

Remuneration Committee Terms of Reference 2022

Date	Details	By	Approved
27 November 2020	Annual review	Company Secretarial	Committee & Board
12 August 2022	Revision	Anda Matwa, Company Secretary	Recommend to board

1. CONSTITUTION OF THE COMMITTEE

- 1.1. The Remuneration Committee (**the Committee**) is constituted as a committee of the Redefine Properties Limited Board of Directors of the Company (**the Board**)¹ in respect of all duties assigned to it by the Board from time to time².
- 1.2. The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities they have as members of the Board or prescribed officers of the Company, as the case may be³.
- 1.3. The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board regarding their fiduciary duties and responsibilities and they must continue to exercise due care and judgement in accordance with their legal obligations⁴.
- 1.4. The Terms of Reference is subject to the provisions of the Act, the Company's Memorandum of Incorporation (**MOI**), the JSE Listing Requirements (**JSE LR**) and any other applicable law or regulatory provision. Guidance is also taken from the principles and relevant recommendations of the King IV™ Report on Corporate Governance for South Africa, 2016 (**King IV**) (*Copyright and trademarks are owned by the Institute of Directors in Southern Africa* and the IoDSA website link is: <http://www.iodsa.co.za/?page=AboutKingIV>).
- 1.5. In this Terms of Reference, "Group" shall refer to the Company and its subsidiaries as contemplated in section 3 of the Act. Unless otherwise indicated, the meaning ascribed in King IV™ to relevant words and phrases shall equally apply in the Terms of Reference.

2. PURPOSE OF THIS DOCUMENT

- 2.1. The purpose of this Terms of Reference is to formally set out the nature and extent of the responsibilities delegated, decision-making authority, membership, meeting and reporting procedures of the Committee.⁵

3. ROLE

- 3.1. The Board has set certain strategic priorities for the Company to achieve its strategy.⁶ The Board has delegated the strategic oversight and monitoring of "Growing reputation and "Engage Talent" as a strategic pillars to this Committee with a focus on talent management and profiles, scarce skills and skills resilience, succession planning, productivity in relation to operational efficiency and employee turnover in respect of regrettable resignations. The Committee will be required to review information and exercise oversight from a current and focus point of view

¹ Section 72 of the Companies Act of 2008 and Par3.84(c) of the JSE LR.

² King IV: P8, RP60, page 56.

³ Section 76 of the Act. Redefine Board Charter.

⁴ King IV: P8, RP49, page 55.

⁵ King IV: P8, RP41 &42, page 54.

⁶ The FY2023 priorities being: 1) Growth Reputation; 2) Invest Strategically; 3) Optimise Capital; 4) Operate Efficiently; and 5) Engage Talent. Priorities are set out in more detail in the Redefine FY2023 Strategy document.

- 3.2. Furthermore, the Committee's primary focus will be on the "Human Capital", Social and Relationship Capital and Intellectual capital.⁷
- 3.3. Furthermore, based on the specific duties of the Committee as set out in clause 6, the main role of the Committee is to support the Board by providing independent oversight of:
 - Remuneration governance with a particular focus on ensuring that the Company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term⁸.
- 3.4. 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, nor does it assume accountability of the functions performed by other committees of the Board. Committee members should therefore caution against overreaching into operational matters of the Company.

4. MEMBERSHIP

- 4.1. The Committee shall comprise at least 3 (three) members and shall be appointed by the Board on recommendation from the Nomination Committee and Governance Committee (**Nomco**), all of whom shall be independent non-executive directors⁹.
- 4.2. Should a vacancy arise on the Committee resulting in less than the minimum membership requirement, same needs to be filled within reasonable time of the vacancy arising. Decisions taken by the committee shall remain binding so long as the committee comprise of 2 (two) members.
- 4.3. The Committee Chair shall be appointed annually by the Board (on recommendation from the Nomco) and he/she shall be an independent non-executive director¹⁰.
- 4.4. The Chair of the Board may be a member of the Committee, but not its chair¹¹.
- 4.5. The members of the Committee, as a whole, must have the necessary knowledge, skills, experience and capacity to execute its duties effectively¹².
- 4.6. Membership of the Committee shall automatically terminate if a member ceases, for whatsoever reason, to be a director of the Company.
- 4.7. Cross-membership is dealt with in Annexure A hereto.

5. ATTENDANCE AT MEETINGS

- 5.1. Committee members are expected to attend all meetings of the Committee unless an apology with reasons has been submitted to the Chair and the Company Secretary.
- 5.2. Every member of the Board is entitled to attend any meetings of the Committee as an observer. However, unless that member is also a member of the Committee, the member shall not be entitled to participate without the consent of the Chair, does not have a vote and is not entitled to fees for such attendance unless otherwise approved by the Board and shareholders.¹³

⁷ The Intellectual Capital Organisational includes knowledge-based intangibles, including Intellectual property, such as patents, copyrights, software, rights and licences. "Organizational capital" such as tacit knowledge, systems, procedures and protocols. The latter is applicable for Remco given the various remuneration governance interventions. Furthermore, ESG KPA linked to executive directors performance are considered by Remco. This talks to how ESG is entrenched and forms part of the company's value chain. Corporate governance processes are proactively monitored in line with best practice with due consideration with the fast pace of governance evolution.

⁸ King IV: P14, page 64.

⁹ King IV: P8, PR66, page 57.

¹⁰ King IV: P8, RP67, page 57.

¹¹ King IV: P7, RP36(b), page 53.

¹² King IV: P8, RP45, page 55.

¹³ King IV: P8, RP49, page 55.

- 5.3. The Chief Executive Officer and Chief People Officer shall attend meetings of the Committee, by invitation (standing invitees) unless otherwise indicated by the Committee. Other individuals, including members of management, external consultants and service providers may be invited to attend meetings of the Committee from time to time in consultation with the Chair.
- 5.4. If the Chair of the Committee is absent from the meeting, any other member of the Committee may act as chair for that meeting as agreed by those present or as nominated by the Chair of the Committee.
- 5.5. The Company Secretary (or duly authorised representative) shall attend each meeting of the Committee to act as secretary of the Committee.

6. DUTIES / RESPONSIBILITIES

The Committee has the following duties:

6.1. JSE Listing Requirements

- 6.1.1. Table the **remuneration policy** and the **implementation report** every year for separate non-binding advisory votes by shareholders of the Company at the annual general meeting¹⁴.

6.2. Governance - King IV¹⁵

The Committee is responsible for the oversight of **remuneration governance** and has the following responsibilities:

- 6.2.1. Oversee and recommend to the Board the development of regular review and compliance with a **remuneration policy** that articulates and results in fair, responsible and transparent remuneration¹⁶ and that it achieves the following objectives¹⁷:
 - i to attract, motivate, reward and retain human capital;
 - ii to promote the achievement of strategic objectives within the Company's risk appetite;
 - iii to promote positive outcomes; and
 - iv to promote an ethical culture and responsible corporate citizenship.
- 6.2.2. Ensure that the above-mentioned remuneration policy addresses **organization-wide remuneration** and includes provision for the following¹⁸:
 - i arrangements toward ensuring that the remuneration of executive management is fair and responsible in the context of the overall employee remuneration in the Company;
 - ii the use of performance measures that support positive outcomes across the economic, social and environmental context in which the Company operates; and/or all the capitals that the Company uses or affects;
 - iii the voting by shareholders on the remuneration policy and the implementation report, and for the implementation of related responding measures as outlined in King IV;
 - iv all elements of remuneration that are offered in the Company and the mix of these elements¹⁹;
- 6.2.3. Oversee that the **implementation and execution** of the remuneration policy achieves the objectives of the remuneration policy²⁰;

¹⁴ JSE LR, par 3.84(j), page 50. Also King IV: page 14, RP37.

¹⁵ King IV: P14.

¹⁶ King IV: P14, RP27, page 64.

¹⁷ King IV: P14, RP28, page 65.

¹⁸ King IV: P14, RP29, page 65.

¹⁹ Refer to King IV: P14, RP30, page 65 for specific elements to be included in the policy.

²⁰ King IV: P14, RP31, page 65.

- 6.2.4. Review and approve the **remuneration report** (comprising the following three parts: background statement, overview of the remuneration policy and the implementation report, based on the King IV guidance and recommendations) for inclusion in the integrated annual report²¹;
- 6.2.5. Table the **remuneration policy and report** every year for separate non-binding advisory votes by shareholders at the Company's AGM²²; and
- 6.2.6. Perform the responding **measures** as recommended in King IV in the event of the remuneration policy and/or implementation report not receiving the recommended minimum support (25% or more voted against) from shareholders at the annual general meeting²³.

Redefine Additional Duties:

- 6.2.7. Review of any risk in the remuneration system, including people risks (the Risk, Compliance and Technology Committee (RCT) is the custodian of risk governance). Should this Committee become aware of any people risk, this will be communicated to the RCT.
- 6.2.8. In addition to the requirements listed above, the Committee should ensure that the **remuneration policy** also provide for the following:
 - i reviewing the results of the Gini coefficient, Palma ratio and other statistical measures used to measure income inequality within the Company;
 - ii compliance with the principle of equal pay for work of equal value;
 - iii reviewing the results of the Income Differential Statement submitted to the Department of Employment and Labour on an annual basis; and
 - iv the embedment of organisational health;
 - v records the measures that the Board commits to if either the remuneration policy or the implementation report, or both have been voted against by 25% or more of the voting rights exercised by shareholders²⁴.
- 6.2.9. The Remuneration population is defined in terms of the Committee's statutory and governance obligations set out in the Terms of Reference as well as an oversight role for enhanced governance and transparency, over positions that have a significant influence and impact on the business model and the achievement of the business strategy.
- 6.2.10. The Committee shall either approve and monitor or either only monitor the remuneration of certain positions depending on the classification of the position as set out below:
 - i **Remuneration Population A:** The Committee to approve and monitor the remuneration for the following positions:
 - a. Executive Directors
 - b. Prescribed Officers (As identified by Redefine in the previous financial year)
 - c. Company Secretary
 - d. Head of Risk and Compliance
 - e. Internal Audit Manager
 - f. Any other governance function as determined by the Committee from time-to-time
 - ii **Remuneration Population B:** The Committee to consider the proposed remuneration of the following positions:
 - a. The remainder of the members of the Executive Committee not included in Remuneration Population A above
 - b. Key strategic senior positions not part of the Executive Committee
 - c. Directors and Executives (CFO and CEO) of offshore subsidiaries

²¹ King IV: P14, RP32, page 65. Refer to recommended practices 33-35 for detail regarding the different elements of the report.

²² King IV: P14, RP37, page 67.

²³ King IV: P14, RP38, page 67.

²⁴ King IV, P14, RP38, page 67.

- 6.2.11. 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;
- 6.2.12. Consider the results of the evaluation of the performance of the CEO (lead by the Chair of the Board and this Committee), employees under Remuneration performance A list above (lead by the CEO or CFO where applicable)
- 6.2.13. Consider the pay conditions of the head of internal audit, head of risk and compliance (control functions), company secretary and other employees providing corporate governance services, and ensuring that their pay is determined independently of the divisions that they oversee; and/or the financial performance of the business, subject at all times to the principles of fair, responsible and transparent remuneration as well as affordability;
- 6.2.14. Regularly review incentive schemes to ensure continued contribution to stakeholder value and that these are administered in terms of the relevant scheme rules;
- 6.2.15. 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 Redefine's risk management approach and result in a positive ethical culture and long-term value creation; and
 - ii. do not unintentionally or intentionally drive risky and/or unethical behaviour in pursuit of incentive targets;
- 6.2.16. 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
- 6.2.17. Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- 6.2.18. Liaise with other board committees on remuneration affairs, where required;
- 6.2.19. Oversee and approve the Company's Malus and Clawback Policy and make all decisions and determinations as provided for in the policy.
- 6.2.20. 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;
- 6.2.21. Oversee the preparation and recommendation to the Board of the remuneration report²⁵ to be included in the integrated annual report to ensure that it:
 - 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.

6.3. **Non-executive director remuneration**

- 6.3.1. Consider and recommend the fees of non-executive directors²⁶. 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 and/or appropriate and credible benchmarks for non-executive remuneration in the listed environment where needed;
- 6.3.2. Provide sufficient forward-looking information for the shareholders to pass a special resolution to approve the proposed fees.

²⁵ King IV: P14, RP32, page 65.

²⁶ In terms of section 66(8) & (9), the Company may pay remuneration to its directors for their services, but may only be paid in accordance with a special resolution approved by the shareholders within the previous 2 years.

6.4. Assurance and Reporting (King IV)

- 6.4.1. The Committee should ensure that external reports within the ambit of the Committee disclose information about the type of assurance process applied to each report²⁷.
- 6.4.2. Approve management's bases for determining materiality for the purpose of deciding which information should be included in external reports within the ambit of the Committee²⁸; and
- 6.4.3. Ensure the **integrity** of external reports within the ambit of the Committee²⁹.

7. DISCLOSURE AND REPORTING

7.1. JSE LR

The following must be included in the Company's annual integrated report:

- 7.1.1. A brief description of the Committee's **mandate, the number of meetings** held and **other relevant information**³⁰;
- 7.1.2. Confirmation that the Committee has **executed its responsibilities** as set out in the JSE LR³¹.
- 7.1.3. If either the remuneration policy or the implementation report, or both are voted against by shareholders exercising 25% or more of the voting rights exercised, the following must be disclosed in the voting results announcement³²:
 - i. An invitation to dissenting shareholders to engage with the issuer; and
 - ii. The manner and timing of such engagement.

7.2. King IV

- 7.2.1. The Committee shall report on an annual basis to the shareholders, on the following information³³:
 - i. overall **role and associated responsibilities** and functions of the Committee and how the Committee carried out its functions³⁴;
 - ii. **composition** of the Committee, including each members qualifications and experience;
 - iii. any **external advisers or invitees** who regularly attend Committee meetings;
 - iv. **key areas of focus** during the reporting period;
 - v. **the number of meetings held** during the reporting period and attendance at those meetings³⁵;
 - vi. whether it is satisfied that it has **fulfilled its responsibilities** in accordance with its terms of reference for the reporting period;
- 7.2.2. In addition to the above, the Committee shall review and approve the **remuneration report** for inclusion in the annual report and shall consist of the following three parts:
 - i. Background Statement³⁶
 - ii. Remuneration Policy³⁷

²⁷ King IV: P15, RP47, page 69. Also see item 7 of this Terms of Reference in respect of information to be included.

²⁸ King IV: P5, RP13, page 48.

²⁹ King IV: P5, RP14, page 48.

³⁰ JSE LR: Par 3.84 (c), page 48-49.

³¹ JSE LR: Par 3.84 (g), page 50. Also see item 6.2 of this Terms of Reference for the specific responsibilities.

³² JSE LR: Par 3.84(j) and 3.91, page 50 & 52.

³³ King IV: P8, RP50 (a) – (f), page 55.

³⁴ Also see section 97(7)(f)(i) of the Act.

³⁵ Also see JSR LR, par 3.84(c), page 48-49.

³⁶ Refer to King IV: P14, RP33, page 66 for more detail as to what should be included in the statement.

³⁷ Refer to King IV: P14, RP34, page 66 for more detail as to what should be included in the overview.

iii. Implementation Report³⁸

7.3. **General**

7.3.1. The Committee Chair, or in his/her absence another member of the Committee nominated by the Chair, shall attend the annual general meeting to answer questions on matters falling within the ambit of the Committee.

7.4. **Reporting to Board**

7.4.1. The Committee will account to the Board on all matters within its mandate.

7.4.2. The Chair will report on the Committee's proceedings, recommendations and decisions at every subsequent Board meeting by preparing a written memorandum on the material matters discussed and recommendations made as well as providing verbal feedback if required by the Board Chair to ensure that decisions taken are duly reported to the Board.

8. GENERAL PROVISIONS, MEETING PROCEDURES AND COMMITTEE GOVERNANCE

8.1. Refer to Annexure A hereto.

N Langa-Royds
(Committee Chairperson)

SM Pityana
(Board Chairperson)

³⁸ Refer to King IV: P14, RP35, page 67 for more detail as to what should be included in the report.