

Stefanutti Stocks Remuneration Policy

REFERENCES

Executive Directors Incentive Scheme
Directors Profit Share Incentive Scheme
Forfeitable Share Plan
Gain Share Incentive
Cross-Border Policy

FORMS AND TEMPLATES

CHANGE OF BENEFIT FORM

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1. DEFINITIONS

The following definitions are applicable in defining the terms used in the Remuneration policy of Stefanutti Stocks Holdings Limited:

Board – The Board of Directors of Stefanutti Stocks Holdings Limited.
CEO – Chief Executive Officer
CFO – Chief Financial Officer
Circumstantial Remuneration – is all financial compensation offered to employees relating to specific operational requirements and is dependent on conditions of employment.
DPSIS – Directors Profit Share Incentive Scheme is a short-term incentive for which employees of Paterson Grade E4 or higher (group and operational directors) are eligible, based on profits generated from projects, disciplines, or regions.
EXCO – the Executive Committee of the group.
EDIS – Executive Directors Incentive Scheme is a combined short- and long-term incentive scheme to align the interests of the Executive Directors with group and shareholder interests, using financial performance measures and personal performance objectives.
Executive Directors – the Executive Directors of Stefanutti Stocks Holdings Limited, currently being the CEO and the CFO
FSP – Forfeitable Share Plan , amended and approved by shareholders on 26 April 2023, under which shares are awarded to individuals, for the purposes of incentivising, retaining, and rewarding key staff, and promoting broad-based black empowerment within the group.
Gain Share Incentive – is an incentive bonus paid over a period of one to three months typically linked to site project milestones.
Gini-Coefficient - a statistical measure of the degree of variation in income inequality
Group – the Stefanutti Stocks group, comprising Stefanutti Stocks Holdings Limited and its subsidiaries, joint ventures and associates.
HR – Human Resources
Job Grading – is the process of determining the worth or value of one job in relation to another.
KPA's – Key Performance Areas are performance measurement metrics, defined annually for each employee.
Legislation – all legislative and regulatory requirements as amended from time to time.
LDC – Limited Duration Contract Employee - is an individual employed by the group for a specific, predetermined period or to complete a particular task or project.

LTI – Long-Term Incentive is a variable incentive paid typically over a period of three years.

Pay Structure – is the pay scales adopted by the group to ensure internal and external equity of TFP by employee level.

PN – references are Practice Notes.

Remuneration – is the reward an individual receives for their services rendered. The Remuneration referred to in this document is typically reflected in the total compensation offered to the individual consisting of all reward components.

REMCO – Remuneration Committee– a sub-committee of the Board responsible for approving and reviewing the overall remuneration and reward philosophy.

Remuneration Policy – the policy under which Remuneration is managed and governed as set out in the document.

Remuneration Quartiles are defined as follows:

- **Lower Quartile (LQ)** 75% of the sample earns more and 25% earns less than this salary level.
- **Median** 50% of the sample earns more and 50% earns less than this salary level.
- **Upper Quartile (UQ)** 25% of the sample earns more and 75% earns less than this salary level.

STI – Short-Term Incentive is an annual incentive based on the performance of the group, team and / or individual performance.

TFP – Total Fixed Package is the total annual guaranteed cost to the group of employing an incumbent. The cost includes base salary, medical insurance, retirement fund contributions and certain market-related benefits. This excludes any form of variable remuneration.

TR – Total Remuneration is the total all-inclusive annual cost to the group of employing an individual. This cost includes Total Fixed Package and Short-Term Incentives as well as all statutory contributions such as UIF, skills levies, et cetera.

Variable Remuneration – variable remuneration is defined as all performance-related incentives based on the group's variable pay schemes.

2. PURPOSE STATEMENT

The Remuneration Policy addresses remuneration on a group basis and is one of the key components of the HR strategy, which fully supports the overall business strategy. The overarching purpose of the Remuneration Policy is to:



- **drive** the behaviour of all employees so that it is aligned to the overall group strategy in the short, medium and long term, within the group’s risk framework;
- **align** the strategic interests of the group and its senior executives, with those of its shareholders;
- **reflect** remuneration that is affordable, fair, responsible and transparent;
- **recognise** and **regulate** the principle of equal pay for work of equal value consistent with performance management, length of service, qualifications and skills;
- continually **attract, retain, motivate** and **reward** employees at all levels; and
- **promote** an ethical culture and responsible corporate citizenship.

3. KEY PRINCIPLES OF THE REMUNERATION POLICY

3.1 Remuneration Philosophy

- The group’s philosophy is to attract, retain and motivate employees who subscribe to the Group’s culture and values aligned to the Stefanutti Stocks Way as set out in 3.2 of this policy. The remuneration philosophy 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. The group 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 employees that are employed.

3.2 The Stefanutti Stocks Way

MISSION
A multi-disciplinary construction group delivering exceptional engineering solutions that enrich people's lives

VISION
Re-engineering the built environment

The Stefanutti Stocks Way is aligned to the vision and mission of the group and defined by the long-term business strategy. It is the compass which drives employees’ behaviour in achievement of the group’s vision and mission.



3.3 Key Remuneration Principles

The group 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 TFP to the Pay Structure as 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 whilst 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** mix by employee level between TFP and Variable Remuneration; Paying Total Remuneration (TR) which is targeted to be within the Upper Quartile (UQ) 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).
 - Appropriate industry benchmarks (external) and / or comparable internal benchmarks.
- Paying a Gain Share Incentive to eligible employees.
- STIs for Executive Directors 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;
- STIs for Paterson level E4 employees and above, excluding the Executive Directors, are earned under the DPSIS, which is reviewed from time to time based on industry best practice and market benchmarks;
- LTIs for executive directors are earned under the EDIS and awarded in terms of the FSP. Various long-term metrics, aligned with group and shareholder interests, are utilised in determining the level of awards to the Executive Directors;
- LTI 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; 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.



3.4 Market Position – TFP

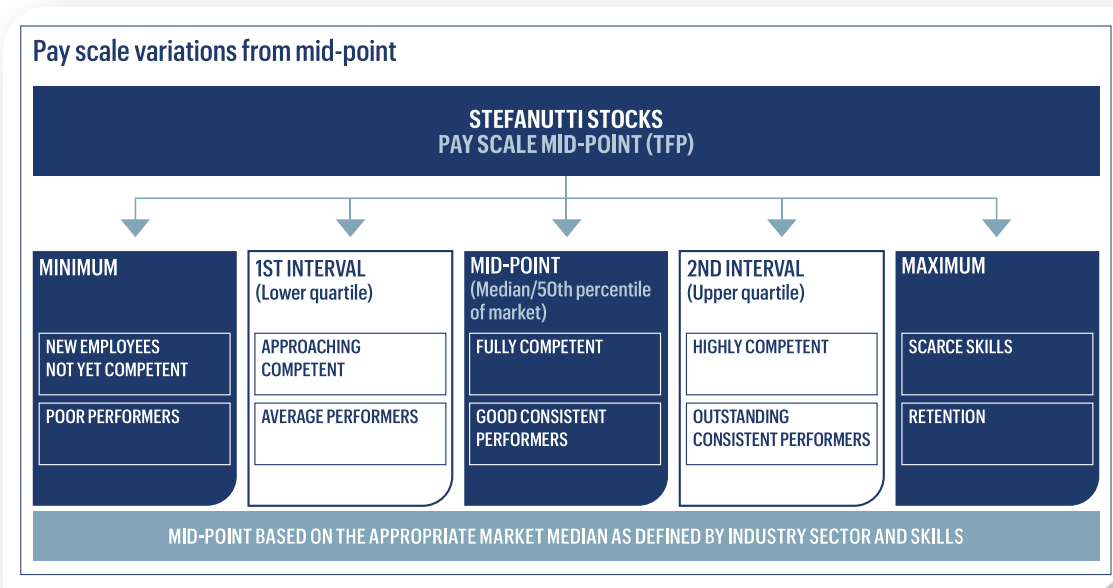
The group aims to pay TFP:



- At the appropriate market median (50th percentile) for employees, taking account of the guiding Remuneration principles based on the adopted Pay Structure;
- For certain key jobs where there are premiums due to scarce and/or technical / specialised skills, market pressures and/or employment equity targets, exceptions may be applied on the proviso that they are approved by the appropriate governing bodies;
- In exceptional cases, up to the Upper Quartile (UQ) may be considered for employees who are outstanding performers on a consistent basis; and
- The group stays abreast of market movements for key skills utilising external benchmarks provided by an independent external advisor, which inform the remuneration levels for these skills.

3.5 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 organisation, which enables the management of remuneration on a TFP basis for all 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 outlined graphically below.



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

The group endeavours to review the Pay Structure annually, on the proviso that the typical factors as outlined below warrant a review of the Pay Structure. This will be conducted prior to the annual review of remuneration.

Typically, a variety of factors, such as Consumer Price Index (CPI), affordability, group performance, market movements / trends, competitor remuneration, scarcity of skills are considered by the Remuneration Committee when reviewing the adjustment of pay scales.

3.6 Remuneration Review

A review of remuneration is conducted annually, and any resultant mandated increases are effective from 1 March each year.

Typically, a variety of factors, such as CPI, affordability, group performance, market movements / trends, competitor remuneration, scarcity of skills, etc is considered by the Remuneration Committee, to approve a mandate for increases.

Equalisation/performance related adjustments are considered on a case-by-case basis during the review process provided such adjustments are considered no less than four (4) months prior to the annual increase cycle and subject to approval by the appropriate governance bodies.

The group will manage the Gini-Coefficient through staggered percentage increases between the low- and high-income earners as and when deemed necessary, taking into account fair pay principles and statutory requirements.



3.7 Key Man Attraction and Retention Scheme

The primary purpose of this 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, short and long-term incentive 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 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.



3.8 International Assignees / Expatriates

The remuneration of International Assignees is guided by a separate international assignment cross-border remuneration policy which considers matters such as volatile exchange rates, weak and strong currencies, differences in cost-of-living between home and host countries, etc.

3.9 Payments on Termination of Employment

Upon termination of employment for all salaried employees including executives, the group will make payments as required in terms of legislation and the individual's contract of employment.



4. COMPONENTS OF REMUNERATION

4.1 Guaranteed Remuneration

All employees, including Executive Directors, Exco members and other directors, are eligible for guaranteed remuneration.

- When structuring guaranteed packages, the group applies a TFP approach.
- The TFP reflects the market value of the individual's skills, experience, and performance, as well as requirements for the role in which an individual is employed.
- The cash salary component is paid monthly, subject to statutory deductions.
- 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' chosen 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, unless the employee can prove that he/she is a dependent 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 insurance plan is also compulsory for Limited Duration Contract (LDC) employees.



4.2 Variable Remuneration

Since Variable Remuneration is self-funding, payout to an individual is dependent on the achievement of overall performance targets (i.e., individual KPA’s, 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-flow of the group.



4.3 Circumstantial Remuneration

Due to the nature of the business and the industry sector, Circumstantial Remuneration consists of specific allowances such as fuel, living-out allowances and other perquisites. These are paid to qualifying employees based on specific business requirements and will be a condition of employment for those qualifying employees.

4.4 Remuneration Framework

The framework below provides a guideline for interpreting the Remuneration Policy, showing remuneration components applicable to each employee category. Key Man Attraction and Retention payouts will be determined by scarce and/or critical skills and business operational requirements.

Element	Strategic objective	Executive directors	EXCO	Operational directors	Salaried staff	Salaried site staff	RSA expats	Wage staff	
TFP	Salary	✓	✓	✓	✓	✓	✓		
	Wage							✓	
	Pension fund	✓	✓	✓	✓	✓	✓		
	Provident fund	Paying market-competitive, guaranteed pay and benefits.							✓
	Medical aid		✓	✓	✓	✓	✓	✓	
	13th cheque		✓	✓	✓	✓	✓	✓	✓
	Funeral policy		✓	✓	✓	✓	✓	✓	✓
	Leave		✓	✓	✓	✓	✓	✓	✓
Incentive	STI		✓						
	LTI		✓						
	DPSIS			✓	✓			✓	
	Incentive bonus					✓			
	Site bonus					✓		✓	
	Gain share					✓	✓	✓	
Discretionary	FSP	✓	✓	✓	✓	✓	✓		
	Key Man attraction/retention	✓	✓	✓	✓	✓	✓		

5. CROSS-BORDER REMUNERATION

Remuneration principles for cross-border employees are covered in the cross-border policy.

6. REMUNERATION GOVERNANCE



The Board appoints the members of the Remuneration Committee.

The role of Remuneration Committee is to ensure that the Remuneration Policy is reviewed and updated as and when necessary and to oversee the setting and administration of the Remuneration Policy at all levels. The Remuneration Committee is also responsible for monitoring the implementation of the Remuneration Policy and reviewing its appropriateness in the context of existing market conditions, to determine whether the stated objectives are being achieved. The group has a centralised remuneration function that ensures the consistent application of the Remuneration Policy across all operating entities.

The Remuneration Committee will approve the appointment of the recommended external advisors and subject matter experts as and when required.

The group will ensure that it is compliant with all legislative and regulatory requirements pertaining to remuneration and employment conditions.

6.1 Shareholder Voting on the Remuneration Policy and Implementation Report

In line with King IV, the Group's Remuneration Policy and Implementation Report, set out in the remuneration report (in the integrated report), are tabled annually for a separate non-binding advisory vote by shareholders at the annual general meeting.

In the event of a 25% or greater dissenting vote on the remuneration policy or implementation report or both, the Remuneration Committee will engage with the shareholders:

- to ascertain the reasons for the dissenting votes,
- to ascertain where legitimate and credible concerns are raised, and
- to address such concerns.

This may require a review and amendment to the remuneration policy, remuneration governance and or processes, or merely a clarification of these.

The group will, with the assistance of professional advisors, stay abreast of changes in the Companies Act and other guidelines such as King governance guidance notes updates. Where required, the Remuneration Policy will be updated to be aligned to statutory requirements.

