

TOTAL REWARD PHILOSOPHY, STRATEGY AND POLICY

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CONTENTS

1. PURPOSE.....	3
2. SCOPE.....	3
3. APPLICATION	3
4. STRATEGIC ELEMENTS AND KEY PRINCIPLES	3
5. TOTAL REWARD PACKAGE.....	4
5.1 Guaranteed package	4
5.2 Benefits and allowances	5
5.3 Short-term incentive (STI) scheme.....	6
5.4 Long-term incentive (LTI) scheme.....	6
6. PERFORMANCE MANAGEMENT.....	6
7. JOB GRADING	6
8. CAREER PLANNING AND SUCCESSION PLANNING	7
9. EXECUTIVE DIRECTORS	7
10. NON-EXECUTIVE DIRECTORS	7
11. REMUNERATION GOVERNANCE.....	7
11.1 Focus on fair and responsible reward practices	8

1. PURPOSE

In Octodec's vision to unlock maximum value in urban spaces for our stakeholders, the board of directors of the company ("the board") of recognises "Total Reward" as a critical tool to ensure that the business creates value in a sustainable manner within the economic, social and environmental context in which Octodec operates. The Social, Ethics, Remuneration and Transformation ("SERT") Committee, in conjunction with the board, and in alignment with the *King Report on Corporate Governance for South Africa 2016* (King IV™), is responsible for reviewing and recommending Octodec's total reward philosophy, strategy and policy to the board for approval.

The aim of Octodec's reward **philosophy** is to promote the achievement of Octodec's strategic objectives in the short, medium, and long term, to continually improve the creation of value for the stakeholders. It also commits Octodec to remunerating its employees fairly, responsibly and transparently thus ensuring that Octodec's total reward offering is attractive and competitive.

The primary focus of Octodec's total reward **strategy** is to provide a total reward package that contributes to the attraction and retention of high-calibre, high-performing and independent-minded employees who subscribe to the shared values, ethical culture and Octodec's aspiration to be a good corporate citizen.

Octodec's total reward **policy** provides the framework around which the total reward philosophy and strategy can be executed in an optimal and effective manner.

2. SCOPE

This policy sets out the key principles and elements which underpin the total reward philosophy and strategy and is intended to inform all remuneration decisions, processes and practices for Octodec employees.

3. APPLICATION

This policy applies to all Octodec employees.

4. STRATEGIC ELEMENTS AND KEY PRINCIPLES

Our total reward strategy is structured to support an integrated Human Resources strategic approach, which in turn supports our company strategy. Total reward is an interlinking element that informs several Human Resource processes and initiatives. Total Rewards links to:

- i. Performance Management, through creating a clear link between individual reward and company performance achievement against board approved strategic objectives.

- ii. Recruitment, through ensuring that total reward offered at Octodec can attract high calibre individuals and the required skill sets and experience needed for operational efficiency.
- iii. Transformation and equity, through ensuring that all internal levels of total reward are equitable and not discriminatory in any way.
- iv. Employee development and wellness, through ensuring that high performance potential employees are given the opportunity to grow within Octodec with adequate training and development and providing employee wellness service to our employees.

The key principles that underpin our Total Reward policy include:

- i. Adoption of a total reward approach which includes all elements of remuneration (i.e., guaranteed cash, benefits and non-guaranteed short-term incentives);
- ii. The promotion of fair, transparent and ethical reward practices, in accordance with statutory requirements;
- iii. Ensuring external competitiveness and internal parity through consistent, appropriate and responsible reward decision-making, aligned with Octodec's values;
- iv. Rewarding employees in a manner which is reflective of both Octodec and individual performance;
- v. Non-discriminatory reward practices and promotion of diversity; and
- vi. Affordability to Octodec;

In setting and administering this policy, Octodec is also committed to observing its obligations in terms of the Employment Equity Act 55 of 1998, as amended ("the Employment Equity Act") and the Regulations in terms thereof, specifically the principle of *Equal Pay for work of Equal Value*.

5. TOTAL REWARD PACKAGE

This policy follows the internationally recognised total reward practice of combining a guaranteed package consisting of a cash component and various flexible benefits and allowances together with a non-guaranteed short-term incentive to provide for a total reward package. The intention of the total reward approach is to provide flexibility in structuring the guaranteed portion in such a manner as to meet the individual preferences of employees, where feasible and within the law. Furthermore, the non-guaranteed short-term incentive portion takes account of individual and company performance outcomes.

5.1 Guaranteed package

This consists of a cash salary with compulsory, albeit flexible, benefits and allowances collapsed into a total guaranteed package. The guaranteed package is reviewed annually, and increases (if applicable) are effective 01 January each year. Annual increases are subject to Octodec's performance and affordability. Increases are determined by considering the following:

- i. CPI movements for the preceding year and forecasted for the year ahead.

- ii. Industry and sector salaries adjustments for the preceding year and forecasted for the year ahead. This includes accounting for wage settlements for the industry and sector.
- iii. A market benchmarking exercise to determine levels of competitiveness against an appropriate peer group and performance of the general market and where possible, the REIT sector. This is to determine whether the company maintains its ability to attract and retain the key skills critical for achieving the company's objectives.
- iv. An internal review of packages to determine on a grade and occupation basis whether any anomalies exist in terms of employment equity/parity.
- v. Minimum wage requirements and wage gap also inform annual adjustments to the guaranteed package.

5.2 **Benefits and allowances**

The provision of benefits and allowances to employees forms part of the total reward offering and gives effect to Octodec's commitment to continually improve its employee value proposition through the flexibility afforded to employees in delivery of these elements. The benefits available to Octodec's employees include membership of a pension or provident fund and group life assurance, which has a number of embedded components. The pension and provident funds cater for various flexible options which are selected by the employees, all of which include a fixed employer contribution of 10%. In addition, the employee contributions range from 4.25% up to 7.5%, with varying life and income disability options. There is also funeral cover as part of the flexible options of the pension and provident funds. As a general rule, a portion of these funds is invested into low-risk investment portfolios.

Group life assurance, which is payable upon death of an employee, includes options for capital disability, income protection and other value-added services which include free ambulance services, legal advice, and trauma counselling.

While membership of the medical scheme is not compulsory, it is encouraged. Employees may structure the monthly contribution in line with a plan of their choice from their total guaranteed package.

Apart from non-guaranteed short-term incentives employees may structure their total guaranteed package to provide for a 13th cheque, however, this is merely a remuneration structuring option and not in addition to total guaranteed package.

Other occasional allowances and financial assistance are provided by Octodec under certain circumstances and are dependent on the nature of the role. These include car allowances for employees who use their personal vehicles to travel for business purposes, reimbursed travel payments for employees who occasionally need to travel, accommodation if it is a prerequisite for the role and educational assistance for employees who wish to further their studies. This list is not exhaustive. These are provided in line with

statutory requirements and agreements with employees and do not form part of the guaranteed package.

5.3 Short-term incentive (“STI”) scheme

The purpose of Octodec’s **non-guaranteed** STI scheme is to foster a culture of performance and to motivate and reward employees for sustainably achieving and exceeding the performance requirements of the role.

Payment of the non-guaranteed short-term incentive will be subject to the following economic and operational considerations:

- Affordability;
- Octodec’s performance against strategic objectives; and
- Individual performance.

The payment of annual non-guaranteed short-term incentives will be at the discretion of the SERT Committee who will decide, *inter alia*, after consideration of the economic and operational considerations as aforementioned, as well as any recommendations from CPA Management as contemplated in the Asset and Property Management Agreement between CPA and Octodec (the “Management Agreement”):

- If non-guaranteed short-term incentives are to be paid for the performance period.
- The percentage of awards applicable for the performance period at various levels of individual performance.

Annual non-guaranteed short-term incentives will be paid in November each year or as otherwise decided by the SERT Committee.

5.4 Long-term incentive (“LTI”) scheme

The company has no long-term incentive scheme in place.

6. PERFORMANCE MANAGEMENT

Performance management is in line with the business strategy and the management of total reward, and it is a compulsory condition of service that all employees are involved in the performance review process. The performance management policy and process is provided for under a separate policy and informs both employee development and remuneration related decisions.

7. JOB GRADING

Octodec uses the Paterson grading system, and all jobs have detailed role descriptions. Job grades are used as a justifiable guide to rank the value of all the jobs in the organisation based on their relative worth to Octodec and also to manage internal equity and define potential career paths within a specific job family.

Furthermore, it serves as a matching tool when establishing market benchmarks in terms of remuneration competitive levels. When necessary, job profiles are updated, and jobs are re-graded.

8. CAREER PLANNING AND SUCCESSION PLANNING

Octodec recognises the importance of career development for its employees. Through consultation with employees, development needs are identified and where appropriate, training and other relevant plans are put in place.

Octodec recognises the importance of succession planning and the need to employ talented individuals in Octodec. There is no automatic right to a job for any employee and where vacancies exist, all employees are permitted to apply for the positions on the basis that they have the appropriate skills, qualifications and competencies required for the role.

9. EXECUTIVE DIRECTORS

The Managing Director and Financial Director of Octodec are employed by City Property Administration (Pty) Ltd ("CPA"), in accordance with the provisions of the Management Agreement. Octodec remunerates these directors for the reasons stated and, in the amounts, disclosed in the Octodec Integrated Report.

10. NON-EXECUTIVE DIRECTORS

The remuneration of Octodec's non-executive directors is covered under a separate policy.

11. REMUNERATION GOVERNANCE

In line with King IV™, the SERT Committee is appointed by the board as a subcommittee and has delegated authority, in accordance with its terms of reference, which the board reviews annually.

The committee ensures that this policy and practices support the strategic objectives of Octodec. Their responsibilities include evaluation, review and decisions-making regarding this policy and the implementation and execution thereof.

In line with best practice, the majority of the members are independent non-executive directors. The SERT committee actively engages with independent advisors to ensure that all matters and decisions relating to total reward are in line with best practice.

Recommendations made by the SERT committee are ultimately approved by the board and where required, the shareholders.

11.1 Focus on fair and responsible reward practices

The board and the SERT committee consider a variety of factors, such as ethical and moral considerations, when determining and adjusting the minimum wage and average salaries of employees to ensure that they are set at an appropriate level. Minimum remuneration is reviewed annually and applied as applicable for different sectors.

This policy supports Octodec's overall human resources strategy, particularly training and skills development, employment equity and diversity.

In order to ensure equitable reward practices and monitor potential internal pay disparities, Octodec may take the following actions when necessary:

- i. Conduct an assessment of the prevailing economic climate, Octodec's financial performance and market related remuneration; and
- ii. Conduct an assessment of pay comparisons between employees at the same level / same job (or employees whose work is of equal value) in accordance with the principle of *Equal Pay for work of Equal Value* within a specific unit or business entity to identify and address any unjustifiable remuneration disparities.

The remuneration for all employees is determined and approved in consultation with the Managing Director and the CPA Human Resources Executive, in line with a mandate from the SERT committee and in compliance with the terms and conditions of the management agreement with CPA.

In the circumstances where there is a shortage of skills, Octodec may identify those critical jobs and adjust remuneration offers to include an additional premium that equates to between 10%-15% of the guaranteed package payable for those jobs, in order to attract and retain the necessary skilled workers. As the supply and demand of employees with critical skills is the most important factor influencing differentiations in remuneration, this may result in some justifiable remuneration disparities in that employees who work within the same job grade may earn different amounts.

Octodec continuously considers and implements initiatives to improve the employee value proposition. In line with Octodec's dedication to fair and responsible reward, Octodec may adopt progressive measures to address any identified disparities.

APPROVED BY THE BOARD ON 29 APRIL 2021