1. Philosophy

This remuneration policy has been formulated with reference to the remuneration best practice principles contained in the King IV code as well as legislation, standards and regulations which govern the industry. These include but are not limited to JSE regulations and operational governance standards. The policy further conforms to the principles contained in the codes of good practice which support Employment Equity legislation, notably, for purposes of this policy, those that deal with remuneration.

Afrimat strives to offer its employees career opportunities that can be more rewarding than that offered by our competitors. Ensuring that would depend on each employee's commitment and contribution to Afrimat's success.

In managing reward, we focus on the holistic employment package offered to our staff, comprising remuneration (which includes cash remuneration, short- and long-term incentives), benefits, learning and development (supported by performance management) and an attractive work environment.

We regard reward as a tool to help managers deliver improved performance through our people.

Reward strategy, policies and processes are aligned to Afrimat's business vision and strategy and express our values consistently across all businesses within the Afrimat group ("Group").

2. Remuneration Governance

Afrimat Limited and its subsidiaries are committed to ensuring that its remuneration practices are fair, responsible and transparent to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Afrimat's remuneration philosophy and policy support the company's strategy by incentivising the behaviour required to meet and exceed predetermined strategic goals. Both short term and long-term strategic objectives are measured and rewarded. This blended approach mitigates excessive risk-taking and balances longer-term strategic objectives with short term operational performance. In setting up the reward structures, cognisance is taken of prevailing economic conditions as well as local and international applicable governance principles.

3. Purpose

The primary objectives of the policy are to:

1.1.1 Attract, motivate, reward and retain critical/key talent;
1.1.2 Motivate employees across the Group to perform in the best interests of the company and its stakeholders;
1.1.3 Promote the company's strategic objectives, within its risk appetite.
1.1.4 Appropriately compensate employees across the Group for the services they provide to the company;

1.1.5 Provide an appropriate level of transparency;
1.1.6 Ensure a level of equity, fairness and consistency across the Group and
1.1.7 Promote an ethical culture and behaviour that are consistent with our values and which encourage responsible corporate citizenship.

4. Policy

The Afrimat Remuneration and Nominations Committee (the "Committee"), in accordance with a board mandate regularly reviews remuneration policy to ensure it is aligned with best practice and this Committee is responsible for implementation of the remuneration policy. The Committee charter is contained on [http://www.afrimat.co.za/index.php/investor-relations/governance-documents].

On all remuneration policy matters, recommendations and final approvals (apart from where shareholders provide the final approval) the Committee may revert to the board for final approval.

The structure of remuneration of senior executives and the fee structure of non-executive directors differ substantially.

4.1 Fees of non-executive directors

4.1.1 The Committee seeks to set aggregate non-executive director fees at a level which provides the company with the ability to attract and retain directors of the highest calibre and the right skills whilst incurring a cost which is acceptable to shareholders.

4.1.2 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 pay non-executive directors' fees at market rates for comparable companies for time, commitment and responsibilities. Directors' fees are not linked to the performance of the company.

4.1.3 Each non-executive director receives a fee in the form of cash for being a director of the company. Fees are structured as a retainer fee for being a board member and an additional retainer fee for serving on a board committee (either as chair or as member). Directors who are called upon to perform extra services or consulting beyond the director's ordinary duties (covered by the board retainer fee or the committee retainer fee) may be paid additional fees for those services.

4.1.4 Management reviews and proposes non-executive directors fees (based on best practice) to the Committee, which recommends it to the Board for approval. Once approved, the recommended fees are provided to the shareholders for final approval at the annual general meeting. In determining non-executive directors' fees annually, best market practice (substantiated by non-executive directors' fees surveys), duties and accountability of non-executive directors are taken into account. The Committee may consider advice from external independent consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

4.1.5 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 fees are approved exclusive of Value Added Tax (VAT) and where applicable non-executive directors may levy VAT on their fees. Non-executive directors do not participate in any short term or long term incentive plans and do not receive benefits additional to their non-executive director fees. Actual expenditure incurred by non-executive directors in carrying out their duties are paid directly by the company (or reimbursed to the particular non-executive director by the company).

4.1.6 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. Shares may be allocated to non-executive directors in line with the legislative requirements and also not to compromise the independent status of the director.

4.2 Remuneration of executive directors and key senior executives

4.2.1 The policy of the Committee 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.

4.2.2 The Committee will consider the appropriate policy pay mix between guaranteed pay, variable cash bonuses and long-term incentives as applicable to the industry and per level of employment on an annual basis. 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. Annual increases are informed by affordability, company performance, internal parity, individual performance and responsibility of the role.

- 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 Committee 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. The bonus design is based on a Committee approved percentage (%) of profit / earnings comprising the overall company bonus pool. This ensures that the bonus is self-funded and affordable. The distribution to individual employees of this bonus pool is based on the meeting of performance metrics. Overall levels of bonuses are reviewed annually in accordance with marketplace movements, and are approved by the Committee. The Committee will recommend adjustments based on fair and reasonableness if awards result in skewed or unjustifiable outcomes. Overall bonus caps (on individual employee level) are governed by the Short-Term Incentive Bonus Scheme (STIBS) of Afrimat.

- Long term incentive remuneration: Upon recommendation of the CEO, the Committee may approve and grant equity-based remuneration in the form of share appreciation rights (SARs) and/or forfeitable shares.

Share appreciation rights (SARs):

- SARs 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.

- The instruments provide a right to future delivery of Afrimat shares (the value equating to the growth in share price from grant date to exercise date the instruments, e.g. if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares [5 shares at R20 on exercise date].

- Overall levels of SARs granted are reviewed annually in accordance with market best practice. Every qualifying position will be capped in terms of the maximum total SARs.

- When SARs vest the performance criteria stipulated in the SAR plan rules (and agreed with participants in terms of grant letters) determine whether individuals qualify to receive shares and the quantum of shares. The vesting period of the SARs is typically 3 years, but SARs may vest up to 5 years after grant date (with a further exercise period).

- For early termination of employment (based on resignation, dismissal) all unvested SARs will lapse, but for good leavers (disability, death, retrenchment etc) unvested SARs will vest pro-rata based on time employed and the extent to which performance conditions were met.

- Executives are encouraged by the board to hold shares in Afrimat, post exercise date to ensure alignment between management and shareholders.

Forfeitable share plan (FSP):

- Forfeitable shares are granted under the forfeitable share plan (“FSP”), to executives and key employees to encourage delivery of the Group’s business strategy and to serve as a retention mechanism.

- The FSP provides for the delivery of full shares (performance and/or restricted shares) on grant. The shares are subject to forfeiture and disposal restrictions and are held on behalf of a participant until it vests. A participant will have all other shareholder rights (i.e. dividends and voting rights) from grant.

- The Committee will determine whether the forfeitable shares are subject to performance conditions (performance shares) or not (restricted shares).

- Overall levels of FSPs granted are reviewed annually in accordance with market best practice. The number of FSPs granted to participants is based on the participant's TCOE, grade, performance, retention requirements and market benchmarks. Every qualifying position will be capped in terms of the maximum total FSPs.

- For performance shares, upon vesting the achievement of the performance criteria stipulated in the FSP plan rules (and agreed with participants in terms of grant letters) will determine whether individuals will forfeit any shares and the quantum of shares they will retain. The vesting period of the FSP is typically 3 to 5 years.

- For early termination of employment (based on resignation, dismissal) all unvested FSPs will lapse, but for good leavers (disability, death, retrenchment etc.) unvested FSPs will vest pro-rata based on time employed and the extent to which performance conditions were met.

- Executives are encouraged by the board to hold shares in Afrimat, post vesting date to ensure alignment between management and shareholders.

4.3 Remuneration of employees

The policy of the Committee 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:

4.3.1 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 – same policy applies detailed under *"Remuneration of executive directors and key senior executives"* above.

- Short term incentive remuneration: same policy applies as detailed under *"Remuneration of executive directors and key senior executives"* above with employees participating in the Short-Term Incentive Bonus Scheme (STIBS).

  December bonus: With the exception of employees participating in the STIBS and who are in the C-upper band and higher, or who earns a TCOE in excess of R360 000 p.a., it is agreed between the employee and the company that 7% of their monthly TCOE is a bonus which will be paid in December. 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. Those employees excluded from the 7% provision are required to make their own private provision for any December bonus.

- Long term incentive remuneration: same policy applies as detailed under "Remuneration of executive directors and key senior executives" above.

4.3.2 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. Unless otherwise agreed in separate bargaining unit, for the purpose of averaging of working hours, it is deemed that an employee works an average of 21,75 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 Committee.

- Where a provision is made for a December bonus, in terms of a collective bargaining agreement, 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.

The Afrimat BEE Trust was established to facilitate BEE ownership in, and enhance the transformation initiatives of, the Afrimat Group, to further enable Qualifying Employees to participate in the economic benefit and growth of the Company and, in particular to procure that at least 85% of the economic benefit of the Trust accrues to Black People, and to enhance the ability of the Afrimat Group to attract and retain new employees.

The Board shall from time to time identify the Qualifying Employees. Qualifying Employees shall:

- as at the First Allocation Date or at the relevant Allocation Date, be a Permanent Employee of the Afrimat Group for at least 3 (three) uninterrupted years;

- not be serving his/her notice period; and

- not be a participant in any other incentive scheme of the Afrimat Group, including the Afrimat Group's Annual Short Term Incentive Scheme, Trimester Short Term Incentive Scheme or such other similar incentive scheme as may from time to time to be operated by the Afrimat Group, it being recorded, however, that the participation by a Qualifying Employee in a monthly production bonus scheme shall not disqualify his/her participation in the Scheme.

4.4 Payments at termination

- Termination payments are based on specific contractual arrangements, which may be amended based on mutual agreement. 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.

4.5 Disclosure of remuneration

- Afrimat is committed to remuneration disclosure in line with reigning best practice and applicable governance requirements.

- 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.

4.6 Orientation/induction

4.6.1 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.

4.6.2 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.

4.7 Shareholder engagement

- Afrimat is committed to shareholder engagement on its remuneration policy and its consistent implementation on an annual basis.
- Afrimat will put the remuneration policy and implementation report to two separate non-binding votes. In the event that 25% or more of the shareholders vote against either or both the remuneration policy and implementation report, Afrimat will engage with shareholders in accordance with the format and requirements of the JSE Listing Requirements.

4.8 Amendment of this policy

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

4.8.2 The Committee has the responsibility of reviewing this Policy on a regular basis to ensure compliance with the law and corporate governance best practice, with amendments put to the board for approval.

END.