

# ANNEXURE

## TO THE NOTICE TO SHAREHOLDERS

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### INTRODUCTION – PURPOSE OF NEW REMGRO LONG-TERM INCENTIVE PLANS

During the past year, the Remuneration and Nomination Committee (the Committee) of Remgro Limited (the Company) reviewed the existing Remgro Long-term Incentive (LTI) arrangements.

Whilst the strategy of the Company has not materially changed, the Committee determined that it was appropriate to revise the LTI arrangements to ensure it continues to attract, retain and motivate employees. The Committee deemed this to be imperative, particularly in light of the LTI being the only incentive mechanism currently in place.

In conducting the review, the Committee took into consideration the feedback received from shareholders following the 29 November 2017 Annual General Meeting; in particular the feedback regarding the use of performance conditions.

As a result of the review, the Committee has approved the following LTI plans:

#### THE REMGRO LIMITED SHARE APPRECIATION RIGHTS PLAN (SAR PLAN)

The SAR Plan will replace the existing SAR Scheme with regards to all new SAR awards. SAR awards under the new plan will be limited to executive directors, other members of the Management Board (prescribed officers) and identified investment executives. Awards to executive directors and members of the Management Board will be subject to performance conditions in addition to the growth in share price in order to further strengthen the line of sight between long-term value creation and strategic executive influence.

#### THE REMGRO LIMITED CONDITIONAL SHARE PLAN (CSP)

The CSP will be introduced in conjunction with the new SAR Plan at executive director, Management Board and identified investment executive levels and will replace the existing SAR Scheme at more junior levels. A key objective of this change is to enable the attraction and retention of key individuals at more junior levels to enable a sustainable succession planning strategy. For executive directors, other members of the Management Board (prescribed officers) and identified investment executives the CSP will have similar performance conditions to the SAR Plan to ensure alignment across the LTI plans as well as between the remuneration of executives and shareholder expectations.

The salient features of both proposed LTI plans are set out below:

### SALIENT FEATURES – REMGRO LIMITED CONDITIONAL SHARE PLAN

#### INTRODUCTION

The Company proposes adopting a new share plan, namely the CSP to incentivise, motivate and retain the right calibre of employees.

The CSP provides participants with the opportunity to be awarded shares in the Company in the form of a conditional right to shares. The CSP will provide participants with the opportunity to share in the success of the Company and provides direct alignment between participants and shareholders.

On settlement, the participants will become shareholders in the Company and will have all shareholder rights as from the settlement date.

The CSP will be used to make awards as follows:

- Awards of performance shares, the vesting of which is subject to the satisfaction of performance conditions and continued employment for the vesting period in line with Remgro's approach to performance-related incentives. The Committee will set appropriate stretching performance conditions for every award; and
- Awards of retention shares, the vesting of which is subject to the satisfaction of continued employment for the vesting period.

#### PURPOSE

The CSP will be primarily used as an incentive to participants to deliver the Group's business strategy over the long term. The intent of the CSP is to incentivise, motivate and retain selected employees through the award of performance shares, the vesting of which is subject to the satisfaction of performance conditions and continued employment over the vesting period, and retention shares, the vesting of which is subject to continued employment over the vesting period.

The extent and nature of performance conditions applicable to awards of performance shares will be approved by the Committee annually and specifically included in the award letter to participants. The employment condition applicable to all share awards is the requirement for continued employment of the participant by any employer company within the Remgro Group for the duration of a certain number of years from the award date. The employment period will also be specified in the award letter to participants.

## **PARTICIPANTS**

It is envisaged that all permanent employees across the Group may participate in the CSP. Final discretion regarding participation will remain with the Committee. Participation in the CSP is not a condition of employment, and the Committee has the absolute discretion to make an award to any permanent employee within the Group in terms of the CSP.

## **RIGHTS OF PARTICIPANTS**

In terms of the CSP, participants will not be entitled to any shareholder rights before the settlement of the shares. This will only take place after vesting of the awards. From settlement date, participants will have all shareholder rights, including dividend and voting rights, with regard to the settled shares.

However, participants will be eligible to receive dividend equivalents over the vesting period of the award. The Committee has the discretion to decide whether the dividend equivalents will be paid to participants in cash as and when dividends are declared to ordinary shareholders or whether the dividend equivalents will be rolled up over the vesting period and settled in shares following the vesting of the award.

## **BASIS OF AWARDS AND AWARD LEVELS**

Award levels for performance shares and/or retention shares will be decided by the Committee each time that awards are granted, by taking into account the particular circumstances at that time.

Annual awards will be benchmarked and set to a market-related level of remuneration whilst considering the overall affordability thereof to the Company.

## **PERFORMANCE CONDITIONS AND VESTING**

It is intended that performance conditions will apply to executive directors, other members of the Management Board (prescribed officers) and identified investment executives.

The employment period and performance period for awards will be as specified in the award letters. Vesting will take place on the later of the –

- expiry of the employment period; or
- determination by the Committee as to the extent to which the performance conditions were met over the performance period (where applicable).

Performance shares will be made subject to the satisfaction of financial performance conditions over the performance periods as detailed in the award letters.

The performance period over which the financial performance will be tested will be the immediate three financial years preceding the vesting date.

The Committee will set appropriate performance conditions, performance period(s), employment conditions and employment period(s), as relevant, for each future award, taking into account the business environment at the time of making the awards. These details of the awards will be agreed with the participants in terms of their individual award letters.

## **MANNER OF SETTLEMENT**

The rules of the CSP are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of existing shares held in treasury;
- by way of subscribing to new shares; and/or
- issue of ordinary shares by the Company.

The exact method of settlement will be determined by the Committee for each award.

## **LIMITS AND ADJUSTMENTS**

### **OVERALL COMPANY LIMIT**

The aggregate number of ordinary shares which may be settled in respect of the CSP to all participants will not exceed 26 450 000 (twenty six million four hundred and fifty thousand) ordinary shares, which represents approximately 5% of the number of issued ordinary shares as at the date of adoption of the CSP. This is in line with market best practice.

In calculating the limit for the CSP, new ordinary shares allotted and issued by the Company or shares held in a treasury account which have been used by the Company for settlement of the CSP, will be included in the Company limit. This limit will be calculated to exclude shares purchased in the market in settlement of the CSP.

#### INDIVIDUAL LIMIT

The maximum number of ordinary shares which may be settled to any single participant in terms of the CSP will not exceed 5 290 000 (five million two hundred and ninety thousand) ordinary shares, which represents approximately 1% of the number of issued ordinary shares as at the date of approval of the CSP by shareholders.

#### ADJUSTMENTS RELATED TO CSP LIMITS

The Committee must adjust the number of ordinary shares available for the CSP (without the prior approval of shareholders in the Company), to take account of a subdivision or consolidation of the shares of the Company. Such adjustment should give a participant the entitlement to receive the same proportion of shares in the Company as he was entitled to receive prior to the occurrence of such event.

The Committee may adjust the number of ordinary shares which comprise the individual limit (without the prior approval of shareholders in the Company) to take account of a capitalisation issue, a special dividend, a rights issue or a reduction in the share capital of the Company. Such adjustment should give a participant the entitlement to receive the same proportion of shares in the Company as he/she was entitled to receive prior to the occurrence of such event.

The auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the CSP.

Any adjustments made in accordance with paragraph 14.3 of the Listings Requirements, must be reported on in the Company's annual financial statements in the year during which the adjustment is made.

The issue of ordinary shares as consideration for an acquisition, and the issue of ordinary shares for cash or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the overall Company or individual limit.

Awards under the CSP which are not subsequently settled to a participant as a result of the forfeiture thereof will revert back to the CSP as relevant.

#### CONSIDERATION

Participants will give no consideration for the award or settlement of any awards or shares in terms of the CSP.

#### TERMINATION OF EMPLOYMENT

##### *"Bad leavers"*

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "bad leavers" and will forfeit all unvested awards.

##### *"Good leavers"*

Participants terminating employment due to death, retirement, retrenchment, ill-health, disability, injury, the sale of a subsidiary company, or for any other reason other than those set out under "bad leavers", will be classified as "good leavers". A *pro rata* portion of the participant's unvested award(s) will early vest on date of termination of employment, to the extent to which the Committee determines that the performance conditions (if any) have been met. The portion of the shares that will vest will reflect the number of complete months served since the award date to the date of termination of employment, over the total number of months in the employment period.

#### CHANGE OF CONTROL

In the event of a change of control of the Company occurring before the vesting date of any award, a portion of the award held by a participant will vest as soon as reasonably practicable thereafter. The portion of the award which will vest will be determined based on the number of months served since the award date to the change of control date, over the total number of months in the employment period and the extent to which the performance condition(s), if applicable, have been met. Any awards which do not vest will, subject to the discretion of the Committee, remain subject to the terms of the relevant award letter.

Awards will not vest as a consequence of an internal reconstruction or similar event which is not a change of control as defined in the rules of the CSP. If there is an internal reconstruction or other event which does not involve any change in the ultimate control of the Company or if any other event happens which may affect awards, the Committee may, in its sole and absolute discretion, take such action (if any) as it considers appropriate to protect the interests of participants following the occurrence of such event, including converting an award of shares into an award of shares in respect of shares in one or more other companies, provided the participant is no worse off. The Committee may also vary the performance conditions relating to performance shares.

#### **VARIATION OF SHARE CAPITAL**

Participants shall continue to participate in the CSP in the event of a variation in share capital such as a capitalisation issue, rights issue, subdivision of shares, consolidation of shares, the shares ceasing to be listed on the JSE, the Company being put into liquidation for the purpose of reorganisation, or any other event affecting the share capital of the Company, or in the event of the Company making distributions to shareholders, including a distribution *in specie*, or a special dividend (other than a dividend paid in the ordinary course of business out of the current year's retained earnings).

The Committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

The issuing of ordinary shares as consideration for an acquisition, and the issuing of ordinary shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the awards.

#### **LIQUIDATION**

If the Company is placed into liquidation, other than for purposes of reorganisation, an award of performance shares and/or retention shares will lapse as from the liquidation date.

#### **AMENDMENTS**

The Committee may alter or vary the rules of the CSP as it sees fit. However, the following provisions of the CSP may not be amended without the prior approval of the JSE and an ordinary resolution of shareholders supported by 75% of the voting rights exercised on the resolution:

- the category of persons who are eligible for participation in the CSP;
- the number of shares which may be utilised for the purpose of the CSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards in the event of a variation of share capital of the Company or a change of control of the Company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

### **SALIENT FEATURES – REMGRO LIMITED SHARE APPRECIATION RIGHTS PLAN**

#### **INTRODUCTION AND PURPOSE**

Following the review of the Company's LTI arrangements and the feedback received from shareholders, the Company proposes adopting a new SAR Plan in order to allow for the introduction of performance conditions and alignment with best practice and corporate governance standards. The SAR Plan will provide participants with the opportunity to share in the success of the Company and provides direct alignment between participants and shareholders.

Following the exercise of the SARs, participants will be entitled to shares to the value of the difference between the exercise price and the award price. On settlement, the participants will become shareholders in the Company and will have all shareholder rights from the settlement date.

The SAR Plan will replace the existing SAR Scheme, and all new awards of SARs will be made under the SAR Plan. For the avoidance of doubt, all existing unexercised awards made under the existing SAR Scheme will continue to operate under that scheme.

The new SAR Plan will be used to make awards, the vesting of which is subject to the satisfaction of performance conditions and continued employment for the vesting period in line with the Company's approach to performance-related incentives. The Committee will set appropriate stretching performance conditions for every award.

The extent and nature of performance conditions applicable to awards of SARs will be approved by the Committee annually and specifically included in the award letter to participants. The employment condition applicable to all share awards is the requirement for continued employment of the participant by any employer company within the Group for the duration of a certain number of years from the award date. The employment period will also be specified in the award letter to participants.

#### **PARTICIPANTS**

It is envisaged that only executive directors, other members of the Management Board (prescribed officers) and identified investment executives will participate in the SAR Plan. Final discretion regarding participation will remain with the Committee. Participation in the SAR Plan is not a condition of employment, and the Committee has the absolute discretion to make an award to any of the above permanent employees within the Remgro Group in terms of the SAR Plan.

#### **RIGHTS OF PARTICIPANTS**

In terms of the SAR Plan, participants will not be entitled to any shareholder rights before the settlement of the shares. This will only take place after exercise of the awards. From settlement date, participants will have all shareholder rights, including dividend and voting rights, with regard to the settled shares.

#### **BASIS OF AWARDS AND AWARD LEVELS**

Award levels for SARs will be decided by the Committee each time that awards are granted, by taking into account the particular circumstances at that time.

Annual awards will be benchmarked and set to a market-related level of remuneration whilst considering the overall affordability thereof to the Company.

#### **PERFORMANCE CONDITIONS AND VESTING**

The employment period and performance period for awards will be as specified in the award letters. Vesting will take place on the later of the –

- expiry of the employment period; or
- determination by the Committee as to the extent to which the performance conditions were met over the performance period (where applicable).

Performance shares will be made subject to the satisfaction of financial performance conditions over the performance periods as detailed in the award letters.

The performance period over which the financial performance will be tested will be the immediate three financial years preceding the vesting date.

The Committee will set appropriate performance conditions, performance period(s), employment conditions and employment period(s), as relevant, for each future award, taking into account the business environment at the time of making the awards. These details of the awards will be agreed with the participants in terms of their individual award letters.

#### **MANNER OF SETTLEMENT**

The rules of the SAR Plan are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of existing shares held in treasury;
- by way of subscribing to new shares; and/or
- issue of ordinary shares by the Company.

The exact method of settlement will be determined by the Committee for each award.

## LIMITS AND ADJUSTMENTS

### OVERALL COMPANY LIMIT

The aggregate number of ordinary shares which may be settled in respect of this SAR Plan to all participants will not exceed 26 450 000 (twenty six million four hundred and fifty thousand) ordinary shares, which represents approximately 5% of the number of issued ordinary shares as at the date of adoption of the SAR Plan. This is in line with market best practice.

In calculating the limit for the SAR Plan, new shares allotted and issued by the Company or shares held in a treasury account which have been used by the Company for settlement of the SAR Plan, will be included in the Company limit. This limit will be calculated to exclude shares purchased in the market in settlement of the SAR Plan.

### INDIVIDUAL LIMIT

The maximum number of ordinary shares which may be settled to any single participant in terms of this SAR Plan will not exceed 5 290 000 (five million two hundred and ninety thousand) ordinary shares, which represents approximately 1% of the number of issued ordinary shares as at date of approval of the SAR Plan by shareholders.

### ADJUSTMENTS RELATED TO SAR PLAN LIMITS

The Committee must adjust the number of ordinary shares available for the SAR Plan (without the prior approval of shareholders in the Company), to take account of a subdivision or consolidation of the shares of the Company. Such adjustment should give a participant the entitlement to receive the same proportion of shares in the Company as he/she was entitled to receive prior to the occurrence of such event.

The Committee may adjust the number of ordinary shares which comprise the individual limit (without the prior approval of shareholders in the Company) to take account of a capitalisation issue, a special dividend, a rights issue or a reduction in the share capital of the Company. Such adjustment should give a participant the entitlement to receive the same proportion of shares in the Company as he/she was entitled to receive prior to the occurrence of such event.

The auditors, or other independent advisor acceptable to the JSE, will confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the SAR Plan.

Any adjustments made in accordance with paragraph 14.3 of the Listings Requirements, must be reported on in the Company's annual financial statements in the year during which the adjustment is made.

The issue of ordinary shares as consideration for an acquisition, and the issue of ordinary shares for cash or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the overall Company or individual limit.

Awards under the SAR Plan which are not subsequently settled to a participant as a result of the forfeiture thereof will revert back to the SAR Plan as relevant.

## CONSIDERATION

A participant will give no consideration for the award or settlement of any awards or shares in terms of the SAR Plan.

### TERMINATION OF EMPLOYMENT

#### *"Bad leavers"*

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "bad leavers" and will forfeit all unexercised awards, both vested and unvested.

#### *"Good leavers"*

Participants terminating employment due to death, retirement, retrenchment, ill-health, disability, injury, the sale of a subsidiary company, or for any other reason other than those set out under "bad leavers", will be classified as "good leavers". A *pro rata* portion of the participant's unvested award(s) will early vest on date of termination of employment to the extent to which the Committee determines that the performance conditions (if any) have been met. The portion of the shares that will vest will reflect the number of complete months served since the award date to the date of termination of employment, over the total number of months in the employment period.

Subject to the SAR period, SARs that are determined to vest, can be exercised within a period of 12 months following the vesting date. To the extent that a SAR is not exercised during this period, it will lapse.

## CHANGE OF CONTROL

In the event of a change of control of the Company occurring before the vesting date of any award, a portion of the award held by a participant will vest as soon as reasonably practicable thereafter. The portion of the award which will vest will be determined based on the number of months served since the award date to the change of control date, over the total number of months in the employment period and the extent to which the performance condition(s), if applicable, have been met. Any awards which do not vest will, subject to the discretion of the Committee, remain subject to the terms of the relevant award letter.

Awards will not vest as a consequence of an internal reconstruction or similar event which is not a change of control as defined in the rules of the SAR Plan. If there is an internal reconstruction or other event which does not involve any change in the ultimate control of the Company or if any other event happens which may affect awards, the Committee may, in its sole and absolute discretion, take such action (if any) as it considers appropriate to protect the interests of participants following the occurrence of such event, including converting an award of shares into an award of shares in respect of shares in one or more other companies, provided the participant is no worse off. The Committee may also vary the performance conditions relating to performance shares.

## VARIATION OF SHARE CAPITAL

Participants will continue to participate in the SAR Plan in the event of a variation in share capital such as a capitalisation issue, rights issue, subdivision of shares, consolidation of shares, the shares ceasing to be listed on the JSE, the Company being put into liquidation for the purpose of reorganisation, or any other event affecting the share capital of the Company, or in the event of the Company making distributions to shareholders, including a distribution *in specie*, or a special dividend (other than a dividend paid in the ordinary course of business out of the current year's retained earnings).

The Committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

The issuing of ordinary shares as consideration for an acquisition, and the issuing of ordinary shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the awards.

## LIQUIDATION

If the Company is placed into liquidation, other than for purposes of reorganisation, an award of performance shares and/or retention shares will lapse as from the liquidation date.

## AMENDMENTS

The Committee may alter or vary the rules of the SAR Plan as it sees fit. However, the following provisions of the SAR Plan may not be amended without the prior approval of the JSE and an ordinary resolution of shareholders supported by 75% of the voting rights exercised on the resolution:

- the category of persons who are eligible for participation in the SAR Plan;
- the number of shares which may be utilised for the purpose of the SAR Plan;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the Company;
- the adjustment of awards in the event of a variation of share capital of the Company or a change of control of the Company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

## GENERAL

Copies of the full rules of the CSP and SAR Plan will, from the date of this Notice until the date of the Annual General Meeting, be available for inspection by shareholders during normal business hours at the Company's registered office at Millennia Park, 16 Stellentia Avenue, Stellenbosch, 7600.

Ordinary Resolutions Numbers 15 and 16 contained in this Notice of Annual General Meeting require the approval by at least 75% of the votes exercised on the resolutions by shareholders present or represented by proxy at the Annual General Meeting, subject to the provisions of the Companies Act, the Memorandum of Incorporation and the Listings Requirements.