



**LIBERTY**

LIFE INVESTMENTS HEALTH CORPORATE PROPERTIES ADVICE

---

## **REMUNERATION COMMITTEE MANDATE**

**Level** Liberty Holdings Limited

**Date** February 2018

## 1. **Constitution**

- 1.1 The Committee is constituted as a Committee of Liberty Holdings Limited and operates under delegated authority.
- 1.2 The Committee's responsibilities cover Liberty Holdings Limited, Liberty Group Limited, STANLIB Limited and all subsidiaries.
- 1.3 When reading this mandate, also refer to the Strategic Remuneration Governance Policy which was approved on 31 March 2016. This policy provides guidelines in respect of management's delegation of authority for remuneration as well as financial limits for management and the Chairman of the Remuneration Committee.

## 2. **Purpose**

The overall purpose of the Remuneration Committee is to govern remuneration by setting the direction for how remuneration should be approached and addressed on an organization-wide basis and report thereon to the Board, thereby enabling the Board to discharge its responsibilities relating to the following:

- 2.1 Determining the policy for executive remuneration and, on an annual basis, approve the entire individual remuneration packages for each of the executive directors, other senior executives, key persons in control functions and major risk-taking personnel (personnel with responsibility for decisions from which significant uncertainties in the timing and likelihood of cash flows may arise), as appropriate
- 2.2 Ensuring that competitive reward strategies and programmes are in place to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of realising corporate objectives and to safeguard stakeholder interests;
- 2.3 Ensuring that reward structures do not drive excessive risk taking;
- 2.4 Reviewing the design and management of salary structures and policies, incentive schemes and share option programmes to ensure that they motivate sustained high performance and are linked to corporate performance;
- 2.5 Developing and implementing a remuneration philosophy for disclosure to shareholders, through a remuneration report, to enable a reasonable assessment of reward practices and governance process to be made by stakeholders;
- 2.6 Recommending the level of non-executive directors' fees, including the chairman's fee, to the Board after receiving inputs from executive directors and taking into account industry best practice for ultimate approval by shareholders;
- 2.7 Overseeing the adequacy of retirement funding and healthcare benefits; and
- 2.8 Ensuring compliance with applicable laws and codes.

## 3. **Composition**

- 3.1 The Committee will comprise of at least three members, the majority of whom shall be independent non-executive directors of the company.

- 
- 3.2 The chairman will not be the Board chairman but will be an independent non-executive director, appointed by the Board.
  - 3.3 Members of the Committee shall be appointed by the Board based on the recommendations of the Directors' Affairs Committee.
  - 3.4 The members of the Committee shall have sufficient qualifications and experience to fulfill their duties in line with the fit and proper policy approved by the Board.
  - 3.5 The secretary shall be the group secretary.
  - 3.6 The chief executive shall attend meetings unless otherwise deemed inappropriate by the Committee, and may invite appropriate representatives of management to accompany him at meetings of the Committee.
  - 3.7 If approved by the chairman, representatives from the major shareholder can be invited to join the meeting.
  - 3.8 If necessary, and in accordance with group policy, specialists may be co-opted to the Committee as consultants.
  - 3.9 No director or employee should be present when his or her own salary, fee or other benefits and incentives are discussed.
  - 3.10 The remuneration (which refers to attendance fees, board fees and any additional remuneration) of the Chairman and the Committee members will be recommended by the Group Remuneration Committee and endorsed by the Board for the ultimate approval of shareholders.
  - 3.11 Committee members shall attend all scheduled meetings of the Committee including meetings called on an ad hoc basis unless prior apologies, with reasons have been submitted to the chairman or company secretary.
  - 3.12 Conflicts of interest of any member of the Committee shall be disclosed at the commencement of each meeting and recorded in the minutes of that meeting.
- 4. Quorum**
- 4.1 The quorum shall be two members.
- 5. Term**
- 5.1 The Board shall review and approve the chairman and members of the Committee on a regular basis.
  - 5.2 The Board shall have the power at all times to remove any members from the Committee and to fill any vacancies created by such removal.
- 6. Reporting Responsibilities**
- 6.1 The Committee reports to the Board through its chairman and to the shareholders through the Board.

- 6.2 If the appointed chairman is not present at a meeting, the members present must elect one of the members present to act as chairman.
- 6.3 Minutes of the meeting will be available to the Board through the chairman. Further details on individual remuneration may be obtained from the chairman.
- 6.4 Information on the remuneration of non-executive directors, executive directors and the remuneration philosophy and practice applied by the group shall be disclosed in the integrated annual report by means of a remuneration report in three parts.
- 6.5
- 6.5 The chairman, or alternatively a member, shall be present at the Liberty Holdings Annual General Meeting to answer questions from shareholders.
- 6.6 The Committee shall express an opinion annually to the Board about the adequacy and effectiveness of its own performance.

## **7. Authority**

The Committee shall have authority to:

- 7.1 Access any information it needs to fulfil its responsibilities;
- 7.2 Seek independent advice at the group's expense, subject to approved policy;
- 7.3 Investigate matters within its mandate and delegate its authority and duties to sub-committees or individual members of the Committee as it deems appropriate provided it is not precluded from doing so by legal or regulatory requirements;
- 7.4 Access the Board chairman, chief executive, executive directors, head of internal audit, financial director, chief risk officer, the external auditors and other management as required;
- 7.5 Consult with, and receive the full co-operation of, any employee where necessary to fulfil its responsibilities including attendance by employees at Committee meetings if so required;
- 7.6 The Committee shall not have authority to approve the remuneration or terms of a consultancy agreement of any non-executive director, but can make recommendations thereon to the Board.

## **8. Procedure**

- 8.1 The Committee shall meet at least twice a year to review and approve remuneration practices in accordance with principles set out in this mandate.
- 8.2 *Ad hoc* meetings will be convened, as and when required, by the group secretary, at the request of the chairman.
- 8.3 The quorum must be present throughout the meeting.

- 8.4 Reasonable notice of meetings and the business to be conducted shall be given to members and attendees.
- 8.5 Papers for consideration by the Committee will be submitted, in the normal course, at least four days before the meeting to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.
- 8.6 Minutes of the meeting shall record the proceedings and decisions taken, and declarations of personal interests made, together with how these were addressed.
- 8.7 Members may participate in a meeting by electronic means.
- 8.8 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 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. If there are any votes against the resolution, paragraph 8.9 will apply.
- 8.9 Decisions will be based on consensus. In the event that there is no consensus, the chairman of the Committee will refer the matter to the Board for a decision.
- 8.10 This mandate may be amended as required, subject to approval of the Board.

## **9 Terms of Reference**

The duties and responsibilities of the Committee are:

- 9.1 Approve general principles relating to terms and conditions of employment.
- 9.2 Approve any material changes, including the terms of contracts of employment with key employees of Liberty Holdings Limited and its' subsidiaries who perform functions in relation to the operations of the group within South Africa and outside South Africa, these individuals include but are not limited to key persons in control functions.
- 9.3 Make recommendations relating to the finalisation and termination of these contracts.
- 9.4 In respect of the Group Remuneration Strategy and Policy:
  - 9.4.1 Promote the achievement of the strategic objectives, while also considering the management of risk, capital and liquidity of the company and encourage individual performance while addressing the need to avoid excessive risk taking in the group through the setting and administration of a group remuneration policy that articulates and gives effect to fair, responsible and transparent remuneration. The policy should:
    - attract, motivate reward and retain human capital at all levels of management, including key persons in control functions and major risk-taking personnel (personnel with responsibility for decisions from which

- significant uncertainties in the timing and likelihood of cash flows may arise) thus promoting the achievement of strategic objectives within the organisation's risk appetite;
- ensure that total company remuneration levels are commensurate with market levels thus promoting positive outcomes;
  - ensure that remuneration of executive management is fair and responsible in the context of overall employee remuneration in the organisation thus promoting an ethical culture and responsible corporate citizenship. maintain the balance between guaranteed and performance-based remuneration;
  - determine the nature and structure of performance-based measures;
  - indicate the impact of remuneration decisions on the taxation risk profile of the group;
  - ensure an appropriate mix of fixed (base pay including non-financial benefits) and variable pay which includes short and long-term incentives and deferrals;
  - clarify the rules in respect of payments on termination of employment, the provisions for pre and post vesting forfeiture of remuneration, commissions and allowances
  - ensure that other elements provided for meets the company's needs and strategic objectives; and
  - consider the appropriateness of share based schemes and incentive schemes that may result in excessive risk taking or cost to the company.

## 9.5 In respect of remuneration:

### 9.5.1 Having regard to market factors regarding remuneration, determine the following:

- remuneration packages needed to attract, retain and motivate high performing directors and executive management;
- competitive reward strategies and programmes to facilitate the recruitment, motivation and retention of high performance staff at all levels in support of corporate objectives and stakeholder interests;
- remuneration of the chairman of the Board for ultimate shareholder approval;
- the level of non-executive directors' fees, giving consideration to whether the 'fees' should comprise a base fee which may vary according to factors including the level of expertise and responsibilities borne by each director throughout the year as well as an attendance fee per meeting;
- remuneration of non-executive directors and recommendation to the Board for endorsement and approval by the shareholder; remuneration for members of the board committees, for approval by the Board and for ultimate shareholder approval;

### 9.5.2 Review the group chairman's assessment of the performance of the chief executive in setting the chief executive's remuneration.

- 9.5.3 Review the chief executive's assessment of performance of key executive management across the group;
- 9.5.4 Review the assessment of performance of executive directors, senior executives and key persons in control functions annually when reviewing the total individual remuneration packages;
- 9.5.5 Having regard to performance and market factors, the Committee shall consider the following elements of remuneration at least annually:
- the guaranteed package and annual performance bonus of the chief executive, executive directors, group executive committee members and of the 10 highest paid executive managers in each of the major business units;
  - the average annual percentage increases to guaranteed packages of the executive management across the group.
- 9.5.6 Approve the remuneration of executive directors, heads of each of the major operating business units of the group and the overall levels of increases for executive management of the group, considering both the short-term and long-term components of remuneration.
- 9.5.7 Ensuring that in the design and management of remuneration policies they do not encourage behaviour contrary to the company's risk appetite and that the incentive schemes motivate sustained high performance by individuals and balance sustainable, successful corporate performance.
- 9.5.8 Ensuring that the mandates and terms of reference of the remuneration committees of subsidiaries of the group and the remuneration policies and practices recommended by them are aligned to group remuneration philosophy.
- 9.5.9 Developing a remuneration philosophy and policy statement for disclosure to enable a reasonable assessment by stakeholders of reward practices and governance processes of the group.
- 9.5.10 Ensuring independent engagement with the group risk committee for specific risk-related decisions.
- 9.5.11 Function in compliance with statutory requirements, codes of relevant best practice as well as applicable regulatory requirements.
- 9.5.12 Ensure continuous evolving in terms of risk-adjusted remuneration practices.

## **10. Incentive Schemes and Retirement Funds/ Benefits**

- 10.1 Review and approve all proposals for incentive scheme designs, and modifications to designs, across the group.
- 10.2 Approve the criteria and applicable terms for participation in annual incentive bonuses.

- 10.3 Review the performance measures to be used for purposes of annual incentive bonuses for all employees.
- 10.4 Approve recommendations for awards in terms of approved long-term incentive plans.
- 10.5 Approve ad hoc remuneration awards in line with the remuneration philosophy.
- 10.6 Monitor the adequacy of retirement and health care funding for executive directors and executive management.
- 10.7 Monitor the compulsory employee benefits applicable to all levels and categories of employees in the group, notably retirement funding and healthcare benefits.

## 11. Other

- 11.1 Review the general terms of the mandates of subsidiary remuneration committees and approve the aforementioned mandates.
- 11.2 Review and consider reports from subsidiary remuneration committees on changes in remuneration practices or philosophy.
- 11.3 Consider the three part remuneration report for inclusion in the integrated annual report and other stakeholder reports, of Liberty Holdings Limited and its subsidiaries' remuneration philosophy and practices, and the material components of executive remuneration of individual executives subject to Board approval prior to publication. This remuneration report must include a background statement, an overview of the main provisions of the remuneration policy, and the implementation report containing details of all remuneration awarded to individual members of the board, executive management and highest paid individuals in the group, during the reporting period
- 11.4 Ensure that the remuneration report contains sufficient forward looking information for the shareholders and that the remuneration policy is tabled annually for a non-binding shareholder vote at the annual general meeting and thereafter ensure that an engagement process is put in place to ascertain the reason for any dissenting votes if more than 25% have voted against either the remuneration policy and/or implementation report and legitimate and reasonable objectives and concerns raised are addressed. The process and outcome will be disclosed in the Integrated Report.

## 12. Sources of Comparative Information

The Committee shall be provided with all the information it needs to make its determinations and recommendations. Consideration shall be given both to external and internal sources of comparative information on remuneration.

### 12.1 External Market Comparisons:

The Committee shall be provided with external market information to enable comparisons between the reward structures and levels applicable to directors and executives of the group and those applicable to other organisations of a similar size and complexity in comparable business sectors both in South Africa and other countries.



Such information might be obtained from the following sources:

- 12.1.1 market research results;
- 12.1.2 independent consultants specialising in remuneration; and
- 12.1.3 the industry in which the group, company or division conducts its business.

## 12.2 Internal Relativities

Comparative information on remuneration within the group shall be provided by the group human resources executive.

## 13. Limitations

- 13.1 The Committee is responsible to the Board of directors of Liberty Holdings Limited for carrying out this mandate and to operate within the mandate specifically delegated by the board.
- 13.2 Amendments may be made to the mandate as required, subject to board approval.
- 13.3 The Committee provides an advisory service to the board and has no executive authority unless specifically delegated by the Board.