

Human Capital and Remuneration Committee Terms of Reference

1.1 INTRODUCTION

The Human Capital and Remuneration committee (the Committee) is constituted as a committee of the board of directors of Etion Limited (the Company).

The duties and responsibilities of the members of the Committee are in addition to those as members of the board. The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their statutory obligations.

These terms of reference are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

1.2 PURPOSE OF THE TERMS OF REFERENCE

The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

1.3 COMPOSITION

- 1.3.1 King Report on Governance for South Africa and the Act require that the Committee should comprise of at least three independent non-executive directors. These members are to be elected by the Board on recommendation by the Nominations Committee.
- 1.3.2 The board will strive to appoint only independent non-executive directors but from a practical point the board will follow a policy of appointing non-executive directors to the Committee when required.
- 1.3.3 The Chairman of the Committee will be an independent non-executive Board member who is not the Chairman of the Board. All members of the

Committee must be suitably skilled and experienced.

- 1.3.4 The Committee members must keep up-to-date with developments in the human capital field affecting the required skill-set.

1.4 ROLE

- 1.4.1 The Committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval.
- 1.4.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.
- 1.4.3 The Committee strives to demonstrate to all stakeholders that the remuneration of senior executive members of the Group are set by a Committee of Board members who have no personal interest in the outcomes of their decisions and who will give due regard to the interests of stakeholders and to the financial and commercial health of the Group.
- 1.4.4 The role of the Committee is to assist the board to ensure that:
 - 1.4.4.1 the Group's directors and senior executives are fairly rewarded for their individual contributions to the Group's overall performance; and
 - 1.4.4.2 the disclosure of director remuneration is accurate, complete and transparent.
- 1.4.5 The role of the Committee is furthermore to assist the board to ensure that the company's human capital is protected, developed and retained, as well as that appropriate human capital is pro-actively sourced. This should be outlined in a

Human Capital Framework of the company.

- 1.4.6 For the purpose of the Committee, human capital is defined as people's competencies, capabilities and experience, and their motivations to innovate:
 - 1.4.6.1 including their alignment with and support for the company's governance framework, risk management approach, and ethical values;
 - 1.4.6.2 their ability to understand, develop and implement the company's strategy; and
 - 1.4.6.3 their loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.
- 1.4.7 The role of the Committee is furthermore to assist the board to ensure that the BBBEE strategy and performance are in line with the objectives of company.

1.5 RESPONSIBILITIES

The Committee must perform all the functions necessary to fulfil its role as stated above. Within this role, the Committee will place special emphasis on the following:

- 1.5.1 **Remuneration of employees**
 - 1.5.1.1 Devise and recommend a policy that results in fair, responsible and transparent remuneration and that will promote the achievement of strategic objectives, attract, motivate, reward and retain high-quality talent and encourage individual performance without encouraging undue risk taking;
 - 1.5.1.2 Select an appropriate comparative group and/or objective reference when comparing and setting remuneration levels;
 - 1.5.1.3 Oversee the setting and

- administering of remuneration at all levels in the company;
- 1.5.1.4 Ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets the company's needs and strategic objectives;
- 1.5.1.5 Ensure that the remuneration policy for executive members of the board and prescribed officers is fair and responsible in the context of overall employee remuneration.
- 1.5.1.6 Consider the results of the evaluation of the performance of the CEO and other executive directors in determining remuneration;
- 1.5.1.7 Review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
- 1.5.1.8 Regularly review incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules;
- 1.5.1.9 Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- 1.5.1.10 Ensure that all benefits, including retirement benefits and other Consider appropriate employee share ownership initiatives in order to attract and retain talent;
- 1.5.1.11 Consider the appropriateness of early vesting of share-based schemes at the end of employment;
- 1.5.2 Remuneration of non-executive board members**
- 1.5.2.1 In determining e fee structure, executive management should, as far as reasonably possible, take into account the aspects outlined in this guidance.
- 1.5.2.2 To avoid conflict of interest in determining their own fees and structure, the Remuneration Committee should request executive management (through independent advice if required) to recommend a fee structure.
- 1.5.2.3 Non-executive director fees, including committee fees, should recognize the responsibilities borne by directors throughout the year and not only during meetings. Fees should comprise a base fee which may vary according to factors including the level of expertise of each director, as well as an attendance fee per meeting.
- 1.5.2.4 The fee structure can take various forms including but not limited to a fixed monthly or quarterly retainer, time and material basis, and a base fee plus meeting attendance fee.
- 1.5.2.5 The following aspects should be considered when determining the fee structure of non-executive directors:
- 1.5.2.5.1 An annual base fee in respect of the Board appointment that reflects the expertise and contribution of the directors;
- 1.5.2.5.2 Committee fees where for example, the specialist technical expertise required for the Audit
- 1.5.2.5.3 Committee and the Remuneration Committee usually merits a premium fee;
- 1.5.2.5.4 Fee per meeting (for preparation and attendance);
- 1.5.2.5.5 Supplementary fees for additional projects;
- 1.5.2.5.6 Reimbursement of direct expenses;
- 1.5.2.6 It is common practice to differentiate fees based on the home jurisdiction of the director, and market practice in the home jurisdiction is used as a basis to determine these fees.
- 1.5.2.7 The components of remuneration are a matter of negotiated commercial contracts and therefore should be sufficiently flexible to suit each individual circumstance. Factors that influence the individual base fees of non-executive directors include time commitment, level of responsibility, level of competence as well as the contribution and profile of the director.
- 1.5.2.8 In determining an appropriate and fair attendance fee structure, the following should be considered:
- 1.5.2.8.1 The general level of hourly or daily rates of fees earned by directors in their professional
- 1.5.2.8.2 Capacities (for instance, as lawyers, accountants, executives, partners in audit or legal firms or management consultants);
- 1.5.2.8.3 The hours spent in travel and preparation for meetings, as well as actual attendance;
- 1.5.2.8.4 The number of meetings held (as this is an indication of the workload);
- 1.5.2.9 Attendance only should not be a qualification for meeting fees. Directors carry responsibilities whether they attend meetings or not and could for example still qualify for the meeting fee if they provide detailed input and feedback on board submissions prior to the meeting.
- 1.5.2.10 Disqualification of attendance fees should be based on the holistic performance of the director as determined by the chairman from time to time;
- 1.5.2.11 In the case of companies of similar size or complexity, a comparison may be made on typical fees. Company performance (profit, dividend and share price) is not considered to be of special significance for the purpose of setting an attendance fee.
- 1.5.2.12 Supplementary fees, for additional workloads assigned to a non-executive director are acceptable subject to required approval being obtained. If supplementary fees are paid separately, they may be calculated as an hourly or daily rate.
- 1.5.2.13 Directors should be reimbursed for all direct and indirect expenses reasonably and properly incurred in the performance of their duties (such as office, secretarial, accommodation or travelling expenses) as would ordinarily be the case for employees of the company.

- 1.5.2.14 Different remuneration levels may be set for chairmen and deputy chairmen of committees, senior directors, and lead independent directors.
- 1.5.2.15 Non-executive directors' fees should be approved by shareholders in advance. The Act requires a special resolution at intervals of not more than two years for this purpose. Non-executive directors' fees should be approved by special resolution, (requiring at least 75% votes (or another percentage as indicated in the Memorandum of Incorporation of the company) in favour of the resolution by the shareholders present) during an Annual or Special General Meeting, not more than two years prior to the implementation of the fees. Approval should be obtained prior to payment of the fees.
- 1.5.3 Employee Engagement**
- 1.5.3.1 Ensure that the health and wellness of employees are considered, protected and monitored where appropriate;
- 1.5.3.2 Review the engagement levels of all employees and ensure that management takes appropriate action to ensure the highest possible levels of engagement;
- 1.5.3.3 Analyse stay and exit reports and determine the root causes as to the reasons of staff voluntary attrition
- 1.5.4 Labour Relations
- 1.5.4.1 Review the terms and conditions of service agreements, disciplinary policy and the consistent and fair application thereof.
- 1.5.4.2 Evaluate management's reports on labour relations trends.
- 1.5.5 Training, Development and Career Planning**
- 1.5.5.1 Oversee the establishment of a training and development policy that will promote the achievement of strategic objectives and encourage individual performance;
- 1.5.5.2 Review the outcomes of the implementation of the training and development policy for whether the set objectives are being achieved;
- 1.5.5.3 Determine from management to what extent a learning culture is established and nourished in the company;
- 1.5.5.4 Review the terms and conditions of service agreements, disciplinary policy and the consistent and fair application thereof.
- 1.5.5.5 Identify the business critical positions together with the executives. The Committee shall approve key succession plans and monitor the implementation of such succession plans.
- 1.5.5.6 Ensure that clear career development paths exist for all critical skillsets in the company.
- 1.5.5.7 Monitor the fair application of promotions and policy transfer processes.
- 1.5.6 Recruitment
- 1.5.6.1 Review and monitor the proper application of the recruitment policy and processes.
- 1.5.7 Human Capital Framework**
- 1.5.7.1 Whereas Human Capital is a much broader concept than remuneration only, the committee will ensure that management develop a Human Capital Framework that will show how the multiple policies and activities monitored by this committee and described above, are integrated and aligned with the strategy of the company.
- 1.5.7.2 The Committee shall monitor and review the Group's compliance with good corporate governance in respect of human capital matters including the application of King Report on Governance for South Africa.
- 1.5.8 Transformation**
- 1.5.8.1 Ensure that a strategic plan is in place to guide the achievement of the transformation goals.
- 1.5.8.2 Ensure that clear transformation goals are in place, addressing the actions required to achieve the agreed BBBEE contribution level.
- 1.5.8.3 Monitor performance by management against the agreed goals.
- 1.5.9 Reporting**
- 1.5.9.1 Oversee the preparation and recommending to the board of the human capital and remuneration report, to be included in the integrated report, for whether it:
- 1.5.9.2 is accurate, complete and transparent;
- 1.5.9.3 provides a clear explanation of how the human capital development and remuneration policy has been implemented; and
- 1.5.9.4 provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of section 66(9) of the Companies Act, 2008.
- 1.5.9.5 ensure that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders once every year;
- 1.6 AUTHORITY**
- 1.6.1 The Committee acts in terms of the delegated authority of the board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.
- 1.6.2 The Committee shall have reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 1.6.3 The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- 1.6.4 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to following a board approved process.

- 1.6.5 The Committee makes the recommendations to the board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.
- 1.6.6 The chairman of the Committee may meet with the chief executive officer, head of human resources and/ or the company secretary prior to a Committee meeting to discuss important issues and to agree on the agenda.

1.7 MEETING PROCEDURES

1.7.1 Frequency

- 1.7.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year.
- 1.7.1.2 Meetings in addition to those scheduled may be held at the request of its members, the chief executive officer, head of human resources or at the instance of the board.

1.7.2 Attendance

- 1.7.2.1 The chief executive officer, chief financial officer, head of human resources or other members of senior management as may be required, assurance providers, professional advisors and board members may be in attendance at Committee meetings, but by invitation only, and they may not vote.
- 1.7.2.2 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the chairman or company secretary.
- 1.7.2.3 The company secretary is the secretary to this Committee.
- 1.7.2.4 If the nominated chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairman.

1.7.3 Agenda and minutes

- 1.7.3.1 The Committee must 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.
- 1.7.3.2 The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.
- 1.7.3.3 The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.
- 1.7.3.4 A detailed agenda, together with supporting documentation, must be circulated, at least five working days prior to each meeting to the members of the board and other invitees.
- 1.7.3.5 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 1.7.3.6 The minutes must be completed as soon as possible after the meeting and circulated to the chairman and members of the Committee for review thereof.
- 1.7.3.7 The minutes must be formally approved by the Committee at its next scheduled meeting.

1.7.4 Quorum

- 1.7.4.1 A representative quorum for meetings is a majority of members present.
- 1.7.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

1.8 EVALUATION

The board must perform an evaluation of the effectiveness of the Committee every year.

1.9 APPROVAL OF THE TERMS OF REFERENCE

These terms of reference are approved by the chairman of the board and chairman of the Committee.

20 March 2018

DATE



BOARD CHAIRMAN



BOARD COMMITTEE CHAIRPERSON