Remuneration Strategy & Policy

In consultation with

KeyPoint Consulting

21st Century

January 2016
# TABLE OF CONTENTS

1. Purpose ................................................................. 3
2. Definitions .................................................................. 4
3. Remuneration Strategy .................................................. 5
4. Key Principles underpinning the Remuneration Strategy .... 7
5. Job Evaluation ............................................................ 7
6. Remuneration Mix ....................................................... 8
7. Market Stance and Pay Scales ......................................... 9
8. Guaranteed Pay Framework ........................................... 9
9. Variable Pay Framework ............................................... 11
10. Salary Reviews ........................................................... 14
11. Recognition Specialist and Business Imperative Skills .... 15
12. Determination of Salary ................................................ 16
13. Anchor Group’s Board of Directors ............................. 17
14. Remuneration Committee ............................................. 17
15. Conclusion ................................................................. 17

Appendix A Remuneration Committee Mandate .................... 18
1 PURPOSE

Anchor Group remunerates employees in line with the dynamics of the market and the context in which we operate. It will at all times align with the strategic direction of Anchor Group. As such, remuneration will play a critical role in attracting and retaining high performing individuals. We acknowledge that remuneration will never be a stand-alone management process, but will be fully integrated into other management processes such as the performance management system and the overall human resources policies. This policy must be read in conjunction with all legal requirements and other applicable policies.

In summary, the remuneration policy has the following purpose:

- It harmonises all the remuneration policies and practices for Anchor Group;
- It reflects the dynamics of the market and the context in which Anchor Group operates;
- It is aligned with the strategic direction of Anchor Group;
- It aims to attract, retain and motivate superior performance;
- It provides clarity and understanding on remuneration issues at Anchor Group.

This policy sets out Anchor Group’s guiding principles and application for each component of reward.

The guiding principles cover all categories of employment i.e. all levels of employees. The policy applies to all permanent employees who work for Anchor Group.
2 Definitions

The following definitions are applicable in defining Remuneration:

- **Reward** is defined as the recognition an individual may receive for their contribution to the organisation. The reward referred to in this document is typically reflected in the remuneration offered to the individual and can have both cash and non-cash components.

- **Total Cost to Company (TCC)** is the total annual guaranteed cost to the organisation of employing an incumbent.

- **Comparative Ratio** - The comparative ratio or “Compa Ratio” is simply the actual salary divided by the market reference salary, multiplied by 100, for the appropriate position.

- **Internal equity** refers to the relative grade assigned to different jobs within the organisation. Internal equity can be examined on two levels, namely horizontally, (i.e. between departments) and vertically (i.e. within one department).

- **External equity** refers to the competitiveness of the level of remuneration assigned to each grade and is based on the need to compete in a free market for skills.

- **Job Evaluation** refers to the systematic and objective process of determining the relative worth of a job in the Organisation utilising a structured process.
Remuneration quartiles are defined as follows:

- **10th Percentile (10th)** 90% of the sample earns more and 10% earns less than this salary level
- **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
- **90th Percentile (90th)** 10% of the sample earns more and 90% earns less than this salary level

## 3 Remuneration Strategy

Anchor Group’s Vision is to provide shareholders with positive returns, both in terms of income as well as capital growth.

The Vision is articulated through the strategies and the initiatives associated with the vision, which may be refined from time to time as the organisation develops. This is one of the most compelling reasons to review the remuneration planning process regularly.

Given the above, it is necessary to regularly re-evaluate the current remuneration system, within the context of Anchor Group's strategy, and, if there are any gaps of alignment, design and implement strategies, to close the gaps.

It is the purpose of Anchor Group's reward philosophy to underpin a positive organisational culture, address the key issues facing Anchor Group and provide the guiding principles on how reward strategies and policies should be formulated.
Rewards Vision

The rewards vision focuses on providing simple, integrated, holistic solutions, common messages and a package that is differentiated from the market. The reason for this is so that we are able to attract, retain and energise talented, high performing individuals.

The reward strategy is designed to be aligned with organisational strategy and the execution of that strategy. This in turn will maximise the performance and effectiveness of Anchor Group.

Anchor Group’s remuneration strategy is:

“To ensure that Anchor Group is seen as the employer of choice in the industry. It creates the appropriate environment that attracts and retains high performing, talented employees and it motivates them to perform at their optimum in alignment with Anchor Group’s goals.”

Guiding principles for the reward of Anchor Group staff are:--:

- Alignment with organisational strategy
- Alignment with remuneration strategy
- Optimises investment in people
- Motivates and drives outstanding performance
- Fair and equitable reward
- Reinforces teamwork and a culture of belonging and high levels of commitment
- Complies with relevant legislation
- Stands up to scrutiny by stakeholders
- Utilises experts as required
- Creates a culture of earned reward
4 Key Principles Underpinning the Remuneration Strategy

Several key principles are intrinsic to the strategy:

Principle 1 – We reward for outputs achieved, rather than reward for tasks, duties and responsibilities.

Principle 2 - Incentive/variable pay will be visible and based on performance.

Principle 3 - As pay is increasingly tied to competence acquisition, teamwork and performance, the proportion of variable pay to guaranteed pay would increase thereby offering greater rewards for performers. In line with the higher risk for the employee, so too, should the ability to earn more be increased with higher productivity and performance. This is an important principle for the creation of a high performance culture and the retention of high performers.

Principle 4 - The reward structure must be an outcome of sound management practices, not a substitute for it.

Principle 5 - The successful organisation works on the assumption that the required quality and volume levels are achieved. People should not be paid “extra” for achieving what they are paid to achieve. Output and quality levels are not voluntary.

5 Job Evaluation

Anchor Group is committed to utilising a job evaluation system. The purpose of job evaluation is to determine the relative worth of one job against another. It is recognised that the nature of the industry in which Anchor Group operates often results in positions overlapping and job titles being hard to define. Multi-skilled individuals are encouraged to cover a range of disciplines.

Where practical, each position in the organisation will be documented and evaluated in line with job evaluation principles. The job evaluation will be communicated to the incumbent, and will be utilised in determining pay structures that are fair and objective.

Job evaluation will also be utilised in other HR practices such as career pathing and recruitment.
Communication considerations

Anchor Group is committed to open communication with all employees about the design of remuneration programmes and of ongoing changes to them, with clear statements of what remuneration is designed to achieve. However, Anchor Group will exercise discretion and confidentiality regarding the specific and individual details of remuneration. The remuneration policy will be made public, but will at all times be underpinned and enacted in accordance with the principles set forth in this remuneration strategy.

6 Remuneration Mix

The reward mix reflects the relative proportions of remuneration represented by guaranteed and variable pay and will be meaningfully linked to job type and the nature of expected outcomes. A non-cash portion of reward is considered to be part of the reward mix, although not considered part of the cash remuneration mix.

Purpose of each component of remuneration:

- **Guaranteed Pay** (in the form of total cost to company) – Attraction and Retention of talented, high-performing people. This will be pitched at the market median (50th percentile) for support staff and the Upper Quartile (75th percentile) for Business Imperative and Specialised Skills staff. Identification of these Business Imperative and Specialised Skills staff will be detailed in this strategy. Anchor Group would like to position themselves as employers of choice in their industry. In order to achieve this, the remuneration component of the total employee proposition will need to remain market related.

- **Variable Pay** (Short and Long Term Incentive Schemes) – Attraction, Retention and Alignment with shareholder thinking and strategy i.e. toward achievement of annual strategic goals. Short term incentives will be for all employees and long term incentives will be aimed at senior and executive management.

- **Non-cash variable pay** (Recognition) – Support and reinforce a culture of belonging, performance and affinity.
7 Market Stance and Pay Scales

Within Anchor Group there are specialist and business imperative skills. Anchor Group has therefore adopted an approach of adopting two pay scales, applicable to them:

Pay Scale 1 (All Staff) – In order to find a balance between the need to employ staff at cost effective rates and the need to compete for scarce core skills, the market median is regarded as the most appropriate market reference point for all staff.

Pay Scale 2 (Specialist Skills and Business Imperative Skills) – In order to find a balance between the need to employ staff at cost effective rates and the need to compete for Specialist Skills and Business Imperative Skills, the market 75th percentile is regarded as the most appropriate market reference point for staff in positions designated “Specialist Skills and Business Imperative Skills”. The list of positions deemed “Specialist Skills and Business Imperative Skills” will be proposed by Anchor Group for approval by the Remuneration Committee.

8 Guaranteed Pay Framework

The following rules and guidelines apply to guaranteed pay, within the context of agreed job levels.

Total Cost to Company: Guiding Principles

- The level of guaranteed pay for an individual will be based on level of responsibility in the organisation and the size of the job.
- Pay for each job will be based on prevailing market forces and Anchor Group guiding principles of reward as stated herein.
- Where appropriate, guaranteed remuneration should recognise competency, technical skills and experience as applied to the job. In other words, Anchor Group will ensure pay that allows for remuneration according to levels of “fit” to job requirements (entry level and progression).
• Anchor Group defined market position is ideally the 50th percentile. For Specialist Skills and Business Imperative Skills, Anchor Group will target the upper quartile (75th percentile) of the market.
• The survey market for Anchor Group will comprise organisations of similar size, complexity and nature.
• It is recognised that the nature of the asset management industry is such that it is difficult to match employees against industry benchmarks as the pay variance for the same defined job can be vast, depending on the contribution of the employee.
9 VARIABLE PAY FRAMEWORK

SHORT TERM INCENTIVE
Anchor Group has a short term incentive scheme (bonus pool) which is aimed at sharing the success of the organisation proportionately with the employees. The aim of the scheme is to establish competitive earning opportunities, attract and retain high calibre staff and reinforce organisational performance. It seeks to encourage exceptional performance of employees.

The bonus pool is an annual amount that is calculated, in principle as 30% of the pre-tax profits of the organisation in the financial year. However, taking all factors into account, the Remcom has the discretion to adjust the bonus pool, in a range of 10-40% of operating profits. The scheme is self-funding and will vary from year to year.

All employees of Anchor Group are eligible to participate in this scheme, but participation is not a given. Employees who have commission-based formulae will tend to have limited participation in the scheme. Employees who are eligible to participate in the scheme are required to have completed a minimum of three months service and any incentive will be pro rata.

The sharing ratios for the bonus pool will be determined by the Remuneration Committee.

Payments are based on the bonus pool as well as personal performance against Key Performance Indicators. Payments are based on the applicable percentage of the total cost to company.

Senior employees are required to defer a portion of their bonus and invest this in Anchor Group’s CIS products for a period of three years. The portion to be deferred will be determined by the Remuneration Committee on an annual basis. The deferred portion can be cashed in each year, the percentage to be determined by the Remuneration Committee.
LONG TERM INCENTIVE: SHARES AND SHARE SCHEMES

Anchor Group operates an LTI Scheme that is a discretionary award applied to qualifying key employees, as approved by the Remuneration Committee ("Remco"). These employees will be approved for participation based upon, but not limited to, the following criteria:

- Accountability, responsibility and ability to influence the long-term performance of the organization;
- Current performance;
- Future potential;
- Criticality of skill;
- Scarcity of skill;
- Succession planning considerations.

The LTI Scheme provides participants with the opportunity to receive share awards based on predetermined conditions. The share awards can take the form of any, or a combination, of the following, at the discretion of Remco and in line with the share option scheme:

- Options;
- Performance shares;
- Any other form that Remco approves.

In line with the share option scheme rules, the equity awards will vest after years one, two and three in equal proportions.
Options

For those issued options, the default calculation is a gross value (based on strike price of shares) of one times cost to company. This will be viewed in the context of the number of unexercised options that the employee has the right to.

With regard to options, the awards will vest i.e. one third in each of years 1, 2 and 3. Awards that have vested can be exercised by the participant annually, up until 5 years after the award date, after which all vested but unexercised equity will lapse.

Quantum

Where options are awarded, the number of unvested shares, at point in time, is limited to 10% of the number of shares in issue.
10 Salary Reviews

The following principles will be followed in conducting comparative benchmarking:

- Targeting remuneration to identified market levels will be on the basis of Guaranteed Pay.
- Benchmarking will be conducted annually i.e. an external market comparison. If considered necessary.
- Expert independent remuneration consultancies may be used to provide the Remuneration Committee with market data to assist in remuneration decisions.

Annual Review

In order for Anchor Group to maintain an appropriate remuneration market comparison vis-à-vis the labour market, remuneration will be reviewed annually.

The overall aim and guiding principle is to continually manage the job and pay range per job, bearing in mind the issue of internal equity.

The organisation will review individual employee salaries on an annual basis in order to strive towards fair remuneration levels by taking cognisance of the basic approach set out above as well as of the need to eliminate any unfair discrimination. The review is directly related to the organisational performance and operational needs of the organisation and does not guarantee, nor imply that individual salary adjustments will necessarily be made.

Annual remuneration reviews will be informed by:

- Projected inflation
- Internal equity
- External market
- Affordability
- The individual results of the individual
11 Recognition Specialist and Business Imperative Skills

Anchor Group recognises that the external market will, from time to time, exert pressure on the organisation to make extraordinary decisions regarding two specific, time bound skills, namely:

- Specialist Skills – Defined as those skills that are paid a premium against their grade in the general market.
- Organisational Imperative Skills – Defined as those skills that are imperative to the continued operation of Anchor Group.

Such skills will be determined, from time to time, by management who will present this to the Remuneration Committee for approval and specific guidelines will be applied to each circumstance taking the following guiding principles into account:

- The Remuneration Committee will consider detailed motivations, signed off by at least two Executive Managers, from time to time.
- The identification of Specialist and Organisational Imperative Skills will be reviewed annually after acceptance of the original motivation.
- The implementation of a premium for Specialist and Organisational Imperative Skills will only be applicable to positions that are benchmarked against the 50th percentile.
12 Determination of Salary

All remuneration for new employees must be recommended by the relevant Executive Director and authorised by the Chief Executive Officer.

On Appointment Salaries
The determination of the total cost to company of a new recruit or internally promoted employee (one who has fully met the criteria to qualify for the job) should take place taking cognisance of market ranges, value added and what it will require to attract the employee to the new position or the organisational. In order to offset some of the risks associated with the assessment in a relatively short recruitment process, it may be appropriate to remunerate the employee at the lower level and assess competence and performance during the first few months of employment. Newly recruited employees' salaries may therefore be reviewed and adjusted in line with the market in the intervening period prior to the next scheduled general staff review process.

However, in certain instances it may be necessary to pay a premium in order to attract new skills to the organisation. This will only be done in circumstances where the potential candidate clearly exceeds the minimum requirements for the position applied for.

Internal Promotions
For internal promotions, a general guide is to place employees at the lower quartile of the pay scale. However, where this would be an increase of less than 10% of the employee’s pre-promotion salary a 10% increase would be granted.

Salary increase criteria
To be eligible to participate in Anchor Group salary increase mechanism, employees must comply with the following criteria:

- A pro-rated increase will be paid to employees who were not in the employ of Anchor Group entity for the full financial year to which the annual increase relates.
13 Anchor Group’s Board of Directors

Employee prosperity, including performance bonus payments, depends on the ability of Anchor Group to achieve set business objectives and Board targets as set from time to time, for a specific financial year.

A Remuneration Committee has been established as an advisory committee to the Board of Anchor Group that will make recommendations on all remuneration issues and payments in Anchor Group.

14 Remuneration Committee

The Remuneration Committee is contemplated in Appendix A. The purpose of this committee will be to make recommendations to Board of Anchor Group on the remuneration strategy in accordance with the principles contained in this document. The Remuneration Committee will at all times, act within the auspices and framework of the mandates as handed down from time to time by the Board of Anchor Group.

15 Conclusion

The Remuneration Strategy & Procedure is intended to guide the remuneration philosophy and policy in order to ensure that the remuneration processes support the achievement of Anchor Group’s vision.

This proposed policy should not be read in isolation as it is supported / complemented by the employment contracts and HR policies, and regulations that apply to Anchor Group.
APPENDIX A REMUNERATION COMMITTEE MANDATE

Remuneration Committee Mandate

1. Establishment of a Committee

1.1 A Remuneration Committee has been established with the powers and duties as set out below.

1.2 This committee will report to and derive its mandated powers from Anchor Group and conduct all of its proceedings subject to the authority of Board.

2. Membership of Committee

2.1.1 Anchor Group Remuneration Committee shall comprise of:

2.1.1.1 At least two non-executive directors;

The Committee will have access to consultants and experts as required.

3. Instructions to the Committee

The Committee will observe the following guidelines and procedures, subject to exercising its discretion, in the conduct of its activities.

3.1 Anchor Group recognises various elements of remuneration within its definition of the remuneration package for the purposes of formulating an effective remuneration policy.

3.2 To achieve an appropriate balance in the breakdown of the remuneration package, management make recommendations on the fixed elements of pay on the basis of an agreed total annual package amount. It will be the responsibility of the Committee to authorise these packages.

3.3 The proportionality of the different elements of remuneration will be compared against a salary survey on an annual basis.
3.4 The investigations and research to be conducted should be initiated timeously to allow sufficient time for the final recommendations and increase mandates to be submitted to the Remuneration Committee.

4. Powers of Committee

4.1 The individual members of the committee will have full access on request to all financial information contained in the books and records of Anchor Group, including all of the personnel records relating to any employee in respect of whom the committee will be making its remuneration recommendations.

4.2 The committee will be empowered to appoint external consultants for the purposes of obtaining salary survey information and for assisting in the conducting of the review. The committee will also be entitled to consult with Anchor Group attorneys where necessary.

5. Proceedings

The chairperson will be responsible for the convening of the committee, maintaining minutes and copies of all reports and data which have been utilised by the committee in making its recommendations as well as the communication of decisions to the Board where applicable.

1. Responsibilities

1.1 The responsibilities of the Committee include a review of and recommendations on:

(a) the organisation’s Remuneration Policy and framework and

(b) Executive and non-executive directors remuneration.
2. Executive Remuneration

2.1 In considering the organisation’s Remuneration Policy and levels of remuneration for executives, the Committee makes recommendations which:

(a) motivates to pursue long term growth and success of the organisation within an appropriate control framework;

(b) demonstrates a clear correlation between senior executives performance and remuneration;

(c) aligns the interests of key leadership with the long-term interests of the organisation; and

2.2 To the extent that the Organisation adopts a different remuneration structure for executive employees, the Committee shall document its reason for the purpose of disclosure to stakeholders.

3. Non-Executive Remuneration

3.1 In considering the organisation’s Remuneration Policy and levels of remuneration for non-executive directors, the Committee makes recommendations to the shareholders to ensure that:

(a) fees paid to non-executive directors are within the aggregate amount approved by the Board and make recommendations to the Board with respect to the need for increases to this aggregate amount.

(b) non-executive directors are remunerated by way of fees (in the form of cash);

(c) non-executive directors are not provided with retirement benefits; and

(d) non-executive directors are not entitled to participate in equity-based remuneration schemes designed for executives without due consideration and appropriate disclosure.

3.2 To the extent that the organisation adopts a different remuneration structure for its non-executive directors, the Committee shall document its reasons for the purpose of disclosure to stakeholders.
4. Incentive Plans and Benefit Programs

4.1 The Committee is to:

(a) review and make recommendations concerning short and long-term incentive compensation plans.

(b) ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and

(c) continually review and if necessary improve any existing benefit programs established for employees.

5. Authority and Resource

5.1 The organisation is to provide the Committee with sufficient resources to undertake its duties. The Committee may seek input from individuals on remuneration policies, but no individual should be directly involved in deciding their own remuneration.

5.2 The Committee has the authority, as it deems necessary or appropriate, to obtain advice from external consultants or specialists in relation to remuneration related matters.