



## PREMIER GROUP REMUNERATION AND NOMINATION COMMITTEE

### TERMS OF REFERENCE

#### 1 Constitution

- 1.1 The Remuneration and Nomination Committee (**Committee**) is constituted as a committee of Premier Group Limited's (**Company**) Board (Board) and as required by the JSE Listings Requirements. The Committee performs the role of a Remuneration and Nomination Committee for the Company, as well as those direct and indirect South African subsidiaries in respect of which the Company has the right, or power, to fulfil the functions as detailed in these terms of reference (**Group**).
- 1.2 The Committee shall be a standing committee, with the composition and membership reviewed by the Board annually.
- 1.3 The duties and responsibilities of the members of the Committee as set out in these terms of reference are in addition to those duties and responsibilities they have as members of the Board. The deliberations of the Committee do not reduce the individual or collective responsibilities of the Board members with regard to their fiduciary duties and responsibilities, and members must exercise due care, skill and diligence in accordance with their legal obligations.
- 1.4 These Terms of Reference (**TOR**) are subject to the provisions of the Companies Act 71 of 2008 (**Act**), the company's memorandum of incorporation and any other applicable law or regulatory provision including, among others, the JSE Listings requirements, and has been drafted with due consideration of the King IV Report on corporate governance for South Africa, 2016 (**King IV**).

#### 2 Composition

- 2.1 The Committee shall be appointed by the Board and shall comprise not less than three non-executive directors of the Company, the majority of whom shall be independent.
- 2.2 If the number of members on the Committee falls below the required minimum, the Board will fill such vacancy as soon as it is reasonably possible. The failure by the Committee to have the minimum number of members does not limit or negate the authority of the Committee or invalidate anything done by the Committee while their number is below the required minimum.

- 2.3 Membership of the Committee shall be for a period of three years, at the expiration of which, members may be re-elected or replaced by the Board. The maximum tenure for Committee members is three terms of three years. New members may be appointed outside the three-year cycle, should a change in the business environment demand it. Similarly, the Board may remove and/or replace members of the Committee by resolution.
- 2.4 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.
- 2.5 A member of the Committee shall, in the event that he/she ceases for whatsoever reason, to be a director of the Company, also resign as a member of the Committee.
- 2.6 The chief executive officer (CEO), chief financial officer (CFO), other senior executives, members of management and/or professional advisors may attend meetings of the Committee by invitation from the Committee Chair. The invitation to attend Committee meetings may be a standing invitation.
- 2.7 Individuals in attendance at Committee meetings by invitation may participate in discussions but may not vote on resolutions nor form part of the quorum for Committee meetings.
- 2.8 A quorum of the Committee shall be two members. A quorum shall be required in order for any decision or resolution to be made at a meeting or otherwise.
- 2.9 The chairman of the Committee shall be appointed by the Board, from its members, and shall be an independent non-executive director. The chairman of the Board may be appointed as a member of the Committee but shall not be its chair.
- 2.10 In the absence of the chairman, the members present may nominate and elect one of their members to chair the meeting.
- 2.11 The Group Company Secretary shall be the secretary to the Committee.

### **3 Role of the Committee**

- 3.1 The Committee has an independent role, providing oversight and making decisions regarding matters within its mandate. Where relevant and required, the Committee will make recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers, and other members of senior management.
- 3.2 The role of the Committee is, *inter alia*, to assist the Board:
  - (a) with overseeing remuneration governance, with a particular focus on ensuring that the Group remunerates Executive Directors, Prescribed Officers and other members of the Company's Executive Committee (collectively, **Executives**) and employees fairly and responsibly and that the disclosure of directors', prescribed

officers and other applicable remuneration is accurate and transparent as required by applicable laws and governance guidelines; and

- (b) with overseeing nomination and governance related matters, with a particular focus on achieving the composition necessary to attain the appropriate balance of knowledge, skills, experience, diversity and independence on the Board and monitoring governance and director affairs.

## **4 Responsibilities**

The Committee shall operate within the Board's delegation of authority.

In discharging its responsibilities, the Committee will:

### **4.1 Remuneration**

- (a) oversee the establishment of a remuneration policy that articulates and gives effect to its direction on fair, responsible and transparent remuneration, and will promote the achievement of strategic objectives, and encourage individual performance;
- (b) ensure that the remuneration policy addresses Company-wide remuneration and includes provision for the following:
  - (i) arrangements towards ensuring that the remuneration of executive management is fair and responsible in the context of overall employee remuneration in the Company, this would include:
  - (ii) reviewing the results of the Gini coefficient, Palma Ratio and/or any other statistical measures used to measure income inequality within the Company;
  - (iii) compliance with the principle of equal pay for work of equal value;
  - (iv) reviewing the results of the Income Differential Statement submitted to the Department of Labour on an annual basis; and
  - (v) the use of performance measures that support positive outcomes across the economic, social and environmental context in which the Company operates; and/or the capitals that the Company uses or affects, as well as promote the embedment of effective and efficient risk governance and internal control;
- (c) ensure that any remuneration policies fairly and responsibly reward Executives having regard to the performance of the Company, the performance of the Executives and prevailing remuneration trends in the market;
- (d) select an appropriate comparative group when comparing remuneration levels;

- (e) regularly review incentive schemes presented by management to ensure continued pay-for-performance alignment and that these are administered in terms of the rules;
- (f) ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets the Company's needs and strategic objectives, including:
  - (i) ensuring that the design of the variable pay schemes and the setting of associated targets do not encourage behaviour contrary to the Company's risk management approach; and
  - (ii) do not unintentionally or intentionally drive excessively risky behaviour in pursuit of incentive targets;
- (g) satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives, including any affordability and/or risk-based events that could affect the vesting outcomes of incentives;
- (h) consider the appropriateness of early vesting of share-based schemes at the end of employment;
- (i) ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- (j) consider the results of the evaluation of the performance of the CEO, CFO and other Executives, both as directors (where applicable) and as executives in determining remuneration;
- (k) review the outcomes of the implementation of the remuneration policy to determine whether the set objectives are being achieved;
- (l) oversee the setting and administering of remuneration at all levels in the Company and review the aggregated outcomes of the Company's performance management process over the relevant financial year;
- (m) oversee the Company's Malus and Clawback Policy and make all decisions and determinations thereunder. Where such decisions relate to an Executive Director, recommend same to the Board for consideration and approval;
- (n) advise on the remuneration of non-executive directors. In order to avoid a potential conflict of interest, the Committee may request that management provide recommendations regarding proposed fee increases, with the assistance of independent advisors where needed;
- (o) ensure that the remuneration policy and the implementation report are put to separate non-binding advisory votes at the annual general meeting (AGM) of shareholders;
- (p) ensure that the remuneration policy records the measures that the Board commits to 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 by shareholders. King IV recommends that such measures should include engagement and addressing objections and concerns;

- (q) oversee the preparation and recommendation to the Board of the remuneration report to be included in the integrated Report to ensure that:
- (r) remuneration is disclosed in three parts, namely: a background statement; an overview of the remuneration policy; and an implementation report;
  - (i) is accurate, complete and transparent;
  - (ii) provides a clear explanation of how the remuneration policy has been implemented;
  - (iii) provides a sufficient level of disclosure as required in terms of King IV or provides the rationale behind principles not applied by the Company. Where the principles are not applied by the Company, the Committee should review the rationale provided by the Company and whether this is acceptable; and
  - (iv) provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of section 66(9) of the Act (to approve remuneration payable to non-executive directors for their services as directors);
- (s) select, recommend the appointment of and, where necessary, determine the terms of reference for independent remuneration consultants / advisors to advise the Committee on, *inter alia*, remuneration policy and levels of remuneration; and
- (t) ensure that the Committee receives adequate training in its responsibilities and on market trends on an annual basis.

## 4.2 Nomination

### Director and Executive Nomination

- (a) ensure that there is a formal, transparent, and accountable process in place for the nomination, election, appointment/reappointment and/or removal of directors to the Board. Such process must include consideration of the Company's Board Diversity Policy and such other applicable policies and legislation;
- (b) identify individuals believed to be qualified to become Executives of the Company and to recommend such candidates to the Board. In nominating candidates, the Committee shall:
  - (i) prepare a description of the role and capabilities required for a particular appointment, taking into account the current and future challenges affecting the business;

- (ii) take into consideration the Company's transformation targets and such other factors as it deems appropriate. These other factors may include judgment, skill and experience; and
  - (iii) ensure that candidates' background checks have been independently investigated and qualifications independently verified;
- (c) identify individuals believed to be qualified to become Board members and to recommend such candidates to the Board. In nominating candidates, the Committee shall:
  - (i) take into consideration the approved Board Diversity Policy and such other factors as it deems appropriate. These other factors may include judgment, skill, experience, the extent to which the candidate would be a desirable addition to the Board and/or the committees of the Board, whether the candidate meets the appropriate fit and proper criteria; and
  - (ii) ensure that candidates' background checks have been independently investigated and qualifications independently verified;
- (d) identify Board members qualified to fill vacancies on any Committee of the Board (including this Committee) and to recommend that the Board appoint the identified member or members to the respective Committee. In nominating a candidate for Committee membership, the Committee shall take into consideration the factors set forth in the terms of reference of the particular committee, as well as any other factors it deems appropriate, including without limitation the consistency of the candidate's experience with and/or performance against the goals of the particular Committee and the interplay of the candidate's experience with the experience of other Committee members;
- (e) ensure that all directors receive a formal letter of appointment setting out their roles and responsibilities and time commitment required to serve on the Board and its Committees;
- (f) annually review the structure, size and composition of the Board, taking into account the requirements of the Board committees, and ensure that the Board has the appropriate mix of knowledge, skills and experience to perform its duties and make any recommendations to the Board regarding any changes required;
- (g) recommend directors that are retiring by rotation, for re-election, taking into consideration, *inter alia*, the directors' performance and attendance at meetings of the Board and its committees;
- (h) annually review the independence of all non-executive directors and make any recommendations to the Board regarding any changes required. Non-executive directors shall be categorised as independent if the Committee concludes that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making that is not in the best interest of the Company. The Committee shall consider the indicators as set out in King IV and other indicators holistically and on a substance-over-form basis when

assessing the independence of a non-executive director for purposes of this categorisation;

- (i) in addition to clause 4.2(h) above, review and make recommendations in respect of the continuation of service of a director who has served a 9-year period on the Board. His/her re-election has to be reviewed on the basis of his/her performance and whether his/her independence will be affected;
- (j) establish procedures for the Committee to exercise oversight of the evaluation of the Board and arrange an annual performance evaluation of the Board, its Committees and individual directors. Thereafter, ensure the implementation of action plans emanating from the annual evaluations;
- (k) consider the performance of directors and take steps to remove directors who do not perform and/or make an appropriate contribution;
- (l) consider and advise on any proposal to terminate the employment of a director or Executive;
- (m) monitor and oversee directors' professional commitments and make recommendations when directors appear to be over-boarded;
- (n) establish a succession plan for the Board, Executives and Senior Management/ Heads of Department which shall include the identification, mentorship and development of future candidates. Succession plans must provide for long-term succession as well as succession in emergency situations;
- (o) oversee the development of a formal induction programme for new directors and ensure that inexperienced directors are developed through a mentorship programme;
- (p) ensure that a programme of professional development is implemented and that regular briefings on legal and corporate governance developments, and risks and changes in the external environment of the Company, are provided to members of the Board; and

#### **Governance and Director Affairs**

- (q) review and recommend the approval governance policies and procedures including, *inter alia*, those that define:
  - (i) the roles and responsibilities of the Board;
  - (ii) the roles and responsibilities of directors and relevant prescribed officers;
  - (iii) the governance of diversity at Board level;
  - (iv) conflict of interest and related-party procedures; and
  - (v) processes to ensure and enhance corporate governance in the Group;

- (r) monitor progress with implementation and achievement of the Board's corporate governance objectives and determine and evaluate the adequacy, efficiency and appropriateness of the Group's corporate governance structure and practices;
- (s) keep up to date and fully informed about strategic governance issues and commercial changes affecting the Group and the market in which it operates;
- (t) review amendments in governance regulations, listings requirements and best practice, as and when needed, and recommend any required changes to the Board;
- (u) monitor emerging corporate governance trends, oversee, and evaluate the Company's corporate governance policies and programmes against these trends, and recommend to the Board such changes as the Committee believes desirable;
- (v) review all shareholder proposals and recommend to the Board proposed Company responses to such proposals for inclusion in the Company's AGM notice, Integrated Report or otherwise;
- (w) annually review and approve the governance section of the Integrated Report as well as the AGM notice of the Company;
- (x) annually review and approve the Company's King IV register;
- (y) annually review directors' personal and business-related financial interest declarations and monitor and oversee conflicts of interest when required;
- (z) monitor and oversee directors' dealings in Company Securities;

#### **Conflicts of Interest and Related Party Transactions**

- (aa) have strategic oversight and governance over transactions concluded or to be concluded between the Company and any Related Party (as defined in sections 1 and 2 of the Act and in the JSE Listings Requirements) including, but not limited to, loans, guarantees, outsourcing and contractual arrangements, investments, divestments and mandates;
- (bb) consider, review, evaluate and provide oversight in relation to any Related Party transactions and to approve, ratify, disapprove, or reject a Related-Party transaction prior to final approval by the Board and/or relevant Committee;
- (cc) establish processes and procedures in terms of which it will consider, review, evaluate and provide oversight in relation to whether a particular Related-Party transaction is fair and reasonable and in the best interests of the Company, having regard to statutory and regulatory provisions;
- (dd) consider any conflicts of interest or potential conflicts of interest which may arise as a result of the transaction;
- (ee) enforce and ensure compliance with the regulations and policies that the Committee puts in place to govern Related-Party transactions;

- (ff) at least once a year, conduct a review of all Related-Party transactions concluded throughout the Group;

#### **4.3 General**

- (a) Recommend to the Board a suitable candidate for appointment as the Company Secretary when required;
- (b) Annually evaluate the competence, qualifications, and experience of the Company Secretary, confirm that he/she is not a member of the Board and has maintained an arms-length relationship with the Board; and
- (c) Any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

#### **4.4 Reporting**

- (a) ensure that the Board is aware of matters within the Committee's mandate which may significantly impact the Group; and
- (b) make any submission to the Board on policies, frameworks, and reporting;
- (c) prepare and present a report to shareholders, in the Company's Integrated Report, on how the Committee carried out its duties contained in the Act, the JSE Listings Requirements and King IV; and
- (d) in accordance with paragraph 7.F.6 of the JSE Listings Requirements, confirm in the Integrated Report that the Company operates in conformity with its memorandum of incorporation and/or any other relevant constitutional documents.

### **5 Meetings of the Committee**

- 5.1 Committee meetings shall be held bi-annually. The Committee chairman shall report on key matters addressed by the Committee at each Board meeting.
- 5.2 Additional meetings may be held at the request of the chairman, or any member of the Committee or Board as required.
- 5.3 Members and/or invitees of the Committee may participate in and act at any meeting of the Committee through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating.
- 5.4 All directors of the Board are entitled to attend the Committee meetings.
- 5.5 The Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

- 5.6 Minutes of the Committee meetings shall be distributed timeously. The minutes must be formally approved by the Committee at its next scheduled meeting. Minutes of the meeting, signed by the chair, are sufficient evidence that the matters referred to therein have been fully discussed and agreed, whether by way of formal meeting or otherwise.
- 5.7 At the commencement of each meeting, all members of the Committee shall declare any conflict of interest in respect of matters on the agenda and such declarations shall be managed as deemed necessary.
- 5.8 The chairman of the Committee shall attend the AGM of the company and be prepared to respond to any shareholder questions on the Committee's activities.
- 5.9 Round robin approvals may be obtained where there is a business requirement for a decision which cannot reasonably be held over until the next scheduled Committee meeting. Decisions must be received from at least a majority of the members, being not less than the quorum requirement. This may be achieved by electronic means and will be of full force and effect as if passed by a majority of members personally present. All Committee round robin resolutions shall be tabled at the next Committee meeting for noting.

## **6 Authority of the Committee**

- 6.1 The Committee shall have authority to:
- (a) access any information it needs to fulfil its responsibilities;
  - (b) seek outside legal or other independent professional advice at the Company's expense; and
  - (c) investigate matters within its mandate.
- 6.2 The Committee shall have the ability to consult with and receive the full cooperation of any employee where necessary to fulfil its responsibilities.

## **7 Remuneration of Members**

Members of the Committee shall be paid such remuneration in respect of their appointment as recommended by the Board and approved by shareholders.

## **8 Review of Terms of Reference**

The Committee shall review this TOR annually, to ensure that it remains consistent with its statutory duties and the Board's objectives and responsibilities. The TOR may be amended as required, subject to the approval of the Board.

## **9 Evaluation of the Committee's performance**

The Committee shall ensure that a formal process, recommended by the Remuneration and Nomination Committee and approved the Board, is followed for evaluating the performance of the Committee, at least every second year.