SI's APPROACH TO REMUNERATION

Here we outline the features of remuneration policy that SI will support. A fuller discussion is outlined in our Sanlam Investments Responsible Stewardship Guidelines 2024, shown alongside, starting on page 11, that outlines our policy approach and Proxy voting Guidelines. As an example of remuneration policy and implementation that SI will support, we refer you to a MultiChoice or Absa integrated report.

We concentrate most on long term incentivisation, where awards are received in shares which, together with holding requirements, serve to align executives with shareholder interests. Incentive shares should preferably be bought in to avoid dilution, provided that makes valuation sense.

Pay mix

Executive remuneration should be broken down into elements of base pay plus benefits, short-term incentives (STI), and long-term incentives (LTI). The expected contribution of each component under various performance scenarios should be disclosed, as well as actual outcomes, with pay awarded distinguished from pay received on an annual basis.

Minimum shareholdings

Executives should be required to hold minimum shareholdings. They should be sourced in part from incentive shares, so that conceptually the purpose of incentive awards is to provide a stock of shares to be retained over the remaining period of tenure.

Performance hurdles

Hurdles in the STI are usually made up of financial metrics (e.g. EBITDA), corporate objectives (e.g. transformation and safety), and individual key performance indicators. Hurdles are scaled and measured annually. Caps are usually applied (e.g. the CEO's bonus could be capped at 200% of base pay).

Profitability, earnings growth, operational returns and shareholder returns are used as performance hurdles in the LTI, both in absolute and relative terms. These should be scaled and measured over a period of at least three years. Our preference is for the majority of hurdles to measure operational returns in excess of cost of capital. The hurdles should be agreed with shareholders in advance.

Scheme life

We don't support evergreen schemes that make awards into perpetuity. LTI schemes should have a maximum lifespan of 10 years in order to encourage refreshment.

Award frequency and size limits

LTI awards should be made annually in instalments of similar size in order to motivate value creation over rolling periods at acceptable risk.

We support LTI limits of 10% of shares in issue overall and 0.5% per participant over the life of the scheme. The limits should apply even if there is more than

one incentive scheme and irrespective of whether shares are bought in or not.

Grounds for adjustment

Schemes should allow for adjustments where actual outcomes deviate materially from planned outcomes. The concepts of ‘malus’ and ‘clawback’ are of importance here. Malus refers to the adjustment of unvested awards due to trigger events such as fraud and unjustified windfalls, for example, and clawback is the recovery of already vested awards as a result of a negative trigger event.

Retention schemes

Incentive schemes should be separate and/or separately identifiable from retention schemes. To encourage a culture of performance, retention schemes should be limited or avoided.

Reporting

There should be comprehensive reporting of the remuneration policy and its implementation in the integrated report, with a particular emphasis on actual outcomes relative to scaled targets. The remuneration awarded to and received by executive directors should be reflected and broken down into its constituent parts. This is enabled by disclosing scaled targets on award.

Policy Changes

Any proposed changes to the existing remuneration policy should be disclosed, clearly defined and approved by shareholders in advance.

Disclaimer:
Sanlam Investments consists of the following authorised Financial Services Providers: Sanlam Investment Management (Pty) Ltd ("SIM"), Sanlam Multi Manager International (Pty) Ltd ("SMMI"), Satrix Managers (RF) (Pty) Ltd, Graviton Wealth Management (Pty) Ltd ("GWM"), Graviton Financial Partners (Pty) Ltd ("GFP"), Satrix Investments (Pty) Ltd, Amplify Investment Partners (Pty) Ltd ("Amplify"), Sanlam Africa Real Estate Advisor Pty Ltd ("SAREA") and Simeka Wealth (Pty) Ltd; and has the following approved Management Companies under the Collective Investment Schemes Control Act: Sanlam Collective Investments (RF) (Pty) Ltd ("SCI") and Satrix Managers (RF) (Pty) Ltd ("Satrix").
The information does not constitute financial advice. While every effort has been made to ensure the reasonableness and accuracy of the information contained in this document ("the information"), The FSP's, its shareholders, subsidiaries, clients, agents, officers and employees do not make any representations or warranties regarding the accuracy or suitability of the information and shall not be held responsible and disclaims all liability for any loss, liability and damage whatsoever suffered as a result of or which may be attributable, directly or indirectly, to any use of or reliance upon the information.
Collective investment schemes are generally medium to long-term investments. With Unit Trusts and ETFs the investor essentially owns a "proportionate share" (in proportion to the participatory interest held in the fund) of the underlying investments held by the fund. With Unit Trusts, the investor holds participatory units issued by the fund while in the case of an ETF, the participatory interest, while issued by the fund, comprises a listed security traded on the stock exchange. ETFs are index tracking funds, registered as a Collective Investment and can be traded by any stockbroker on the stock exchange or via Investment Plans and online trading platforms. ETFs may incur additional costs due to it being listed on the JSE. Past performance is not necessarily a guide to future performance and the value of investments / units may go up or down. A schedule of fees and charges, and maximum commissions are available on the Minimum Disclosure Document or upon request from the Manager. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Should the respective portfolio engage in scrip lending, the utility percentage and related counterparties can be viewed on the ETF Minimum Disclosure Document. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The index, the applicable tracking error and the portfolio performance relative to the index can be viewed on the ETF Minimum Disclosure Document and or on the Satrix website

call us

Investments

55 Willie van Schoor Ave, Belville 7530 | Private Bag x8
Tygervalley 7536, South Africa

T +27 (0) 21 950 2500 F +27 (0) 21 950 2555