



REMUNERATION REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019

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*George S.J. Bennett*  
*Chairman - Remuneration*  
*Committee*

Dear shareholders

The Remuneration Policy is one of the measures taken to strengthen Arden Limited's corporate governance framework and to ensure that Arden Limited ("Arden" or the "Company") adheres to the principles and recommended practices on remuneration set out in the King IV Report on Governance for South Africa, 2016 ("the King IV Report").

In this Remuneration Report for the year ended 31 December 2019 ("the Report"), the Remuneration Committee ("the Committee") will update Shareholders on the measures taken by the Company in implementing the Company's remuneration philosophy as espoused in the Remuneration Policy, and in line with the King IV Report. Where applicable, the Company is also guided by the statutory provisions of the Companies Act of South Africa, 71 of 2008, as amended (the "Companies Act").

This Report has been prepared by Remuneration Committee and is organised in three sections. The three sections are as follows:

- i Letter to shareholders (a background statement to the report);
- ii Remuneration policy (a board overview of the main principles and objectives of the policy); and
- iii Implementation report (an overview of the remuneration of individual directors and members of the executive management team).

In the year under review the Zimbabwe operating environment remained challenging characterised by shortages of foreign currency, devaluation of the local currency and high inflation. The Company engaged with management on the challenges facing our Zimbabwe business and formulated appropriate remuneration responses to protect employees of the Company. In the coming year, the Committee will remain vigilant with regards to the anticipated negative impact of the COVID 19 Global Pandemic and review remuneration strategy and make recommendations as appropriate.

Shareholders are advised that the Company's Remuneration policy is available on the Company's website, <http://www.arden-capital.com/investor-relations/corporate-governance>, and its main contents are incorporated herein by way of reference. As a result, only the salient features of the Remuneration policy will be highlighted. No material changes have been made to the Remuneration policy since its adoption in 2018.

Furthermore, shareholders are encouraged to read the Company's annual report for the year ended 31 December 2019 ("the annual report") as this gives shareholders perspectives of the environment within which the Company and its subsidiaries operated during the period under review, which would assist shareholders in understanding the content of this report. The annual report is also available on the Company's website, <http://www.arden-capital.com/investor-relations/financial-results-reports>.

Looking ahead, for the year ending 31 December 2020, the Committee is looking forward to improved implementation of the Remuneration policy in order to give effect to the Company's objectives. We are particularly looking forward to increasing our competitiveness as a corporate and to ensure that optimal conditions exists for our personnel so as to retain and attract talent that will promote the business and growth of the Company.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'George S.J. Bennett', written over a horizontal line.

**George S.J. Bennett**  
**Chairman- Remuneration Committee**

## REMUNERATION POLICY

### Introduction

The Company's Remuneration policy promotes the Company's values and growth initiatives. The Company's overall strategy is to:

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

Total rewards are set at levels that are competitive within our sectors. The group utilises market surveys to ensure that the components of the remuneration structure are appropriate and competitive. The fixed and variable element mix of the remuneration structure differ depending on the employee grade.

The key tenets of our remuneration philosophy are that we act responsibly and fairly in our dealings with employees and their remuneration ensuring that all actions taken in this regard are sustainable and aligned with the strategic requirements of the business.

### Employee remuneration policy

The Company aims to reward employees fairly and equitably through both financial awards and non-financial benefits such as recognition, development, and career opportunities.

In terms of the Remuneration policy, the Company's remuneration structure for salaried employees consists of a 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, the Company and individual achieving a certain level of agreed performance.

The guaranteed remuneration package includes the employee's basic salary plus any non-cash benefits. Typically, these include company pension contribution, medical aid scheme contributions, group life and accident insurance cover.

The group seeks to ensure an appropriate balance between fixed and performance-related elements of remuneration, and those aspects of the package linked to short-term financial performance and to those linked to longer-term shareholder value creation. The combination of the components ensures that higher pay is achieved only for higher performance and higher shareholder returns. Senior executives have a larger proportion of their potential total remuneration subject to the achievement of performance-based targets.

Total remuneration is structure on the following basis:

Remuneration element	Purpose	Other salient features
Guaranteed package	The key objective of the guaranteed package is to provide the base element of remuneration that reflects the person's role or position in the Company. Guaranteed remuneration is payable for doing the expected job. It pays for overall job requirements, accountability and complexity of tasks. The guaranteed package ensures that the Company attracts and retains high performing individuals by paying market related guaranteed remuneration package	Guaranteed remuneration is paid monthly on a total cost to Company, is generally targeted at the median or 50th percentile level and benchmarked against the financial services sector. All employees, including executive directors are eligible for guaranteed remuneration

<b>Short term incentives</b>	<p>The key objective of short-term incentives is to create a performance culture. This will be achieved by rewarding individuals as part of a team for achieving strong annual financial and non-financial results.</p> <p>Performance will be measured in terms of pre-determined targets. Short term incentives focus on the attainment of both short term and medium-term results, whilst at the same time ensuring the successful execution of the strategic plan.</p> <p>Short term incentives offer opportunity for pay-for-performance to incentivise employees.</p>	<p>Short-term incentive remuneration, which is usually in the form of a performance bonus is payable annually in April. Performance bonuses above a certain threshold are paid out in 2 - 4 tranches within a 1-year period. The performance bonus is based on a performance and balance scorecard where the Company performance targets are set in terms of threshold, target and performance levels. The measurement period for assessing performance against the scorecard is the financial year. In general, the short-term incentive applies to all employees.</p>
<b>Long term incentives</b>	<p>The broad purpose of the Long-Term Incentives Plan (“LTIP”) is to attract, motivate, retain and reward key employees who can influence the Company’s performance and strategic direction. Long-term incentives are aligned to multi-year targets of growth and long-term value creation. These are crucial in retaining critical employees. Long term incentives focus on longer term strategic imperatives and aligns performance with shareholder thinking and expectations. Long term incentives reward employees based on sustainable company performance.</p>	<p>The Company is currently in the process of revising its long-term incentive plan.</p> <p>Key management whose deliverables are essential and who are critical from a retention perspective, will be eligible to participate in the LTIP. Eligible individuals are selected under the oversight of the Remuneration Committee.</p>

The remuneration regime described above is designed to ensure that the Group attracts and retains employees of the right caliber and skills and incentivize them to achieve exceptional delivery to support our strategic initiatives. The same applies to the remuneration of executive and non-executive directors.

#### **Non-executive directors’ remuneration**

The remuneration of non-executive directors differs to that of salaried employees. Their fees comprise a base fee (retention) and an attendance fee component. Non-executive directors and the Chairperson do not receive performance incentive payments (short-term or long-term).

Non-executive directors are, however, entitled to receive attendance fees for attending meetings. They are also entitled to allowances and *per diems* 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 directors are also entitled to consult independent advisers, including legal practitioners, where the situation may require them to. They will also be reimbursed for these expenses.

#### **Executive directors’ remuneration**

Executive Directors’ remuneration is governed by the principles and practices applicable to other salaried employees.

#### **Termination of employment**

Upon termination of employment, executive directors are entitled to standard terminal benefits in accordance with the laws of the jurisdiction under which their employment contracts are domiciled, and on the basis of the respective employment contract provisions.

## Performance measure

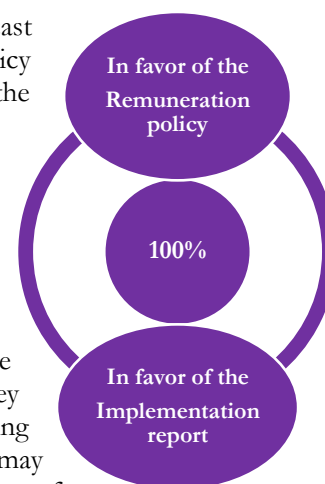
Executive director performance is analysed on an annual basis by independent consultants. This is conducted mainly on a peer review basis and discussed annually by the Board which adopts any recommendations flowing from this process.

## Annual reporting requirements

At the annual general meeting held on the 28 of June 2019, 100% of votes cast represented either in person or by proxy were in favour of the Remuneration Policy and 100% of votes cast represented either in person or by proxy supported the Implementation Report.

Reporting to shareholders annually by means of the Remuneration report strengthens the Company's objectives as it creates accountability to shareholder. This is especially true as shareholders are given an opportunity to challenge the Company's Remuneration policy and the implementation thereof at each AGM in a manner that compels the Company to engage with the shareholders.

The Committee will engage shareholders if 25% or more vote against the Remuneration policy and or Remuneration implementation report. The key purpose of such an engagement process is to ascertain the reasons for the 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 policy.



## Remuneration committee

The Remuneration Committee comprises of the following members:

- George Bennett (Independent Chairman);
- Chipso Mtasa (the Company's Lead independent director); and
- Richard Muirimi (a non-executive director).

The role of the Remuneration Committee is to make recommendations to the Company's Board of Directors ("the Board"), and otherwise to assist the Board with its oversight responsibilities, in relation to:

- recruitment and remuneration strategies and policies for directors and senior executives; and
- performance evaluation, appointments, and succession planning.

The ultimate responsibility for, and authority to make decisions on behalf of the Company with respect to these matters remains with the Board. The Company acknowledges the importance of the Committee in ensuring that the Company has qualified and experienced personnel to help it achieve its objectives. Consequently, the Company sees to it that the Committee is adequately empowered by availing the necessary resources and information, including access to management, to enable the Committee to undertake its duties. The Committee values, and has undertaken to promote equity, fairness and transparency in the remuneration of all employees and executives. Where the Committee suspects there may be disparities in the remuneration of employees based on race, gender and any other form of discrimination, the Committee investigates and remedies the disparity.

## Proposed amendments to the Remuneration policy

In order to ensure that the Company remains competitive, the Committee will, during the course of 2020, undertake to review remuneration and performance conditions against market best practice and considering the negative impact of the COVID 19 Global pandemic.

In line with the reporting obligations, shareholders will be advised of, and vote in relation to, and proposed amendments to the Remuneration policy.

## IMPLEMENTATION REPORT

### Introduction

This section of the Report constitutes the implementation report and is subject to a separate non-binding advisory vote by shareholders at the AGM to be held on Tuesday the 30<sup>th</sup> of June 2020. It deals with the remuneration received by the Company's executive and non-executive directors as well as proposed remuneration for the year ending 31 December 2020.

Remuneration of the Company's directors is considered annually by the Committee and is fixed according to the level of responsibility undertaken by the directors and the Company's financial performance. The Committee also considers the market norms in setting remuneration for its directors.

Any increases in fees are presented to the shareholders at the company's AGM and reflect the market dynamics and the increasing demands as may be relevant being made on the individuals. Peer group comparisons using publicly available information is undertaken by the Company.

The amount awarded for the variable short-term portion considers the performance of the individual and the overall performance of the Company.

### Non-executive directors' remuneration

Non-executive directors receive fees for services on Board and its committees. Non-executive directors' remuneration consists of a base fee (retention) and an attendance fee component.

Non-executive directors do not receive short-term incentives and do not participate in any long-term incentive scheme. Proposed non-executive directors' fees for shareholder approval until the 2021 AGM appear in the table below:

		2020 proposed fees (in USD)	
		Annual	Quarterly
Board retainer	Chairman	38,462	9,616
	Director	17,308	4,327
Committee retainer	Chairman	3,846	962
	Member	1,923	481
		Annual	Per sitting
Board sitting	Chairman	15,385	3,846
	Member	7,692	1,923
Committee sitting	Chairman	3,846	962
	Member	1,923	481

Remuneration for non-executive directors for the year ended 31 December 2019 and proposed board fees for 2020 (after consideration of industry standards) for approval by shareholders is as follows:

Non-executive directors	2019 actual			2020 proposed		
	Retainer	Sitting fees	Total	Retainer	Sitting	Total
	US\$	US\$	US\$	US\$	Fees US\$	US\$
S. Village	42 308	16 346	58 654	42 308	15 384	57 693
R. Charrington*	4 327	-	4 327	-	-	-
R. Muirimi	24 039	10 577	34 616	25 000	15 384	40 384
G. Bennett	25 481	15 864	41 345	25 000	15 384	40 384
S. Nyarota	20 192	10 096	30 288	19 231	9 615	28 846
A. Mothupi	23 077	12 500	35 577	23 077	13 461	36 538
C. Mtasa	23 077	12 019	35 096	23 077	13 461	36 538
M. Ramphul**	-	-	-	-	-	-
Z. Madarun**	-	-	-	-	-	-
<b>Total</b>	<b>162 501</b>	<b>77 402</b>	<b>239 903</b>	<b>157 693</b>	<b>82 690</b>	<b>240 383</b>

\* resigned on 26 March 2019

\*\*appointed on 28 June 2019 – these directors are employees of the Company’s corporate secretary – Adansonia Management Services limited. Adansonia charges the Company a flat fee of US\$7 000 per annum for the two directors’ services.

Note - the 2020 proposal assumes one meeting per quarter for the Board and each of its Committee.

### Executive directors’ remuneration

Executive directors’ remuneration is governed by the principles and practices applicable to other salaried employees, that is it consists of a guaranteed base salary, defined benefits, as well a variable portion including short-term cash and long-term cash or share incentives.

Gross guaranteed remuneration for executive directors for the year ended 31 December 2019 was as follows:

	2019					2018			
	Basic salary	Pension	Acting allowance	Medical aid	Total	Basic salary	Pension	Medical aid	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Chief Executive Officer	100 112	-	-	-	100 112	211 776	-	-	211 776
Chief Finance Officer	250 000	25 080	14 000	1 781	290 861	240 000	13 400	3 960	257 360
<b>Total</b>	<b>350 112</b>	<b>25 080</b>	<b>14 000</b>	<b>1 781</b>	<b>390 973</b>	<b>451 776</b>	<b>13 400</b>	<b>3 960</b>	<b>469 136</b>

**Note** – The 2019 remuneration comprise of 5 months for the Chief Executive Officer (“CEO”), who resigned on 5 June 2019. On 5 June 2019 Mr. P Saungweme, who is the Chief Finance Officer, was appointed as the Interim.

### Executive directors - short-term incentives

The Company’s short-term incentive takes the form of a Cash Incentive Plan (“CIP”). The core elements of this CIP are as follows:

- The team will be provided cash incentive payments out of a pool funded through the allocation of a percentage of the Consolidated net profit before tax (“NPBT”) of the Group;



- There is a minimum threshold level of Net Profit Before Tax (“NPBT” or “Hurdle Rate”) that underpins the existing contribution from the business; profits in excess of this threshold are shared between the team and the business; and
- The allocation of any of the reward pool is submitted and approved by the Remuneration Committee.

In awarding payments from the CIP, account is taken of the individual’s performance against the Group’s financial performance, which in turn are based on the core organisational objectives of growth, profitability, business development and capital management.

The minimum threshold for NPBT Hurdle Rate is determined by the annual budget as approved by the Board. If an amount in excess of the budget is realised participants will participate in the upside. The Hurdle Rate will be adjusted for any acquisitions, disinvestments or other transactions which require an adjustment in order to maintain a true and accurate benchmark against which to measure the team’s performance. A tiered sharing rate will apply where the Hurdle Rate is exceeded. This is designed to encourage the team to focus on preserving the existing profitability whilst at the same time incentivizing the team to make difficult decisions as regards non-performing assets, resources, etc and being highly incentivised to grow the future reserves of the Company.

The basic mechanics of the model will be a stepped NPBT participation above the Hurdle Rate:

- 2.1 If the Hurdle Rate is achieved, then 5% of Hurdle Rate is allocated to the CIP;
- 2.2 If the Hurdle Rate is exceeded by more than 10% but less than 20% then an additional 20% of the NPBT exceeding the Hurdle Rate is allocated to CIP; and
- If the Hurdle Rate is exceeded by more than 20% then an additional 25% of difference between the actual NPBT and the Hurdle Rate plus 20% of the Hurdle Rate is allocated to CIP.

On the basis of the formula above, adjusted for factors, the directors approved an allocation to the staff CIP of US\$565 000 for the year ended 31 December 2018, which was distributed to staff in 2019. The Chief Executive Officer and the Chief Finance Officer were each allocated US\$200 000 (2018: nil)

#### Remuneration of executive directors for 2020

The following remuneration is being proposed, after consideration was given to industry standards, for approval by shareholders for the year ending 31 December 2020:

	<b>Basic salary</b> US\$	<b>Pension</b> US\$	<b>Acting allowance</b> US\$	<b>Medical aid</b> US\$	<b>Total</b> US\$
Chief Finance Officer/Interim CEO	254 400	25 440	24 000*	1 781	<b>305 621</b>
	<b>254 400</b>	<b>25 440</b>	<b>24 000*</b>	<b>1 781</b>	<b>305 621</b>

*\*The Chief Finance Officer still assumes the role of Interim CEO. The actual expense will depend on the period over which the current arrangement will subsist.*

#### AGM resolutions

In line with the King IV Report, the Remuneration Policy and the Remuneration Report will be tabled for a separate non-binding advisory vote by the shareholders at the Company’s AGM to be held on Tuesday, 30 June 2020.



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