1. **Purpose**

Afrimat Limited and its subsidiaries are committed to ensuring that its remuneration practices enable the company to:

1.1.1 Attract and retain critical talent;
1.1.2 Motivate employees to perform in the best interests of the company and its stakeholders;
1.1.3 Appropriately compensate employees for the services they provide to the company;
1.1.4 Provide an appropriate level of transparency; and
1.1.5 Ensure a level of equity and consistency across the group.

2. **Policy**

The structure of remuneration of senior executives and of non-executive directors is separate and distinct.

2.1 **Remuneration of non-executive directors**

2.1.1 The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

2.1.2 All new members of the board are to be provided with a formal letter of appointment setting out the key terms and conditions to the appointment. The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Directors' fees are not linked to the performance of the company.

2.1.3 Each non-executive director receives a fee in the form of cash for being a director of the company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services. No non-executive directors receive retirement benefits or bonuses.

2.1.4 The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

2.1.5 The level of annual non-executive director fees is approved by shareholders in accordance with the requirements of the Companies Act 2008 (Act 71 of 2008). The board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

2.1.6 Non-executive directors do not participate in the share appreciation rights scheme. Non–executive directors may be invited to participate as beneficiary of the Afrimat BEE Trust Share Purchase Scheme. This will be through individual participation agreements.

2.1.7 Non-executive directors have long been encouraged by the board to hold shares in the company. It is considered good governance for directors to have a stake in the company on whose board he or she sits.

2.2 Remuneration of executive directors and key senior executives

2.2.1 The policy of the board is to pay base salaries which are competitive with those paid to executives in organisations of similar size and market sector, to motivate executives to pursue the long-term growth and success of the company. Senior executives enter into formal performance agreements and a letter of appointment describing their remuneration, term of office, duties, rights and responsibilities as well as any termination entitlements.

2.2.2 Remuneration is viewed on three levels:

- Immediate remuneration: Total cost of employment (guaranteed annualised remuneration) (TCOE) packages are reviewed and determined with regard to current market rates and are benchmarked against comparable industry packages. Remuneration packages are capped at a monetary level, and the employee has, within reasonable parameters set by General Manager Human Resources, the opportunity to elect the monetary value to basic salary (retirement funded), car allowance (retirement funded or non-retirement funded, as elected by the employee), retirement fund, medical aid. TCOE is payable in 12 monthly payments.

- Short term incentive remuneration: The Chief Executive Officer ("CEO") may place the employee on a short term incentive scheme, where an annual incentive bonus becomes payable based on performance of the employee and performance of the business. It is the policy of the board that the performance criteria of all such bonuses should be relevant and stretching. Criteria used to determine the annual merit based performance bonus is the setting of key objectives for each executive and measuring performance against these targets which centre on company performance, improvement in net profit and improvement in return to shareholders. Overall levels of incentives payable are reviewed annually in accordance with marketplace movements, and are approved by the Remuneration & Nominations Committee. The committee will recommend adjustments based on fair and reasonableness if awards result in skewed or not justifiable outcomes.

- Share appreciation rights options: Upon recommendation of the CEO, the Remuneration & Nominations Committee may grant equity-based remuneration in the form of share appreciation rights options. Share appreciation right options are granted to executives and key employees having regard, among other things, to the past and potential contribution of the person to the group and the need to retain the skills of the employee. Overall levels of share appreciation right options granted are reviewed annually in accordance with marketplace movements. Every qualifying position will be capped in terms of the maximum total share appreciation right options.

2.3 Remuneration of employees

The policy of the board is to pay base salaries which are competitive with those paid to employees in organisations of similar size and market sector, to motivate employees to pursue the long-term growth and success of the company.

Employees are categorised into two groups:

2.3.1 Salaried employees:

- Monthly paid employees, whose remuneration is based on a TCOE per annum, paid in 12 instalments. Salaried employees enter into formal performance agreements and a letter of appointment describing their remuneration, term of office, duties, rights and responsibilities as well as any termination entitlements.

Remuneration of salaried employees is viewed on three levels:

- Immediate remuneration: TCOE (guaranteed annualised remuneration) packages are reviewed and determined with regard to current market rates and are benchmarked against comparable industry packages. Remuneration packages are capped at a monetary level, and the employee has, within reasonable parameters set by General Manager Human Resources, the opportunity to elect the monetary value to basic salary (retirement funded), car allowance (retirement funded or non-retirement funded, as elected by the employee), retirement fund, medical aid.

- Short term incentive remuneration: The CEO may place the employee on a short term incentive scheme, where an annual incentive bonus becomes payable based on performance of the employee and performance of the business. It is the policy of the board that the performance criteria of all such bonuses should be relevant and stretching. Criteria used to determine the annual merit based performance bonus is the setting of key objectives for each executive and measuring performance against these targets which centre on company performance, improvement in net profit and improvement in return to shareholders. Overall levels of incentives payable are reviewed annually in accordance with marketplace movements. The magnitude of the total incentive payment be agreed with the Remuneration & Nominations Committee and individual allocations be approved by the CEO.

- December bonus: With the exception of employees participating in the Short-Term Incentive Bonus Scheme (STIBS) at a potential bonus level of 15% or higher, employees are to allocate 7% of their TCOE to a December bonus. The bonus is calculated on the basis of the employee's salary in December, and is payable *pro-rata* for the proportion of a *calendar year* worked completed in December for employees who commenced employment, or were upgraded to salaried employees in the course of the 12 months prior to payment of the bonus. An employee whose employment is terminated prior to December is entitled to a *pro rata* payment of the bonus allocated to a December bonus in the calendar year of termination of service.

- Share appreciation rights options: Upon recommendation of the CEO, the Remuneration & Nominations Committee may grant equity-based remuneration in the form of share appreciation rights options. Share appreciation right options are granted to executives and key employees having regard, among other things, to the past and potential contribution of the person to the group and the need to retain the skills of the employee. Overall levels of share appreciation right options granted are reviewed annually in accordance with marketplace movements and are capped per position level.

2.3.2 Wage-earning employees:

- Employees whose remuneration is based on an hourly rate. These employees earn their wage in monthly instalments of the average hours worked in any month. For the purpose of averaging of working hours, it is deemed that an employee works an average of 21,67 days per month (5 day week) and 195 hours per month (45 hours per week, 9 hours per day). Hours not worked (all hours absent) are deducted from the monthly average, while hours on leave (authorised absence) are added to the monthly average. To this effect the *actual hours* that the employee normally would have worked is used.

- Overtime is payable for all hours worked in excess of the weekly standard work hours (normally 45 hours), payable at the legal minimum level.

- All basic conditions of employment are established on the minimum legal levels and recorded on the letters of employment of the employees, and may be reviewed annually through collective / individual agreement, within the limits mandated by the Remuneration & Nominations Committee.

- Where a provision is made for a December bonus, such bonus is payable on a *pro-rata* basis for the proportion of a *calendar year* completed up to December, for employees who commenced employment in the course of the 12 months prior to payment of the bonus. When employees leave the employment prior to the bonus month (December) no *pro-rata* bonus is payable.

2.4 Payments at termination

- Termination payments are based on specific contractual arrangements. There will be no additional payment made for termination due to misconduct, other than what is payable in terms of the existing contractual obligations and the relevant statutory requirements.

2.5 Disclosure of remuneration

- Remuneration reported will include appropriate values for all elements of remuneration, incorporating fixed remuneration, performance-based remuneration comprising payments made and value for benefits provided and equity-based components of remuneration. Reported remuneration will relate to the financial year in which the remuneration is earned.

- Other than disclosure included in annual reports, annual information forms or proxy circulars, remuneration information is confidential between the company and the employee, other than when disclosure is required by law, and there is a mutual obligation and expectation to retain that confidentiality. Remuneration data may be used for valid internal benchmarking, review and analysis and may be disclosed pursuant to regulatory and compliance requirements, but is otherwise required to be dealt with sensitively and confidentially. Similarly, performance data is to be used only for performance management and related review- and benchmarking processes.

2.6 Orientation/induction

2.6.1 Executives and directors

The company provides new directors and senior executives with a formal orientation programme, which includes reports on operations and results, company policies, Code of Conduct and public disclosure filings by the company. Board meetings are often combined with presentations by the company's management and employees to give additional insight into the company's business. Management is also available for discussion with all new directors and senior executives.

2.6.2 Employees

Each new employee receives orientation relative to the operation where employed, addressing all aspects of employment conditions, disciplinary- and grievance procedures, health, safety and environmental responsibilities, reporting lines and workplace procedures.

2.7 Amendment of this policy

2.7.1 This Policy has been adopted by the board of Afrimat. Any amendment to this Policy can only be approved by the Afrimat board.

2.7.2 The board has the responsibility of reviewing this Policy on a regular basis to ensure compliance with the law and corporate governance best practice.

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