

# REMUNERATION

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# Remuneration

- ① The Remuneration Committee is pleased to present the Assupol remuneration report for the year ended 30 June 2020.

## King Code on Corporate Governance (King IV)

We have considered the impact of King IV on the remuneration policy and have consequently further enhanced the relevant disclosures in our remuneration policy.

## Fair and responsible remuneration

Assupol is committed to fair and responsible remuneration for all employees. In order to eliminate greater inequality through pay increases, the Remuneration Committee ensured that employees in more junior roles received higher increases in fixed remuneration than those in more senior roles.

## ROLES AND ACCOUNTABILITIES

### Board of directors

The board is ultimately responsible for the remuneration policy. To assist the board in fulfilling its responsibilities, it has appointed and mandated a Remuneration Committee.

### The Remuneration Committee

The Remuneration Committee, which functions as a subcommittee of the board in terms of an agreed mandate, evaluates and monitors the Group's remuneration philosophy and practices to ensure consistency with governance principles and corporate strategy. Its mandate is reviewed and approved by the board annually.

It comprises of three non-executive directors who are tasked with guiding and overseeing the structure and implementation of the Group's remuneration policy. The committee ensures that the remuneration philosophy, policy and human capital practices

support Assupol's strategic objectives to enable the attraction, motivation and retention of high calibre employees and senior executives in order to maximise shareholder value while also complying with legislation. It ensures that the Group's remuneration philosophy and policy are competitive and meet best practice standards, in support of the Group's strategic objectives.

Two of the three non-executive directors on the committee are independent, and one of the independent directors serves as the committee chairperson. The membership of the Remuneration Committee therefore complies with both King IV and the 4AX Listing Requirements which advocate a majority of independent non-executive directors. The Group Chief Executive Officer and Group HR Director, attend the meetings by invitation, but they do not form part of the Remuneration Committee's formal decision-making process.

The committee has an independent oversight role in respect of all remuneration and employee-related matters for the Group. It determines the policy for remunerating executive and non-executive directors.

The chairperson of the Remuneration Committee provides feedback to the board after each Remuneration Committee meeting.

The board recommends the fees for non-executive directors to shareholders for approval at the annual general meeting (AGM). Non-executive directors' fees are benchmarked at least bi-annually against fees published by a peer group of companies in their most recent AGM notices. Services of an independent remuneration consultancy are also utilised for benchmarking of non-executive director fees.

### Group Executive Committee

The Group Executive Committee proposes reward programmes and remuneration structures to the Remuneration Committee. They also ensure the oversight and implementation of approved remuneration programmes.

### KEY PRINCIPLES OF OUR REMUNERATION PHILOSOPHY

The Remuneration Committee's key objectives are to enable Assupol to reward performance in the context of appropriate risk management, align the interests of executives and staff with those of shareholders and to build and maintain a sustainable performance-based culture within the organisation.

Importantly, the remuneration philosophy supports the Group's business strategy by aligning strategic goals with organisational behaviour based on meritocracy and performance. Focus is also placed on ensuring compliance of the remuneration policies with the relevant regulatory requirements, including those of the Financial Sector Conduct Authority (FSCA), as well as aligning the remuneration policies with King IV.

As a Group, Assupol strives to remunerate successful executives and employees between the median and upper quartile and measured on a total reward basis (i.e. on the total remuneration package), including the guaranteed as well as short and long-term incentive elements thereof.

Within the total reward context, the benchmarking bias will always be towards the incentive (at risk) elements of the remuneration packages, with less emphasis on the benchmarking of the guaranteed element of the total remuneration package.

We recognise that the executive management team has a material influence on our Group's performance and growth, and as such the variable compensation (short and long-term incentives) makes up a meaningful part of their total compensation. Variable compensation is directly linked to the performance of our Group. An optimal balance between short and longer-term incentives is sought to ensure the alignment of the interests of executives and the interests of shareholders. This balance is also based on a total reward concept and ensures that short-term success is not striven for at the cost of undue risk or adversely affecting long-term sustainability.

A single incentive pool scheme is utilised to cover both short and long-term incentives for all executives and other employees. Effectively, there is one incentive scheme for both short and long-term incentives, with the bias towards the deferment of rewards.

Critically important for the Group and its shareholders is the fact that all incentives are based on solid risk adjusted return-on-capital principles. Strict alignment with the interests of shareholders is gained through the existence of an incentive pool that is driven by excess return on capital that meets stated after tax net profit hurdle requirements.

By employing a blended and measured approach to incentives, there is strong mitigation against undue risk taking to achieve short-term objectives, which can undermine longer-term goals.

The key principles that shape our policy are:

- That the Group has the ability to attract, retain and motivate the exceptional talent required to achieve positive operational outcomes, strategic objectives, and adherence to an ethical culture and good corporate citizenship. Both short and long-term incentives are used to this end.
- A significant portion of senior management's reward is designed to be variable and aligned with stakeholder interests. This is prescribed by the achievement of realistic financial targets together with, where applicable, the individual's personal contribution to the growth and development of their immediate department, their division or the wider Assupol Group.
- Long-term incentives align the objectives of management and shareholders and other stakeholders for a sustainable period.

- Salary structures and policies, cash as well as share-based incentives, motivate superior performance and are linked to realistic performance objectives that support sustainable long-term business growth.
- Compliance with all applicable laws and regulatory codes.
- The Remuneration Committee has discretion - when warranted by exceptional circumstances and where considerable value has been created for shareholders and stakeholders of Assupol by employees – to award special bonuses or other *ex gratia* payments to general staff, excluding management. In exercising this discretion, the Remuneration Committee satisfies itself that such payments are fair and reasonable and are disclosed to shareholders as required by remuneration governance principles.

## REMUNERATION POLICY

### Scope of the policy

The policy is board-approved and forms part of our operating philosophy, policies and standards. It sets out how total remuneration must be managed in the Group.

### Aims of the policy

Our reward arrangements aim to enable us to attract, motivate and retain people of high calibre, with the right mix of experience, skill and knowledge to deliver on the strategy, support and reinforce our desired culture and encourage ethical behaviour consistent with our values, thereby stimulating employee engagement.

It also aims to create appropriate balance and alignment between the needs, expectations and risk exposures of our stakeholders, including our staff members, clients, shareholders, regulators and communities, to ensure the creation of sustainable long-term value for each of these.

It incentivises employees to deliver sustained high levels of performance and excellent execution of our strategic priorities, while being cognisant of the impact this delivery has on the risk profile and exposure of the organisation.

It enables appropriate transparency in the development of remuneration programmes and the distribution of individual remuneration awards to ensure equity and fairness (ethical outcomes) based on valid and appropriate external and internal benchmarks.

It aligns with the principles of good corporate and remuneration governance, ensuring an appropriate share of value for the relevant stakeholders in its business. We believe that there should be appropriate sharing of value among stakeholders. Therefore, while employees should not be prejudiced as a result of remuneration design issues, remuneration programmes should equally not be designed to favour or benefit employees at the expense of other stakeholders.

We are committed to ensuring that remuneration of executive management is fair and responsible in the context of overall employee remuneration.

## THE STRUCTURE OF OUR REMUNERATION OFFERING

Our approach to reward is holistic based on the total reward approach and includes the following elements: guaranteed (cash) packages, variable short-term incentives, variable long-term incentives, various recognition programmes, individual learning and development opportunities, a stimulating work environment and a well-designed and integrated employee wellness programme.

### • **Guaranteed package**

The guaranteed package is delivered to the employee as a cash salary and a mix of compulsory and discretionary benefits. It is reviewed annually based on performance against agreed objectives and market surveys. The guaranteed package is benchmarked against a comparator group and positioned on average at the 50<sup>th</sup> percentile.

### • **Variable short-term incentive**

In respect of employees who do not participate in the company incentive pool scheme, the variable short-term incentive, in the form of an annual cash bonus, is linked to the employee's performance against individually agreed objectives.

In respect of employees who do participate in the company incentive pool scheme, a pre-defined portion (the portion being a function of the employee's guaranteed remuneration) of the individual bonus that has been allocated to the employee is paid to the employee in the form of a cash bonus. The remainder of the bonus also allocated to the employee (if any) is deferred and allocated to the employee in the form of restricted shares in the Group.

### • **Variable long-term incentive**

The deferred element (as described above) of the bonus allocated to participants of the company incentive pool scheme, makes up the variable long-term incentive portion of the specific employee's total reward package. The intention of the long-term incentive portion is to achieve closer alignment of participant and shareholder interests. Our long-term incentive encourages ownership and loyalty and supports our objective to retain valued employees. It is designed to align executive performance to shareholders' interests.

### • **Various recognition programmes**

Every financial year the Group runs a reward and recognition programme that is open to all employees except those who qualify to participate in the company incentive bonus pool (i.e. senior and executive management). The Assupol reward and recognition programme aims to recognise employees who make a significant contribution to the achievement of Assupol's strategic objectives and values. It is aimed at honouring and celebrating exceptional performance within Assupol. It offers an opportunity for employees to nominate fellow workers who go above and beyond the call of duty, and who live the Assupol values to the maximum. Employees are nominated for their significant contributions in a particular pre-defined category.

The categories are:

- **Team player:** As a team player, contribute to achieving the Group and departmental goal of serving our clients fairly and selflessly.
- **Integrity:** Maintain utmost integrity by having our clients' needs at heart whenever dealing with them.
- **Innovation:** Always think of ideas to better current services, products and processes to best meet the needs of our clients.
- **Service excellence:** Serve with passion, enthusiasm and an energetic attitude at all times.
- **Respect:** Treat all stakeholders with respect and give them all the attention they deserve when dealing with them.

Nominations are reviewed and quarterly winners are selected per category. An annual winner is then selected from the quarterly winners. The programme cycle is aligned with the Assupol financial year and runs from July to June. A successful winner is eligible to receive a tax adjusted amount of R50 000 as a reward.

### • Individual learning and development opportunities

Assupol affords all its employees the opportunity to develop and grow through the study assistance programme that enables any qualifying employee to enrol for tertiary studies. The company pays for tuition fees and affords employees paid time off for preparation and writing of the exams.

### • A stimulating work environment

As a Group, we have long understood that our employees play a critical role to our continued success. We are continuously searching for ways to provide the 'ultimate' employee experience and have regularly opened ourselves up for scrutiny, by competent external (independent) verification entities, to assess our employment practices and provide us with valuable scientific assessment on how we match up when compared to other "best employers" in the country.

We seek to attract the most talented of employees and fully understand that the most talented employees strive for the most stimulating and challenging environments to work in – more so than the less talented ones – and it is our job to keep providing it. To this end we have regularly participated in the Deloitte Best Company Survey which is arguably the most prestigious and respected of its kind in South Africa.

We have constantly exceeded all the critical benchmarks in the survey and have never, since our participation, attained a level lower than the gold status.

### • A well-designed and integrated employee wellness programme

The primary aim of our employee wellness programme is to establish an understanding of the current health and wellness status of our senior employees, and to further provide guidance on how best to enhance their future health, their quality of life and their level of productivity. Comprehensive wellness assessments have been conducted on the eligible participants. Key areas of risk, objectives and lifestyle action plans have been identified. Participants have received face-to-face feedback and were given the appropriate advice at the time by the attending medical professionals.

## NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors do not have service contracts and do not participate in any of the Group's short or long-term incentive schemes. No shares are granted to them. The non-executive board member fee structure has two components namely, an annual retainer component and a board or board committee meeting attendance fee. The chairperson of the company is paid an all-in retainer that is not structured into the aforementioned components.

Fee structures are reviewed annually. The Remuneration Committee reviews the fees paid to non-executive directors by taking into consideration the individuals' responsibilities and board committee membership. The chairperson is not present when his or her remuneration is reviewed. In addition, from time-to-time, the fees are benchmarked against other financial services companies to ensure that the fees remain competitive and fair. Recommendations are made to the board for consideration and taken to the AGM for shareholder approval.

## EXECUTIVE CONTRACTS

Assupol executive directors and members of the Executive Committee are contracted as full-time, permanent employees for employment contracting purposes. As a standard element of these contracts, a 12-month restraint of trade is included. Bonus payments and the vesting of long-term incentives that are in place at the time of an individual's termination of service are subject to the rules of the relevant scheme with some

discretion being allowed to the Remuneration Committee based on the recommendations of the Group Chief Executive.

### REPORT ON ACTIVITIES

#### The impact of Covid-19 on remuneration

The last quarter of the financial year was severely hampered by the onset of the Covid-19 pandemic and the subsequent nationwide lockdown regulations that were imposed by the government to combat its effects. The inability of our tied agents to operate during the lockdown period, meant that special measures had to be taken by the company, to mitigate against the adverse effect of the regulations. As a result, R23.9 million was set aside by the company as relief to our agents during the period.

The implementation of annual salary adjustments had to be postponed to January 2021 depending on results of further analysis of the impact of Covid-19 on the business. It is envisaged that salary adjustments will be made at this time but will not be backdated. In addition, staff received an annual bonus.

Set targets were not met by senior management in terms of rules of the incentive bonus scheme. This has meant that the incentive bonus pool could not be funded from normal operations. A decision has therefore been taken by the board not to make bonus payments to senior management for the financial year under review. This decision has been well accepted by management. However, in recognition of superior performance in an exceptionally difficult year, on the recommendation of the Remuneration Committee, the board approved a special bonus of R14,9 million for senior executives as per the new long-term incentive scheme rules which are currently being reviewed.

#### Changes to the committee

Mr Ranti Mothapo resigned from the board of directors and as the chairperson of the committee. He was replaced by Mr Steven Braudo.

#### Incentive Scheme Benchmark Study

During the year under review a task team was set up by the Remuneration Committee to review the company's Incentive Bonus Scheme for senior management. The recommendations made are under consideration by the Remuneration Committee and thereafter a proposal will be taken to the board. This exercise is expected to be finalised in the new financial year 2020/2021.

#### Meetings

The Remuneration Committee met six times during the financial year ended June 2020, and all members were present. This included two additional meetings that were required in relation to the review of the company's Incentive Bonus Scheme for senior management.