



**AEP ENERGY AFRICA LIMITED**

**(Registration number: 2017/024904/06)**

Incorporated in the Republic of South Africa

(AEP or the **Company**)

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**REMUNERATION POLICY**

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## **1. INTRODUCTION**

The AEP Remuneration Policy ("the Policy") applies to AEP and where relevant, will be applied to subsidiaries and controlled associates of AEP (collectively "the Group").

The Policy sets out the policies and procedures relating to employee remuneration. The Policy targets attracting, retaining and appropriately rewarding employees at all levels of the organisation.

## **2. RESPONSIBILITY**

The Policy is determined and implemented by management and is reviewed, approved and monitored by the Remuneration Committee. The Committee reviews the Policy annually. As required by JSE Listings Requirements, the Policy is subject to a shareholder approval process at the Company's annual general meeting.

## **3. OBJECTIVES**

In developing the Policy, the following objectives have been taken into account:

- the strategy and business objectives of the Group;
- the role and responsibilities of Destiny Corporation Management Services Proprietary Limited (the "Manager"), as encapsulated in the terms and conditions of the management agreement between AEP and the Manager dated 9 April 2017;
- the need to attract and retain employees with the requisite skills, being the executive directors of AEP, as well as the employees of the Group;
- alignment of business objectives with the interests of all stakeholders;
- prevailing market conditions and market-related remuneration levels;
- the fair and equitable treatment of all employees;
- the objective of ensuring that all employees share in the success of the Group, and senior managers develop a culture of owner-managers;
- compliance with all relevant applicable law or regulatory provision; and
- the Group's transformation objectives.

The Group applies the following remuneration framework:

- market-related salaries reflective of the individual's expertise, experience and skills;

- performance-related, variable and non-guaranteed bonuses paid according to Group's and individual's performance to qualifying staff;
  - The executive directors of the Company will only receive total guaranteed pay from AEP, and will not be entitled to participate in any short-term incentives from AEP. They are expected to receive additional remuneration, including incentives and performance related pay from the Manager;
- internal equity; and
- market benchmarking using independent verification.

#### **4. REMUNERATION COMPONENTS**

##### 4.1 TOTAL GUARANTEED PACKAGE

The Total Guaranteed Package ("TGP") includes the total cost to the Company of employing an incumbent, including a salary, pension / provident fund, medical aid, and other fringe benefits, but excluding incentives. The Group pays market-related TGP reflective of the individual's expertise, experience and skills. The Group will continually assess the various benefits schemes available to it, and where agreed with employees, any contributions made will be structured on a salary sacrifice basis.

Pay ranges represent the level of compensation paid in respect of similar positions in the market. The Group aims at paying TGP in line with that of companies of similar size for similar positions.

##### 4.2 PERFORMANCE-RELATED BONUSES

Performance bonuses, where considered, will be based on both the Group and an individual performance. All employees are eligible to participate in bonuses, though their participation will be a function of their individual performance. Performance bonuses are fully discretionary and are determined by division heads and/or managing directors, subject to approval by AEP's executive committee. Part of the executive committees review would be to standardise the rewards processes and metrics to ensure internal equity. To be clear, there are no cash performance bonuses paid to the executive directors of AEP, whose remuneration terms are set by AEP's board, acting through its nominations committee.

Annual performance bonuses for Group employees are determined by no later 31 October of each calendar year, based on the consolidated audited financial statements of the Company at its 30 June financial year-end. Where a bonus pool is determined, and a pay-out is awarded, these payments will be made no later than 30 November of each calendar year. are awarded to staff who have delivered performance above expectations..

##### 4.3 ANNUAL INCREASES

Annual increases are granted on 1 July of each calendar year, being the start of AEP's financial year. These will be based on external factors, such as the prevailing rate of inflation and market forces, as well as an individual's performance, skills, experience and effort.

#### 4.4 LONG TERM INCENTIVES

AEP, together with the Manager, is currently considering long term incentives for eligible employees who would be rewarded through share options or participation in a possible B-BBEE share scheme, either based on options or the acquisition of / subscription for AEP shares. The incentives would be structured as part of a scheme, with clearly defined objectives, governed by pre-determined scheme rules.

The overall objective of any such scheme would be to incentivise participants to behave in a manner, that over the long term (three to seven year period), created value in AEP, for all of AEP's stakeholders, which they would share in. Participants in the scheme would receive an agreed portion of this value, alongside AEP's shareholders, ensuring alignment with shareholders.

#### 4.5 DIRECT OWNERSHIP

The Company was founded by two members of the Executive management team, being the Chief Executive Officer, Mr Edwin Kikonyogo and Chief Operations Officer, Mr Nkosi Gugushe (the "Founders"). The Founders own direct and indirect shareholdings in the Company, and subject to JSE Listing Rules and the Company's Securities Dealing Policy, encourage all employees to acquire shares in AEP as and when opportunity allows.

#### 4.6 BENEFITS AND ALLOWANCES

**Group Retirement Annuity Scheme:** Once AEP is no longer a SPAC, it will engage in discussions with a suitable service provider on providing a comprehensive retirement saving and planning solution for the Group.

**Medical Aid and Insurance:** AEP, together with the Manager, offers all employees access to medical aid membership with Momentum Health, with the specific medical aid scheme joined being a function of the individual employees preference. AEP contributes to the medical aid scheme on a salary sacrifice basis. The membership of the scheme is compulsory for all full-time employees, except where the employee is already a member or beneficiary of an alternative medical aid scheme.

**Life and Disability Insurance:** As with the medical aid, the Company and the Manager also provide life and disability insurance cover, for a multiple chosen by each employee but no less than four (4) times TGP, through South African insurance company, Brightrock.

**Relocation Allowances:** A fixed discretionary allowance may be granted to employees who are required to relocate for business purposes. The allowance covers the cost of relocation only.

**Out Of Town Allowances:** A fixed discretionary allowance, paid per night slept out of the place of original employment, for Company purposes, is granted to employees. This is on a set scale, subject to location, with the purpose of the allowance being to enable subsistence and cater for expenses that are incurred as a result of travelling on the Company's business.

The Group does not provide post-retirement benefits yet, though these will be considered as the Company develops.

## **5. PROGRESSION INCREASES**

An individual promoted to a particular position entering the appropriate range for that position typically receives a TGP with the lower market quartile of the market-related range for the position. Over time, as they approach full competency, they move toward the median through annual TGP increase awards. Increases beyond the median will typically be lower as performance expectations become higher. Individuals in the upper quartile or approaching the maximum of their range would usually be candidates for promotion or are considered to be exceptionally competent and performing at a consistently high level over long periods or being in possession of identifiable scarce skills.

## **6. MARKET AND PEER-GROUP COMPARISONS**

TGP benchmarking is used to determine market-related salaries and remuneration. No single formal survey is used as the Group's operations span multiple operational areas. The senior management uses the following tools as aids in determining market-related remuneration structures:

- independent surveys, including commissioned surveys. During the year under review, professional services firm PwC South Africa was mandated to conduct a survey for AEP;
- publicly available information e.g. advertised positions, company reports; and
- interviews with candidates for available positions.

Each component of remuneration (basic salary, performance bonuses, long term incentives and benefits) is analysed and compared with the market information and the overall package is reviewed accordingly.

As the Company is currently a SPAC, the levels of remuneration agreed with shareholders in AEP's prospectus, for the period to 30 June 2017 have remained unchanged. Subject to the Company no longer being a SPAC, the remuneration payable to employees, as well as the Company's prescribed officers and non-executive directors will change, to be more in line with its peer group.

The peer group comparisons are drawn from the following industries:

- Energy companies
- Similar sized companies across all sectors, in terms of financial performance metrics such as revenue, margin, cash generation and total assets, as well as non-financial measures such as the presence of a management company, staff size etc.
- Other SPAC's on the JSE; and

- Industrial, Engineering and similar built environment and heavy infrastructure companies

## **7. BUDGETING PROCESS**

Annual remuneration and relevant adjustments are budgeted for as part of an annual budgeting cycle, aligned with our financial year of 1 July to 30 June. The budgeted amount takes into account prevailing consumer price index, market competitiveness and industry trends.

## **8. REMUNERATION COMMITTEE**

The responsibility for the monitoring, reviewing and implementation of the Policy rests with the Group's Remuneration Committee.

The role of the Committee is to assist the Board to ensure that the Group has developed and continuously refines, as well as implements an effective policy and plan for remuneration that will enhance the Group's ability to meet its strategic objectives.

The Committee ensures that:

- the remuneration policy and system are appropriate for the achievement of business objectives;
- key staff are retained;
- a relevant succession plan is in place and is reviewed on a regular basis;
- interests of all stakeholders are aligned; and
- the Group adheres to good corporate governance practices and all applicable regulation.

The setting of remuneration of the Chief Executive Officer is the responsibility of the Board on advice of the Remuneration Committee. The setting of remuneration of other prescribed officers is the responsibility of the Remuneration Committee on advice of the Chief Executive Officer.

## **9. POLICY APPROVAL**

Any variation to the Policy must be approved by the Board.