

BRAINWORKS LIMITED

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**BRAINWORKS**

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PRIVATE EQUITY INVESTMENT ADVISORY

**REMUNERATION POLICY  
MAY 2018**

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## 1 INTRODUCTION

The Remuneration Policy addresses remuneration on an organisation wide basis. The Remuneration Policy is one of the components of our corporate governance policy and it seeks to promote Brainworks Limited's overall values, strategy and growth. The main functions of the Remuneration Policy are as follows:

- to support Brainworks Limited (BWL) by building a competitive, high performance and innovative company with an entrepreneurial culture that attracts, retains and rewards high-performing employees;
- To promote / support positive outcomes across the economic and social context in which the company operates and;
- to promote the achievement of strategic objectives;
- to promote ethical practice and responsible corporate leadership.

In this document BWL refers to Brainworks Limited.

## 2 REMUNERATION PRINCIPLES

BWL's approach to remuneration is to employ, reward, incentivise and keep employees who believe in our fundamental culture and values. We endeavour to encourage entrepreneurship by creating a working environment that motivates our employees to positively contribute to the BWL's principles, strategy, goals and vision.

We are of the belief that our success is directly linked to the quality of employees that we recruit and retain. As such, it is important that we align the interests of our employees and executives with that of our other stakeholders, as well as to align our overall approach to established best practice.

BWL's Remuneration Policy is based on the need to ensure that:

- Our business strategy aligns with our values and objectives whilst upholding the interests of our stakeholders;
- We have rules that make sure that executive remuneration is fair and responsible in the context of overall company remuneration;
- Our procedures and practices are consistent with effective risk management;
- Salaried employees are rewarded on a total rewards basis which includes fixed, variable, short-and long-term rewards;
- The fixed component of the reward includes a base salary, pension and benefits that are normally set at market median level;
- Incentives aimed at encouraging and retaining employees are clearly distinguished from those relating to rewarding performance;
- Employees are empowered to become part of an entrepreneurial culture;
- Adherence to principles of good corporate governance regulatory frameworks like the King IV Report on Corporate Governance;
- Distinctions are drawn between employees who operate in a risk-taking capacity and those who fulfil fiduciary roles. This is to ensure that the independence of employees who act in a fiduciary capacity is not compromised thereby minimizing conflicts of interests;
- Metrics used to assess performance consider the level of achievement and the risks taken in achieving that level of performance, i.e. performance measures are risk-adjusted where appropriate;

- Incentives are based on targets that are verifiable and multiple performance measures are used to avoid manipulation of results;
- Offer flexibility for the customisation of remuneration and benefits, i.e. work/life balance and specific business needs.

### 3 REMUNERATION POLICY

#### 3.1 Structure

BWL's remuneration structure for salaried employees, which includes Executive Directors, consists of the following elements: guaranteed remuneration package (fixed) and variable remuneration (short-term and long-term incentives) and recognition. Fixed remuneration is guaranteed, and it is normally paid irrespective of the Company's performance. Variable remuneration is not guaranteed and it is directly linked to, and dependent on, BWL and the individual concerned achieving a certain level of performance. The purpose of these categories is further explained in paragraph 3.3 below.

The Remuneration of Non-Executive Directors differs to that of salaried employees and Executive Directors as is explained further in paragraph 4 below.

The following sections outline each element of the BWL remuneration structure, the performance measures applicable to variable remuneration and pre-vesting forfeiture provisions applicable to variable remuneration.

##### 3.1.1 Guaranteed Remuneration

###### a) Key Objective

The key objective is to provide the base element of remuneration that reflects the person's role or position in BWL. Guaranteed Remuneration is payable for doing the expected job.

###### b) Structure

- Guaranteed remuneration is paid monthly on a Cost to Company basis (refer paragraph 3.2)
- Guaranteed remuneration is generally targeted at the median or 50<sup>th</sup> percentile level (refer paragraph 3.5)
- Guaranteed remuneration is normally benchmarked against the financial services market (refer paragraph 3.6)
- Guaranteed remuneration is set at a level which is aligned to expected operational performance.

###### c) Eligibility

All employees, including Executive Directors, Managing Executives and Heads of Control Functions are eligible for guaranteed remuneration (refer to paragraph 3.7)

##### 3.1.2 Short-Term Incentives

###### a) Key Objective

The key objective is to create a performance culture. This will be achieved by rewarding individuals and or teams for achieving strong annual financial and non-financial results. Performance will be measured in terms of pre-determined targets.

###### b) Structure

- The short-term incentive is payable annually in April. Performance bonuses above a certain threshold are paid out in 2 - 4 tranches within a 1-year period.
- The short-term incentive is based on a performance balanced scorecard where the BWL performance targets are set in terms of threshold, target and performance levels.
- The measurement period for assessing performance against the scorecard is normally a period of 12 months coinciding with the Group's financial year.
- The scorecard is reviewed, and revised targets are set on an annual basis.
- Divisional incentive pools are based on the performance scorecard of each division, which scorecards should measure similar KPI's. In some instances, these will be tailored to make them relevant to the division under consideration.
- Individual incentives (performance bonuses) are based on the agreed targets with each individual at the beginning of the performance period. Individual bonus allocations also depend on the performance of the division and team in which the individual operates, as well as the performance of the Group as a whole.

c) Eligibility

In general, the short-term incentive applies to all employees. For purposes of short-term incentives, senior employees in the Risk and Compliance areas and heads of control functions are assessed primarily on the achievement of individual performance objectives, with less emphasis on the financial performance of the Group as a whole.

### 3.1.3 Long-Term Incentives

a) Key Objective

The broad purpose of the Long-Term Incentives Plan ("LTIP") is to attract, motivate, retain and reward key employees who can influence BWL's performance and strategic direction. Long-term incentives are aligned to multi-year targets of growth and long-term value creation.

c) Eligibility

The BWL Executive Committee ("Exco"), including the Executive Directors and Key Management and or Specialists who are high performers, whose deliverables are essential and who are critical from a retention perspective, are eligible for participation in the LTIP. Eligible individuals are selected by the BWL Exco, and or by the Chief Executive Officer ("CEO"), under the oversight of Remco.

### 3.1.4 Performance measures and pre-vesting forfeiture provision applicable to variable remuneration

Pre-vesting forfeiture of short term and long-term incentives

BLW will have a pre-vesting forfeiture policy which applies to all unvested and deferred short term and long-term incentives ("unvested incentives"). The Remco may, on or any time before the vesting date of short term and long-term incentives, reduce the quantum of the cash short term incentive or number of shares comprising the long-term incentive in whole or in part after the occurrence of an actual risk event. The trigger events include, but are not limited to:

- 1) Reasonable evidence of actions or conduct which, in the reasonable opinion of the Board, amounts to employee misbehaviour, dishonesty, fraud or (gross) misconduct;
- 2) Discovery of a material misstatement of the financial results for the performance or employment period of the incentive, resulting in an adjustment in the audited financial statements of BWL or, where the employee is employed by a subsidiary of BWL, the audited financial statements of that subsidiary;
- 3) In the case of incentives which are subject to the achievement of prospective performance conditions, the assessment of any performance metric or condition in respect of an incentive which was based on error, or inaccurate or misleading information;
- 4) The discovery that any information used to determine the quantum of cash incentives, or the number of shares subject to a long-term incentive award was based on error, or inaccurate or misleading information;
- 5) Subsequent underperformance on an individual level and/or;
- 6) Events or behaviour of the employee or the existence of events attributable to an employee which have led to the censure of BWL or, where the employee is employed by a subsidiary of BWL, that subsidiary by a regulatory authority (e.g. the JSE) or have had a significant detrimental impact on the reputation of BWL (e.g. a material risk management failure) or, where the employee is employed by a subsidiary of BWL, that subsidiary, provided the Board is satisfied that the relevant employee was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to him or her.

This list of trigger events above is not exhaustive and the decision to reduce the quantum of unvested incentives ultimately resides with the Board, on recommendation from the Remco.

The consequence of pre-vesting forfeiture is that any remaining (deferred) bonus tranches or unvested long-term incentives will be forfeited when a trigger event can be attributed to the actions of a specific individual.

### Performance measures

The performance of the Group will be measured against agreed financial and non-financial measures. These measures will be reviewed and approved by the Remco, on an annual basis, at the commencement of the financial year subject to the measurement. The measurement scorecard will comprise a majority of financial measures, with the balance of the scorecard relating to non-financial measures. The extent to which Long Term Incentive performance units vest will be determined by a financial measure that reflects the value created by management over the vesting period of the units allocated.

### **3.2 Pay and Benefits**

A Guaranteed Remuneration Package forms the basis of the remuneration structure for BWL and its subsidiaries. The guaranteed remuneration package includes the employee's total annual salary plus any non-cash benefits. Typically, these include company pension or provident fund and medical scheme contributions, group life and accident insurance cover, vehicle as well as other benefits.

### **3.3 Remuneration Plan**

The remuneration plan includes the following elements:

Remuneration Element	Purpose
Guaranteed package	<input type="checkbox"/> Pays for overall job requirements, accountability, complexity / variety of tasks.

	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensures that BWL attracts and retains talented high-performing people by paying a market-related guaranteed package.</li> <li><input type="checkbox"/> -May be performance based.</li> </ul>
Short-term incentives <ul style="list-style-type: none"> <li>- Performance Bonus</li> <li>- Pay-for-Performance</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Focuses on attaining results in both the short and medium term, whilst at the same time ensuring the successful execution of the strategic plan.</li> <li><input type="checkbox"/> Variable component that rewards contributions to the business plans.</li> <li><input type="checkbox"/> Offers the opportunity for Pay-for-Performance to incentivise employees.</li> </ul>
Long-term incentives	<ul style="list-style-type: none"> <li><input type="checkbox"/> Crucial in retaining business critical employees.</li> <li><input type="checkbox"/> Focuses attention on achieving longer-term strategic imperatives and aligns performance with shareholder thinking and expectations.</li> <li><input type="checkbox"/> Rewards sustainable company performance.</li> </ul>
Recognition	<ul style="list-style-type: none"> <li><input type="checkbox"/> Supports and reinforces innovation and entrepreneurship.</li> <li><input type="checkbox"/> Recognises employees living the values of the company and contributing towards an entrepreneurial culture.</li> </ul>

### 3.4 Fair and Responsible Remuneration

BWL is committed to fair and responsible remuneration. Any possible remuneration disparities related to race, gender, etc., shall not be accepted. Any suspected remuneration disparities will be investigated and addressed as soon as is possible

Any unjustifiable differences in the terms and conditions of employment, including remuneration will be identified. Unjustifiable differences in pay and conditions of employment between employees at the same level will be addressed in accordance with the “Equal Pay for Work of Equal Value” philosophy. BWL believes its employee development approach is critical in addressing remuneration disparities. This approach includes career mapping for employees, development of employees, various training courses and an extensive employee value proposition which amongst other things provides for an empowering work environment and a culture conducive to personal growth.

### 3.5 Market Position

BWL aims to pay:

- on the market median (50th percentile) for employees;
- in exceptional cases up to the upper quartile (75th percentile) for certain key jobs where there are premiums due to scarce and/or technical/specialised skills, market pressures and/or employment equity targets;
- in exceptional cases up to the upper quartile (75th percentile) for employees who are outstanding performers on a consistent basis. This is normally a relatively small percentage of the total employees.

The market view for all job categories is flexible enough to consider the economic and commercial environments as they affect the company and its employees. This implies continuous monitoring of the current labour market from which the company recruits. It may from time to time, be necessary to remunerate a certain individual or categories of individuals at a level above the normal guidelines for a job.

### **3.6 Benchmarking**

In line with general market practice, the company compares itself to companies within its industry (by participating in Financial industry surveys where possible). Where surveys indicate that a job grouping is significantly out of line with market pay bands, a remuneration adjustment may be considered. The main factor in assessing the influence that external salary levels (market pressures) should be allowed to exercise internally is the extent to which there is competition for the employees in question in the open market. The ability of the company to attract and retain the right calibre of employees is normally evidence of this.

Discretionary elements of pay beyond benchmarked levels can be included for scarcity, attraction and retention purposes, where appropriate. To remain competitive, market-related premiums will be considered for certain skills if there is a shortage of skills.

In order to compare the variable remuneration component market, practice with regard to typical remuneration mixes and incentivisation principles, will serve as the basis for recommendations.

### **3.7 Organisational Structure**

To establish an optimal organisational structure for BWL, it is important to make a clear distinction between levels of accountability and pay bands. Levels of Accountability refer to the broader decision-making levels or layers of accountability/responsibility within BWL. Pay Bands refer to the relative market value of the job.

To ensure pay flexibility, the pay bands do not have a fixed link to the levels of accountability and are designed to have a healthy overlap between the different pay bands. If employees fall on the same level of accountability their pay could flexibly fall in different pay bands.

The company has a flexible blended job evaluation model, using a single system combined with market pricing tools to cater for continuously changing business needs.

### **3.8 Geographic Differences**

Where there are differences in pay due to geographic location, and where living expenses and the job market differ in these locations, differences in pay will be considered legitimate provided that they align with the living expenses and job market in that location. The principle of market rate in the area where the service is rendered by the employee is applied.

The remuneration of international assignees is guided by a separate international assignment remuneration strategy which considers matters such as volatile exchange rates, weak and strong currencies, differences in cost-of-living between home and host countries as well as attractive and not-as-attractive countries to work in.

### **3.9 Pay Scales**

Where appropriate, pay bands for job families is determined based on prevailing market forces, which will decide the remuneration ranges applicable to each employee grouping.

### **3.10 Remuneration Mix**

The remuneration mix reflects the relative proportion of total guaranteed pay versus variable pay. There is a balance between fixed and variable pay, with the fixed pay representing a sufficiently high portion of the total remuneration to avoid employees becoming overly dependent on variable pay. The objective is to achieve a balanced mix appropriate for the job, level and performance, recognising the need for flexible package design to acknowledge different business requirements. In general, the variable component proportionally increases as the level of seniority or accountability of the individual within the organisation increases.

### **3.11 Variable Remuneration**

Variable remuneration programmes are established within the company to support the achievement of company, divisional and group service area objectives, in accordance with the company's approach to performance management. Since variable pay is self-funding, payout to an individual is dependent on the company achieving its overall performance target (individual, divisional/group service area and company targets must all be met).

In order to ensure sustainable annual group performance, performance bonuses above a certain amount is paid out in 2 - 4 tranches within a 1-year period. Remaining performance bonus tranches can be withheld if the performance of the group, division or individual deteriorates significantly.

### **3.12 Review**

A review of remuneration is conducted annually, and any resultant increase is effective from 1 January each year.

Typically, a variety of factors, such as CPI, affordability, budgets, market movements/ trends, competitor remuneration, scarcity of skills, etc. is considered by the Remco, in order to approve a mandate for the company.

### **3.13 Governance**

The aim of remuneration governance in organisations is to provide an integrated approach to corporate governance through the consistent application of fundamental principles of sound remuneration practice and policies. The BWL Board, on the recommendation of Remco, will adopt the principle pillars of this Remuneration Policy across its subsidiaries.

The role of the Remco (in addition to that defined in its Terms of Reference) is to broadly ensure that there is a Remuneration Policy in place and to oversee the setting and administration of Remuneration Policy at all levels. The Remco is also responsible for constantly monitoring the implementation of the Remuneration Policy and reviewing suitability thereof, thereby determining whether the stated objectives are being achieved.

Notwithstanding the above, and in addition to the exceptions listed in clause 3.1 above, remuneration of senior designated employees in the Risk and Compliance function (including heads of control functions) are determined independently of the financial performance of BWL and its various subsidiaries, with performance measures based principally on the achievement of the objectives of their functions.

### **3.14 Other Options**

#### Sign-on awards

In exceptional cases for certain business critical appointments BWL may offer sign-on awards (short term or long term) to new members of executive management and key employees. The long-term incentive awards are ordinarily subject to a three-year vesting period. The long-term incentive award will be subject to forfeiture should the employee resign or be dismissed by BWL during the vesting period (in accordance with the rules of the LTIP). Any cash sign-on awards will be subject to clawback and these employees will have to repay such bonuses if they leave within a specified period, as documented in their employment contract. The CEO has discretion to determine sign-on awards.

#### Flexibility

The company will explore options for the customisation of remuneration benefits, employment conditions, working hours, leave, etc. Work/life balance and catering for the specific needs of different generations are the key drivers.

#### Restraints of trade

BWL may from time to time conclude restraint of trade agreements with executives or key management. Such restraint of trade agreements may be contractual or paid and should align with the overall business strategy of BWL. Disclosure in line with regulatory requirements will be made for relevant restraint of trade agreements.

#### Payments on Termination of Employment

The employment contracts for members of executive management do not commit the company to make service payments in the event of termination of employment because of their failures. Upon termination of employment the company will make payments as required in terms of legislation, the consequences of unvested short term and long-term incentives will be governed by the rules of the incentive plans and the basis for termination of employment. The decision when BWL will pay, why BWL will pay and how these payments are determined, will be decided by the Remco.

#### Retention payments

Management has the discretion to make retention payments to executives and key employees, whether in the form of cash or equity-based payments, in exceptional circumstances. BWL reserves the right to make the retention payment subject to vesting periods and performance and/or continued employment provisions as well as pre-vesting forfeiture where appropriate.

## **4 REMUNERATION OF NON-EXECUTIVE DIRECTORS**

### **4.1 Overview**

The fees for Non-Executive Directors serving on the BWL Board, its major subsidiaries, Board Committees and certain operational structures are revised annually and submitted for consideration to the Remco. The fees which require shareholder approval in terms of law are, further submitted for approval at the BWL annual general meeting. In considering adjustments to the Non-Executive Directors' fees, various factors are considered, including a review of market analysis on the subject matter. Market benchmarking consider the size of the organisation as well as the complexity of the work performed. BWL, upon recommendation of the Remco, will work towards benchmarking the Non-Executive Director's fees within the range of the upper quartile (75th percentile).

### **4.2 Structure**

Non-Executive Directors fees comprise a base fee (retention) and an attendance fee component. Non-executive directors and the Chairman do not receive performance incentive payments (short-term or long-term), share appreciation rights or options, pension fund benefits, loans on preferential terms or any other form of financial assistance.

Non-executive directors are entitled to receive allowances for attending meetings. They are also entitled to allowances where this is necessary to enable them to discharge their duties and obligations. Where Non-Executive Directors incur expenses attending meetings and discharging their duties and obligations, they are entitled to be fully reimbursed for said expenses.

Non-executive director fees should be approved by shareholders in advance by way of special resolution at each annual general meeting.

The Chairperson of the Board and other committees are paid at higher levels than the other members and different remuneration is also paid for the different Board Committees to reflect the complexity and amount of preparation required.

### **4.3 Eligibility**

Only Non-Executive Directors of the BWL, and its subsidiaries, are eligible for this payment.

## **5 REMUNERATION OF EXECUTIVE DIRECTORS**

### **5.1 Overview**

Remuneration of Executive Directors (the BWL CEO and other senior members of Management who are also members of the BWL Board of Directors) is governed by the principles and practices as applicable to other salaried employees as outlined under sections 2 and 3 above.

## 5.2 Reporting Obligations

The detail of each individual director's remuneration, including non-executive directors and senior executives, is disclosed within the remuneration report in the integrated annual report. Other information to be disclosed included base pay policy, participation in incentive schemes, benchmarks used, retention schemes, justifications for salaries above medians, material *ex-gratia* payments, executive employment policies and maximum potential dilution from incentive awards.

## 6 SHAREHOLDER ENGAGEMENT

In line with the King IV Report, the remuneration implementation report together with the remuneration policy will be tabled annually for a separate non-binding advisory vote by the shareholders at the annual general meeting.

The Remco will engage with shareholders in the event of a 25% or more dissenting vote on the remuneration policy or implementation report, or both. The key purpose of such an engagement process is to ascertain the reasons for dissenting votes and where reasonable concerns are raised to address such concerns. This may include review and amendment to the remuneration policy or merely a clarification of the remuneration policy.

## 7 MANDATE AND AUTHORITY

The BWL Board, as well as BWL management, on recommendation from the Remco, shall consider the Remuneration Policy and any other relevant documents, such as the Remco's Terms of Reference, when considering matters before it. Shareholders should vote a non-binding advisory vote on the company's remuneration policy, including share schemes. The BWL Remco has full discretion in determining appropriate remuneration policies and practices for BWL including but not limited to, annual remuneration increases, performance bonuses and share incentives for the company. The Remco shall also, as deemed necessary, report significant deviations from the principles set forth in the Remuneration Policy, to the BWL Board.

### REMUNERATION POLICY MAY 2018 FORMALLY ADOPTED AND APPROVED BY THE BOARD OF BRAINWORKS LIMITED ON THE 24TH OF DAY OF MAY 2018

.....  
CHAIRPERSON

.....  
COMPANY SECRETARY