Remuneration Policy

Our Remuneration Policy aligns the interests of senior executives and employees with the interests of shareholders and the Group's overall business strategy. We attract, retain and reward talented employees, by offering compensation that is fair and competitive within our industry.

Key principles of the Remuneration Policy

We have a Remuneration Policy in place to support our remuneration approach. This Remuneration Policy is based on the following key principles:

- Reward, retain and, where necessary, attract talent through fair, transparent and competitive remuneration.
- Reward short-term and long-term performance by linking STIs to operational, financial and other targets and long-term incentives to achieve the strategic objectives of Famous Brands.
- Key focus areas are reflected in the scorecard of executive management and the annual performance evaluations for employees. Scorecards reflect KPAs and the associated KPIs.
- We reward for value created, contribution and performance to ensure alignment with shareholder interests.
- Employee rewards are influenced by individual, and Company performance and employees' contributions are recognised by way of a discretionary performance bonus.
- Bargaining unit employees are subject to the terms of wage agreements and are part of a "basic plus benefits" remuneration scheme.

Fair and responsible remuneration

The remuneration principles are underpinned by a fair and responsible remuneration approach where:

- Remuneration must be free from any form of discrimination.
- Market benchmarking refers to the correct remuneration bands and levels with progression reflected for experience and accountability.
- Remuneration design and application must drive internal and external parity.
- All the applied remuneration components are designed and implemented within the applicable tax and regulatory requirements.
- Performance and value are defined and measured over the short, medium and long terms and protect our shareholders' interests.
- An overarching drive for the correct moral and legally defensible remuneration practices.

The Group continues to focus on developing an equitable workplace. It is committed to equal pay, remuneration for equal value of work and gender equality in line with the JSE Listings Requirements, King IV guidelines, and our diversity policy. Furthermore, we continue to develop the leadership succession pool and have implemented strategies to attract, motivate and retain a skilled workforce through fair, responsible, transparent and competitive remuneration.

Quick fact

In South Africa, pay audits are conducted in terms of the Code of Good Practice on Equal Pay/ Remuneration For Work of Equal Value (Code of Good Practice) under the Employment Equity Act, No 5 of 1998 (as amended) (Employment Equity Act).

The principle of equal pay applies to work that is the same, substantially the same or of equal value (referred to as work of equal value), when compared to an appropriate actual comparator of the same employer. This means where comparable work is of equal value, employees rendering such comparable work should not be paid unequal pay where differentiation between them is based on a prohibited ground of discrimination or on grounds that are found to be arbitrary.

As part of the annual salary increase exercise in March of each year, Famous Brands conducts an equal pay for equal work audit. The following interventions were applied this year in response to findings from this audit:

- Employees paid unjustifiably low compared to others doing comparable work: 81 employees' salaries adjusted to at least the 25th percentile of the relevant internal pay scale.
- Incorrect job titles, rendering equal pay analysis inaccurate: 10 job titles amended to reflect correct jobs and allow accurate comparison.
- Incorrect job grades, rendering equal pay analysis inaccurate: 43 job grades corrected to reflect correct grades and allow accurate comparison.

Components of remuneration in 2022

The remuneration landscape and eligibility are set out on page 130. The table that follows sets out our remuneration structures.

Operation and objective	Maximum opportunity	Performance measures
Base salary | Targeted at the 50th percentile of the market benchmark		
• Reviewed annually in May after audited results. • Increase backdated and effective 1 March of each year. • The CEO makes recommendations regarding Exco to the Committee, and does not make recommendations on his base salary, which the Committee reviews.	• Informed by CPI upward or downward adjustment to recognise individual performance. • The overall increase pool is expressed as and limited to a percentage agreed by the Committee. • Business unit employee increases are based on wage agreements.	Individual performance is reviewed on a scale of 1 to 5. The performance rating determines the percentage of the CPI increase pool that an executive will receive. Performance is measured against specific KPIs approved by the Committee.
Retirement fund | Provides a retirement benefit		
• The funds vary depending on jurisdiction and legislation. • All Company-related funds are defined contribution funds. • Any Company contribution is part of TCC.	In line with country-specific legislation.	Not applicable.

Operation and objective	Maximum opportunity	Performance measures
Medical insurance | Provides medical aid assistance		
• The funds vary depending on jurisdiction and legislation (some countries have national insurance). • Any Company contribution towards a medical aid fund is part of TCC.	All contributions to medical aid funds form part of the total guaranteed package, in line with Company policy.	Not applicable.
Benefits | Provided to ensure broad competitiveness in the respective markets		
Benefits are provided based on local market trends. They can include items such as life assurance, disability and accidental death insurance, assistance with tax filing, cash in lieu of leave not taken (above legislated minimum leave requirements) and provisions under the executive travel guidelines.	In line with Company policy.	Not applicable.
Bonus | Discretionary		
A bonus is provided based on individual performance, subject to Company performance criteria.	• Up to 120% of one month's TCC. • Sliding scale adjustment to recognise individual performance.	Individual performance is reviewed on a scale of 1 to 5. Performance ratings of less than 3 do not qualify.

Short-term incentives

Objective	The STI is designed to drive the short-term strategies of Famous Brands and ensures that participants deliver on the key priorities for the year. These have been designed to align and deliver on both the Company and shareholder interests. It incentivises and drives the motivation of participants, contributes to the attraction and retention of scarce human resources, and rewards superior performance.
Timing	Ordinarily, 25% of the STI is paid after the half-year results finalisation, and the balance is paid after the finalisation of annual audit and Board approval of financial results.

Operations

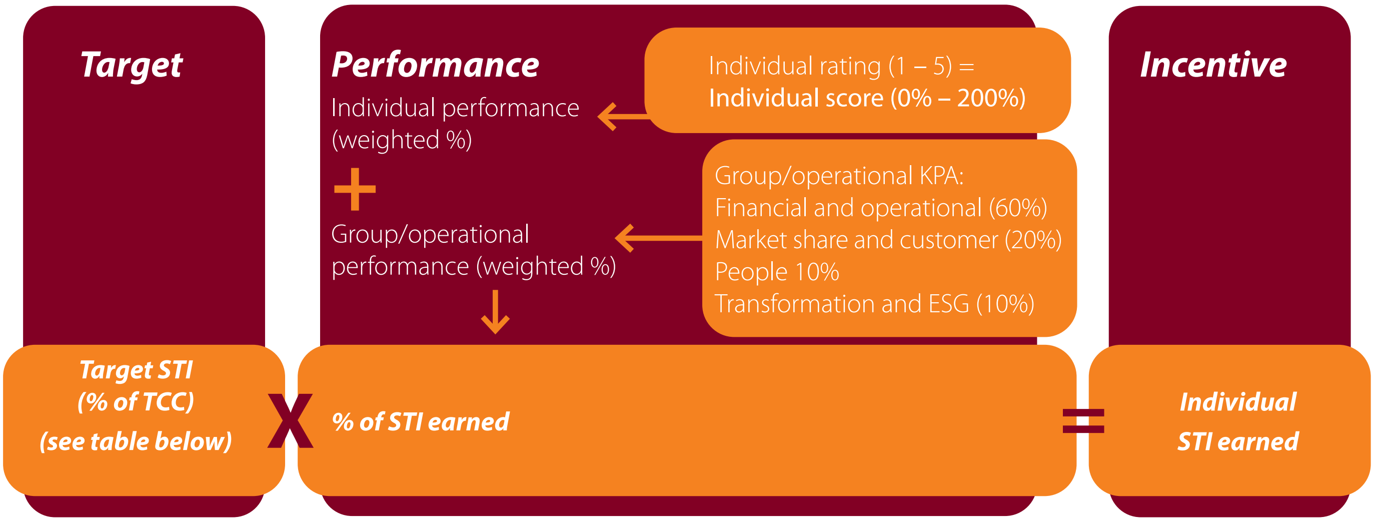
Target STI is a targeted amount applicable to a person's grade (a percentage of TCC). Actual STI earned depends on performance.

The conceptual formula to determine actual STI earned, is:

- Individual's STI earned = Target STI (% of TCC for grade/role) x % of target earned (determined by performance).
- Target STI is determined by market benchmarked targets and is validated regularly.
- Performance score is determined by individual and Group/operational performance relevant to the individual's role, to create line of sight between business performance and individual reward. These are weighted and collectively provide a weighted score for the individual.

REMUNERATION POLICY continued

Graphically, this can be explained as follows:



Target STIs by level and role:

Paterson Grade	Target STI %	Capped at maximum STI %
F upper – CEO	60	120
F lower – Group Financial Director	45	90
F lower – Other	35	70
E	15	30
D upper	10	20

To drive line of sight principles, STI earnings are linked to areas where the executive has accountability and the ability to influence. The percentages reflect the relative weighting of performance on the ultimate combined scorecard of the participant.

Relative weighting of performance %:

Position	Group	SA	Non-SA	Individual
CEO and Group Financial Director	70			30
Other Group executives	30			70
AME executive	10		60	30
SA divisional executives		70		30
UK /AME divisional executives	30		40	30

Before the start of each half-year, the Board approves KPAs and associated KPIs. The 2022 Group scorecard is:

<table>
<tr><th>Key performance areas</th><th>KPIs and targets</th></tr>
<tr><td>Financial performance and operational plan performance
(60%)</td><td>2022 measures and targets
<table>
<tr><th>Measure</th><th>Weighting %</th><th>Target</th><th>Outcome</th></tr>
<tr><td>HEPS</td><td>50</td><td>Growth of 87% – 101%</td><td>Achieved</td></tr>
<tr><td>EBITDA</td><td>50</td><td>Growth 45% – 52%</td><td>Achieved</td></tr>
</table></td></tr>
<tr><td>Market-share performance and customer measures
(20%)</td><td>• Google ratings:
<i>Outcome: Partially achieved</i>
• Net store growth
– AME net store growth:
<i>Outcome: Achieved</i>
– Leading Brands; Signature Brands; UK:
<i>Outcome: Not Achieved</i></td></tr>
<tr><td>People performance
(10%)</td><td>• The Voice your View survey results, reflecting employee satisfaction and engagement.
<i>Outcome: Achieved.</i>
• Exco succession (Identified successors for Exco roles).
<i>Outcome: Achieved.</i>
• Executive stability ratio. This ratio is the level of attrition by voluntary resignations among executives.
<i>Outcome: Achieved.</i></td></tr>
<tr><td>Transformation and ESG
(10%)</td><td>• BBBEE rating: Retain level 4. <i>Level 4: Achieved.</i>
• Management control (Employment equity):
<i>Outcome: Achieved.</i>
• Enterprise and supplier development:
<i>Outcome: Achieved.</i>
• Injuries on duty.
<i>Outcome: Achieved.</i>
• Sustainability targets including GHG Emissions and water usage.
<i>Outcome: Partially achieved</i></td></tr>
</table>

Individual performance is reviewed on a scale of 1 to 5. Performance ratings of less than 3 disqualify a participant from the STI scheme.

Rating	Score %	Outcome
1 or 2	**0**	**No STI**
3	**100**	
4	**150**	
5	**200**	**Capped**

The combined outcome of the individual performance, and performance against the KPAs and KPIs, result in the actual percentage of target STI earned (which has a maximum cap).

The table below indicates how line of sight is achieved between combined performance and the individual's level of STI earned, supporting the principle of rewarding exceptional performance.

Weight the score	% of target STI
< 100%	**0**
> 104%	**125**
> 108%	**150**
> 112%	**175**
> 116%	**200**
> 117%	**200 (Capped)**

Long-term incentives

Objective

The LTI is designed to drive the longer-term strategic and sustainable focus of Famous Brands, ensuring alignment between the long-term interests of executives and shareholders. It serves as a wealth creation mechanism for executives and drives the creation of shareholder value when strategic performance drivers are met.

Vesting structure and methodology

Initial vesting

- 33.33% – Year 3
- 33.33% – Year 4
- 33.33% – Year 5

Top-up vesting

No vesting period

Individual LTI earned = [TCC] X [Award multiple]

Therefore, top-ups are required to maintain TCC x multiple equation

Award value of unvested shares = [TCC] X [Award multiple]

LTI SPLIT:

SARs 75%	RSs 25%

Conditions:

- Company performance (KPAs per award letter)
- Share price must increase over vesting period
- Service condition

Condition:

- Service condition
- Minimum performance rating: 3 (meets expectations)

	Target multiple to be held at a point in time		Annual Award of 0.33% of target	
Role/Grade	**SARs**	**RSs**	**SARs**	**RSs**
Chief Executive Officer	6.53	0.55	2.18	0.18
Group Financial Director	5.60	0.47	1.87	0.16
F – Lower	4.67	0.40	1.56	0.13
E – Upper	3.54	0.30	1.18	0.10
E – Lower	2.84	0.24	0.95	0.08
D – Upper	2.13	0.18	0.71	0.06

The Company target multiple is lower than market medians

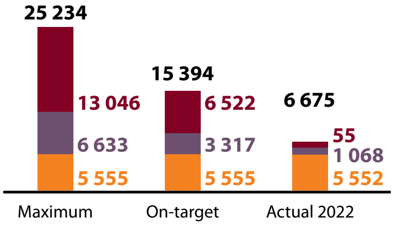
Performance conditions applied to determine vesting of SARs

Company performance	Weighting
ROCE WACC determined at 28 February 2022	**50%**
Absolute TSR 30-day VWAP share price + cost of equity. Determined on 28 February 2022	**50%**

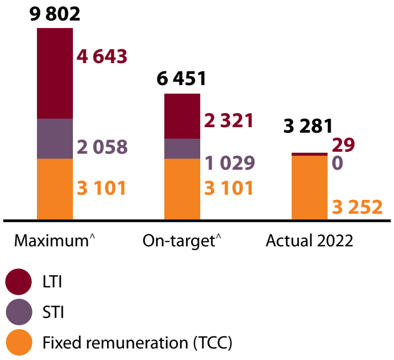
Potential consequences of performance on Executive Remuneration

The following illustrative example shows the impact of performance on maximum and on-target remuneration, compared with actual remuneration. The Group Financial Director graphic is in relation to Ms Lebo Ntlha, who resigned as Group Financial Director and left Famous Brands' service on 30 November 2021. The values reflect her potential and actual earnings up until her resignation date. Further details are in the Implementation report page 148.

Pay for performance: CEO (R million)



Pay for performance: GFD* (R million)



^ ***Maximum LTI*** *is depicted at the Famous Brands annual award quanta (One third of target holding multiple). LTI on target is depicted as 50% of the maximum. Maximum and* ***on target*** *have no COVID-19 modification.* ***Actual 2022*** *values are earnings in the reporting period.*

* *The previous Group Financial Director resigned on 30 November 2021. The new Group Financial Director commenced service on 1 August 2021, hence his compensation is not reported here. Compensation details are in the implementation report, on page 148.*

Ancillary policies – Executive management

Minimum shareholding requirements

Executive directors shall build and maintain a minimum holding of Famous Brands shares:

Executive directors may sell only up to 50% of their shares that vest until they have reached their minimum shareholding requirement.

Malus and clawback

Famous Brands have implemented malus and clawback provisions that enable adjustments to variable pay. The Board may act on the recommendation of the Committee to reduce/cancel/adjust unvested variable remuneration (malus), or to recover (clawback) vested/paid variable remuneration where there is reasonable evidence that an executive director of Famous Brands materially contributed to, or was materially responsible for, but not limited to:

- Personally acting fraudulently or dishonestly or in a manner that adversely affects the Company's reputation, or which is characterised as gross misconduct.
- Directing an employee, contractor or adviser to act fraudulently, dishonestly or to undertake other misconduct.
- Receiving an STI or LTI award because of fraud, dishonesty or a breach of obligation committed by another person.
- Receiving an STI or LTI award because of an intentional error in calculating a performance measure.

Service contracts

All members of the executive team, except the Group Financial Director, have permanent employment contracts that entitle them to standard Group benefits as defined by their specific region and participation in the Company's STI and LTI.

The Group Financial Director is on a two-year fixed-term contract.

The executive management team has a three-month notice period.

Recruitment Policy

When recruiting new executives, a comparative benchmarking exercise is done to determine the size, nature and complexity of the role and the skills availability in the market, prior to making a competitive offer.

For new appointments, the Committee may compensate for remuneration forfeited by the appointee (STI, LTI, or any other relevant and valid element). The intention is to not grant more than what the executive would have received from the Company in a 12-month period. The Committee does have the discretion to compensate higher values if it can be demonstrated through a fair-value valuation that the forfeited amounts exceed the grants. The Committee will compensate the forfeitures through a combination of equity and cash.

Termination Policy

The executive management team typically does not have fixed-term contracts, and contracts are therefore open-ended. Exceptions include where prescribed retirement ages apply, or where specific circumstances justify the appointment on a fixed-term basis. Contracts do contain defined termination notice periods. The incentive scheme rules are clear on the termination provisions by termination category.

In the event of termination, the Company has the discretion to allow the executive to either work out their notice period or to pay the TCC for the stipulated notice period in lieu of notice.

Employment contracts do not oblige Famous Brands to pay special severance or compensation on termination of employment contracts arising out of failure or incapacity to perform, or underperformance against contracted objectives.

Voluntary resignation	Dismissal/ termination for cause	Normal and early retirement, retrenchment and death	Mutual separation
Base salary			
Paid over the notice period or as a lump sum.	Paid up to the date of dismissal (exit date).	Paid up to the date of retirement or death or for a defined period based on policy and legislation governing retrenchment conditions. Death benefits are paid to the spouse (if relevant).	Paid over the notice period or as a lump sum or per agreement to remain on payroll until agreed date.
Retirement fund			
Provident fund contributions for the notice period will be paid. The lump sum does not include provident fund contributions unless contractually agreed.	Contributions to provident fund will be paid until employment ceases.		Provident fund contributions for the notice period will be paid. The lump sum will exclude provident fund contributions and risk benefits.
Medical provisions			
Where applicable, medical provision for the notice period will be paid.	Medical provision/payment will be provided until employment ceases.	Medical provision/payment will be provided until employment ceases. Subject to the medical aid rules, the employee can become a direct paying member of the medical aid.	Medical provision for the notice period will be paid; the lump sum can include medical fund employee contributions if contractually agreed.
Benefits			
Applicable benefits may continue to be provided during the notice period but will not be paid on a lump-sum basis.	Benefits will fall away when employment ceases.	Benefits will fall away when employment ceases.	Applicable benefits may continue to be provided during the notice period.

Voluntary resignation	Dismissal/ termination for cause	Normal and early retirement, retrenchment and death	Mutual separation
STI			
No STI		No bonus, but Committee has the discretion to award pro-rata STI.	No bonus, but Committee has the discretion to award pro-rata STI.
Sign-on or retention deferred bonuses			
Lapse all deferred bonuses.		Pro-rata deferred bonuses based on the length of employment from the date of allocation.	Committee determines whether a pro-rata portion may be granted. Work-back clause may not apply.
Sign-on bonus work-back clause will apply – i.e. if not worked back in full, pro-rata repayment.			
LTI			
Unvested shares will lapse in their entirety.	Lapse of all unexercised and unvested shares; vested shares will be unaffected.	Pro-rata unvested LTIs are based on the length of employment from date of offer. Performance conditions are tested over the full performance period and vest on the normal vesting dates. (In case of death, test performance as per the latest results applies immediate vesting).	Committee determines whether a pro-rata portion may be granted (or the Board in the case of the executive directors). Performance conditions are tested over the full performance period and vest on the normal vesting dates.

Non-executive directors

The Company's non-executive directors are paid based on their role. The policy is applied using the following principles:

- A Board fee is paid for the five Board meetings held each year, and the Committee members receive Committee fees for participation. The fees are split with a base fee of 20% and the remaining 80% paid based on meeting attendance. Each director's fee is paid quarterly in arrears.
- Fees are reviewed annually, and increases are implemented from June after approval by shareholders at the AGM. The level of fees is set using a benchmark comparable group derived from companies with similar size, complexity and geographic spread.
- The non-executive directors are not eligible to receive any short or long-term incentives.
- The Committee approved the fees of non-executive directors as follows:
- A 4% increase for financial year 2021 and 2022.
- R2 500 per hour fee for consulting services.

The 2023 proposed fee increases are to be approved by shareholders during the next AGM are:

- Chairman of a Committee 4.5%.
- Member of a Committee 4.5%.
- Additional fee of R2 613 per hour for consulting services.