# Remuneration Policy:

## Directors and executives

**Approved by the board on 30 November 2018**

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# Remuneration Policy: Directors and executives

## 1. INTRODUCTION

*1.1. This remuneration policy and its execution is the responsibility of the human resources and remuneration committee of the board. The human resources and remuneration committee assists the board in ensuring that the group can attract and retain the very best entrepreneurial, engineering and leadership talent across the globe, in an increasingly competitive environment. It focuses on delivering fair, responsible and transparent remuneration driving the achievement of the group's strategic objectives and ensuring alignment between shareholder outcomes and employee compensation in the short, medium and long term.*

*1.2. We believe that diverse teams produce the very best results and we are committed to creating workplaces that are inclusive and welcoming to people of diverse origins, preferences, backgrounds and perspectives. Our remuneration policy underpins this commitment.*

*1.3 Policies and practices align the remuneration and incentives for executives and employees to the group's business strategy. Group companies are responsible for developing their own policies and benefits within the parameters of group remuneration policy and local laws, as well as each company's needs.*

*1.4. Naspers has an integrated and balanced approach to its reward strategy that aligns stakeholder interests. Accordingly, individual reward components are aligned to the business-specific value drivers of the group. Our primary objectives include: promoting superior performance; directing employees' energies to key business goals; achieving the most effective returns for employee spend; and addressing diverse needs across differing cultures.*

## 2. NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive directors receive annual remuneration, as opposed to a fee per meeting, which recognises their ongoing responsibility for efficient control of the company. This is augmented by compensation for services on committees of the board and the boards of subsidiaries. A premium is payable to the chairs of boards and committees.

Remuneration is cash-based only and is reviewed annually. It is not linked to the company's share price or performance. Non-executive directors do not qualify for share option, share appreciation rights or restricted stock allocations under the group's incentive schemes. Supported by independent advice, the human resources and remuneration committee makes its recommendations to the board which, in advance, annually recommends the remuneration of non-executive directors for approval by shareholders.

## 3. EXECUTIVE REMUNERATION

### GROUP REMUNERATION FRAMEWORK

Remuneration throughout the organisation has been designed to aid the recruitment and retention of vital skills in a competitive and global market. Our three-tier remuneration structure provides an appropriate balance between guaranteed annual remuneration and variable remuneration, which is directly linked to performance that enhances shareholder value:

1. **Guaranteed fixed pay for performing the contractual role,** which may include a base salary and employment-related benefits such as pension, medical insurance, etc. Remuneration packages are reviewed annually in light of business performance and compared with reported figures for similar positions globally to ensure they are fair and sensible. Wherever possible, independent consultants provide benchmarks. We have no specific group policies to,

for example, pay at the median of the market, as the requirements of a group serving a multitude of countries differ widely.

2. **Annual performance-related incentives or short- term incentives (STIs)** for achieving annual financial and strategic and operational targets (eg growth in consumer numbers, consumer satisfaction, new market development etc). Whereas for executive directors these targets are set at a Naspers group level, for senior management, these targets are closely linked to the performance of the specific business unit for which they have responsibility. The incentive plan for each executive is agreed annually in advance, and based on targets that are verifiable and aligned to the specific business unit's annual business plan. The committee ensures that targets are appropriately ambitious.
3. **Long-term incentives (LTI):** Executive directors, senior management and other critical employees are eligible to receive long-term incentives. These incentives are targeted towards the specific business unit within which the employee works. Long-term incentives are offered in the form of share options and/or share appreciation rights plans specific to individual business units and/or Naspers N share options. These plans, and the particular mix of Naspers N share options versus share options/appreciation rights in the underlying businesses, create an alignment between executive pay and shareholder gains, with participants being rewarded for their contribution to the performance of their business unit. These incentives are not automatic: employees must deliver superior performance over time to be eligible for an award. They are offered the share/appreciation right at market value on the day of the award and they benefit only if they, together with colleagues, create additional value over the next four or five years. In order to benefit financially, participants in these and net new value above the value on the date of issue, thus aligning shareholder and employee interests. A robust governance process is in place to ensure that the long-term incentives are appropriately valued and administered.

In addition to share options/appreciation rights in relevant business units or Naspers N shares, restricted Naspers shares may be awarded, under the restricted stock unit (RSU) Scheme, to key contributors at a relatively junior level within the different business units. The use of RSUs is highly prevalent in global technology companies and their inclusion in our remuneration packages ensures that we are attracting and retaining the critical talent, such as engineers and those employees with specialist skills, within these highly competitive markets. It is important to note that awards under the RSU scheme are not available to senior management or executive directors.

These awards normally vest over four or five years and typically must be exercised within five to ten years from the date of grant. Various remuneration committees in the group review share-based awards annually. In addition, if a group company employs people during the year, awards may be made on appointment. Guidelines for making awards have been set.

No awards are made during closed periods, backdating is prohibited, and there is no repricing or automatic regranting of underwater shares/appreciation rights. There is no automatic entitlement to bonuses or early vesting of share-based incentives if an executive leaves the company voluntarily. A cap applies to the number of shares/appreciation rights that may be awarded in aggregate and to any individual.

**Service contracts**

Executives' contracts comply with terms and conditions of employment in the local jurisdiction. Top executives' contracts do not contain golden parachute clauses and none automatically trigger a restraint payment.

Non-executive directors are subject to regulations on appointment and rotation in terms of the company's memorandum of incorporation and the South African Companies Act.

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## 4. APPROVAL AND IMPLEMENTATION

The top level of a company comprises two key aspects:

The board, based on the recommendation of the human resources and remuneration committee, approves the remuneration policy. Implementation is delegated to the Naspers human resources and remuneration committee. The boards of subsidiaries follow a similar practice, within the parameters of the Naspers remuneration policy.

Remuneration is disclosed in the integrated annual report by means of a remuneration report in three parts: a background statement, an overview of the main provisions of the remuneration policy, and an implementation report. The remuneration policy and implementation report are put to shareholders at the annual general meeting for separate non-binding votes.

In the event that 25% or more of the voting rights exercised, vote against either the remuneration policy or the implementation report, or both, the board will have to take steps, in good faith and with best reasonable effort, to do the following as a minimum:

1. Implement an engagement process to ascertain the reasons for the dissenting votes.
2. Appropriately address legitimate and reasonable objections and concerns that have been raised, which may include amending the remuneration policy, or clarifying or adjusting remuneration governance and/or processes.

In addition, the following will be disclosed in the background statement of the remuneration report in the year succeeding the vote against the remuneration policy or the implementation report:

3. With whom the company engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes.
4. The nature of steps taken to address legitimate and reasonable objections and concerns.