract and retain the appropriate calibre of individual.
	Benefits	Includes medical aid, employer retirement contributions at a selected % and travel allowances for executive directors.	Offering appropriate benefits are essential in attracting and retaining key individuals.
Variable pay	**STI**	➢ Based on a combination of financial and non-financial performance objectives. ➢ Failure to achieve non-financial objectives can affect the portion linked to financial objectives. The bonus formula is based on the agreed bonus amount and, in the case of the CEO and CFO, this is equal to an annual amount of one half of TGP. At least 90% of the target must be met before any payment. Every % above 100% of target attracts a multiple of 10% on the bonus amount up to a maximum of 300% of the targeted STI.	The financial and/or non-financial objectives are as determined from time to time and based on the needs of the business.
	LTIP	Consists of the FSP that was implemented in November 2016.	The performance conditions for the FSP measures performance over a three-year period and links the interest of executives with that of shareholders over the long-term. In addition, through the delivery of real shares, executives become owners in the Company.

Total guaranteed pay

The executives' TGP will be competitive and based on the executive's responsibilities and role, and will be reflective of the Group and individual's historic performance. From time to time, Alviva will conduct benchmarking exercises against suitable comparator groups and benchmarking results will be taken into consideration when determining the increases in executive pay. In so doing, comparisons will be made between the average increase levels for executives to those of middle management and general staff. Alviva remains committed to addressing its internal wage gap by keeping average executive increase levels relatively modest.

Due to the scarcity of resources, the Committee has a sound working knowledge of the pay scales that are available within the market. Consequently, the Committee attempts to ensure that the TGP is aligned with the market for executives in key roles. This assists in ensuring that dissatisfaction with TGP is not the reason for a performing executive to leave the Group.

5. Non-executive directors' terms of service and remuneration

TERMS OF SERVICE

While shareholders appoint non-executive directors at AGMs, interim Board appointments may be made between AGMs, in terms of the MOI, by the Board. Such interim appointees may not serve beyond the next AGM, though they may make themselves available for election by shareholders.

Non-executive directors serve for a period of no more than three consecutive AGMs after the AGM in which they are re-elected by shareholders. They are required to retire at the close of the third AGM, although they may offer themselves for re-election for a further three years at that meeting. Besides this, the MOI specifies that at least one-third (rounded to the nearest integer) of the non-executive directors must offer themselves for election, or re-election as the case may be, and it may be possible that a director is required to offer himself for re-election before the third AGM since his last election in order to comply with this rule. Executive directors are not required to comply with the election process and their position on the Board is governed by their employment agreements.

BASIS OF REMUNERATION

- Each non-executive Board member receives a fixed fee per year. Ordinary Board members receive a fixed amount (the base fee) and additional fees are paid for the additional portfolios of the Chairperson of the Board, of the Audit and Risk Committee, of the Remuneration Committee, and of the Social and Ethics Committee, as well as for the Lead Independent Director and for membership of the various board committees.
- No fees are paid for attendance per meeting as the base fee is an all-inclusive fee with the non-executive directors' appointment agreements stipulating attendance at meetings as a requirement.
- Service on other sub-committees of the Board may entitle members to additional payment, subject to workload and at the discretion of the Board.
- Individual Board members may take on specific ad hoc tasks outside the normal duties assigned by the Board. In such cases, the Board determines a fixed fee for the work.
- Expenses, such as travel and accommodation in relation to normal Board activities as well as any relevant training, are not reimbursed.
- Non-executive directors' fees are calculated exclusive of value added tax.
- There are no short- or long-term incentive schemes for non-executive directors. Exceptions apply only where non-executive directors previously held executive office and qualify for unvested benefits resulting from their employment with Alviva.

- There are no post-retirement benefits for non-executive directors.

Non-executive directors' fees are reviewed annually and determined by the Board, following consultation with the Committee and having regard to fees paid to non-executive directors of similar companies. The fees are benchmarked against the fees paid to non-executive directors of companies operating in the same industry as Alviva. Where considered necessary, the Board may seek external advice on the subject. Shareholders will be requested to consider a special resolution approving the non-executive directors' fee structure and fee amounts at the AGM.

6. Employee remuneration

- Remuneration of general employees may be subject to regulatory requirements, such as bargaining council agreements and collective agreements with trade unions.
- In the absence of the above, remuneration will be based on individual and Company performance as well as market trends.
- Typically, remuneration may comprise elements of fixed remuneration and performance-based at-risk remuneration. The at-risk element of remuneration corresponds with Alviva's risk tolerance.
- Certain employees have an element of their remuneration at-risk. The proportion of an employee's total remuneration that is at-risk increases with seniority and with the individual's ability to impact the performance of the entity in which he/she works.
- An annual performance review process assesses the degree to which each qualifying employee satisfies the requirements of his/her role and the degree to which established performance objectives have been achieved.

7. Setting remuneration and review procedures

The Group's remuneration determination and review procedures are as follows:

- the Group reviews remuneration packages annually at the start of the financial year;
- the Board, with the advice and assistance of the Committee, is responsible for making decisions in respect of the remuneration of directors and, in particular, the Group CEO. In determining the level and composition of the remuneration of the Group CEO and executives, the Committee is able to obtain independent advice on the appropriateness of remuneration packages by considering remuneration trends in other companies comparable in terms of size and market sector; and

- The annual review of remuneration packages for middle management and general employees takes into account performance evaluation results. Based on these results, the Committee is able to recommend changes to the TGP that may include annual increases and changes in the composition of remuneration.

The Committee takes into account various factors when reviewing overall TGP increases, including consideration of CPI, profitability ratios and individual performance against KPIs.

BENEFITS

All employees receive a limited range of prescribed and elective fringe benefits such as healthcare, disability, life insurance and retirement benefits. Members have the option to structure their pensionable income, their monthly contributions to the Provident Fund and the nature of the fund invested in. Membership is compulsory for all new members.

- A minimum of 5% of pensionable remuneration is invested in the Provident Fund for all new employees.
- All employees are required/encouraged to belong to an approved medical aid scheme.

These benefits are funded from the fixed salary component of the package for each employee.

Life and disability benefits, together with funeral insurance, are paid by Alviva as a direct benefit.

Certain employees at a senior level who, due to the nature of their job, are required to travel are afforded travel allowances as part of their fixed salary component.

VARIABLE PAY

SHORT-TERM INCENTIVES

Purpose

The short-term incentive programme consists of a cash bonus that is linked to the achievement of predefined operational targets for each executive.

Participation

The STI is extended to all employees although the participation terms are varied based on the level.

Operation

All employees in the organisation have some form of STI as part of their overall remuneration package. Sales and marketing employees are given targets to achieve and their overall remuneration is therefore affected by their ability to achieve and surpass the targets set.

Employees in the administrative side of the business have an STI that is partly based on the performance of the company in which they work and partly on their individual performance. At an executive level, the STI is calculated as a percentage of TGP which, in the case of the CEO and CFO, is set at 50% of TGP. The targets set are based on achieving the targets set by the Board of Directors.

On achieving the target, the executive will receive his targeted STI. At 90% of the target, the executive will earn 50% of his/her targeted STI and below 90%, no STI will be payable. For every 1% over the target, the executive will receive an additional 10% of the STI up to a maximum of 300% of the targeted STI. The STI is paid on a quarterly and annual basis.

Performance conditions

Typically, KPIs and assessment criteria include:

- meeting of pre-determined growth in income and other financial performance indicators;
- meeting strategic, operational and cash flow objectives;
- meeting transformational targets; and
- assessed personal effort and contribution.

The performance conditions were considered appropriate in the context of Alviva's business model for growing the business profitability and generating these profits in the form of cash. The rationale for non-financial performance bonuses is to reward executives for strategic and sustainability orientated achievements. However, poor performance in non-financial performance measures could override the good performance in terms of financial criteria, i.e. unethical or non-compliant behaviour cannot be compensated for by good financial performance.

Earning potential

The earning potentials for the STI by role are set out below. They are appropriately benchmarked against the market.

Role	On-target STI (as a % of TGP)	Maximum earning potential (as a % of TGP)
Chief Executive Officer	50%	150%
Executive directors	50%	150%

LONG-TERM INCENTIVE

As explained above, the previously used LTIS has been replaced by the FSP. A summary of the main policy features of the FSP is provided below.

Forfeitable Share Plan

Purpose

The FSP is primarily used as an incentive to participants to deliver the Group's business strategy over the long-term. The intent of the FSP is to incentivise, motivate and retain executives and senior management through the award of performance shares.

Participation

Eligible employees include executive directors, prescribed officers and senior management of any employer company within Alviva. Participation in the FSP is not a condition of employment, and the Committee has the absolute discretion to make an award to any employee in terms of the FSP.

Operation

Under the FSP, annual awards of performance shares are awarded to eligible employees. Ad hoc awards of retention shares can be considered, should the Company face serious retention risks. The vesting of the award of performance shares is subject to the satisfaction of performance conditions, in line with the Group's business strategy.

Performance conditions

The performance shares under the FSP will be subject to the following performance conditions:

- Return on Capital Employed;
- Core EPS; and
- Total Shareholders Return.

Performance conditions will not be re-tested.

Company limit and annual affordability test

For the duration of this scheme, the maximum number of shares which may at any one time be allocated under the FSP shall not exceed 9 164 802 shares, which represented approximately 5% of the Company's total issued share capital as at the date of approval of the FSP by shareholders. These limitations are in line with market best practice.

The Committee's intention is to purchase shares in the market for the FSP, although this will be subject to its ability to secure the necessary quantum at prices deemed to be reasonable. It may be that the Company repurchases and cancels shares during the year and then issues shares of a comparable amount at the time of FSP award.

The Committee is aware of the dilution effects of the FSP.As an additional measure of affordability, the annual cost of the FSP awards will be assessed on allocation date. The annual allocations should not exceed 3% - 5% of the Company's prior year's earnings before interest, tax, depreciation and amortisation ("EBITDA") in total.

Individual limit

In addition, the maximum that may be allocated to any one participant is limited to 3 665 920 shares. This equates to approximately 2.6% of the Company's total issued share capital at the date of adoption of the FSP.

8. Minimum Shareholding Requirement

Minimum shareholding requirement

The Company has adopted the Executive Minimum Shareholding Requirement Policy ("MSR Policy") to encourage specified executives to retain vested shares, reinforcing the alignment between executive and shareholder interests. The adoption of such a policy is in line with global and local best practice. The MSR Policy provides that the executive must build-up a target minimum shareholding by a specified measurement date. The details of MSR are set out in the attached MSR Policy.

9. Malus and Clawback

Malus and Clawback policy

Malus and Clawback provisions have been adopted in respect of FSP and STI awards under the Malus and Clawback policy ("Malus and Clawback policy"). These provisions allow the Company to reduce or recoup either LTI or STI awards made in specified circumstances set out in the Malus and Clawback policy. Malus provisions apply before awards have vested or been paid to an employee whilst clawback provisions apply to awards that have already vested or been paid to an employee. Further detail relating to the application of malus and clawback is set out in the Malus and Clawback policy.

10. Disclosure of information

- Unless an applicable law, regulation or JSE Listings Requirements require otherwise, all information about an individual staff member's remuneration will be confidential.
- Disclosure of or discussions about remuneration with staff members, other than between the direct manager and staff member, are strictly forbidden and, where this policy is breached, management may take corrective action.

INTEGRATED REPORT

Summary of remuneration policy

The overview of the main provisions of the remuneration policy should address the objectives of the policy and the manner in which the policy seeks to accomplish these. The overview should include the following:

- The remuneration elements and design principles informing the remuneration arrangements for executive management and, at a high level, for other employees.
- Details of any obligations in executive employment contracts which could give rise to payment on termination of employment or office.
- A description of the framework and performance measures used to assess the achievement of strategic objectives and positive outcomes, including the relative weighting of each performance measure and the period of time over which it is measured.
- An illustration of the potential consequences on the total remuneration for executive management, on a single, total figure basis, of applying the remuneration policy under minimum, on-target and maximum performance outcomes.
- An explanation of how the policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.
- The use and justification of remuneration benchmarks.
- The basis for the setting of fees for non-executive directors.
- A reference to an electronic link to the full remuneration policy for public areas.

Implementation

- Where remuneration has to be disclosed in terms of regulatory requirements, total remuneration reported will include:
    - The remuneration of each member of executive management, which should include in separate tables:
        - A single, total figure of remuneration, received and receivable for the reporting period, and all the remuneration elements that it comprises, each disclosed at fair value;
        - The details of all awards made under variable remuneration incentive schemes in the current and prior years that have not yet vested, including the number of awards, the values at date of grant, their award, vesting and expiry dates (where applicable), and the fair value at the end of the reporting period; and
        - The cash value of all awards made under variable remuneration incentive schemes that were settled during the reporting period.

- An account of the performance measures used and the relative weighting of each, as a result of which awards under variable remuneration incentive schemes have been made, including the targets set for the performance measures and the corresponding value of the award opportunity, and for each performance measure, how the organisation and executive managers, individually, performed against the set targets.
- Separate disclosure of, and reasons for, any payments made on termination of employment or office.
- A statement regarding compliance with, and any deviations from, the remuneration policy.

➢ Non-executive directors' fees paid for the reporting period are disclosed as well as proposed fees for the ensuing period, which fees are presented for shareholder approval.

11. Re-election of directors

Non-executive directors are subject to election by shareholders at the first annual general meeting following their appointment and are then required to retire in accordance with the Board retirement plan.

The appointment of a non-executive director may be terminated without compensation if that director is not re-elected by shareholders or otherwise in accordance with the Company's Memorandum of Incorporation.

12. Voting on remuneration

Special resolution

Proposed non-executive directors' fees, exclusive of value added tax, shall be presented to shareholders at the annual general meeting and, in accordance with section 66 (9) of the Act, such fees must be submitted for approval by special resolution by shareholders within the two years preceding payment. Approval may not be sought retrospectively.

Non-binding advisory votes

The remuneration policy and the implementation report shall be tabled every year for separate non-binding advisory votes at the annual general meeting. In the event that either the remuneration policy or the implementation report, or both, have been voted against by 25% or more of the voting rights exercised, the Board and the Remuneration Committee will implement, but not be limited to, the following measures:

➢ an engagement process to ascertain the reasons for the dissenting votes; and
➢ 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.

13. Mandate and authority

- The Board of Directors and management, as well as the Remuneration Committee, shall take into account the Remuneration Policy, and any other relevant documents such as the Remuneration Committee Charter (as applicable), when considering matters before it.
- The Remuneration Committee has full discretion in determining appropriate remuneration policies and practices for the Company, including but not limited to, annual remuneration increases, performance bonuses and share incentives for the Group.
- The Remuneration Committee shall, as deemed necessary, report significant deviations from the principles set forth in the Remuneration Policy to the Board.
- The ultimate responsibility for the Remuneration Policy vests in the Board.

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