



BLUE LABEL

TELECOMS

BLUE LABEL TELECOMS LIMITED

REMUNERATION & REWARD POLICY

June 2019

1. **BACKGROUND**

The Blue Label board (“board”) and Remuneration Committee (“Remco”) endeavor to apply the King IV principles regarding responsible and transparent remuneration practices. During the year the remuneration committee has actively engaged with the board, Deloitte, Korn Ferry, KPMG and various stakeholders, to comprehensively review our remuneration strategy and supporting policy. At the end of the engagements, key decisions were taken to review how we positioned ourselves to comparator groups within the South African general market and identified peers to make changes to our short-term and long-term incentives. These reviews were necessitated by a desire to align to best practice and maintain our competitiveness within the market.

2. **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 policy has been drafted in accordance with best practice and engagement with our institutional shareholders, Deloitte and Korn Ferry.

3. **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.

- 3.1 The policy applies to all 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.
- 3.2 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.
- 3.3 This policy does not apply to
 - 3.3.1 Contract employees and
 - 3.3.2 Persons contracted via third-parties
- 3.4 The Remuneration Committee may approve by exception, for the policy to apply to seconded Blue Label employees.

4. **REWARD PHILOSOPHY**

- 4.1 The policy creates shareholder value by aligning our remuneration practices to our strategic goals.
- 4.2 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.
- 4.3 The Blue Label remuneration policy aligns the interests of our shareholders with our employees through:
 - 4.3.1 Enabling Blue Label to attract, motivate and retain the very best caliber of directors and employees who have above-average industry ability and expertise;

- 4.3.2 Supporting an entrepreneurial, competitive, innovative and high-performance company, through rewarding demanding performance goals, that are consistent with our strategy and shareholder growth expectations; and
- 4.3.3 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.

5. 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.

- 5.1 The Remco's responsibilities are set out within its terms of reference as established by the board. The committee shall:
 - 5.1.1 Determine and agree with the board the framework or broad policy for the remuneration of the executive directors, non-executive directors and such other members of the executive management as it is designated to consider;
 - 5.1.2 Review the outcomes of the implementation of these policies to ascertain whether these policies promote the achievement of strategic objectives and individual performance;
 - 5.1.3 Recommend a remuneration philosophy, a remuneration policy and policies related to employment, gender and race equality, recruitment, and retention for all employees;
 - 5.1.4 The remuneration policy should achieve the following objectives:
 - 5.1.4.1 Align to the interests of the company's stakeholders;
 - 5.1.4.2 Attract, reward and retain high calibre human capital;
 - 5.1.4.3 Be sufficiently competitive to attract, retain and motivate executives;
 - 5.1.4.4 Promote the achievement of strategic objectives within the organisation's risk appetite;
 - 5.1.4.5 Promote a high-performance culture where individual performance enables and contributes to the company's attainment of strategic goals; and
 - 5.1.4.6 Ensure that remuneration is fair, reasonable and transparent.
 - 5.1.5 The Remuneration Policy must include:
 - 5.1.5.1 Fair and reasonable design principles and high-level remuneration elements informing the remuneration arrangements for executive directors, senior management and other employees as listed in King IV™ and under its terms of reference;
 - 5.1.5.2 Details of how the policy may be used as an enabler to promote gender and race equality;

- 5.1.5.3 Details of any obligations in executive employment contracts, which could give rise to payments on termination of employment or office;
- 5.1.5.4 A description of the framework and performance measures used to assess the achievement of
 - 5.1.5.4.1 strategic objectives,
 - 5.1.5.4.2 environment, social and governance (“ESG”) goals,
 - 5.1.5.4.3 financial and operational goals and
 - 5.1.5.4.4 shareholder return goals

including the relative weighting of each performance measure and the period over which it is measured;
- 5.1.5.5 An illustration of the potential consequences on the total remuneration for executive management, on a single total figure basis, of applying the remuneration policy to under the threshold, on-target and maximum performance on desired outcomes;
- 5.1.5.6 The use and justification of remuneration benchmarks;
- 5.1.5.7 The benchmarking process and the basis for the setting of fees for non-executive directors;
- 5.1.5.8 A reference to an electronic link to the full Remuneration Policy for public access; and
- 5.1.5.9 The measures that the Board commits to take if the remuneration policy or implementation report has been voted against by 25% or more of the voting rights exercised. It should provide for taking steps in good faith and with best reasonable efforts towards an engagement process to ascertain the reasons for the dissenting votes and appropriately addressing the legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/ or processes.
- 5.1.6 Review, for recommendation to the board, the design of, and targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes.
- 5.1.7 Review the design of all share incentive plans for approval by the board and shareholders.
- 5.1.8 Determine each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to executives and other senior management.
- 5.1.9 In consultation with the Chief Executive Officers, determine specific remuneration packages for executives and senior managers covered by the committee’s terms of reference, including, but not limited to, basic salary, bonuses, performance-based incentives and share incentives.
- 5.1.10 Make recommendations to the board regarding the remuneration of executive and non-executive directors. Shareholder approval for non-executive remuneration should transpire by way of a special resolution at the Annual General Meeting.

- 5.1.11 Oversee any major changes in employee benefit structures throughout the Blue Label group of companies.
- 5.1.12 Ensure the remuneration is disclosed by means of a remuneration report in three (3) parts, namely a background statement, an overview of the provisions of the remuneration policy and the implementation report containing details of the remuneration awarded to individual members of the Board and executive management. The Remco should determine the content of the Remuneration Report in accordance with the requirements of King IV™.
- 5.1.13 Ensure that the annual remuneration report contains enough information for the shareholders to assess the remuneration policy and for passing a special resolution approving such policy, in terms of section 66(9) of the Companies Act, 2008 and King IV™.
- 5.1.14 Ensure that the policy and implementation report should be tabled every year for separate non-binding advisory votes at the Annual General Meeting.

6. 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:

6.1 Market competitiveness and affordability

- 6.1.1 The reward strategy and policy will achieve the best returns possible for our shareholders, relative to the invested spend.
- 6.1.2 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.
- 6.1.3 In the allocation and delivery of remuneration awards, we will consider performance, market relativity and sustainability.

6.2 Transparency, fairness and clarity

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

6.3 Performance and alignment

- 6.3.1 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:
 - 6.3.1.1 strategic objectives;
 - 6.3.1.2 environment, social and governance (“ESG”) goals
 - 6.3.1.3 financial and operational performance goals and

- 6.3.1.4 shareholder return goals.
- 6.3.2 Targets are ambitious and stretching, verifiable and relevant to the individual and their occupational level.
- 6.3.3 Multiple performance measures are used to avoid manipulation of results or poor business decisions within short term and long-term performance incentives.
- 6.3.4 Performance based rewards are supported by our robust performance management practices.
- 6.4 **Differentiation and flexibility**
 - 6.4.1 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.
 - 6.4.2 Performance is the basis of employee reward. Differentiation and flexibility are enabled through:
 - 6.4.2.1 Personal goals, scorecards and short-term incentive performance metrics based on occupational level and influence; and
 - 6.4.2.2 The utilisation of our total rewards offering of financial and non-financial benefits.

7. **REMUNERATION AND REWARD COMPONENTS**

- 7.1 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:
 - 7.1.1 Fixed annual remuneration ("FAR");
 - 7.1.2 Short term incentives ("STI");
 - 7.1.3 Long term performance incentives ("LTPI");
 - 7.1.4 Commissions for sales staff;
 - 7.1.5 Disability and death benefits;
 - 7.1.6 Employee assistance programme;
 - 7.1.7 Ad hoc rewards for performance and behaviors linked to our values, leadership programs and competitions;
 - 7.1.8 Non-financial benefits aligned to our Employee Value Proposition ("EVP") #HappinessisBlu;
 - 7.1.9 Blue Label pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments; and
 - 7.1.10 We reimburse all necessary and reasonable business expenses.
- 7.2 The REMCO is working closely with management through the application of this policy and our Blue Label remuneration and talent management strategy, to move towards a pay mix of 33% fixed annual remuneration

and 66% variable annual remuneration for executive directors and senior management. Variable annual remuneration will be equally split between STIs and LTPIs. 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. This is a three year goal.

8. **FIXED ANNUAL REMUNERATION**

8.1 **Purpose**

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

8.2 **Components**

The components of guaranteed fixed remuneration are:

- 8.2.1 Cash salary;
- 8.2.2 Medical aid benefits;
- 8.2.3 Disability and death benefits; and
- 8.2.4 Allowances.

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

8.3 **Eligibility**

All staff are eligible.

8.4 **Operation**

- 8.4.1 Fixed annual remuneration is structured on a total cost to company basis.
- 8.4.2 Consideration is given to local market conditions and Total Annual Remuneration is benchmarked against independent market data.
- 8.4.3 As a policy, the aim is to move towards the median of the general South African market.
- 8.4.4 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.
- 8.4.5 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.
- 8.4.6 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.
- 8.4.7 Blue Label's annual performance-based increases are effected 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:
 - 8.4.7.1 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;

- 8.4.7.2 Close to inflation levels or at inflation levels for all staff who are achieving expected performance levels; and
- 8.4.7.3 Above inflation for all staff whose performance exceeds performance on some or all their targets, but only on an exception basis.
- 8.4.8 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.
- 8.4.9 Further discretion may be applied, within reason, to retain above average experience, high potential human capital or critical skills.

9. **SHORT TERM INCENTIVES**

9.1 **Purpose**

Blue Label's STI's, reward the achievement of financial, strategic and operational objectives. In line with our entrepreneurial spirit, targets and metrics are challenging 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 STI scheme 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.

9.2 **Components**

- 9.2.1 Individual performance-based award;
- 9.2.2 Business unit performance-based award (where applicable); and
- 9.2.3 Group performance-based award.

9.3 **Eligibility**

- 9.3.1 Permanent employees in Blue Label Bands 1-8, aligned to Hay Level Rewards, are eligible for short term incentives;
- 9.3.2 Employees within sales receive a sales commission; and
- 9.3.3 STIs are typically in the form of cash and employees must be in service on the date of payment.

9.4 **Operation**

- 9.4.1 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.
- 9.4.2 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.
- 9.4.3 Based on our remuneration design principles, Blue Label will have 5 schemes:
 - 9.4.3.1 Scheme 1 for band 1;

- 9.4.3.2 Scheme 2 for bands 2-4;
 - 9.4.3.3 Scheme 3 for band 5;
 - 9.4.3.4 Scheme 4 for band 6-7; and
 - 9.4.3.5 Scheme 5 for band 8 (Executive Directors).
- 9.4.4 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.
- 9.4.5 The quantum of STIs is aligned to performance criteria which are motivated by Subsidiary Executive Committees to the Group Executives and approved by Remco.
- 9.4.6 **Scheme 1:**
- 9.4.6.1 Applies to employees within Band 1;
 - 9.4.6.2 Is linked to performance delivered through individual goals, verifiable and challenging individual operational metrics; and
 - 9.4.6.3 Individual performance ratings are used to receive up to a traditional 13th Cheque.
- 9.4.7 **Scheme 2:**
- 9.4.7.1 Applies to employees within Bands 2 – 4;
 - 9.4.7.2 Is linked to performance delivered through individual goals, verifiable and challenging individual operational metrics; and
 - 9.4.7.3 Individual performance ratings are used as a multiplier for the 13th Cheque. Threshold performance will receive 80% of the 13th Cheque. Target will receive 100% of the 13th Cheque and maximum performance is capped at 200% of the 13th Cheque. Awards will be pro-rated as the case may be.
- 9.4.8 **Scheme 3:**
- 9.4.8.1 Applies to employees within Band 5;
 - 9.4.8.2 Is linked to performance delivered through individual goals and divisional and functional performance scorecards;
 - 9.4.8.3 Metrics are challenging and verifiable;
 - 9.4.8.4 Weighting of individual and business unit objectives correlates with seniority and "line of sight" principles;

		Individual	Division	Group
Band 5 STI Scheme	Division	40%	60%	
	Group	40%		60%

- 9.4.8.5 The bonus is calculated per objective;
- 9.4.8.6 Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be;
- 9.4.8.7 The number of individual objectives/ KPIs or value drivers are capped at 5;
- 9.4.8.8 40% of the award is linked to individual targets based on pre-determined non-financial measures linked to individual objectives / KPIs or value drivers;
- 9.4.8.9 60% of divisional and group targets will be linked to the financial metrics as defined in 9.4.8.12 and 9.4.8.13 below.
- 9.4.8.10 Where an employee works within a functional department at head office, 60% of the award is linked to group financial metrics and targets.
- 9.4.8.10 Threshold is calculated up to 8.33% of FAR, target up to 20% of FAR and a maximum pay out up to 25% of FAR; and
- 9.4.8.11 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 9.4.8.12 Divisional financial metrics and targets are

Division Financial STI Metrics				
		Threshold	Target	Stretch
NPAT (60%)	Division	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 60%	3/3 of 60%	Remco Discretion

**Remco discretion to be applied for performance above target*

- 9.4.8.12.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 9.4.8.13 Functional and group financial metrics and targets are

Group STI Financial Metrics				
		Threshold	Target	Stretch
EBITDA (30%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 30%	3/3 of 30%	Remco Discretion
Core HEPS (30%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 30%	3/3 of 30%	Remco Discretion

**Remco discretion to be applied for performance above target*

- 9.4.8.13.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 9.4.8.13.2 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..

9.4.9 **Scheme 4:**

- 9.4.9.1 Applies to employees within Bands 6 – 7;
- 9.4.9.2 Is linked to performance delivered through individual objectives / KPIs, goals as well as divisional and Group performance targets;
- 9.4.9.3 Metrics are challenging and verifiable;
- 9.4.9.4 Weighting of individual and business unit objectives correlates with seniority and "line of sight" principle;

Division STI Financial Metrics				
		Individual	Division	Group
Bands 6 -7 STI Scheme	Division	20%	60%	20%
	Group	40%		60%

- 9.4.9.5 The bonus is calculated per objective;
- 9.4.9.6 Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be;
- 9.4.9.7 The number of individual objectives/ KPIs or value drivers are capped at 5;
- 9.4.9.8 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.
- 9.4.9.9 80% of divisional and 60% of group targets will be linked to the financial metrics as defined in 9.4.9.11 and 9.4.9.12 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;
- 9.4.9.10 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.
- 9.4.9.11 Divisional financial metrics and targets are

Scheme 4 Division STI Financial Metrics

		Threshold	Target	Stretch
NPAT* (60%)	Division	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 60%	3/3 of 60%	Remco Discretion
EBITDA (10%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 10%	3/3 of 10%	Remco Discretion
Core HEPS (10%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 10%	3/3 of 10%	Remco Discretion

**In exceptional circumstances the budget may be less than the growth target in which case the budget will be the target.*

**Remco discretion to be applied for performance above target*

- 9.4.9.11.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 9.4.9.11.2 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.

9.4.9.12 Group head office and functional financial targets are

Group STI Financial Metrics

		Threshold	Target	Stretch
EBITDA (30%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 30%	3/3 of 30%	Remco Discretion
Core HEPS (30%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 30%	3/3 of 30%	Remco Discretion

**Remco discretion to be applied for performance above target*

- 9.4.9.12.1 Maximum bonus is set to encourage superior growth and performance. The emphasis is on performance beyond target.
- 9.4.9.12.2 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.

9.4.10 **Scheme 5:**

		Individual	Division	Group
Band 8 STI Scheme	Group	20%		80%

- 9.4.10.1 Applies to Executive Directors;
- 9.4.10.2 Individual goals will account for 20% of the STI;
- 9.4.10.3 Group performance will account for 80% of the STI;

- 9.4.10.4 Metrics are challenging and verifiable;
- 9.4.10.5 The bonus is calculated per objective;
- 9.4.10.5 Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be;
- 9.4.10.6 20% of the individual targets will be based on pre-determined non-financial measures linked to individual objectives / KPIs;
- 9.4.10.7 80% of the group targets will be linked to the financial metrics as defined in 9.4.10.9;
- 9.4.10.8 CEOs thresholds are calculated at 80% of FAR, target at 100% of FAR and a maximum pay out at 150% of FAR;
- 9.4.10.9 The FD threshold is calculated at 50% of FAR, target at 70% of FAR and a maximum pay out at 100% of FAR;
- 9.4.10.10 Group financial metrics and targets are:

		Threshold	Target	Stretch
EBITDA (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%	3/3 of 40%	Remco Discretion
Core HEPS (40%)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 40%	3/3 of 40%	Remco Discretion

**Remco discretion to be applied for performance above target*

- 9.4.10.10.1 Maximum bonus is set ahead of the market median to encourage superior growth and performance. The emphasis is on performance beyond target;
- 9.4.10.10.2 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. SPECIAL PURPOSE SHORT-TERM VARIABLE REMUNERATION ARRANGEMENTS

10.1 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.

10.2 Components

- 10.2.1 Cash based sign on awards; and
- 10.2.2 Deferred short-term incentive awards.

10.3 Eligibility

10.3.1 Critical and scarce skills; and

10.3.2 High performing employees with high potential and critical skills

10.4 Operation

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

10.4.1 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;

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

10.4.3 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 met;

10.4.4 All such agreements are motivated by the CEOs and reviewed by REMCO. These awards do not apply to Executive Directors;

10.4.5 DSTI awards are cash based and made to current employees;

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

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

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

10.4.5.4 All such agreements are motivated by the CEOs and reviewed by REMCO. These awards do not apply to Executive Directors.

11. LONG TERM PERFORMANCE INCENTIVES

11.1 Purpose

Blue Label's LTPIs 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.

11.2 Components

Blue Label performance shares.

11.3 Eligibility

11.3.1 Senior leadership;

11.3.2 Human capital key to driving the business strategy;

11.3.3 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

11.3.4 Transformation objectives: taking into consideration, potential, critical skills and performance.

11.4 Operation

11.4.1 The REMCO, through engagement with shareholders, has determined applicable criteria for long term incentives, ensuring that the interests of all stakeholders are appropriately considered;

11.4.2 These may be reviewed and adjusted in future, upon further engagement with shareholders;

11.4.3 No retrospective adjustments may be made to performance conditions to mitigate the impact of weak performance;

11.4.4 The allocation under our LTPI arrangements is approved in advance by Group REMCO;

11.4.5 Maximum LTPI is set at the market median to encourage superior growth and performance;

11.4.6 Awards are made once a year post our 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 no less than three years from the date of the grant;

11.4.7 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;

11.4.8 Awards from 2019 onwards are subject to malus and clawback provisions;

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

11.4.9.1 Joint CEOs will be required to accumulate two times FAR over a period of five years. Our joint CEOs own a significant part of Blue Label and we will continue to review this, and

11.4.9.2 The CFO will be required to accumulate one times FAR over a period of five years.

11.4.10 From 1 September 2019, the following metrics will apply;

11.4.10.1 Core HEPS compounded cumulatively over three years;

11.4.10.2 Total Shareholder Return ("TSR") vs the All capped Share Index

11.4.10.3 Return on capital employed ("ROCE"); and an

11.4.10.4 ESG performance scorecard (environmental, social, governance)

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

11.4.11 From 1 September 2019, the following targets will apply

Group LTI Financial Metrics*				
		Threshold	Target	Stretch
Core HEPS (30%) (compounded cumulatively over 3 years)	Group	CPI + 5%	CPI + 10%	CPI + 15%*
	Payout %	1/3 of 30%	3/3 of 30%	38% of Max
TSR (30%)	Group	Greater than or equal to JSE Capped All share Index	JSE Capped All Share Index Return + CPI + 5% (average not compounded over 3 years)	JSE Capped All Share Index Return + CPI + 15% (average not compounded over 3 years)
	Payout %	1/3 of 30%	3/3 of 30%	38% of Max
ROCE* (20%)	Group	ROCE greater than or equal to WACC compounded over 3 years	ROCE greater than or equal to WACC + 2.5% compounded over 3 years	ROCE greater than or equal to WACC + 5% compounded over 3 years
	Payout %	1/3 of 20%	3/3 of 20%	24% of Max
ESG* (20%)	Group	Succession plans for key roles	B-BBEE performance + Succession Plans for key roles	N/A
	Payout %	1/3 of 20%	3/3 of 20%	N/A

**Remco may review targets post FY20*

**The LTI is calculated per objective. Values awarded will be a weighted average of scores attained vs target and pro-rated as the case may be.*

**ROCE is calculated using the following formula:*

ROCE = Net Operating Profit (EBIT) / (Total equity + net debt). Net Debt = Total Liabilities - Cash

**ESG targets may be replaced for Executive Directors with personal strategic goals*

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

11.4.11.2 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.

11.4.11.3 WACC (Weighted Average Cost of Capital) to be calculated by Finance Dept;

11.4.11.4 ESG performance scorecard targets will be reviewed annually;

11.4.11.5 The ESG performance scorecard may be replaced for Executive Directors with strategic goals such as the disposal of assets and turnaround of Cell C etc.

11.4.12 Scheme 1:

11.4.12.1 Subsidiary Executive Committees may request an allocation to deserving individuals outside of the LTPI scheme;

11.4.12.2 Allocation awards are discretionary with a maximum award up to 18% of FAR. Award allocations are pro rated in line with performance achievement.

11.4.13 Scheme 2:

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

11.4.13.2 Allocation awards are discretionary. Awards are allocated at 25% of FAR with a maximum of 35% of FAR. Award allocations are pro rated in line with performance achievement.

11.4.13.3 The initial quantum of shares to be awarded is 25% of FAR;

11.4.13.4 An additional allocation will be awarded at the end of the performance period based on performance above target and REMCO discretion.

11.4.14 Scheme 3:

11.4.14.1 Allocation awards apply to executive directors. An allocation award of:

11.4.14.1.1 50% of FAR for the FD with a maximum of 70%

11.4.14.1.2 50% of FAR for CEOs with a maximum of 70%

11.4.14.2 The Remco will approve Executive Director LTPIs allocations. Award allocations are pro rated in line with performance achievement.

11.4.14.3 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 prescribed minimum holding of share allocations within 5 years from September 2019;

11.4.14.4 We have also taken into consideration that our CEOs, as founders of Blue Label Telecom, hold significant shareholdings within the organisation. Pay mix between STIs and LTPIs relative to our peers will be reviewed and adjusted if our CEOs change;

12. REMUNERATION MALUS AND CLAWBACK

12.1 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:

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

12.1.2 Applies to the STIP awards from June 2020 and LTIP awards from September 2019;

- 12.1.3 May be implemented up to 10 years after a trigger event and is applicable to financial year ending 31 May 2020 and each financial year end thereafter.
- 12.1.4 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.
- 12.2 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:
 - 12.2.1 Personally, acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct;
 - 12.2.2 Directing an employee, contractor or advisor to act fraudulently, dishonestly or to undertake other misconduct;
 - 12.2.3 Breaching their material obligations to Blue Label, through error, omission or negligence;
 - 12.2.4 Receiving a STI or LTI Award because of fraud, dishonesty or a breach of obligation committed by another person; and/ or
 - 12.2.5 Receiving a STI or LTI award because of an error in the calculation of a performance measure.
- 12.3 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;
- 12.4 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;
- 12.5 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;
- 12.6 Before the Remco makes a recommendation to the Board to implement malus or clawback provisions under this policy, they shall:
 - 12.6.1 Review the situation to understand the impact of the misstatement;
 - 12.6.2 Assess the involvement of the employee and their level of responsibility regarding the trigger; and
 - 12.6.3 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.
- 12.7 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 STI or LTI Awards, where they are not satisfied that an award is appropriate or warranted due to exceptional circumstances.
- 12.8 Clawbacks apply to both vested and unvested STI and LTI awards.
- 12.9 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.

13. NON-FINANCIAL REWARD

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

- 13.1 Access to our growing #BluNetwork of discounts and rewards;
- 13.2 Meaningful jobs that are centered around improving the customer and consumer experience;
- 13.3 Unique career experiences which allow for the development of a breadth and depth of skills enabled through empowerment, innovation and our lean structures;
- 13.4 Development opportunities through bursary awards, coaching and blended learning and development opportunities;
- 13.5 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;
- 13.6 Commitment to enabling employees to achieve a balance between work and family commitments;
- 13.7 Supporting our employees extended families as far as possible, during their times of need, through limited financial support and access to counseling;
- 13.8 A culture of enjoyment and celebration, and
- 13.9 An opportunity to be involved in and contribute to our various Socio Economic and Enterprise Development programs.

14. RECOGNITION

- 14.1 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.
- 14.2 Our recognition principles are that recognition:
 - 14.2.1 Remains within the spirit of this policy and is seen to compliment it;
 - 14.2.2 Should create enjoyment and camaraderie within the Blue Label family;
 - 14.2.3 Be linked to performance which exceeds business expectations and an individual's role within the business; and
 - 14.2.4 Be linked to our values and leadership behaviours thereby entrenching our culture.
- 14.3 Awards made under a recognition programme must be ethical and compliant with the relevant tax legislation.

15. TALENT AND PERFORMANCE MANAGEMENT

- 15.1 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:
- 15.1.1 Offering enriching career experiences through meaningful and innovative work;
 - 15.1.2 Individualised development and growth opportunities; and
 - 15.1.3 Allocation of STIs and LTPIs to deserving and performing high potential employees with critical skills.
- 15.2 Individual performance and potential assessments are determined through our talent management and performance management processes.
- 15.3 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.
- 15.4 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 STIs and LTPIs. This does not apply to Executive Directors.

16. **TERMINATION ARRANGEMENTS**

- 16.1 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.
- 16.2 Where services are terminated due to a no-fault basis, executive directors, prescribed officers and senior managers are entitled to severance pay equal to two weeks' FAR per completed year of service.
- 16.3 Contractual notice and accrued leave will also be paid out in the normal course. Treatment of any unpaid bonus or unvested LTPI 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.
- 16.4 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.

17. **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:

- 17.1 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;
- 17.2 Non-executive directors do not receive any performance-related remuneration or any employee benefits;
- 17.3 Non-executive directors are accountable for decisions made regardless of attendance at meetings;

17.4 Non-executive directors are also required to represent all stakeholders and to make the necessary preparations for all meetings and other engagements; and

17.5 Changes to fees, where approved at the AGM, become applicable on 1 June of each year retrospectively.

18. **COMMITTEE DECISIONS REQUIRED ANNUALLY**

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

18.1 Whether any changes to this Policy and/or the REMCO charter or terms of reference is required;

18.2 What the annual increase process shall entail, how it shall be conducted and whether the financial resources of the company permit;

18.3 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

18.4 STIs and LTPIs awarded to the group's key executives.

Approved by the Committee on 20 August 2019.