



# Distell Group Limited

## Terms of Reference: Remuneration and Nomination Committee (RemCo)

### 1. Introduction

- 1.1. The Remuneration and Nomination Committee (“the RemCo”) is constituted as a committee of the Board of Directors (“the Board”) of Distell Group Limited (“Distell”). The duties and responsibilities of the members of the RemCo are in addition to those as members of the Board.
- 1.2. The deliberations of the RemCo do not reduce or replace the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and skill in accordance with their statutory and common law obligations.
- 1.3. These terms of reference are subject to the provisions of the Companies Act, No. 71 of 2008 (as amended), the Company’s Memorandum of Incorporation, the JSE Listing Requirements, the King Report on Governance for South Africa 2009 (King III) and any other applicable law or regulatory provision.
- 1.4. The RemCo assists the Board in fulfilling its oversight responsibility to shareholders by ensuring that Distell and its related bodies corporate adopt remuneration policies and practices that create value for the company over the long term. These policies and practices should be aligned with Distell’s strategy and be linked to the individual’s contribution to Distell’s performance.

### 2. Purpose Of The Terms of Reference

- 2.1. The purpose of these terms of reference is to set out the RemCo’s objectives and responsibilities, the requirements for its composition, meeting procedures and reporting requirements.

### 3. Objectives and responsibilities Of The RemCo

- 3.1. To consider and recommend to the Board a Remuneration Policy (Group Remuneration Policy) and to assess the Group Remuneration Policy’s effectiveness, for final approval by the shareholders. In particular, the RemCo must be satisfied that:
  - (a) all applicable provisions regarding remuneration and its disclosure as set out in relevant laws and regulations are appropriately reflected in the Group Remuneration Policy;
  - (b) the Group Remuneration Policy encourages behaviour that supports Distell’s long term financial soundness, growth and success within an appropriate risk management framework;
  - (c) the Group Remuneration Policy demonstrates a clear relationship between individual performance and remuneration; and
  - (d) the Group Remuneration Policy specifies an appropriate mix of remuneration, reflecting the short and long term performance objectives appropriate to Distell’s circumstances and goals.
- 3.2. Ensure an appropriate comparator group is selected when comparing remuneration levels;
- 3.3. Ensure that fixed and variable pay are compared against relevant market comparators on a regular basis to establish compliance with the Remuneration Policy and strategy;
- 3.4. To review and approve short term and long term incentive plans for Distell and in relation to the Share Appreciation Rights Scheme, including the hurdle rate (if applicable) and targets of the annual incentive program or scheme, as well as the salient features and criteria thereof;
- 3.5. Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives;
- 3.6. Consider and recommend material changes to recruitment, contracts of employment, retention and termination policies and procedures;
- 3.7. To review and approve the individual remuneration levels of the Managing Director (MD), Group Executives and other Executives who report directly to the MD, with regards to
  - (a) fixed remuneration levels;

- (b) short and long term remuneration design, rules, targets, outcomes and awards; and
  - (c) any other forms of remuneration.
- 3.8. To review and recommend to the Board the individual remuneration levels of the Non-Executive Directors (including independent Non-Executive Directors), for final approval by the shareholders;
- 3.9. To oversee general remuneration practices across the Distell Group;
- 3.10. To mandate salary increases for all staff;
- 3.11. To serve as a nominations committee. The duties of the committee is to:
- (a) Review and recommend to the Board the size and composition of the Board and the criteria for Board membership;
  - (b) Assist the Board in identifying the necessary and desirable competences of Board members and maintaining an appropriate mix of skills, experience, expertise and diversity on the Board;
  - (c) Assist the Board in identifying appropriate individuals as potential candidates for Board membership and re-election;
  - (d) To craft succession plans for Executive and Non-Executive Directors;
  - (e) Develop a process for the evaluation of the performance and independence of the Board, its committees and individual Directors (including Executive, Non-Executive and independent Non-Executive Directors and the Company Secretary) and implement a process to identify, assess and enhance the skill set of Directors;
- 3.12. To deal with matters incidental to its duties.

#### **4. Composition**

- 4.1. The RemCo membership and the Chairperson of the RemCo will be as appointed from time to time by the Board, provided that:
- the Chairperson of the Board may be a member of the RemCo, but must not be the Chairperson of the RemCo; and
  - the Chairperson of the Board must be the Chairperson of the Nomination Committee (however, if the Chairperson of the Board is not an independent non-executive, then the Lead Independent Non-Executive Director must chair the Nomination Committee.
- 4.2. The RemCo will consist of not less than three non-executive Directors of Distell. All RemCo meetings must be attended by more than 50% of the members (if such a committee consists of three members, then at least two should be present).
- 4.3. All members must be independent non-executive Directors and free from any business or other relationship that, in the opinion of the Board, could materially interfere with the exercise of his/her independent judgement as a member of the RemCo.
- 4.4. The MD of Distell shall be invited to attend RemCo meetings but will not be a member and have no voting rights. The MD must not be present during discussions regarding his/her own remuneration.
- 4.5. The Chairperson may invite other Executives to attend all or part of a RemCo meeting, but should not participate if they have an interest in the matter under consideration.
- 4.6. The members of the RemCo may invite subject matter experts that have sufficient qualifications, experience and competence in Human Resources and Reward to attend meetings in order to provide the rationale for recommendations and decisions.

#### **5. Meetings**

- 5.1. The RemCo will meet at least twice each year, or more frequently as circumstances dictate. Unless varied by these terms of reference, meetings and proceedings of the RemCo will be governed by the company's Memorandum of Incorporation regarding the meetings and proceedings of directors and committees.
- 5.2. The RemCo must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual work plan must ensure proper coverage of the matters laid out in these terms of reference. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual work plan.

- 5.3. The secretary of the RemCo will be the Group Company Secretary. The agenda and supporting documentation will be circulated to the RemCo members and other invitees within a reasonable period in advance of each meeting.
- 5.4. The minutes must be recorded, circulated to the members of the RemCo, and approved at the next RemCo meeting.
- 5.5. Should the Chairperson of the RemCo be absent from any meeting of the RemCo, the members of the RemCo present at that meeting will appoint an alternative chairperson for that specific meeting, adhering to paragraph 4.1.
- 5.6. The RemCo may adopt such rules and regulations as it deems appropriate for the conduct of its affairs, provided only that they are not inconsistent with the Johannesburg Stock Exchange (“JSE”) Listings Requirements, Distell’s Memorandum of Incorporation, any resolution of the Board or any other applicable law or regulatory provision.

## **6. Reporting**

- 6.1. The RemCo shall regularly update the Board about RemCo activities and critical issues, including compliance with these terms of reference, and make appropriate recommendations through:
  - (a) Feedback by the Chairperson of the RemCo on each meeting of the RemCo; and
  - (b) The Chairperson of the RemCo drawing the Board’s attention to any matter of significance.
- 6.2. At the discretion of the Chairperson and members of the RemCo, any relevant matters deemed to be of significance should be referred to the Board for its attention, taking into account the guidelines of King III.
- 6.3. The RemCo will oversee the preparation of any reports required by law or the JSE Listings Requirements or requested by the Board including relevant remuneration sections of the integrated annual report and other shareholder documents.

## **7. Authority and Delegation To Act**

- 7.1. The RemCo acts in terms of the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.
- 7.2. The RemCo, in the fulfilment of its duties, may call upon the chair of the other Board committees, any of the Executive Directors, officers or company secretary to provide it with information relating to the company.
- 7.3. The RemCo has full access to the Company’s records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 7.4. The RemCo may, in its discretion, delegate some or all of its duties and responsibilities to the Chairperson of the RemCo, the Chairperson of the Board or any individual RemCo member and may delegate any of its duties and responsibilities to a sub-committee of the RemCo.
- 7.5. To the extent that the RemCo deems necessary, the RemCo has the authority to retain independent legal, accounting, risk or other advisors and engage or terminate such advisors on its own terms.
- 7.6. The RemCo may obtain independent advice to assist it in the performance of its responsibilities and duties. Any engagement of a remuneration consultant to provide a remuneration recommendation must be approved by the RemCo.

## **8. Amendments To The Terms Of Reference**

- 8.1. These terms of reference should be reviewed at least annually and changes required should be recommended to the Board for approval in order for them to be binding.
- 8.2. These terms of reference were approved by the chair of the board and chair of the RemCo on **27 January 2015** and will be due for review at the first RemCo meeting of 2016.