



BLUE LABEL

TELECOMS

BLUE LABEL TELECOMS LIMITED

REMUNERATION & REWARD POLICY

Sept 2023

1. PREAMBLE

Blue Label Telecoms Limited (“Blue Label”), has formulated the Remuneration and Reward Policy (“policy”), as one of the key components of Blue Label’s Human Capital Strategy, both of which support the overall business strategy.

The Blue Label board (“board”) and Remuneration Committee (“RemCo”) endeavor to apply the King IV principles regarding responsible and transparent remuneration practices as well as any other relevant corporate governance requirements. In doing so the remuneration committee actively engages with the board and external subject matter experts and stakeholders annually to comprehensively review the remuneration strategy and supporting policy and update the policy as and when required to align to best practice and maintain our competitiveness within the market.

2. SCOPE OF THE POLICY

The policy is aligned to the Blue Label strategy, its operating philosophy, policies and standards and is board approved. It sets out how total remuneration must be managed within the group and is supported by detailed Financial and Human Capital operating policies, procedures and practices.

- 2.1 The policy applies to all employees of subsidiaries, associates and joint venture companies in which the Blue Label group holds a shareholding in excess of 40% (forty percent), excluding Cell C who have their own Remuneration Policy and Remuneration Committee.
- 2.2 The policy applies uniformly in all such jurisdictions, except where it conflicts with either local statutes or regulations, in which case such statutes or regulations will apply. Where an operating jurisdiction has a more onerous regulatory or statutory framework, the local standards of governance in that jurisdiction will apply.
- 2.3 This policy does not apply to:
 - 2.3.1 Contract employees; and
 - 2.3.2 Persons contracted via third parties.
- 2.4 The Remuneration Committee may approve by exception, for the policy to apply to seconded Blue Label employees.

3. REWARD PHILOSOPHY

- 3.1 The policy creates shareholder value by aligning our remuneration practices to our strategic goals.
- 3.2 The policy aims to enable us to differentiate ourselves from our peers through attracting and retaining high-caliber human capital who contribute to our entrepreneurial culture and long-term success.
- 3.3 The Blue Label remuneration policy aligns the interests of our shareholders with our employees through:
 - 3.3.1 Enabling Blue Label to attract, motivate and retain the very best caliber of directors and employees who have above-average industry ability and expertise.

- 3.3.2 Supporting an entrepreneurial, competitive, innovative and high-performance company, through rewarding demanding performance goals, which are consistent with our strategy and shareholder growth expectations; and
- 3.3.3 Supporting and reinforcing our desired culture through encouraging and rewarding ethical behavior that is consistent with our values and leadership behaviours, thereby stimulating employee engagement and corporate citizenship simultaneously.

4. REMUNERATION GOVERNANCE

The RemCo is an independent board appointed committee whose role is to oversee and make remuneration recommendations to the board for its consideration and final approval. The RemCo shall be comprised of Non-Executive Blue Label Directors and shall be chaired by an independent Blue Label Director. The Blue Label Executive members may attend meetings of the RemCo by invitation, unless their own remuneration is under consideration. The RemCo shall in its discretion take external advice and consult with external stakeholders, particularly institutional shareholders, to determine remuneration policy, content and structure, implementation and reporting as well as take heed of governance requirements and any legislation thereon.

- 4.1 The RemCo's responsibilities are set out within its terms of reference as established by the board.

5. REWARD PRINCIPLES

The competitive talent landscape within which Blue Label operates, demands a differentiated reward system that is capable of competitively matching pay for results, and which can be executed fairly and without bias. To create a progressive and yet pragmatic remuneration policy, we have applied the following design principles:

5.1 Market competitiveness and affordability

- 5.1.1 The reward strategy and policy will achieve the best returns possible for our shareholders, relative to the invested spend.
- 5.1.2 Competitive remuneration practices and awards are based on relevant, valid and appropriate external and internal benchmarks. We aim to complete external benchmarking every second year.
- 5.1.3 In the allocation and delivery of remuneration awards, we will consider performance, market relativity and sustainability.

5.2 Transparency, fairness and clarity

- 5.2.1 The remuneration policy is aligned with principles of good corporate and remuneration governance. It does not prejudice employees or our shareholders.
- 5.2.2 There is transparency on key performance metrics and targets associated with short term and long- term incentives.
- 5.2.3 The rewards policy is applied consistently throughout the group.

5.3 Performance and alignment

5.3.1 Performance based rewards align to strategic objectives, operational performance and long-term sustainable value. It is increasingly difficult to separate ESG factors from business performance and the creation of long-term stakeholder value. To this end we reward the achievement of:

5.3.1.1 strategic objectives;

5.3.1.2 environment, social and governance (“ESG”) goals;

5.3.1.3 financial and operational performance goals; and

5.3.1.4 shareholder return goals.

5.3.2 Targets are stretching, reasonable, verifiable and relevant to the individual and their occupational level.

5.3.3 Multiple performance measures are used to avoid manipulation of results or poor business decisions within short term and long-term performance incentives.

5.3.4 Performance based rewards are supported by a robust performance management practice.

5.4 Differentiation and flexibility

5.4.1 The remuneration policy is sufficiently flexible to handle all positions at Blue Label and allows for adjustments to be made in response to the attraction and retention of critical skills.

5.4.2 Performance is the basis of employee reward. Differentiation and flexibility are enabled through:

5.4.2.1 Personal goals, scorecards and short-term incentive performance metrics based on occupational level and influence; and

5.4.2.2 The utilisation of our total rewards offering of financial and non-financial benefits.

6. REMUNERATION AND REWARD COMPONENTS

6.1 Blue label subscribes to a Total Reward philosophy. Fixed remuneration includes cash and benefits. When combined with incentive payments and awards and other non-quantifiable elements, they make up the Blue Label Total Rewards Plan. The components of the Blue Label employee remuneration and reward plans are:

6.1.1 Fixed annual remuneration (“FAR”);

6.1.2 Short term incentive plan (“STIP”);

6.1.3 Long term incentive plan (“LTIP”);

6.1.4 Commissions for sales staff;

- 6.1.5 Disability and death benefits;
 - 6.1.6 Employee assistance programme;
 - 6.1.7 Ad hoc rewards for performance and behaviors linked to our values, leadership programs and competitions;
 - 6.1.8 Non-financial benefits aligned to our Employee Value Proposition (“EVP”) #HappinessisBlu;
 - 6.1.9 Blue Label pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments; and
 - 6.1.10 We reimburse all necessary and reasonable business expenses.
- 6.2 The RemCo works closely with management through the application of this policy and our Blue Label remuneration and talent management strategy, to move towards a pay mix that is market competitive and which aligns the interests of shareholders and Blue Label employees. To this end, Blue Label strives to deliver the majority of its total pay for on-target performance for its executives and senior management in variable incentives and the rest in fixed annual remuneration. This may vary each year depending on performance and business circumstance.
- 6.3 Variable annual remuneration is split between STIPs and LTIPs. This will bring us closer to best practice and will enable us to balance attracting and retaining high potential human capital with creating long-term value for our shareholders and having the flexibility to drive the right performance through the appropriate incentive structures and pay mix. This is evaluated each year in line with and to drive the strategic business plans and targets set out by the board with management.

7. **FIXED ANNUAL REMUNERATION**

7.1 **Purpose**

FAR is a critical enabler in the attraction and retention of human capital, taking into regard, skill, experience, high potential and value contribution.

7.2 **Components**

The components of guaranteed fixed remuneration are:

- 7.2.1 Cash salary;
- 7.2.2 Medical aid benefits;
- 7.2.3 Disability and death benefits; and
- 7.2.4 Allowances.

Any changes to benefit contribution levels are cost neutral to the group.

7.3 **Eligibility**

All staff are eligible.

7.4 Operation

- 7.4.1 Fixed annual remuneration is structured on a total cost to company basis.
- 7.4.2 Consideration is given to local market conditions and Total Annual Remuneration is benchmarked against independent market data relative to the 50th percentile. In special circumstances scarce and critical roles/skills will also be benchmarked against the 75th percentile.
- 7.4.3 As a policy, the aim is to move towards the median of the general South African market.
- 7.4.4 In limited instances, salaries above the market median may exist due to historical factors or where we have aimed to attract or retain high potential human capital, above average experience or critical skills and equity candidates.
- 7.4.5 Each role is graded and reflects the scope and depth of the role, experience required and level of responsibility. An acceptable earnings range is allocated to each role.
- 7.4.6 In line with equal pay for equal work, every effort is made to ensure internal equity (between race, gender and grade) within the group. The policy is flexible and allows discretion to consider consistent high-performance, high potential human capital, above average experience or critical skills.
- 7.4.7 Blue Label's annual performance-based increases are affected in June each year. We aim to differentiate between non-performance, average performance and exceptional performance. A pool of allocated budget linked to inflation is distributed amongst employees where increases are:
 - 7.4.7.1 Between zero and below an inflationary related increase, for staff who do not meet target on all measures and goals, but do not yet warrant dismissal;
 - 7.4.7.2 Close to inflation levels or at inflation levels for all staff who are achieving expected performance levels; and
 - 7.4.7.3 Above inflation for all staff whose performance exceeds performance on some or all their targets, but only on an exception basis.
- 7.4.8 Where any remuneration levels are not market related, reflect internal inequity as per our grading and recommended FAR ranges or reflect inequity for gender and race where equal pay for equal value exists, an appropriate adjustment can be made.
- 7.4.9 Further discretion may be applied, within reason, to retain above average experience, high potential human capital or critical skills.

8. SHORT TERM INCENTIVES

8.1 Purpose

Blue Label's STIP rewards the achievement of financial, strategic and operational objectives. In line with our entrepreneurial spirit, targets and metrics are challenging (whilst being fair and reasonable), and align individuals to divisional performance, group performance and the interests of our shareholders. In this way we encourage the achievement of sustainable results within an agreed risk appetite. Our STIP is structured to reward collaborative work across the Group to ensure we leverage our capabilities, increase innovation, improve customer and consumer service, reduce inefficiencies, and increase revenue and profits.

8.2 **Components**

- 8.2.1 Individual performance-based award;
- 8.2.2 Business unit performance-based award (where applicable); and
- 8.2.3 Group performance-based award.

8.3 **Eligibility**

- 8.3.1 Permanent employees in Blue Label Bands 1-8, aligned to Hay Level Rewards, are eligible to participate in the STIP;
- 8.3.2 Employees within sales receive a sales commission; and
- 8.3.3 STIP's are typically in the form of cash and employees must be in service on the date of payment.

8.4 **Operation**

- 8.4.1 The RemCo shall recommend and determine on an annual basis what the applicable strategic and operational objectives and financial criteria are, for employees to achieve bonuses, either in whole or in part.
- 8.4.2 Individual group companies through our performance management system, may identify further criteria that will enable operational objectives, provided that such remuneration conforms to this Policy.
- 8.4.3 Based on our remuneration design principles, Blue Label has 5 schemes:
 - 8.4.3.1 Scheme 1 for band 1;
 - 8.4.3.2 Scheme 2 for bands 2-4;
 - 8.4.3.3 Scheme 3 for band 5;
 - 8.4.3.4 Scheme 4 for band 6-7; and
 - 8.4.3.5 Scheme 5 for band 8 (Executive Directors).
- 8.4.4 Gatekeeper conditions are in place. Minimum levels of financial performance must be met. Employees who do not meet minimum performance requirements, or are on a performance improvement plan, are not eligible.
- 8.4.5 The quanta of the STIPs are aligned to performance criteria which are motivated by Subsidiary Executive Committees to the Group Executives and approved by RemCo.
- 8.4.6 **Scheme 1:**
 - 8.4.6.1 Applies to employees within Band 1;

8.4.6.2 Is linked to performance delivered through individual goals, verifiable and challenging individual operational metrics; and

8.4.6.3 Individual performance ratings are used to receive up to 100% of a traditional 13th Cheque.

8.4.7 Scheme 2:

8.4.7.1 Applies to employees within Bands 2 – 4;

8.4.7.2 Is linked to performance delivered through individual goals, verifiable and challenging individual operational metrics; and

8.4.7.3 Individual performance ratings are used as a multiplier for the 13th Cheque. Threshold performance will receive 80% of a 13th Cheque. Target will receive 100% of a 13th Cheque and maximum performance is capped at 200% of a 13th Cheque. Awards will be pro-rated as the case may be.

8.4.8 Scheme 3:

8.4.8.1 Applies to employees within Band 5;

8.4.8.2 Is linked to performance delivered through individual goals and divisional and functional performance scorecards;

8.4.8.3 Metrics are challenging and verifiable;

8.4.8.4 The bonus is calculated per objective;

8.4.8.5 Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be, with linear interpolation being applied;

8.4.8.6 The number of individual objectives/ KPIs or value drivers are capped at 5;

8.4.8.7 40% of the award is linked to individual targets based on pre-determined non-financial measures linked to individual objectives / KPIs or value drivers;

8.4.8.8 60% of divisional and group targets will be linked to the financial metrics as defined in 8.4.8.13 and 8.4.8.14 below.

8.4.8.9 Where an employee works within a functional department at head office, 60% of the award is linked to group financial metrics and targets.

8.4.8.10 The table below illustrates the weighting between individual and business unit objectives and correlates with seniority and "line of sight" principles depending on where the employee works.

		Division/Group STIP Metrics		
		Individual	Division	Group
Band 5 STIP	Division	40%	60%	
	Group	40%		60%

- 8.4.8.11 Threshold is calculated up to 8.33% of FAR, target up to 20% of FAR and a maximum payout up to 25% of FAR; and
- 8.4.8.12 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 8.4.8.13 Divisional metrics and targets are set each year based on the below framework with the most relevant metric/s selected each year.

Division STIP Metrics #

Metrics		Threshold	Target	Stretch*
KPI's (40%)	Individual	Pro-rata of target	Specific	No stretch
	Payout % of FAR	3.3%	8%	8%
Metric (60%)	Division	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	5%	12%	17%

The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.

* RemCo discretion to be applied for performance above target.

- 8.4.8.13.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 8.4.8.14 Functional and group metrics and targets are set each year based on the below framework with the most relevant metric/s selected each year.

Group STIP Metrics #

Metrics		Threshold	Target	Stretch*
KPI's (40%)	Individual	Pro-rata of target	Specific	No stretch
	Payout % of FAR	3.3%	8%	8%
Metric (30%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	2.5%	6%	8.5%
Metric (30%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	2.5%	6%	8.5%

The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.

* RemCo discretion to be applied for performance above target.

- 8.4.8.15 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 8.4.8.16 In determining the performance against metrics set each year, cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the RemCo.

8.4.9 Scheme 4:

- 8.4.9.1 Applies to employees within Bands 6 – 7;
- 8.4.9.2 Is linked to performance delivered through individual objectives / KPI's, goals as well as divisional and Group performance targets;
- 8.4.9.3 Metrics are challenging and verifiable;
- 8.4.9.4 The table below illustrates the weighting between individual and business unit objectives and correlates with seniority and "line of sight" principles depending on where the employee works.

		Division/Group STIP Metrics		
		Individual	Division	Group
Bands 6 -7 STIP	Division	20%	60%	20%
	Group	40%		60%

- 8.4.9.5 The bonus is calculated per objective;
- 8.4.9.6 Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be, with linear interpolation being applied;
- 8.4.9.7 The number of individual objectives / KPIs or value drivers are capped at 5;
- 8.4.9.8 Two thirds of the individual award will be based on pre-determined non-financial measures linked to individual objectives / KPIs and one third is linked to leadership actively exploring and delivering synergies across the group. This applies to both divisional and head office senior management and executives.
- 8.4.9.9 80% of divisional and 60% of group targets will be linked to the financial metrics as defined in 8.4.9.11 and 8.4.9.12 below. For divisional senior management and divisional executives, 60% will be linked to divisional financial targets and 20% to group financial targets. For head office senior management and executives, 60% will be linked to group financial targets;
- 8.4.9.10 Threshold is calculated up to 25% of FAR, target up to 50% of FAR and a maximum pay out up to 75% of FAR, subject to RemCo discretion.
- 8.4.9.11 Divisional metrics and targets are set each year based on the below framework with the most relevant metric/s selected each year.

Division STI Metrics#

Metrics		Threshold	Target	Stretch*
KPI's (20%)	Individual	Pro-rata of target	Specific	No stretch
	Payout % of FAR	5%	10%	10%
Metric (60%)	Division	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	15%	30%	48.75%
Metric (10%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	2.5%	5%	8.125%
Metric (10%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	2.5%	5%	8.125%

The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.

**RemCo discretion to be applied for performance above target.*

8.4.9.11.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.

8.4.9.11.2 In determining the performance against metrics set each year, cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the RemCo.

8.4.9.12 Functional and Group head office metrics and targets are set each year based on the below framework with the most relevant metric/s selected each year.

Group STIP Metrics #

Metrics		Threshold	Target	Stretch*
KPI's (40%)	Individual	Pro-rata of target	Specific	No stretch
	Payout % of FAR	10%	20%	20%
Metric (30%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	7.5%	15%	27.5%
Metric (30%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	7.5%	15%	27.5%

The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.

**RemCo discretion to be applied for performance above target.*

8.4.9.12.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.

8.4.9.12.2 In determining the performance against metrics set each year cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the RemCo.

8.4.10 Scheme 5:

8.4.10.1 Applies to Executive Directors;

8.4.10.2 Individual goals will account for 20% of the STIP;

8.4.10.3 Group performance will account for 80% of the STIP;

8.4.10.4 Metrics are challenging and verifiable;

8.4.10.5 The table below illustrates the weighting between individual and business unit objectives.

Executive Directors STIP Metrics				
		Individual	Division	Group
Band 8 STIP Scheme	Group	20%		80%

8.4.10.6 The bonus is calculated per objective;

8.4.10.7 Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be with linear interpolation being applied;

8.4.10.8 20% of the individual targets will be based on pre-determined non-financial measures linked to individual objectives / KPIs;

8.4.10.9 80% of the group targets will be linked to the financial metrics as defined in 8.4.10.12;

8.4.10.10 The thresholds applicable to Executive Directors are currently as follows:

8.4.10.10.1 CEOs thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum payout at 150% of FAR;

8.4.10.10.2 The FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum payout at 100% of FAR;

8.4.10.11 Group metrics and targets are set each year based on the below framework with the most relevant metric / s selected each year.

8.4.10.12 Group metrics and targets are set each year based on the below framework with the most relevant metric / s selected each year.

Executive Directors STI Metrics #

Metrics		Threshold	Target	Stretch*
KPI's (20%)	Individual**	Pro-rata of target	Specific	No stretch
	Payout % of FAR	16% - CEOs 10% - FD	20% - CEOs 14% - FD	20% - CEOs 14% - FD
Metric (40%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	32% - CEOs 20% - FD	40% - CEOs 28% - FD	65% - CEOs 43% - FD
Metric (40%)	Group	20% under performance of Business Plan	Business Plan	20% over performance of Business Plan
	Payout % of FAR	32% - CEOs 20% - FD	40% - CEOs 28% - FD	65% - CEOs 43% - FD

The bonus is calculated per metric. Values awarded will be a weighted average of scores attained versus target and pro-rated applying linear interpolation.

*RemCo discretion to be applied for performance above target

** The stretch component of the individual KPI targets in the STIP are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro-rata basis relative to target.

8.4.10.12.1 Maximum bonus is set ahead of the market median to encourage superior growth and performance. The emphasis is on performance beyond target;

8.4.10.12.2 In determining the performance against metrics set each year cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the RemCo.

9. SPECIAL PURPOSE SHORT-TERM VARIABLE REMUNERATION ARRANGEMENTS

9.1 Purpose

In exceptional instances we enable management to use special-purpose short term variable remuneration arrangements to help attract and retain high potential human capital who are the holders of scarce skills. These include sign-on awards and deferred short-term incentive (DSTI) arrangements, both of which are subject to individual performance and time-based conditions to ensure an appropriate return on the remuneration investment.

9.2 Components

9.2.1 Cash based sign on awards; and

9.2.2 Deferred short-term incentive awards.

9.3 **Eligibility**

9.3.1 Critical and scarce skills; and

9.3.2 High performing employees with high potential and critical skills

9.4 **Operation**

Sign-on awards are cash-based and made to prospective employees:

9.4.1 These awards are typically awarded to compensate for loss of certain accrued benefits, settle student loans or to attract critical and scarce skills within an increasingly competitive environment;

9.4.2 Awards are made as a percentage of FAR with a maximum of 100%;

9.4.3 25% is paid on joining, 25% is paid on the one-year anniversary and 50% is paid on the second-year anniversary where performance conditions have been achieved;

9.4.4 All such agreements are motivated by the CEO's and reviewed by RemCo. These awards do not apply to Executive Directors;

9.4.5 DSTI awards are cash based and can be made to retain current employees;

9.4.5.1 These awards are typically used to retain critical talent and scarce skills of high potential and high-performance employees;

9.4.5.2 The awards are linked to FAR with a maximum of 100%;

9.4.5.3 This is equally paid out over a period of 2 years subject to agreed time-based periods and performance conditions having been achieved; and

9.4.5.4 All such agreements are motivated by the CEO's and reviewed by RemCo. These awards do not apply to Executive Directors.

10. **LONG TERM PERFORMANCE INCENTIVES**

10.1 **Purpose**

Blue Label's LTIPs align employees to shareholder interests through incentivising performance in line with strategic goals and long-term shareholder value. In addition, they aim to retain human capital with scarce or critical skills.

10.2 **Components**

Blue Label performance shares (awards of conditional rights to shares).

10.3 **Eligibility**

10.3.1 Senior leadership;

- 10.3.2 Human capital key to driving the business strategy;
- 10.3.3 Retention of human capital with high potential and/or critical skills taking into consideration operational requirements and our talent management strategy and succession planning; and
- 10.3.4 Transformation objectives: taking into consideration, potential, critical skills and performance.

10.4 Operation

- 10.4.1 The RemCo, through engagement with shareholders, determines applicable criteria for long term incentives, ensuring that the interests of all stakeholders are appropriately considered.
- 10.4.2 These criteria may be reviewed and adjusted in future, upon further engagement with shareholders.
- 10.4.3 The allocation of LTIP awards and all associated performance conditions and targets are approved in advance by Group RemCo.
- 10.4.4 Maximum LTIP is set at the market median to encourage superior growth and performance.
- 10.4.5 Awards of performance shares (conditional rights to Blue Label shares) are made once a year following Blue Label's annual performance and pay reviews. All awards are subject to the necessary governance and approval processes. Awards are subject to vesting over a period of three years from the date of the grant.
- 10.4.6 Awards will cliff vest upon the lapsing of the vesting period, and be settled in shares to participants, to the extent that performance conditions targets, and any other conditions, are achieved/satisfied.
- 10.4.7 Participants do not receive shareholders' rights (including those to dividends and voting) until awards are settled to them. In terms of the Conditional Share Plan rules however, participants may be awarded dividend equivalents, being additional shares to the value of dividends which would have been declared over the shares comprising the awards during the performance period. Such dividend equivalents vest and would be settled to participants when, and to the extent, that the award itself vests and is settled.
- 10.4.8 Gatekeeper conditions are in place. Minimum levels of financial performance must be met. Employees who do not meet minimum performance requirements or are on a performance improvement plan, are not eligible.
- 10.4.9 Awards from 2019 onwards are subject to malus and clawback provisions.
- 10.4.10 To further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors will be required to accumulate a minimum holding share allocations within 5 years from September 2019:
 - 10.4.10.1 Joint CEO's are required to accumulate Blue Label shares to the value of two times FAR over a period of five years. Our joint CEO's own a significant part of Blue Label and we will continue to review this; and
 - 10.4.10.2 The FD will be required to accumulate Blue Label shares to the value of one times FAR over a period of five years.

10.4.11 LTIP awards are subject to performance and will be evaluated against a number of key financial and non-financial metrics that are set each year that align the interests of shareholders and all stakeholders. These are detailed out and communicated each year. The following metrics apply:

10.4.11.1 Core HEPS compounded cumulatively over three years;

10.4.11.2 Return on capital employed (“ROCE”);

10.4.11.3 Strategic performance scorecard incorporating strategic milestones;

10.4.11.4 ESG performance scorecard (environmental, social, governance); and an

10.4.11.5 Individual performance scorecard.

10.4.12 These metrics will be based on the performance period of 1 June to 31 May of each year.

10.4.13 The following targets will apply for LTIP awards. Specific metrics and targets will be communicated for each award and may change year on year dependent on strategic requirements.

Group LTI Metrics*

Metrics		Threshold	Target	Stretch
Core HEPS (30%) (Compounded cumulatively over 3 years)	Group	CPI	CPI + x%**	CPI + x%**
	Vesting %	21.6%	30%	45%
ROCE*** (30%) (Compared to WACC over the 3-year period not compounded)	Group	ROCE greater than or equal to WACC over 3 years	ROCE greater than or equal to WACC + x% over 3 years	ROCE greater than or equal to WACC + x% over 3 years
	Vesting %	21.6%	30%	45%
Strategic performance scorecard (20%)	Group	Linked to strategic milestones	Linked to strategic milestones	Linked to strategic milestones
	Vesting %	14.4%	20%	30%
ESG (10%) (Specific ESG metrics****)	Group	Pro-rata of target	Specific	No stretch
	Vesting %	7.2%	10%	10%
Personal performance (10%) (Specific Individual metrics****)	Group	Pro-rata of target	Specific	No stretch
	Vesting %	7.2%	10%	10%

* Remco may review metrics and targets post-FY2024 for new awards to ensure that they are relevant. The LTIP is calculated per metric. Values awarded will be a weighted average of scores attained versus target. All metrics will be assessed and vest on a pro-rata basis applying linear interpolation basis save for the ESG, strategic and individual metrics which will be assessed on a binary basis.

** The spread above CPI for target and stretch performance will be calibrated based on market conditions and benchmarks.

*** ROCE is calculated using the following formula:

ROCE = Net operating profit (EBIT)/Capital employed. Capital employed = total assets – current liabilities (excluding interest-bearing borrowings). The Remuneration Committee will review any prior year impairments to assess if adverse outcomes have occurred, and if so, make the necessary adjustments to the capital employed number such that the average performance is a more accurate indication to shareholders over the measurement period.

**** The stretch component of the ESG and Individual KPIs in the LTIP are assessed on a binary basis and only provide for the achievement of target performance, with threshold performance being assessed on a pro-rata basis relative to target.

10.4.14 Maximum bonus is set ahead of the market median to encourage superior growth and performance. The emphasis is on performance beyond target.

10.4.15 In determining growth in Core HEPS, cognisance of extraneous income and expenditure in both the comparative and current year will be taken into account by the RemCo.

10.4.16 WACC (Weighted Average Cost of Capital) and other financial metrics to be calculated by the Finance Department.

10.4.17 ESG, strategic and individual performance scorecard targets will be reviewed annually.

10.4.18 **Scheme 1:**

10.4.18.1 Subsidiary Executive Committees may request an allocation to deserving individuals outside of the LTIP;

10.4.18.2 Allocation awards are discretionary with a maximum award up to 18% of FAR. Award allocations are pro-rated, applying linear interpolation, in line with performance achievement.

10.4.19 **Scheme 2:**

10.4.19.1 Allocation awards apply to Bands 6-7 being Senior Management and Executives;

10.4.19.2 Allocation awards are discretionary. Awards are allocated at 25% of FAR for achieving target, with a threshold of 18% of FAR and a maximum of 35% of FAR. Award allocations are pro-rated, applying linear interpolation, in line with performance achievement.

10.4.19.3 The initial quantum of shares to be awarded is 25% of FAR.

10.4.19.4 An additional allocation may be awarded at the end of the performance period based on performance above target at RemCo discretion.

10.4.20 **Scheme 3:**

10.4.20.1 Allocation awards apply to Executive Directors. An allocation award of:

10.4.20.1.1 50% of FAR for CEOs achieving target, with a threshold of 36% of FAR and a maximum of 70% of FAR; and

10.4.20.1.2 50% of FAR for the FD achieving target, with a threshold of 36% of FAR and a maximum of 70% of FAR.

10.4.20.2 The RemCo approves Executive Director LTIP's allocations and vesting outcomes. Vesting takes place with reference to linear interpolation between levels of performance achievement.

10.4.20.3 To further align management's interests directly with those of shareholders and to encourage long-term commitment to the organisation, Executive Directors have been required to accumulate a prescribed minimum holding of share allocations within 5 years from September 2019.

10.4.20.4 The scheme is governed by the Conditional Share Plan rules (previously Forfeitable Share Plan rules), as revised in 2022, and can be referred to for further details.

11. REMUNERATION MALUS AND CLAWBACK

11.1 The remuneration malus and clawback clause aims to further align the interests of our Executive Directors and management with the long-term interests of our key stakeholders and to ensure that excessive risk taking is not rewarded.

This malus and clawback clause:

11.1.1 Aligns shareholder interests and remuneration outcomes in that vested and unvested 'at risk' remuneration may be subject to malus or 'clawback' in exceptional circumstances.

11.1.2 Applies to the STIP awards from June 2019 and LTIP awards from September 2019.

11.1.3 May be implemented up to 10 years after a trigger event and is applicable to financial year ending 31May 2020 and each financial year end thereafter.

11.1.4 Is designed to be preventative rather than a purely remedial or punitive measure, given it removes the incentive for executives to consider deliberately misstating company earnings to inflate variable pay.

11.2 The Board may act on the recommendation of the Remuneration Committee to adjust (malus) or recover (clawback) unvested and vested 'at risk' remuneration where there is reasonable evidence that a Blue Label employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results for reasons including:

11.2.1 Personally, acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct;

11.2.2 Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct;

11.2.3 Breaching their material obligations to Blue Label, through error, omission or negligence;

11.2.4 Receiving a STIP or LTI Award because of fraud, dishonesty or a breach of obligation committed by another person; and/ or

11.2.5 Receiving a STIP or LTI award because of an error in the calculation of a performance measure.

11.3 This Policy does not apply in the case of a restatement of financial results caused by a change in applicable accounting standards or interpretations thereof, provided originally approved by the company's auditors.

- 11.4 The CEOs or Company Secretary are required to notify the Chairman of the RemCo and the Chairman of the Board respectively, of any circumstances that could constitute a 'trigger' under this Policy as soon as practical.
- 11.5 If either the CEOs or Company Secretary is involved in the trigger event, the Head of Group Risk and Compliance is required to notify the Chairman of the RemCo and the Chairman of the Board respectively, of any circumstances that could constitute a 'trigger' under this Policy as soon as practical.
- 11.6 Before the RemCo makes a recommendation to the Board to implement malus or clawback provisions under this policy, they shall:
 - 11.6.1 Review the situation to understand the impact of the misstatement;
 - 11.6.2 Assess the involvement of the employee and their level of responsibility regarding the trigger; and
 - 11.6.3 Provide the relevant employee with written notice of the intended actions and the right to respond in writing within 15 working days to raise salient matters.
- 11.7 Having completed an investigation and following due process, the Board, on advice from the RemCo, may decide to clawback, cancel or adjust any vested and unvested STIP or LTI Awards, where they are not satisfied that an award is appropriate or warranted due to exceptional circumstances.
- 11.8 Clawbacks apply to both vested and unvested STIP and LTI awards.
- 11.9 When exercising their discretion, the Board will consider whether the application of the provision may result in unintended consequences, prejudice the interests of the Company in any related proceeding or investigation, or any pending legal proceeding related to applicable fraud or intentional illegal conduct.

12. NON-FINANCIAL REWARD

Employees are further rewarded through non-financial benefits which are aligned to our Employee Value Proposition ("EVP") #HappinessBlu. At Blue Label we aim to provide unique career experiences through:

- 12.1 Access to our growing #BluNetwork of discounts and rewards;
- 12.2 Meaningful jobs that are centered around improving the customer and consumer experience;
- 12.3 Unique career experiences which allow for the development of a breadth and depth of skills enabled through empowerment, innovation and our lean structures;
- 12.4 Development opportunities through bursary awards, coaching and blended learning and development opportunities;
- 12.5 A supportive working environment created through our Wellness Programme which gives access to limited financial and wellness, counseling to create a workforce who are resilient, adapt to change and thrive;
- 12.6 Commitment to enabling employees to achieve a balance between work and family commitments;
- 12.7 Supporting our employees extended families as far as possible, during their times of need, through limited financial support and access to counseling;

- 12.8 A culture of enjoyment and celebration, and
- 12.9 An opportunity to be involved in and contribute to our various Socio Economic and Enterprise Development programs.

13. **RECOGNITION**

- 13.1 Blue label recognises employees who exceed performance expectations, consistently live our values and demonstrate our leadership behaviours. Business units and teams determine how recognition will be conducted in their area, within specified guidelines. This is complimented by further recognition awards made annually by the CEOs, with input from leadership and employees.
- 13.2 Our recognition principles are that recognition:
 - 13.2.1 Remains within the spirit of this policy and is seen to compliment it;
 - 13.2.2 Should create enjoyment and camaraderie within the Blue Label family;
 - 13.2.3 Be linked to performance which exceeds business expectations and an individual's role within the business; and
 - 13.2.4 Be linked to our values and leadership behaviours thereby entrenching our culture.
- 13.3 Awards made under a recognition programme must be ethical and compliant with the relevant tax legislation.

14. **TALENT AND PERFORMANCE MANAGEMENT**

- 14.1 Attracting, developing and retaining high caliber human capital is critical to our long-term success. Our new Talent Management approach will enable us to retain key talent through:
 - 14.1.1 Offering enriching career experiences through meaningful and innovative work;
 - 14.1.2 Individualised development and growth opportunities; and
 - 14.1.3 Allocation of STIPs and LTIPs to deserving and performing high potential employees with critical skills.
- 14.2 Individual performance and potential assessments are determined through our talent management and performance management processes.
- 14.3 Managing and reviewing employee performance and value add contribution is critical to achieving overall success. The performance of each employee is assessed on a bi-annual annual basis against individual goals, performance scorecards and where appropriate, business unit or organisational performance. We encourage managers to have ongoing performance discussions outside of the review periods.
- 14.4 The outcome of both the talent and performance managements processes may be used by management and the RemCo, when applying discretion to the awarding and allocation of STIPs and LTIPs. This does not apply to Executive Directors.

15. **TERMINATION ARRANGEMENTS**

- 15.1 Conditions of employment are comparable to those companies in our sector. No special or extraordinary conditions are applicable to senior executives. Exceptions may exist because of acquisitions and these must be reviewed and signed off by the board and RemCo.

- 15.2 Where services are terminated due to a no-fault basis, executive directors, prescribed officers and senior managers are entitled to severance pay equal to one weeks' FAR per completed year of service.
- 15.3 Contractual notice and accrued leave will also be paid out in the normal course. Treatment of any unpaid bonus or unvested LTIP awards will be dealt with in accordance with this policy and will in all instances be subject to Group RemCo and board oversight and approval.
- 15.4 In line with King IV, Blue Label has not concluded any termination agreements with its Executive Directors and prescribed officers, other than a restraint of trade agreement entered into in 2017 with the joint CEOs. No fixed sums of money or "balloon payments" in recognition of service to the company without any performance conditions attached, will be paid on termination of employment.

16. **NON-EXECUTIVE DIRECTORS' FEES**

The Board appoints high-caliber Non-Executive Directors who contribute significantly to the Company's strategic direction. The RemCo engages with independent third-party advisors to assist with the benchmarking of Non-Executive Directors' fees against those paid by comparable companies. On the advice of the RemCo, the Board considers and makes recommendations to shareholders, regarding Non-executive Directors' fees payable. At Blue Label:

- 16.1 The fees of the Group Chairman and the non-executive directors, reflect their specific responsibilities relating to their membership of the board and, where applicable, board committees;
- 16.2 Non-executive directors do not receive any performance-related remuneration or any employee benefits;
- 16.3 Non-executive directors are accountable for decisions made regardless of attendance at meetings;
- 16.4 Non-executive directors are also required to represent all stakeholders and to make the necessary preparations for all meetings and other engagements; and
- 16.5 Changes to fees, where approved at the AGM, become applicable on 1 June of each year retrospectively.

17. **COMMITTEE DECISIONS REQUIRED ANNUALLY**

The following matters must be considered by RemCo on an annual basis:

- 17.1 Whether any changes to this Policy and/or the RemCo charter or terms of reference is required;
- 17.2 What the annual increase process shall entail, how it shall be conducted and whether the financial resources of the company permit;
- 17.3 Whether the fixed pay levels of the group's individual key executives, (being the most senior executives of Blue Label and its key subsidiaries), are consistent with our remuneration policy and what steps need to be taken to address gaps identified; and
- 17.4 STIP's and LTIP's awarded to the group's key executives.

Approved by the Committee