



AEP ENERGY LIMITED

(Registration number: 2017/024904/06)

Incorporated in the Republic of South Africa

(the **Company**)

**TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE (NOTING THAT THE REMUNERATION COMMITTEE FORMS PART OF A SINGLE COMMITTEE KNOWN AS: THE "REMUNERATION AND NOMINATION COMMITTEE")
(approved at a meeting of the board of directors of the Company held on 7 April 2017 and reviewed on 28 June 2018)**

1 Constitution

- 1.1 The board of directors (**Board**) of the Company acknowledges the need for a remuneration committee as recommended in the King IV Report on Corporate Governance for South Africa (**King IV** or the **Code**), and as required in terms of the listings requirements of the JSE Limited, as amended from time to time (the **Listings Requirements**). The remuneration committee of the Company (the **Committee**) is constituted as a committee of the Board in accordance with the Company's memorandum of incorporation (**MOI**).
- 1.2 In the event of any conflicts between these terms of reference and the MOI, the MOI will prevail.
- 1.3 Terms used but not defined herein shall have the meaning ascribed to such terms in the MOI, the Companies Act, No. 71 of 2008, as amended from time to time (the **Companies Act**), the Listings Requirements and/or the Code, as applicable.
- 1.4 It is recorded that the Committee is established as a committee of the Board, the Company and its subsidiaries, if any, (**Group**), and the Committee will act in accordance with its statutory duties and the delegated authority of the Board as recorded in these terms of reference.
- 1.5 The duties and responsibilities of the members of the Committee as set forth in this document are in addition to those duties and responsibilities that they have as members of the Board.
- 1.6 The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.7 These terms of reference are subject to the provisions of the Companies Act, the MOI, the Listings Requirements and any other applicable law or regulatory provision, in each case, as amended

or substituted from time to time. The Committee shall also be required to conduct itself in accordance with the applicable recommendations contained in the Code.

- 1.8 In the execution of their duties, Committee members must apply the "Standards of conduct of directors" as set forth in section 76 of the Companies Act and "Directors' personal financial interests" as set forth in section 75 of the Companies Act.
- 1.9 The Committee will have due regard to the principles of governance and codes of best practice.
- 1.10 Notwithstanding that these terms of reference refer solely to the role of the remuneration committee, it is recorded and acknowledged that the Board has approved this Committee as forming part of a single committee which is known to the market as: the "**remuneration and nomination committee**", and thus members of the remuneration and nomination committee must familiarise themselves with these terms of reference to the extent that any meeting is called by the remuneration and nomination committee in relation to remuneration matters.

2 **Purpose**

The purpose of these terms of reference is to set forth the Committee's roles and responsibilities to assist the Board to discharge its responsibilities to ensure that directors and executives are fairly and responsibly remunerated and remuneration policies are set in the Company's long-term interests. The Committee considers and recommends remuneration policies for all levels in the Company, as well as the requirements for its composition and meeting procedures.

3 **Composition**

- 3.1 The Committee shall comprise at least 3 (three) non-executive directors, a majority of whom must be independent non-executive directors as defined.
- 3.2 Members of this Committee and its chairperson are nominated by the Board and the Board shall have the power at all times to appoint, remove and replace any member from the Committee on the recommendation of the nomination committee.
- 3.3 The chairperson of the Committee should be an independent non-executive director (as contemplated in the Codes). The chair of the Board may be a member of the Committee but should not be the chair of the Committee.
- 3.4 Each member shall hold office as a Committee member for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the member still meets the criteria for membership of the Committee. Should a member be removed from the Board such member's membership of this committee shall automatically terminate.
- 3.5 The Board must fill vacancies on the Committee within 40 (forty) days after the vacancy arises.
- 3.6 The members of the Committee as a whole must have sufficient qualifications and experience to fulfil their duties.

3.7 The company secretary of the Company, as appointed by the Board, or such other person as the Committee may appoint, shall be the secretary to the Committee.

4 **Role**

4.1 The role of the Committee is to assist the Board to ensure that:

4.1.1 the Group remunerates directors and senior management fairly and responsibly for their individual contributions and performance;

4.1.2 the disclosure of director and remuneration is accurate, complete and transparent;

4.1.3 the Company has a remuneration policy and philosophy that is aligned with its long term business strategy, its business objectives, its risk appetite and values;

4.1.4 within the terms of the agreed policy, the total individual remuneration package (including bonuses, incentive payments, retention payments, share awards and any other benefits), of the chief executive officer and, in consultation with the chief executive officer, the other members of the Group executive committee and any other executive whose total remuneration is comparable to, or higher than, that of Group executive committee members is determined;

4.1.5 ensure that contractual terms on termination of the chief executive officer's appointment and other Group executive committee members and any payments made, are fair to the individual and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and

4.1.6 in determining such packages and arrangements, and in carrying out its duties under these terms of reference, give due regard to any relevant legal requirements, the provisions and recommendations in King IV and the Listings Requirements and the remuneration policy and philosophy is appropriately applied throughout the Group.

4.2 The Committee in carrying out its duties under these terms of reference will:

4.2.1 be mindful that remuneration policies and practices should be demonstrably aligned with corporate objectives and business strategy, taking risks fully into account, and reviewed regularly;

4.2.2 review and note annually the remuneration trends within the Group; and

4.2.3 be informed of any major changes in employee benefits structures and policies across the Group.

4.3 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

5 Responsibilities

- 5.1 The Committee must perform all the functions necessary to fulfil its role as stated above and including the following:
 - 5.1.1 Oversee the setting and administering of remuneration at all levels in the Group;
 - 5.1.2 Oversee the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
 - 5.1.3 Ensure that the remuneration policy is put to a non-binding advisory vote at the general meeting of shareholders of the Company once every year;
 - 5.1.4 Determine and develop the Company's general policy on Group executive remuneration for approval by the Board;
 - 5.1.5 Review the terms and conditions of Group executives' employment, taking into account information from comparable groups where relevant;
 - 5.1.6 Review the outcomes of the implementation of the remuneration policy for whether the set objectives are being achieved;
 - 5.1.7 Ensure that the mix of fixed and variable pay, in cash, shares and other elements, meets the Group's needs and strategic objectives;
 - 5.1.8 Determine any criteria necessary to measure the performance of the Company's executive directors in discharging their functions and responsibilities;
 - 5.1.9 Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
 - 5.1.10 Ensure that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
 - 5.1.11 Consider the results of the evaluation of the performance of the chief executive officer, other executive directors and members of senior management, both as a directors and as executives in determining remuneration;
 - 5.1.12 Select an appropriate comparative group when comparing remuneration levels;
 - 5.1.13 Consider and recommend to the Board any change in the rules and allocation procedures governing the Group's incentive schemes;
 - 5.1.14 Regularly review incentive schemes to ensure continued contribution to shareholder of the Company value and that these are administered in terms of the rules;
 - 5.1.15 Consider the appropriateness of early vesting of share-based schemes at the end of employment or upon a corporate action or event;

- 5.1.16 Review and approve corporate goals and objectives relevant to the chief executive officer's remuneration and evaluate the chief executive officer's performance in light of those goals and objectives. The Committee shall make recommendations to the Board which shall determine the chief executive officer's level of remuneration based upon this recommendation;
- 5.1.17 Recommend the policy for authorising claims for expenses from the chief executive officer;
- 5.1.18 Due to conflict of interest, the Committee will not determine the remuneration or terms of any consultancy agreement of any non-executive director, although it may make recommendations to the Board, if requested;
- 5.1.19 Review the performance of individual directors at the same time as reviewing independent non-executive remuneration and make recommendations in respect of independent non-executive fees each year;
- 5.1.20 Where shares or share options are to be offered to non-executive directors, shareholders of the Company must approve this offer in a general meeting prior to the allocation being implemented;
- 5.1.21 Establish the selection criteria, including selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee, if applicable;
- 5.1.22 Oversee the preparation and recommend to the Board the remuneration report, to be included in the integrated report, for whether it:
 - 5.1.22.1 is accurate, complete and transparent;
 - 5.1.22.2 provides full disclosure of each individual executive and non-executive director's, including the three highest paid employees who are not directors', remuneration including details relating to base pay, bonuses, share-based payments, granting of options or rights, restraint payments and other benefits (including present values of future awards); and
 - 5.1.22.3 provides a clear explanation of how the remuneration policy has been implemented including a clear explanation of the base pay including the use of appropriate bench marks.

6 Authority

- 6.1 The Committee acts in terms of the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.
- 6.2 It has the power to investigate any activity within the scope of its terms of reference, at the Group's cost.

- 6.3 The Committee, in the fulfilment of its duties, may call upon the chairpersons of the other Board committees, any of the executive directors, officers or Company secretary to provide it with information, subject to following a Board approved process.
- 6.4 The Committee has reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 6.5 The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- 6.6 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at Group's cost, subject to following a Board approved process.
- 6.7 The Committee makes the recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.

7 **Delegation of duties and responsibilities**

The Committee may delegate any of its duties or responsibilities, as it deems appropriate, to any of its members or a sub-committee of its members, to such other persons, subject to the Committee's direction and supervision, and with the express condition that the Committee retains full and exclusive authority over any activities of such other person or persons. Nothing contained in this paragraph shall be construed to confer upon any such person any discretion, authority or control in respect of any matter, unless expressly authorised in writing.

8 **Committee operation**

8.1 General.

The meetings and proceedings of the Committee shall be governed, *mutatis mutandis*, by the provisions of article 7.4 of the MOI of the Company which regulates the meetings and proceedings of the directors, to the extent that: (i) they are applicable; and (ii) not superseded by any of the provisions of these terms of reference.

8.2 Frequency of meetings.

- 8.2.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set forth in these terms of reference and its annual work plan, but subject to a minimum of two meetings per year.
- 8.2.2 Meetings in addition to those scheduled may be held at the request of the chairperson, the chief executive officer, head of human resources or other members of senior management, a Committee member or at the instance of the Board.
- 8.2.3 The chairperson of the Committee may meet with the chief executive officer, head of human resources and/or the Company secretary prior to a Committee meeting to discuss important issues and agree on the agenda.

8.3 Attendance of meetings.

- 8.3.1 The chief executive officer, chief financial officer, head of human resources or other members of senior management as may be required, assurance providers, professional advisors and Board members and any person who is entitled to attend Committee meetings as an observer in terms of any Relationship Agreement may be in attendance at Committee meetings, but by invitation only and they may not vote.
- 8.3.2 Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson of the Committee or Company secretary.
- 8.3.3 If the nominated chairperson of the Committee is not present within 15 (fifteen) minutes of the scheduled time for commencement of a meeting or is unable to attend a meeting, the members present shall elect one of the members present to act as chairperson.
- 8.3.4 In the event that the company secretary is absent from any meeting, the Committee shall designate any member of the secretarial department or any officer or employee of the Company to act as secretary.
- 8.3.5 The chairperson of the Committee shall have the right to exclude from the meeting, or from any item on the agenda, any executive should in his opinion, a conflict of interest become evident.

8.4 Agenda and minutes of meetings.

- 8.4.1 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.
- 8.4.2 The Committee secretary shall prepare an agenda for each meeting, for approval by the chairperson. A notice of each meeting of the Committee, confirming the venue, time and date and enclosing a detailed agenda, together with supporting documentation, must be circulated, at least five working days prior to each meeting to the members of the Committee and other invitees.
- 8.4.3 The Committee secretary shall take minutes of meetings. Minutes of the meeting shall record the proceedings, decisions taken and declarations of personal interest made, together with how these were dealt with. All Committee documents, information and minutes of any previous meetings of the Committee must be distributed to Committee members within a reasonable time prior to the next meeting of the Committee.

8.4.4 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

8.4.5 Minutes of the meeting shall record the proceedings, decisions taken and declarations of personal interest made, together with how these were dealt with. The minutes must be completed as soon as possible after the meeting and circulated to the chairperson and members of the Committee for review thereof. Any director may, provided that there is no conflict of interest and with the consent of the chairperson, obtain copies of the Committee's minutes.

8.4.6 The minutes must be formally approved by the Committee at its next scheduled meeting.

8.5 Voting.

A decision of the Committee shall be approved by a majority of votes cast by the members of the Committee who are eligible to vote at a meeting or by a resolution in writing signed by all of the members of the Committee.

8.6 Meetings other than in person.

Where deemed appropriate by the chairperson of the Committee, meetings and subsequent approvals and recommendations of the Committee may be conducted by electronic communication or one or more members of the Committee may participate in a meeting of the Committee by means of electronic communication. A resolution agreed by a majority (not less in number to constitute a quorum) of members of the Committee participating in such meeting shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.

8.7 Written Resolutions.

8.7.1 A resolution in writing signed by a majority of the members of the Committee at the time when such resolution is signed by the first of such members, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted, provided that: (i) each member shall have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates; and (ii) decision making in such manner shall not detract from the requirements for frequency of meetings as set forth in these terms of reference.

8.7.2 Any proposed resolution referred to in the paragraph 8.7.1:

8.7.2.1 may be signed, in any electronic form and in any number of counterparts, all of which, taken together, shall constitute one and the same document; and

8.7.2.2 may, in signed or unsigned form, be conveyed or transmitted by telefax, email or any other form of electronic means, subject to any conditions decided upon by the Committee.

8.7.3 Any such resolution should be tabled at the next meeting of the Committee for noting.

8.8 Quorum at meetings.

A representative quorum for meetings is a majority of members of the Committee. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

9 **Reporting**

9.1 The Committee must provide the following information to be included in an the annual report:

9.1.1 a summary of the role of the Committee;

9.1.2 a statement on whether or not the Committee has adopted formal terms of reference that have been approved by the Board and if so, whether the Committee is satisfied that it carried out its responsibilities, for the period reported on, in compliance with these terms of reference;

9.1.3 the names of all members of the Committee during the period reported on and the period for which they served on the Committee;

9.1.4 the number of meetings of the Committee held during the period reported on and Committee members' attendance at these meetings; and

9.1.5 information about any other responsibilities assigned to the Committee by the Board.

9.2 The Committee must report to the Board on its activities at the Board meeting following each meeting of the Committee, and shall include any decisions taken on behalf of the Board. Such report may include draft or approved minutes of previous meetings of the Committee.

9.3 The Group chief executive officer shall be responsible for reporting back to the subsidiary boards on the proceedings of the Committee as they apply to each subsidiary.

10 **Expenses**

The Company shall pay all the expenses reasonably incurred by the Committee.

11 **Remuneration**

Members of the Committee shall be paid such remuneration in respect of their appointment as shall be recommended by the Board and approved by shareholders of the Company.

12 **Confidentiality**

12.1 Subject to the paragraph below, all information in whatever form and howsoever obtained by members of the Committee in the course of serving as members of the Committee (**Confidential Information**) must be kept confidential and members of the Committee must not disclose any of the Confidential Information within their knowledge or possession in any manner to any person, company or other entity (**Person**).

- 12.2 The provisions of the paragraph above shall not apply to Confidential Information:
- 12.2.1 which was in the public domain prior to its disclosure to the relevant member of the Committee or subsequently came to be in the public domain in any way otherwise than by the wrongful disclosure by such member of the Committee;
 - 12.2.2 which is disclosed directly or indirectly by the relevant member of the Committee to any Person who is a director, employee, agent, consultant, adviser or contractor of or to the Company, as the case may be, whose knowledge or possession of such Confidential Information is necessary for that Person to perform their particular functions; or
 - 12.2.3 the disclosure of which is required by any applicable law, by an order of Court or by the rules of any securities exchange on which the Company's shares are listed or by any other regulatory body to which the Company is subject.

13 **Evaluation of the committee**

- 13.1 The Board must perform a review and an evaluation of the effectiveness of the Committee, including an evaluation of the compliance of the Committee with these terms of reference, at least annually.
- 13.2 In addition, the Committee shall review and reassess, at least annually, the adequacy of these terms of reference and recommend any improvements that the Committee considers necessary to the Board, following recommendations to be made by the Committee secretary.
- 13.3 The Committee may conduct such evaluations and reviews in such manner as it deems appropriate.
- 13.4 The Board must annually perform an evaluation of the Committee's performance in terms of its composition, mandate and effectiveness.

14 **Approval of these terms of reference**

These terms of reference were approved by the Board on 7 April 2017, and may be reviewed at any time at the instance of the Board, provided that these terms of reference must be reviewed annually.