

TOTAL REWARD PHILOSOPHY, STRATEGY AND POLICY

Document No.: **OCT-POL-0015**

Revision No: **00**

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REVISION

Rev. no.	Change description	Date
00	First issue	21 August 2019

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1. PURPOSE

In Octodec's vision to unlock maximum value in urban spaces for our stakeholders, the board of directors ("the board") recognises "Total Reward" as a critical tool to ensure that the business creates value in a sustainable manner within the economic, social and environmental context in which Octodec Investments Limited ("Octodec" or "the company") operates. The Social, Ethics, Remuneration and Transformation ("SERT") committee, in conjunction with the board, and in alignment with the King IV Report on Corporate Governance for South Africa 2016 ("King IV™"), is responsible for reviewing and recommending Octodec's total reward philosophy, strategy and policy ("the policy") to the board for approval.

The aim of Octodec's reward **philosophy** is to promote the achievement of Octodec's strategic objectives in the short, medium and long term, to continually improve the creation of value for the stakeholders. It also commits Octodec to remunerating its executive directors, prescribed officers and employees fairly, responsibly and transparently thus ensuring that Octodec's total reward offering is attractive and competitive.

The primary focus of Octodec's total reward **strategy** is to provide a total reward package that contributes to the attraction and retention of high-calibre, high-performing and independent-minded executive directors, prescribed officers and employees who subscribe to the shared values, ethical culture and Octodec's aspiration to be a good corporate citizen.

Octodec's **policy** provides the framework around which the total reward philosophy and strategy can be executed in an optimal and effective manner.

2. SCOPE

This policy sets out the model, key principles and elements which underpin the total reward philosophy and strategy and is intended to inform all remuneration decisions, processes and practices within Octodec.

3. APPLICATION

This policy applies to all Octodec's executive directors, prescribed officers and employees.

4. KEY PRINCIPLES

The key principles of this policy include:

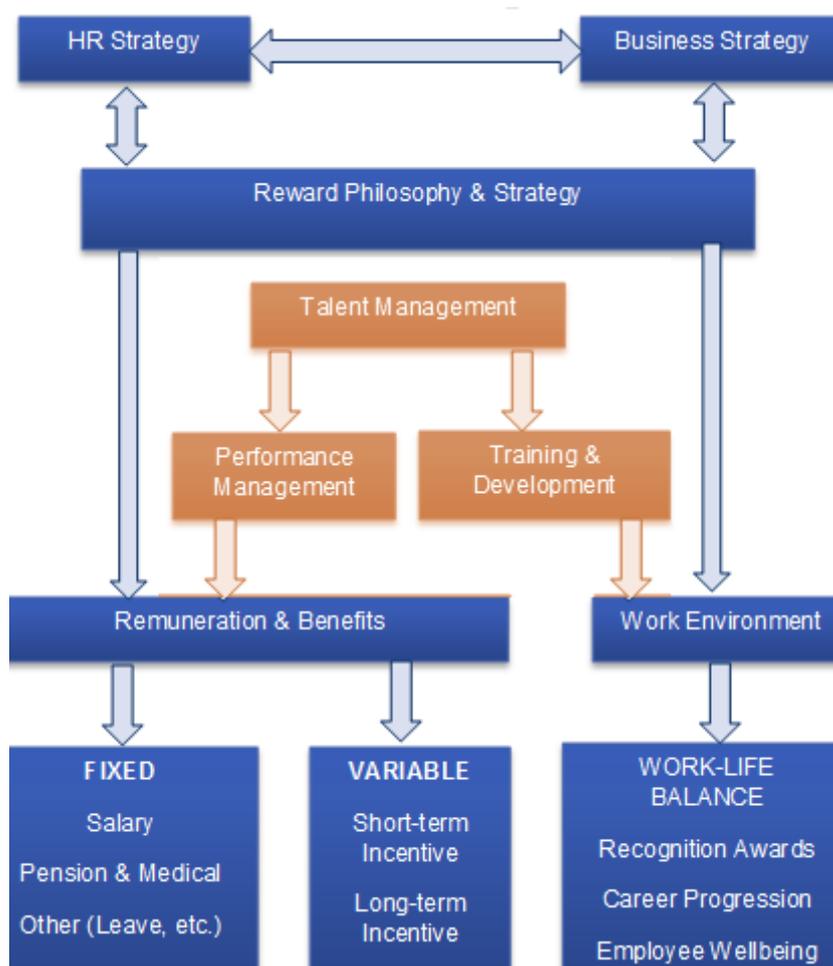
- i. Adoption of a total reward approach which includes all elements of remuneration (i.e. guaranteed cash, benefits and incentives);

- ii. The promotion of fair, transparent and ethical reward practices, in accordance with legislation;
- iii. Ensuring external competitiveness and internal parity through consistent, appropriate and responsible reward decision-making, aligned with Octodec’s values;
- iv. Rewarding employees in a manner which is reflective of both Octodec and individual performance;
- v. Non-discriminatory reward practices and promotion of diversity;
- vi. Affordability to Octodec;

In setting and administering its policy, Octodec is also committed to observing its obligations in terms of the Employment Equity Act 55 of 1998, as amended (“the Employment Equity Act”) and the Regulations in terms thereof, specifically the principle of *Equal Pay for work of Equal Value*.

5. THE TOTAL REWARD MODEL

The diagram below depicts a graphic representation of Octodec’s reward model.



The above schematic can be explained as follows:

The business strategy is supported by the HR strategy and the two inform each other. This is a dynamic relationship which requires continuous review and adjustment. From these two strategies, and in particular the HR strategy, the reward philosophy and strategy is developed in support of the achievement of the business and HR strategy.

There are two main elements or components that flow from the reward philosophy and strategy. The main component is the makeup of remuneration and benefits and the other being the maintenance of a supportive and enabling work environment. The remuneration and benefits component consists of a fixed and variable element. The fixed element is guaranteed, whereas the variable element is based on performance, both organisational and individual. On the work environment side, softer elements of reward are catered for. These include recognition, career progression opportunities and general employee wellbeing interventions.

Separate, but associated, is talent management, dealt with under a separate policy. This focus has two elements, being management of performance and training & development initiatives. The two components work hand in hand. Performance management will assist in identifying training and development needs. It will also assist in identifying high flyers who need to be fast tracked in terms of succession. On the opposite hand, performance assessment will also identify areas of weakness, which require training and development interventions. Both of these components link into the total reward system in that performance management will determine the measure of variable reward as well as recognition and promotion (career progression).

6. TOTAL REWARD PACKAGE

The policy follows the internationally recognised practice of combining a guaranteed package consisting of a cash component and various flexible benefits and allowances together with incentives to provide for a total reward package. The intention of the total reward approach is to provide flexibility in structuring the guaranteed portion in such a manner as to meet the individual circumstances of employees, where feasible and within the law. Furthermore, the incentive portion takes account of individual and company performance outcomes.

6.1 Guaranteed package

This consists of a cash salary with compulsory, albeit flexible, benefits and allowances collapsed into a total guaranteed package. The guaranteed package is reviewed annually, and increases are effective 01 January each year. Annual increases are subject to Octodec's performance and affordability and in determining increases Octodec considers the following:

- i. CPI movements for the preceding year and forecasted for the year ahead.
- ii. Industry and sector salaries adjustments for the preceding year and forecasted for the year ahead. This includes accounting for wage settlements for the industry and sector.
- iii. A market benchmarking exercise to determine levels of competitiveness against an appropriate peer group of the general market. This is to determine whether the company maintains its ability to attract and retain key skills critical for achieving the company's objectives.
- iv. An internal review of packages to determine on a grade and occupation basis whether any anomalies exist in terms of employment equity/parity.
- v. Minimum wage requirements and wage gap also inform annual adjustments to the guaranteed package.

6.2 **Benefits and allowances**

The provision of benefits and allowances to employees' forms part of the total remuneration offering and gives effect to Octodec's commitment to continually improve its employee value proposition through the flexibility afforded to employees in delivery of these elements.

The benefits available to Octodec's employees include membership of a pension or provident fund and group life assurance, which has a number of embedded components. The pension and provident funds cater for various flexible options which are selected by the employees, all of which include a fixed employer contribution of 10%. In addition, the employee contributions range from 4.25% up to 7.5%, with varying life and income disability options. There is also funeral cover as part of the flexible options of the pension and provident funds. As a general rule, a portion of these funds is invested into low-risk investment portfolios.

Group life assurance, which is payable on death of an employee, includes options for capital disability, income protection and other value-added services which include free ambulance services, legal advice and trauma counselling.

While membership of the medical scheme is not compulsory, it is encouraged. Employees may structure the monthly contribution in line with a plan of their choice from their total cost of employment package and the company payroll will affect the necessary deductions and returns to the medical scheme.

Apart from short-term incentives and other discretionary bonuses, salaried employees may structure their total cost of employment package to provide for a 13th cheque (however, this is merely a remuneration structuring option and not in addition to total guaranteed package).

Other occasional allowances and financial assistance are provided by Octodec under certain circumstances and are dependent on the nature of the role. These include car allowances for employees who use their personal vehicles to travel for business purposes, reimbursed travel payments for employees who occasionally need to travel, accommodation if it is a prerequisite for the position and educational assistance for employees who wish to further their studies. This list is not exhaustive. These are provided in line with statutory requirements and agreements with employees and do not form part of the guaranteed package.

6.3 Short-term incentive (“STI”) scheme

The purpose of Octodec’s **non-guaranteed** STI scheme is to foster a culture of performance and to motivate and reward employees for sustainably achieving and exceeding the performance requirements of the role. STI’s are paid annually in November.

6.3.1. Performance requirement

STI payments are dependent on Octodec’s performance, achievement of strategic objectives, affordability and individual performance scores on a sliding scale as set out in the table below:

PERFORMANCE DEFINITION	RATING	*BONUS %
Exceeds Way Beyond Expectations (Really Exceptional)	5.00	200%
Significantly Exceeds Expectations	4.0 – 4.99	150%
Exceeds Expectations	3.50 -3.99	120%
Meets All Expectations	3.00 -3.49	100%
Does not meet all expectations and have valid warnings	<3	0%

** Bonus percentage is a percentage of an employee’s monthly salary.*

6.3.2. **Recognition programme**

In addition to the performance bonuses paid to employees for meeting and exceeding their KPA's, Octodec has introduced a reward and recognition programme through which employees are recognised and rewarded for espousing the company's values and exceeding expectations.

6.4 **Long-term incentive ("LTI") scheme**

The company has no long-term incentive scheme in place at present.

7. **PERFORMANCE MANAGEMENT**

Performance management is in line with the business strategy and the management of total reward and it is a compulsory condition of service that all employees are involved in the performance review process. The performance management policy and process is provided for under a separate policy and informs both employee development and remuneration related decisions.

8. **JOB GRADING**

Octodec uses the Paterson grading system and all jobs have detailed role descriptions. Job grades are used as a justifiable guide to rank all the jobs in the organisation based on their relative worth to Octodec and also to manage internal equity and define potential career paths within a specific job family.

Furthermore, it serves as a matching tool when establishing market benchmarks in terms of remuneration competitive levels. When necessary, job profiles are updated, and jobs are re-graded.

9. **CAREER PLANNING AND SUCCESSION PLANNING**

Octodec recognises the importance of career development for its employees. Through consultation with employees, development needs are identified and where appropriate, training and other relevant plans are put in place.

Octodec recognises the importance of succession planning and the need to employ talented individuals in Octodec. There is no automatic right to a job for any employee and where vacancies exist, all employees are permitted to apply for the positions on the basis that they have the appropriate skills, qualifications and competencies required for the role.

10. **EXECUTIVE DIRECTORS**

The managing director and the financial director of Octodec are remunerated by City Property Administration (Pty) Ltd ("CPA").

Octodec sets key performance targets for its executive directors annually, which is aligned with the performance measures and targets in the CPA management agreement and published in the annual integrated report.

Should, in the future, Octodec appoint executive directors directly onto its books, the employment and total remuneration arrangements for such executive will be based on the following:

- i. The executive directors will be on permanent employment contracts subject to the normal contractual obligations as applicable for executives in the REIT sector and informed by the provisions of the management agreement in place between Octodec and CPA.
- ii. All remuneration payable to the executive directors will be subject to approval by the board and shareholders at the annual general meeting.

11. NON-EXECUTIVE DIRECTORS

The remuneration of Octodec's non-executive directors is covered under a separate policy.

12. REMUNERATION GOVERNANCE

In line with King IV™, the SERT committee is appointed by the board of directors as a subcommittee and has delegated authority, in accordance with its terms of reference, which the board reviews annually.

The committee is established to ensure that the total reward practices support the strategic vision of Octodec and to set the direction for how remuneration should be approached and addressed on an organisation-wide basis. Their responsibilities include evaluation, review and decisions-making regarding Octodec's policy and the implementation and execution thereof.

In line with best practice, the majority of the committee members are independent non-executive directors. The SERT committee actively engages with independent advisors to ensure that all matters and decisions relating to total reward are in line with best practice.

Recommendations made by the SERT committee are ultimately approved by the board and the shareholders.

12.1 Focus on fair and responsible reward practices

The executives and the SERT committee consider a variety of factors, such as ethical and moral considerations, when determining and adjusting the minimum wage and average

salaries to ensure that they are set at an appropriate level. Minimum remuneration for the workforce is reviewed annually and applied as applicable for different sectors.

This policy supports Octodec's overall human resources strategy, particularly training and skills development, employment equity and diversity.

In order to ensure equitable reward practices and monitor potential internal pay disparities, Octodec may take the following actions at regular intervals:

- i. Conduct an assessment of the prevailing economic climate, Octodec's financial performance and market related remuneration; and
- ii. Conduct an assessment of pay comparisons between employees at the same level / same job (or employees whose work is of equal value) in accordance with the principle of *Equal Pay for work of Equal Value* within a specific division or business entity to identify and address any unjustifiable remuneration disparities.

The remuneration for all employees is determined and approved in consultation with the managing director and the CPA human resources executive, in line with a mandate from the SERT committee and in compliance with the terms and conditions of the management agreement with CPA.

When reviewing the results of market benchmarking, Octodec will also take into account the fact that any change in the quantum of the guaranteed package of a member of senior management can have a corresponding effect on the size of his or her variable pay package.

In the circumstances where there is a shortage of skilled workers, Octodec may identify those critical jobs and adjust remuneration to include an additional premium that equates to between 10%-15% of the guaranteed package payable for those jobs, in order to attract and retain the necessary skilled workers. As the supply and demand of employees with critical skills is the most important factor influencing differentiations in remuneration, this may result in some justifiable remuneration disparities in that employees who work within the same job grade may earn different amounts.

Octodec progressively considers and implements initiatives to improve the employment conditions of its employees. In line with Octodec's dedication to fair and responsible reward, Octodec may adopt progressive measures to address any identified disparities.

APPROVED BY THE BOARD AT ITS MEETING ON 21 AUGUST 2019