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## **Gemfields Group Limited (the “Company”)**

### **Communication for shareholder call on remuneration to take place at 10 a.m. UK time on 20<sup>th</sup> February 2023 – Proposed new LTIP**

**14 February 2023**

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#### **Introduction**

Gemfields’ Remuneration Committee engaged with shareholders in September 2022 to discuss the Company’s Remuneration Policy (as set out within the Remuneration Committee Report in the Company’s Annual Report for the year ending 31 December 2021) and allow for views to be expressed on the Company’s proposed new Long Term Incentive Plan (“LTIP”).

The Company noted points made by shareholders and thanks them for alternative proposals provided. After considering this feedback, the Remuneration Committee has made a number of adjustments to the proposed new LTIP, with the terms of the proposal set out below.

The Company publishes this note in advance of a Shareholder Call scheduled for 10am UK time, Monday 20 February 2023, to speak about this proposal and allow shareholders the opportunity to ask any questions they may have.

#### **New LTIP**

The Company believes that it is commercially necessary and in the best interests of the Company and its shareholders to make new long-term share awards in the near term to retain, motivate and attract key individuals and align them with company performance and shareholders. The Company sees that new awards should comply with governance best practice and be competitive against arrangements in place at peer companies. The Company is therefore proposing to introduce a new long-term incentive plan. The first awards would be made, subject to shareholder approval of the new plan to be sought at the 2023 AGM and approval by the Johannesburg Stock Exchange, during Q2 2023. Key terms of the plan are set out below.

#### *Structure*

- Performance share awards – awards of nominal cost options vesting after three years subject to continued employment and meeting objective performance conditions specified at award.
- Individual limits: Normal maximum annual award for executive directors at 150% of salary, maximum in exceptional circumstances such as for recruitment, 300% of salary.
- Proposed award levels for 2023 award – 120% of salary for the CEO, 100% of salary for the CFO.
- Nominal exercise price.
- Awards vest after three years subject to meeting objective three-year performance targets.
- Performance conditions to be attached to awards, choice, weighting and pitching can be varied from year to year to reflect circumstances and outlook.
- Performance conditions for 2023 awards: 50% on a measure of adjusted earnings per share, 50% on absolute Total Shareholder Return (share price growth plus dividends).
- Performance targets. The Committee will determine the pitching of the performance targets each year based on the Company’s circumstances and outlook at the point of award.

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- The Company expects to set the EPS performance target from a baseline of average adjusted EPS for the trailing three year period (excluding 2020 when the financial performance of the Company was negatively impacted by the Covid pandemic) with threshold at 4% CAGR, increasing on a straight line to full vesting at 8% CAGR. The condition will relate to US\$ EPS and will be measured once for the year ending December 2025.
  - The Company expects to set the TSR target with threshold vesting at 10% CAGR and full vesting at 15% CAGR. The TSR target will be based on a UK£ share price. The performance period will run from 1 January in the year of award to 31 December in the third year using a 30 day VWAP.
  - The plan will provide the ability to add dividend equivalents (including any other special distributions, including from a stock buyback) to LTIP awards but these will not be added for the 2023 awards.
  - 25% of award vests at threshold target increasing on a straight line basis to full vesting at stretch target.
  - Performance conditions tested once and awards vest at end of three-year performance period.
  - To comply with governance best practice, apply a two-year holding period post vesting.
  - Change in control. Default position is that awards vest subject to testing of performance condition/assessment of performance against performance condition by remuneration committee and time pro-rating to reflect portion of vesting period up to date of takeover.
  - Good leavers: default position is that awards pro-rated (reduced) to reflect portion of performance period covered but run their course to be tested/vest at the same time as other awards.
  - Awards subject to conventional malus and clawback provisions.
  - Awards subject to general remuneration committee discretion to reduce awards from level produced by formulaic workings if it considers level of vesting does not reflect overall performance, to reflect shareholders' experience and in event of exceptional negative event.
  - Awards will be made to a focussed group of senior executives of approximately 6 people in addition to the two executive directors. The limiting of awards to a smaller group reflects shareholder comments.

The Johannesburg Stock Exchange requires that a fixed maximum number of shares which can be used under the plan. The limit will be 5.0% of the current shares in issue which based on the current shares in issue is 60.6m awards. This number is reduced from the previous proposal reflecting shareholder comments. The maximum number which any one individual can receive is also required to be stated. This will be 21.2m, 35% of the total limit.