



## REMUNERATION POLICY

### REMUNERATION PHILOSOPHY AND PRINCIPLES

#### **EXXARO RESOURCES LIMITED**

Herein after referred to as the Exxaro Group of Companies

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## **1. PURPOSE**

The way Exxaro remunerates employees will reflect the dynamics of the market and the context in which it operates. It will be aligned to the strategic direction and specific value drivers of the businesses within which Exxaro operates, supporting the philosophy of operational excellence, continuous improvement and innovation.

Remuneration will play a critical role in attracting and retaining high performing individuals and will reinforce, encourage and promote superior performance.

Remuneration will never be a stand-alone management process, but will be fully integrated into other management processes such as the performance management and talent management processes, values and culture, and the overall Group Human Resources Policies.

## **2. REWARDS VISION**

The vision of the remuneration philosophy is to provide rewards that are simple, integrated, holistic solutions, common messages and a package that is differentiated from the market in order for Exxaro to attract, retain and energise talented, high performing people.

## **3. EXXARO REMUNERATION PHILOSOPHY STATEMENT**

Exxaro believes that people are one of their key competitive sources of value and that the achievement of corporate goals and business objectives must be supported by the way Exxaro rewards people for their contribution.

Exxaro primarily remunerates people for the value they add to the organisation and this forms the foundation of the employment and the psychological contract of employment.

Remuneration is a vital part of the total employee value proposition.

Remuneration practices:

- support the business strategy of Exxaro;
- support the Exxaro people strategy;
- support the importance of skills, knowledge and experience applied in context;
- inspire superior performance of the organisation, teams and the individual
- encourage the development of competencies required for future company needs;
- are based on the principle of sharing in the success of the company;
- target the attraction of the right talent to fit organisational needs;
- are designed to retain high quality talent with the optimum mix of skills and competencies;
- aim to align employee engagement to organisational vision and mission through the total employee value proposition (both financial and non-financial rewards);

- Differentiate appropriately through various reward practices and processes on the basis of job outputs and contribution;
- comply with clauses prohibiting discrimination as contained in the Constitution of South Africa, and the Employment Equity Act;
- allow maximum flexibility in terms of the utilisation and reward of the workforce;
- provide maximum choice for individuals in respect of the structuring of their reward;
- establishes accountability and ownership of the reward process with line management, and
- ensure a balance between affordability and quality of life for employees.

#### 4. REWARD FRAMEWORK AND COMPONENTS

The Reward Strategy is designed to be aligned with the organisation strategy and the execution of that strategy, along with an emphasis on operational excellence. This in turn will maximise the performance and effectiveness of the organisation, thus increasing shareholder returns.

Each component of the Exxaro Reward strategy is developed with a specific intent and purpose.

<b>Remuneration Component: What</b>	<b>Rationale: Why</b>
Guaranteed Remuneration and Benefits	<ul style="list-style-type: none"> <li>• Remunerate for job specific outputs and requirements – equal pay for work of equal value</li> <li>• Attraction and retention of high performing individuals</li> <li>• Differentiate on basis of individual performance and contribution to Exxaro</li> <li>• Quality of life</li> </ul>
Short term Incentives	<ul style="list-style-type: none"> <li>• Delivery of stretched organisation or individual targets</li> <li>• Create a culture of superior performance</li> <li>• Enhance team performance</li> </ul>
Long term Incentives	<ul style="list-style-type: none"> <li>• Attraction and retention of high performing talent</li> <li>• Align individual, team and organisational performance with shareholder expectations</li> <li>• Create a culture of sustainable performance</li> </ul>
Reward and recognition	<ul style="list-style-type: none"> <li>• Support and reinforce a culture of belonging, performance and values, acknowledgement</li> </ul>
Strategic separation	<ul style="list-style-type: none"> <li>• Retrenchment</li> </ul>

	<ul style="list-style-type: none"> <li>• Voluntary separation packages</li> <li>• Space creation</li> </ul>
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The details on each component of remuneration is set out in the respective remuneration policies.

## 5. REMUNERATION MIX

The remuneration mix reflects the relative proportions of pay represented by guaranteed, variable and share income pay and will be meaningfully linked to job type and the nature of expected outcomes.

- Guaranteed Remuneration + Short Term Incentives + Long Term Incentives = Total Remuneration.
- Guaranteed Remuneration includes all guaranteed items such as basic salary, medical aid, pension fund, guaranteed allowances. This will be positioned at the market median (50th percentile) for full performance.
- Variable Remuneration includes cash incentive pay-outs, circumstantial remuneration and recognition rewards. The time frame for payment of variable remuneration is typically one year or less, except where some portion of variable remuneration may be deferred into a later period. This will be pitched at the Upper Quartile (75th percentile) of the market.
- Long Term Incentives form part of remuneration paid in the form of equity in the company, with specific performance conditions to be met at the end of a specific time frame, typically not shorter than 3 years.

The company will adopt, where appropriate, suitable levels of variable pay so that value based achievement enhancements are positively encouraged and rewarded.

## 6. REMUNERATION GUIDING PRINCIPLES

The general remuneration guiding principles discussed below are supported by Exxaro and applicable to all remuneration policies and practices.

The application of these principles with regards to implementation differ due to the nature of the labour force and are split between employees that form part of collective bargaining and those who fall outside of collective bargaining which include Executives, all management levels and staff not part of any recognition agreement or sectorial determination.

Remuneration of individuals that fall within the scope of collective bargaining are determined through wage negotiations as per the different recognition agreements and the Labour Relations Act 66 of 1995 as amended (LRA), and within the Employee Relations Strategy of Exxaro.

### 6.1 Internal Parity

Exxaro supports the principle of fair and equitable remuneration, equal pay for work of equal value, as per chapter 2 of the Employment Equity Act 55 of 1998, its regulations regarding the criteria and methodology for assessing work for

equal value in section 6(4) and the Code of Good Practice on equal pay/remuneration for work of equal value.

Individuals will be remunerated in relation to the outcome of a structured job evaluation process determining the relative value of the job. Each job will be evaluated by using an approved job evaluation instrument to determine its relative contribution based on the job profile. The evaluation of their specific job profile indicating their role in the organisation, job outputs and skills and competencies required. The job evaluation result will be compared internally as well as externally.

Remuneration differentiation may exist due to individual performance measured by the results they achieve in relation to agreed objectives or any other justifying factors as indicated in the code of good practice referred to above. Remuneration differentiation should be monitored and reported.

## **6.2 Market competitiveness**

Exxaro will manage remuneration to ensure market competitiveness for the attraction and retention of individuals with the required knowledge, skills and experience.

The market is defined as:

- Country specific companies
- Primarily the mining industry
- Functions attracting premium remuneration

Exxaro will maintain national rates of remuneration which are based on the appropriate market per job families applicable to the mining industry and specific business-related industries.

Exxaro accepts the principle of skills demand and supply factors in the market and remuneration should be flexible enough to attract and retain required knowledge, skills and experience throughout business, economic and commodity cycles. Where scarce competencies are identified, individuals will be paid in line with the relevant specialist markets.

In general, the aim will be for total remuneration to be on the 50th percentile of the market for full performance.

Remuneration will be analysed relative to market norms on the basis of job families and job types, at least once per year, and adjusted where necessary to ensure competitive remuneration.

## **6.3 Remuneration ranges**

Role levels, job evaluation results and market medians will form the basis of remuneration range structures (pay scales). Broad band remuneration ranges with minimum and maximum values will be utilized in order to allow for flexibility of remuneration based on market trends and performance.

Remuneration ranges will be reviewed at least annually to ensure ongoing market competitiveness.

## **6.4 Remuneration Packages and Benefits**

Exxaro will manage remuneration on the basis of individual guaranteed total cost to company to determine market competitiveness.

Market remuneration trends will inform the design of variable and circumstantial remuneration such as short and long-term incentive schemes.

All employees are entitled to the same range of benefits appropriate to their role level and specific circumstances.

Non-bargaining employees will have flexibility in structuring their remuneration within certain company and legislative limitations.

## **6.5 Reward for Performance**

Company and Individual performance forms the base for all remuneration supported by a robust performance management process on the premise that employees are motivated when:

- They understand what deliverables are required from them
- They understand how to achieve these deliverables
- They understand how they are measured
- They understand how their deliverable are aligned with the business objectives
- They understand that they need to act according to the Exxaro culture and values
- Standards and expected performance are fairly and mutually set
- They have appropriate autonomy to act
- Potential rewards are market related

Exxaro remunerate and reward commitment to both organisational and individual performance.

The determination of key performance areas, objective, standards and measure will be based on the cascading down of organisation strategic and operational objectives and a contractual agreement between managers and their subordinates.

Employees will be expected to deliver a performance proportionate with their reward.

Employees will be given objective feedback about their performance, development needs and career expectations at appropriate intervals throughout the year and will be counselled on the extend performance targets have been met at least twice per year.

## **6.6 Remuneration Setting Process**

The Executive Head Human Resources will obtain remuneration mandates from the Executive Committee (Exco) and the Remuneration Committee of the Board (Remco) on behalf of line management. Mandates should take into account the ethics of remuneration as indicated in 6.9.

Remuneration levels will be set within the boundaries of the company's remuneration philosophy, principles and mandates.

Corporate Human resources will monitor remuneration practices throughout Exxaro and ensure that procedures and mandates determined by the Executive and the Remuneration Committee of the Board are implemented. Deviations and trend will be reported to the Exco and the Remco where applicable.

## **6.7 Company Performance and Affordability**

The sustainability of the organisation is a key fundamental in the determination of remuneration levels and mandates. The Exco and the Remco will assess the performance of the organisation, the consequent affordability of mandates, the impact of the total labour bill on the overall cost profile and sustainability of the organisation.

The Remco, at their sole discretion, may overrule any of the principles above should it be necessary for the sustainability of the organisation.

## **6.8 Economics and Ethics of Remuneration**

Pay equity is an increasingly visible ethical and sustainability theme, with tightening rules around the gap between the workforce and executive pay and the principle of a living wage.

The Exco and the Remco will at least once per year assess the wage gap between Executives and lower bargaining unit employees (C band and lower) and will consider appropriate actions.

## **6.9 Communication of Remuneration Issues**

Remuneration and performance expectations will be communicated clearly and frequently to employees and broader stakeholder groups to set clear reward expectations.

Employees have the right to understand the purpose of each element of remuneration, how it is determined and linked to the performance of the individual and the organisation.

All aspects of remuneration will be explained to all employees in appropriate terms and through various communication channels.

The remuneration philosophy and guiding principles will be made available to all employees and broader stakeholder groups.

## **7. SCOPE**

The Remuneration Philosophy and Principles cover all categories of permanent employment within Exxaro Group of Companies.

## **8. RESPONSIBILITIES**

### **8.1 Remuneration Committee**

The Remuneration Committee (Remco) is responsible to determine the Policy on the Remuneration Philosophy and Principles, oversee the implementation thereof and review it regularly and make amendments when required.

## **8.2 Executive Head, Human Resources**

The Executive Head is responsible for the implementation and execution of this Policy within the Exxaro Group of Companies and to provide the Remco regular feedback on the status thereof.