

## REMUNERATION POLICY

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| <b>Version:</b>                    | 4.00                                      |
| <b>Document Type:</b>              | Policy                                    |
| <b>Author:</b><br><b>Approver:</b> | Company Secretariat<br>Board of Directors |
| <b>Issuing Department:</b>         | Remuneration Committee                    |
| <b>Implementation date:</b>        | November 2022                             |
| <b>Changes since last Version:</b> | Fourth version                            |

## 1. GENERAL PRINCIPLES

- 1.1 This policy (the **Policy** or this **Policy**) has been implemented by the Board of Directors (the **Board**) of the company (the **Company**) to ensure that its remuneration practices:
- 1.1.1 attract, motivate, reward and retain human capital;
  - 1.1.2 promote the achievement of the strategic objectives of the Company according to its risk appetite;
  - 1.1.3 promote positive remuneration outcomes; and
  - 1.1.4 promote an ethical culture and responsible corporate citizenship.
- 1.2 The decisions of the Board, and the provisions of this Policy, remain subject to the provisions of the Companies Act 71 of 2008 (as amended), the Company's Memorandum of Incorporation and, where applicable, the listings requirements of the stock exchange on which the Company's shares trade.
- 1.3 The Board recognises the principle of fair, responsible and transparent remuneration practices espoused in the King IV Report on Corporate Governance for South Africa (**King IV**), with the aim of promoting the Company's strategic objectives and targeted performance in the short, medium and long term. The Board aims, through the ambit of this Policy, to apply and uphold these principles.

## 2. REMUNERATION PHILOSOPHY

- 2.1 The remuneration philosophy (the **Remuneration Philosophy**) informs the remuneration strategy and must be determined by the Remuneration Committee from time to time, with due consideration to the Company's short-, medium- and long-term strategic implementation plans and targeted performance.
- 2.2 The Remuneration Philosophy must specify:
- 2.2.1 the overall remuneration design principles;
  - 2.2.2 the targeted remuneration mix;
  - 2.2.3 benefits offered to management; and
  - 2.2.4 benefits offered to employees.

- 2.3 The Remuneration Philosophy must be published in the Remuneration Report, if it is published.

### **3. ALIGNING REMUNERATION WITH STRATEGY**

- 3.1 The Board has approved the Company's Strategy (**Strategy**), which includes short-, medium- and long-term plans to facilitate and manage the growth of the Company (the **Strategy**).
- 3.2 Through the Strategy, the Board aims to grow the Company organically and by acquisition, which has and will continue to result in the addition of new companies.
- 3.3 The Board approves a financial budget for each financial year, which contains quantitative performance measures (the **Budget**).
- 3.4 This Policy seeks to align the Strategy with specific remuneration practices and provide a framework for employee remuneration structures.

### **4. REMUNERATION PRACTICES SUPPORTED BY THIS POLICY**

- 4.1 Remuneration practices applied by the Company should have the effect of:
- 4.1.1 applying broad and comprehensive financial and non-financial performance conditions;
  - 4.1.2 applying an appropriate mix of guaranteed remuneration and variable remuneration and ensuring that this aligns with the Company's Strategy and Budget;
  - 4.1.3 promoting the achievement of the Budget for the relevant period;
  - 4.1.4 ensuring that decisions on remuneration are made after due consideration has been given to the impact thereof on all stakeholders, particularly shareholders, customers and employees;
  - 4.1.5 Reducing inequality and improving the living standards of the lowest earning employees, over time;
  - 4.1.6 Ensuring that quantitative measures of income that exist are monitored over time, with the purpose of moderating inequality.

## **5. REMUNERATION PRACTICES NOT SUPPORTED BY THIS POLICY**

- 5.1 Remuneration practices applied by the Company should not have the effect of:
- 5.1.1 rewarding failure;
  - 5.1.2 retesting performance conditions to provide “second” chances to achieve targets over a longer period;
  - 5.1.3 changing performance measures during or at the end of a performance cycle, when the outcome is already evident;
  - 5.1.4 adjusting performance measures on a discretionary basis to provide a more positive outcome;
  - 5.1.5 allowing employees to make decisions that determine their own remuneration structure, without oversight by the Remuneration Committee;
  - 5.1.6 allowing employees to override the objectives of this Policy or the decisions of the Remuneration Committee; and
  - 5.1.7 in instances where share-based incentive schemes are implemented, permitting any back-dating or re-pricing of share incentive grants.

## **6. COMMUNICATING REMUNERATION PRACTICES**

- 6.1 The Remuneration Report contained in the Integrated Annual Report, if this is produced by the Company, must contain:
- 6.1.1 a Background Statement;
  - 6.1.2 an overview of the main provisions of this Policy;
  - 6.1.3 a Remuneration Implementation Report setting out details of all remuneration awards;
  - 6.1.4 an explanation of the basis on which remuneration targets are established that are in excess of the median (50<sup>th</sup> percentile) of a relevant peer group, where applicable.
- 6.2 The Remuneration Committee, in conjunction with the Social & Ethics Committee, where applicable, should make a joint statement on an annual basis, which:

- 6.2.1 explains how fairness in practices in relation to all employees has been considered and executed;
- 6.2.2 explains how the Company activities affect its status as a responsible corporate citizen, including:
- (i) setting of targets for the purposes of employment equity;
  - (ii) ensuring fair and responsible remuneration; and
  - (iii) ensuring the health, dignity and safety of employees.
- 6.3 The remuneration of directors shall be disclosed utilising the single, total figure remuneration disclosure table presented below and shall align with the reporting recommendations of the single, total figure remuneration disclosure of King IV:

| <b>Name of director:</b>                    | <b>Current Year</b> | <b>Prior Year</b> |
|---|---------------------|-------------------|
| Salary                                      |                     |                   |
| Risk and retirement funding                 |                     |                   |
| Vehicle benefit                             |                     |                   |
| Medical benefit                             |                     |                   |
| Insurance benefit                           |                     |                   |
| Security benefit                            |                     |                   |
| Other benefits                              |                     |                   |
| <b>Total salary and benefits</b>            |                     |                   |
| Annual short-term incentive                 |                     |                   |
| Annual long-term incentive                  |                     |                   |
| Dividends accrued through the vesting cycle |                     |                   |
| <b>Total annual remuneration</b>            |                     |                   |
| Notes on "other benefits"                   |                     |                   |

## 7. REMUNERATION ELEMENTS:

### 7.1 Guaranteed remuneration

Employment contracts must be concluded. These contracts must provide for a guaranteed annual remuneration package calculated on a total cost of employment basis.

The Company must retain and fairly remunerate its employees by ensuring that it offers salaries and, on at least an annual basis, adjusts these salaries so that in doing so they compare favourably to market related salaries in the median quartile of salaries (**Median Quartile Salaries**) for the industry in which the Company operates. In increasing remuneration, particular regard is had to scarcity of skills, the critical nature of the position and employees who display top talent. The Board believes that paying Median Quartile Salaries provides a good foundation for skills retention. In order to ensure that the Company continues to pay Median Quartile Salaries, it uses various measures of inflation, at least once a year, to adjust salaries. The Board does not support increases in guaranteed remuneration as a reward for performance. Performance is rewarded by means of variable remuneration.

### 7.2 Variable remuneration

The Company may, at its discretion, provide for rewards for individual employee performance in the form of cash bonuses and other forms of payment, subject always to the performance of the Company. The Company does not currently have a share incentive scheme. The benefit of implementing a share incentive scheme will be considered by the Board as it implements the Strategy.

### 7.3 Targeted percentage contribution of each reward component in the reward structure

The Company may, at its discretion, award employees for performance which exceeds Budget. Any such reward will be calculated with reference to the percentage by which actual performance exceeds the Budget; alternatively, actual performance will be calculated with reference to individual targets.

#### 7.4 Targeted remuneration mix

As the Company implements the Strategy, the appropriate targeted remuneration mix for employees will be developed and aligned with the Budget.

#### 7.5 Payments on termination

Employment contracts may make specific provision for a payment on termination. Any payments that may be made on termination shall, where required, be disclosed in the Company's annual Remuneration Report, including the reasons for such payments being made.

The employment contracts of management make provision for a notice period which is reasonable for the position. The employment contracts of management make provision for notice on termination of three months and six months, depending upon the contract.

#### 7.6 Sign-on, retention and restraint payments

The Company may, from time to time, and as the Board deems appropriate, negotiate certain sign-on or retention payments in respect of an appointment. Any such payments shall, where required, be disclosed in the Company's annual Remuneration Report.

Employees may, in certain circumstances, be subject to restraint arrangements which are governed by their respective employment contracts.

In other instances, the Company may have the right to extend an applicable restraint period in return for paying compensation for every month by which a restraint period is extended. The compensation payable is equal to the individual's annual remuneration, divided by twelve, which is payable monthly in arrears. Any such payments will, where required, be disclosed in the Company's annual Remuneration Report.

#### 7.7 Commissions and allowances

Allowances may be provided in appropriate circumstances. Such payments will, where required, be disclosed in the Company's annual Remuneration Report.

## 7.8 Benchmarking

In considering all aspects of remuneration, the following criteria are applied when benchmarking:

- 7.8.1 companies with comparable revenue, market value and profits;
- 7.8.2 companies of a comparable size;
- 7.8.3 companies in the same industry; and
- 7.8.4 reference to two independent and publicly available salary surveys.

## 7.9 Retention

In considering retention mechanisms, consideration is given to the following:

- 7.9.1 whether the payment includes cash payments and/or shares, where applicable;
- 7.9.2 the basis of the award;
- 7.9.3 the periods over which the award vests;
- 7.9.4 the lock-in period;
- 7.9.5 the terms relating to the payment of awards that have not vested by the date of termination of employment or before the end of a defined retention period.

## **8. REMUNERATION OF DIRECTORS**

8.1 The Board should consider and approve the remuneration payable to directors, referencing independent and publicly available information in respect of director's fees, particularly relevant to the size of the Company and the industry in which it operates.

8.2 The basis on which remuneration is payable to directors is set out in Annexure B.

8.3 When considering an annual increase in director's fees, consideration should be had to:

- 8.3.1 the Company's financial performance and whether it achieved its budgeted earnings growth;
- 8.3.2 whether the Company achieved its strategic objectives for the prior year;



- 8.3.3 the growth of the Company (determined by the number of companies, employees, market capitalisation and other relevant factors);
- 8.3.4 changes in the risk profile of the Company in comparison to the prior year; and
- 8.3.5 the annual increase in guaranteed remuneration applied to management and employees.

## **9. PERFORMANCE EVALUATION**

### 9.1 Management

To ensure that the Strategy is achieved, and the Budget is met, the Board requires the management to be subject to a suitable performance evaluation on an annual basis.

The method of evaluation and key measurements applied by the evaluation shall be determined by the Board, on the recommendation of the Remuneration Committee.

### 9.2 Employees

In order to ensure that the Strategy is implemented, and the Budget is met, the Board requires the Company to implement a performance evaluation process for all employees.

The method of evaluation and key measurements applied by the evaluation shall be determined at the discretion of the managing director of the Company.

## **10. EMPLOYEE BENEFITS**

10.1 Various employee benefits are available to employees, including:

- 10.1.1 group risk insurance, including funeral cover;
- 10.1.2 membership of a medical aid scheme; and
- 10.1.3 optional pension or provident scheme participation.

10.2 On an annual basis, the Remuneration Committee should review the benefits offered by the Company, to determine:

- 10.2.1 whether the benefits are appropriate and competitive, given the industry, the financial position of the Company, legislative requirements and market benchmarks and trends;
- 10.2.2 whether the costs related to the administration of the benefits are justified and through the appropriate management committee, whether the benefits and costs thereof are sufficiently well understood by the employees;
- 10.2.3 whether benefits meet the needs of all employees and are fair to all employees;
- 10.2.4 whether the benefits offered to executives are similarly offered to all employees and if not, the reasons therefore.

## **11. DIRECTORS' INTEREST IN SHARES IN, AND CONTRACTS WITH, THE COMPANY**

The interests of the directors and management in shares of the Company and contracts related to the Company must be disclosed in the annual financial statements in accordance with the Act.

## **12. ENGAGEMENT WITH SHAREHOLDERS IN RESPECT OF THIS POLICY**

- 12.1 This Policy and its related Remuneration Implementation Report shall be tabled every year at the Company Annual General Meeting, for two separate non-binding advisory resolutions by shareholders.
- 12.2 Where the shareholders vote against the Policy and/or the Remuneration Implementation Report by 25% or more of the voting rights exercised, the Company will, in good faith and with reasonable effort:
  - 12.2.1 enter into an engagement process that is reasonably agreeable to all parties concerned to ascertain the reasons for the dissenting votes;
  - 12.2.2 address legitimate and reasonable objections and concerns, including amending the Policy or clarifying or adjusting remuneration governance and/or process; and
  - 12.2.3 make necessary announcements if required by the stock exchange on which the Company's shares are listed.

### **13. GENERAL**

- 13.1 This Policy will be reviewed by the Remuneration Committee on an annual basis and may be updated as required, with the approval of the Board.
- 13.2 This Policy will be made publicly available on the Company's website.
- 13.3 Any general queries relating to this Policy may be addressed through the office of the Company Secretariat.

## **Annexure A: Definitions**

|                         |   |
|-------------------------|---|
| Benefits                | mechanisms that employer companies use to supplement cash remuneration, including health care, risk cover, income protection and savings and retirement programmes; |
| management              | chief executive officer, chief financial officer, managing directors, executive directors and the company secretary;  |
| guaranteed remuneration | the basic salary, allowances and employer-related benefits which do not vary, and which are monetised, to arrive at an amount;                                      |
| variable remuneration   | remuneration that is not guaranteed (incentives).   |

## ANNEXURE B

Remuneration payable to directors:

| <b>Role of Director</b>            | <b>Monthly retainer</b> | <b>Implied inclusive hours linked to the monthly retainer</b> | <b>Implied rate per hour</b> | <b>Meeting attendance fees</b> |
|------------------------------------|-------------------------|---|------------------------------|--------------------------------|
| Chairperson of the Board           | R65 000                 | 20  | R3 250                       | R18 000                        |
| Chairperson of the Audit Committee | R50 000                 | 20  | R2 500                       | R18 000                        |
| Chairperson of the Risk Committee  | R50 000                 | 20  | R2 500                       | R18 000                        |
| Chairperson of any other Committee | R40 000                 | 20  | R2 000                       | R18 000                        |
| Member                             | R35 000                 | 20  | R1 750                       | R18 000                        |

A member who is a member of two or more committees or the chairperson of the Board and/or the chairperson of a committee will be paid the higher of all the applicable fees attached to the various roles. Fees per role are not aggregated, if more than one role is undertaken. The fees are exclusive of value-added taxation, where applicable. A Member's implied rate per hour is based on the annual total cost-to-company of the CEO over a twelve-month period, a 22-day month, and a 12-hour day rounded up to the nearest R50. Implied rates per hour are mathematically synchronised with the monthly retainer per role. No fees are paid for special or ad-hoc meetings.

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**Chairperson**

**Board of directors**

**Huge Group Limited**