



Stefanutti Stocks Remuneration Policy

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1. PHILOSOPHY AND PRINCIPLES

The group's philosophy is to attract, retain and motivate individuals who subscribe to the group's culture and values which are aligned to the Stefanutti Stocks Way. The remuneration policy is essential to employ dynamic, passionate and competent individuals to achieve the overall business strategy.

Total remuneration packages are designed to be internally equitable and externally competitive and to reward superior performance with superior rewards.

Stefanutti Stocks strives to provide a safe working environment, and one which encourages the development and personal growth of employees within the framework of the group's objectives. The long-term success of the group is, therefore, directly linked to the quality of individuals that are employed.



The group's remuneration policy is based on the underlying key principles:

- The policy is aligned to the overall group business strategy, in the short, medium and long term;
- The group adopts a prudent risk and reward philosophy, applied within the scope of the group's risk profile;
- The policy is aligned to legislative and regulatory requirements;
- The policy reflects remuneration that is fair, responsible and transparent in the context of overall group remuneration;
- Aligning total fixed pay (TFP) to the pay structure adopted by the group, based on the defined job grade utilising a reputable and defensible job grading system;
- The Paterson job grading system has been adopted for salaried employees while prescribed job grading systems utilised by the relevant bargaining councils are relevant for hourly-paid sectoral employees;
- Salaried employees are paid a market-competitive annual TFP which includes a base salary, medical aid, retirement fund contributions and certain other market-related benefits;
- Paying an appropriate market-related Total Remuneration (TR) mix by employee level between TFP and variable remuneration;
- Paying TR which is targeted to be within the upper quartile of relevant industry benchmarks, using the following principles for the determination of individual performance:
 - The performance of the group, the region, discipline, project, team and/or the individual employee;
 - The employee's/team's ability and willingness to support the culture and live the values of the group;
 - The employee's/team's level of co-operation/collaboration displayed, as well as the ability to develop and enhance client relationships;
 - The employee's commitment to focus on empowerment and development;
 - The scope of responsibility and level of accountability, as well as the individual's contribution to targets (performance); and
 - Appropriate industry benchmarks (external) and/or compatible internal benchmarks.
- Paying a Site Gain Share incentive to eligible employees;
- Bonuses payable under the remuneration policy are (a) subject to affordability and (b) are at the Remuneration Committee's discretion;
- Short-term incentives for executive directors (currently the CEO and CFO) are earned under the EDIS and incorporate threshold and stretch targets, under financial performance criteria, and reward for personal contributions under Key Performance Areas (KPA's), which are reviewed annually in line with business targets and/or strategic initiatives;
- Short-term incentives for Paterson level E4 employees and above, excluding the executive directors, are earned under the Directors Profit Share Incentive Scheme (DPSIS), which is reviewed from time to time based on industry best practice and market benchmarks;
- Long-term incentives for executive directors are earned under the EDIS and awarded in terms of the approved Forfeitable Share Plan (FSP). Various long-term metrics, aligned with group and shareholder interests, are utilised in determining the level of awards to executive directors;
- A long-term incentive for Paterson level E4 employees and above, excluding executive directors, will in future be earned under the DPSIS, to ensure the performance of these employees is aligned with group and shareholder interests. These incentives will be awarded in terms of the FSP;
- Long-term incentive awards are made to qualifying employees in terms of the approved FSP, which is reviewed from time to time based on industry best practice and market benchmarks;
- Pre-vesting forfeiture (malus) of long-term incentives is provided for but no provision is made for post-vesting forfeiture of remuneration (i.e. claw-back); and
- External advisors are utilised on an annual basis to assist in remuneration-benchmarking processes to keep abreast of market movements and market best practice. For FYE 2026, RemChannel were appointed as the group's external advisor.

2. PAY STRUCTURE

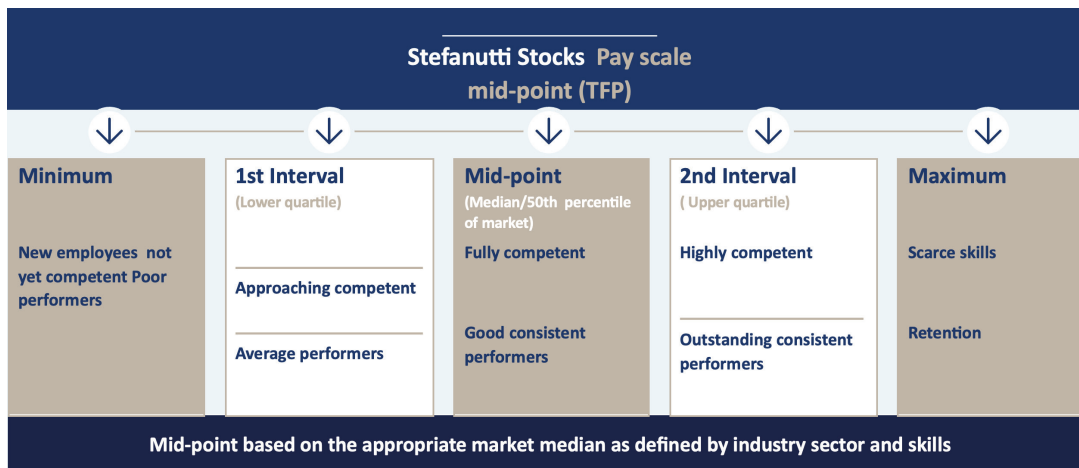
The group has adopted a pay structure to manage internal and external equity in a fair and responsible manner. The pay structure is expressed as a pay scale for each Paterson grade in the group, which enables the management of remuneration on a TFP basis for all salaried employees as per the graphical illustration below.

The mid-point of the pay scale is aligned to the appropriate market benchmark, being the median (50th) percentile. The pay scale for each Paterson grade has a 50% range spread to allow flexibility in the management of remuneration, which is guided by the principles shown illustratively in the table below.

The group does not follow a “one-type-fits-all” approach when moving employees between the minimum and maximum pay scales. Rather, each employee’s positioning against the proposed pay scale is considered in line with the principles shown illustratively in the table below.

The group endeavours to review the adjustment of pay scales annually (prior to the annual review of remuneration), on the proviso that various factors warrant a review of the pay structure. These factors typically will include CPI, affordability, group performance, market movements/trends, competitor remuneration and scarcity of skills.

Pay scale variations from mid-point



3. COMPONENTS OF REMUNERATION

The framework to the right provides a guideline for interpreting the remuneration policy, showing the remuneration components applicable to each employee category.



3.1 Guaranteed remuneration

When structuring guaranteed earnings, the group applies a TFP approach.

Base salary reflects the market value of the individual’s skills, experience and performance, and is paid monthly in cash.

Benefits such as pension, medical aid and car allowance are included in the TFP. It is obligatory that all permanent salaried employees of the group belong to the Stefanutti Stocks Pension Fund. Membership of a funeral policy plan, which is independent of the pension scheme, is also mandatory for all South African group employees.

The Stefanutti Stocks Pension Fund is a defined contribution fund and provides retirement funding plans and health risk cover benefits for its members. It is also compulsory for all new salaried employees to join the group’s prescribed medical aid scheme, unless the employee can prove that he/she is a dependant on another medical aid.

Hourly-paid employees’ remuneration, bonuses and other benefits are determined at industry bargaining council level. The group offers these employees membership to the Stefanutti Stocks Provident Fund, which provides retirement funding and health risk cover benefits. Membership of an approved funeral policy plan is also compulsory for limited-duration contract employees.

Remuneration framework

Element	Strategic objective	Executive directors	EXCO	Operational directors	Salaried staff	Salaried site staff	Wage staff	
Salary	Paying market-competitive, guaranteed pay and benefits.	✓	✓	✓	✓	✓		
Wage							✓	
Pension fund		✓	✓	✓	✓	✓		
Provident fund							✓	
Medical aid		✓	✓	✓	✓	✓		
13th cheque		✓	✓	✓	✓	✓	✓	
Funeral policy		✓	✓	✓	✓	✓	✓	
Leave		✓	✓	✓	✓	✓	✓	
EDIS – STI	Rewarding outstanding performance, contributing to group performance.	✓						
EDIS – LTI		✓						
DPSIS – STI			✓	✓				
DPSIS – LTI				✓	✓			
Incentive bonus							✓	
Site bonus							✓	✓
Gain share						✓	✓	✓
FSP	Attracting and retaining skills and talent.	✓	✓	✓	✓	✓		
Key Man attraction/retention		✓	✓	✓	✓	✓		

3.2 Variable remuneration

Since variable remuneration is self-funding, payout to an individual is dependent on the relevant entity achieving its overall performance target (i.e., individual KPAs, regional, discipline or project targets and group targets).

To ensure sustainable annual group performance, incentive bonuses may be paid out in tranches depending on the cash flows achieved by the group.

A summary of the variable incentive schemes applicable for Executive Directors and Prescribed Officers is provided below.

3.2.1 Executive directors’ variable incentives

Executive directors’ variable remuneration falls under the EDIS. The incentive opportunity available to executive directors, payable in cash (STI) and forfeitable shares (LTI), is as shown in the table below:

Incentive opportunity available to executive directors	On-target incentive	Stretch-target incentive
STI	100% of TFP	200% of TFP
LTI	100% of TFP	200% of TFP
Total incentive opportunity	200% of TFP	400% of TFP

3.2.1.1 Short-term incentive plan (STI)

The STI is designed to align the short-term interests of the executives with group strategy, using both financial performance measures and personal objectives.

The intention is to motivate executives to drive performance and strive to exceed short-term goals.

Minimum threshold targets are required to be met before respective bonus awards are earned.

All targets are reviewed and set at the beginning of each financial year, with awards due under the scheme being reviewed and approved at financial year-end, by the committee and the board.

The financial and personal performance awards earned under the STI plan are cash-based annual awards.

(A) Financial performance measures

Financial performance measures account for 50% (FYE 2025: 50%) of the possible STI payable to executive directors.

The two financial performance measures are:

1. Operating profit margin (OP); and
2. Return on equity (ROE).

**OP:**

- An annual expected OP is established at the commencement of each financial year, with maximum and minimum thresholds applied. The expected OP is internally reviewed and set on an annual basis, and is based on relevant industry and peer comparatives.
- This OP is based upon normalised operating profit excluding all extraordinary and non-trading items, and is set at 4,0% for FYE 2027 (FYE 2026: 3,0%).
- On achievement of the targeted OP of 4,0%, an award of 100% (multiplied by 50%) of the TFP is made.
- If the OP achieved is below a minimum threshold of 2,0% (FYE 2026: 1%), no award of the financial performance component is made.
- If the OP achieved is at or above a maximum stretch target of 6,0% (FYE 2026: 5%), an award of a maximum of 200% (multiplied by 50%) of the TFP is made.
- A linear sliding scale apportionment is applied between minimum, threshold and stretch targets.

ROE:

- An annual targeted ROE is also established at the commencement of each financial year, targeted to meet the company's weighted average cost of capital (WACC), with maximum and minimum thresholds applied.
- On achievement of the ROE meeting WACC, the full amount calculated under the OP metric above remains unchanged.
- If the ROE metric falls below the minimum threshold of WACC minus 6%, a diluting factor of 50% is applied to the amount calculated under the OP metric.
- If the ROE metric is at or above the stretch target of WACC plus 6%, an escalating factor of 150% is applied to the amount calculated under the OP metric.
- A linear sliding scale apportionment is applied between minimum, threshold and stretch targets.

(B) Personal performance measures

Personal performance measures account for 50% (FYE 2026: 50%) of the possible STI payable to executive directors.

At the commencement of each financial year, personal objectives for executive directors are set as KPAs by the board.

Personal performance measures are designed so that executive directors provide sufficient focus on, and are rewarded for ensuring the group's margins and operating profit meet targets, that loan covenants are not breached and key ESG targets are met.



Key performance measurements for financial and operational targets are incorporated in the performance measures for the CEO, CFO and other executive team members. These are then cascaded into the lower levels of the organisation so that a unified performance focus is achieved across the group.

The personal key performance areas agreed for the CEO and CFO would typically include metrics for tender awards, project execution, debt collection, health & safety, financial performance, loan covenants, compliance with laws and regulatory processes and the outcomes of statutory audits.

Notwithstanding the results generated from the above financial and personal performance measures, the maximum STI payable to executive directors is 200% of TFP (FYE 2026: 200% of TFP).

3.2.1.2 Long-term incentive plan (LTI)

The LTI plan is designed to align the interests of the executive directors with those of the shareholders using financial performance measures. The overall intention is to:

- generate a long-term sustainable financial performance for the group;
- promote long-term commitment of the executive directors to the business; and
- provide a wealth-creation mechanism for the executive directors and concomitant value creation for shareholders.

Long-term metrics

The LTI has been formulated using three metrics, the applicable targets of which are set by the board at the commencement of each financial year.

1. Headline earnings per share growth (HEPS)
2. Return on capital invested (ROI)
3. Free cash flow (FCF)



The maximum allocation for achievement of each stretch target above is 200% of TFP, multiplied by the relevant weighting factor, while measurables falling below the threshold result in no award being generated for that metric.

The maximum LTI award that can be earned by executive directors for any year is therefore 200% of TFP.

Payment for the achievement of LTIs is made by way of forfeitable shares, which vest on the third anniversary of the award, but only to the extent that:

- a) the annual performance measures above have been met over a consecutive three-year performance period, and
- b) the performance measures are then averaged over the three-year period to determine the final measure and award.

Cliff vesting occurs at the end of the three-year period.

The forfeitable shares to be awarded to executive directors on vesting are acquired under the rules of the FSP.

LTI performance measures

Metric	Weighting	Measure	% of TFP earned
Financial performance			
HEPS	33%	Threshold: HEPS growth = CPI plus 0% Target: HEPS growth = CPI plus 1% Stretch: HEPS growth = CPI plus 2%	50% 100% 200%
Delivery on invested capital			
Return on capital employed	27%	Threshold: ROC = WACC plus 0% Target: ROC = WACC plus 2% Stretch: ROC = WACC plus 4%	50% 100% 200%
Cash discipline			
Group free cash flow	40%	Threshold: 10% annual improvement Target: 20% annual improvement Stretch: 30% annual improvement	80% 100% 200%

The LTI award of forfeitable shares is calculated on an annual basis to mitigate unanticipated outcomes arising out of cyclical factors and share price volatility.

The REMCO has the authority to cash settle LTI awards in exceptional circumstances.

3.2.1.3 Awards made at REMCO's discretion

When evaluating executive directors' performance in terms of variable remuneration, REMCO also considers any extraordinary internal and external factors that may have contributed to thresholds not being met.

3.2.2 Prescribed officers' variable incentives

Prescribed officers' variable remuneration falls under the DPSIS, which is an incentive scheme for which employees of Paterson Grade E4 or higher (company and operational directors) are eligible. Selected individuals below Grade E4 may also be included at the committee's discretion.

In certain instances, at the discretion of the CEO and CFO, employees below Paterson Grade E4 who are deemed business critical, can be motivated for inclusion as participants to the scheme.

3.2.2.1 Short-term incentives

The short-term incentive opportunity available to participants of the DPSIS, payable in cash, is 200% of TFP.

The STI component is designed to align the objectives of participants, shareholders and other stakeholders by driving the correct behaviour from participants to ensure profits are maximised in a sustainable and ethical manner and converted to cash. Participants are rewarded for the generation of profit (i.e. profit after interest and depreciation, but before tax) for the project(s), discipline(s) or region under a participant's direct control.

Profit-share pools are generated by each region, by an agreed formula, out of which participants' profit shares are determined. 50% of an individual participant's profit-share is then adjusted, based on the achievement of their KPAs as agreed at the beginning of the financial year. A further overall discretionary adjustment (positive or negative) may also be considered by the CEO, for final approval by REMCO.

The prescribed officers' KPAs are aligned to the KPAs of the CEO and CFO, which are then further cascaded to other participants in the DPSIS.



3.2.2.2 Long-term incentives

The LTI component is designed to:

- Align the interests of participants with the long-term strategic objectives of the group;
- Encourage sustainable financial performance and disciplined capital allocation;
- Retain key operational leadership responsible for delivery of major construction projects;
- Reward sustained operational excellence, strong cash generation and safe project execution;
- Focus participants on the successful implementation of group transformation targets; and
- Promote long-term value creation for shareholders.

The performance metrics are set out in the table on page 9, with the LTI incentive achieved for each metric determined on a sliding scale.

The maximum allocation for achievement of each stretch target is 30% of TFP, multiplied by the relevant weighting factor, while measurables falling below threshold result in no award being generated for that metric.



Long-term incentives for FYE 2027

Metric	Weighting	Measure	% of TFP earned
Financial performance HEPS	25%	Threshold: HEPS growth = CPI plus 0%	10%
		Target: HEPS growth = CPI plus 1%	20%
		Stretch: HEPS growth = CPI plus 2%	30%
Operational delivery Group operating profit growth	25%	Threshold: Operating profit margin as per budget	10%
		Target: Operating profit margin as per budget plus 1%	20%
		Stretch: Operating profit margin as per budget plus 2%	30%
Cash discipline Group free cash flow	30%	Threshold: 10% annual improvement	10%
		Target: 20% annual improvement	20%
		Stretch: 30% annual improvement	30%
Safety performance Group LTIFR	10%	Threshold: 0,10 – 0,15	10%
		Target: 0,05 – 0,10	20%
		Stretch: Less than 0,05	30%
Transformation Group EE targets	10%	Threshold: Meet the objectives of the EE plan, with no negative audit by the Department of Employment and Labour.	10%
		Target: Meet the objectives of the EE plan, with no negative audit by the Department of Employment and Labour and achieve numerical EE targets.	30%

The maximum LTI award that can be earned by prescribed officers for any year is therefore 30% of TFP.

Payment for the achievement of LTIs is made by way of forfeitable shares, which vest on the third anniversary of the award, but only to the extent that:

- the annual performance measures above have been met over a consecutive three-year performance period, and
- the performance measures are then averaged over the three-year period to determine the final measure and award.

Cliff vesting occurs at the end of the three-year period.

The forfeitable shares to be awarded to prescribed officers on vesting are acquired under the rules of the FSP.

The LTI award of forfeitable shares is calculated on an annual basis to mitigate unanticipated outcomes arising out of cyclical factors and share price volatility.

The REMCO has the authority to cash settle LTI awards in exceptional circumstances.



3.2.3 Forfeitable share plan (FSP)

The objective of the FSP is to complement and enhance the ability of the group to attract, incentivise, retain and reward key staff, and promote broad-based black economic empowerment within the group by providing employees with the opportunity to receive shares in Stefanutti Stocks Holdings Limited.

Share awards are, therefore, made from time to time as a retention, reward and incentivisation mechanism, particularly under present circumstances where the group faces significant retention risks with respect to key talent.

The overall limits of the number of equity securities which may be utilised by the group for purposes of the FSP and which may be allocated to any one participant, are as follows:

- (i) the aggregate number of shares at any one time which may be allocated under the FSP shall not exceed 30 000 000 shares (including treasury shares) equating to approximately 16% of the current issued shares (including treasury shares); and
- (ii) the maximum number of shares which may be allocated to any participant in terms of the FSP shall not exceed 16 927 267 shares (including treasury shares), representing approximately 9% of the current issued ordinary share capital (including treasury shares); and
- (iii) the maximum aggregate number of shares which may at any time be settled by the issue of shares or the delivery of shares held in treasury to any participant, shall not exceed the maximum number, being 3 000 000 shares (including treasury shares), representing approximately 10% of the shares (including treasury shares) authorised by the shareholders to be available for fresh issue in connection with the FSP.

The vesting period of the awards is three years after the award date.

The committee determines the value of forfeitable shares to be awarded each year, considering the performance of the group.



3.2.4 Key Man Attraction and Retention Scheme

The primary purpose of the Key Man Attraction and Retention Scheme is to enable the group to compete for new and retain existing key employees in the highly competitive environment that is characteristic of the construction industry. This remuneration is discretionary in nature and additional to the standard TFP, STI and LTI plans.

The group recognises that there are occasions when additional incentives, in the form of forfeitable shares or cash bonuses, may need to be provided, such as:

- In making an employment offer to an individual when it is necessary to offer compensation for relinquishing an existing long-term or short-term incentive; or
- To prevent the solicitation of key members of staff by third-party organisations. The potential recruitment cost of replacement is also considered in such cases.

The group's remuneration policy does not currently provide for restraint payments as such instances are unlikely to occur.

4. NON-EXECUTIVE DIRECTORS' FEES

Recommendations are made to the committee by the executive directors and Group HR Director, for onward review by the board and submission to shareholders.

Non-executive directors are compensated by way of attendance fees. The fees are set with reference to the annual "Non-Executive Director's Fees Guide" published annually by the South African Institute of Directors, taking cognisance of the group's size and complexity.

The fees of the Chairman, and if applicable, the Lead Independent Director, take their expanded roles into account, and are an all-inclusive fee. No distinction is made between fees payable to independent non-executive directors and other non-executive directors.

Non-executive directors qualify for reimbursement of reasonable expenses incurred in performing their duties for and on behalf of the company.

Should the board require a non-executive director to undertake a specific project on behalf of the company, this will be subject to pre-authorization and executed at a pre-approved total fee.

The non-executive director hourly fee to be approved at the AGM, is paid in respect of attendance at non-scheduled directors' meetings but is capped at the respective fee for one meeting only.

Non-executive directors do not have service contracts. Instead, letters of appointment serve to confirm their terms of engagement, and include matters such as fees, term of office, expected time commitment, share dealing and board performance assessment.

The Chairman has a letter of appointment, which is specific to his/her responsibilities and functions. All non-executive directors are appointed for a term of three years and are obliged to retire at the end of that period. They may offer themselves for re-election at the next AGM.

Upon recommendation from NOMCO, the board will, on an annual basis, consider the continued services of any non-executive director who has reached or exceeded a period of service of nine years with the company. The board is satisfied that all non-executive directors remain independent.

The previous age-based normal retirement limit of 70 years for non-executive directors is replaced with an annual assessment of each director's integrity, judgement, independence of thought, competence, capacity and performance aligned with governance best practice. This ensures a principles-based, merit-driven assessment rather than an automatic age threshold, recognising that age alone is not a reliable indicator of a director's effectiveness, readiness or ability to provide independent oversight.

Non-executive directors are not required to be shareholders and they do not qualify to participate in any incentive scheme that is operated by the group.



5. SERVICE CONTRACTS

Executive directors and prescribed officers are employed on standard contracts of employment within the group. These contracts are not fixed-term contracts and do not provide for termination payment. Normal retirement age is set at 65 years.

Executive directors and prescribed officers are subject to notice periods of one month. The employment contracts include pay in lieu of notice, and outstanding leave pay provisions which may be invoked at the discretion of the committee. A longer notice period as may be appropriate under certain circumstances, may be agreed by the committee, in which case the notice period would be regularly reviewed and amended as necessary.

The executive directors' and prescribed officers' contracts of employment do not include provisions entitling the individual to special termination benefits or balloon payments on termination of employment or on a change of control.

Any STI and/or LTI entitlements awarded to an executive director and prescribed officer under the EDIS or DPSIS scheme respectively will be determined based on the scheme rules.

Termination of employment due to resignation or dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct or due to absconding (fault termination), results in forfeiture of all unvested STI and/or LTI awards.

Termination of employment due to death, retirement, retrenchment, ill health, disability or injury, is classified as a "good leaver" termination and a proportional vesting of the outstanding STI and/or LTI awards will vest on the date of termination of employment.

No provision is made for post-vesting forfeiture of remuneration (i.e. claw-back).