

Remuneration Committee Report

INTRODUCTION

The Remuneration Committee is pleased to present its report for the year ended 31 December 2019, as recommended by King IV. The Committee is constituted by the Board, has an independent role, and is accountable both to the Board and to shareholders. The Committee's mandate is set out in its terms of reference and includes the following responsibilities:

- Determining levels of remuneration for each member of the Board;
- Determining levels of remuneration for senior members of management or staff; and
- Monitoring and maintaining the Company's Remuneration Policy.

COMPOSITION

The Committee comprises the following Independent Non-Executive Directors, who have the requisite skills and experience to fulfil the Committee's duties:

- Mr Kwape Mmela (Chair)
- Mr Tolcher
- Mr Mondi

MEETINGS

The Committee meets as often as is required, but not less than once a year. One formal meeting was held during 2019, although the Committee deliberated on matters, as necessary, on an ad hoc basis. Members of the Remuneration Committee do not participate when the level of their personal remuneration is considered.

GEMFIELDS GROUP LIMITED REMUNERATION POLICY

The Board, with input from the Remuneration Committee, has created a comprehensive Remuneration Policy (the "Remuneration Policy").

In designing the Remuneration Policy, there were three key focus areas:

- The policy should function as a strong tool to incentivise the performance of Executive Directors toward the success of GGL, its shareholders and other stakeholders;
- Shareholder consultation and approval are of vital importance to the Board and are key metrics by which the Remuneration Committee will measure the success of the policy; and
- The relevant King IV standards were to be incorporated into the policy.

THE REMUNERATION POLICY

Elements of Executive Director remuneration

Executive Director remuneration was broken down into two key elements: fixed compensation and performance-related awards.

The fixed remunerative elements comprise the base remuneration and employee benefits. The performance-related awards include short- and long-term incentives. These assorted components, along with their objectives, their link to the business strategy, and the governing policy are explained in the table on page 87.

No changes to the governing policies are anticipated in the immediate future based on known factors, beyond the regularly scheduled review of base compensation and the insurance package.

Director remuneration considered in a wider context

Executive Directors

As with the wider employee base of the Group, when setting Executive Director remuneration, market rates and practices are considered. Additionally, the remuneration of the former Gemfields Executive Directors was considered as a helpful benchmarking tool in reviewing and setting the Executive Director base compensation levels.

Non-Executive Directors

A similar benchmarking exercise against market rates was undertaken for the Non-Executive Directors. At the Company's EGM held on 26 June 2017, shareholders resolved that the maximum

	Component	Objective	Link to business strategy	Policy
Elements 1: Guaranteed pay and benefits	Base compensation Akin to a salary, base compensation is received monthly, based on an annual figure decided by the Remuneration Committee.	To engage the best talent at Executive Director level.	Ensures market competitiveness, helps to attract and retain key talent, and provides fair reward for individuals.	Executive Director base compensation was initially determined by former holders of the equivalent office within Gemfields plc, and at prevailing market rates.
	Insurance benefits Executive Directors receive life insurance, medical and dental insurance and travel insurance policies for themselves and their families.	The benefits package is comparable with others on the market, the aim being to attract and retain the best talent.	The Company recognises the need for a holistic approach to an Executive Director's guaranteed pay package.	Insurances are comparable with those offered to the wider employee base within the Group, and are reviewed annually.
Element 2: Short- and long-term incentives	Annual bonus At the end of each calendar year, Executive Directors may receive a cash bonus dependent on the success of their work over the previous year, based on the value of their base compensation.	To encourage performance over each one-year operating cycle.	Encourages growth in share price for shareholder benefit. Rewards Executive Directors for a measurable contribution to the Company.	The Adjusted Share Price is the key variable on which an annual bonus depends. Four targeted brackets ensure Executive Directors' efforts are rewarded proportionally.
	Share options At instatement, Executive Directors were granted share options, which they can exercise at set dates over the subsequent four years.	The incentive is twofold: retention of key talent, and incentivising delivery of excellent performance in the long term.	Aligns Executive Director interests with those of shareholders, and with growth in the share price year-on-year. Motivates long-term performance. Rewards Executive Directors for their tangible successes.	Share options are exercisable in set tranches per year, and at a predetermined date.

amount payable as Non-Executive Directors' fees be increased to USD100,000 per Director per annum.

Since the cap on the Non-Executive Director fees had been at the same level since the 2010 AGM, this increase not only brought the Company's remuneration more in line with prevailing market practice but has improved the Company's ability to attract candidates with appropriate qualifications and experience to the Board.

Non-binding advisory votes to endorse the Company's Remuneration Implementation Report and the Company's Remuneration Policy were held at the AGM on 10 May 2019. As more than 25% of shareholders voted against these non-binding advisory votes, the resolutions did not pass and the Company engaged with available shareholders in accordance with the principles of King IV.

Performance measures

Aligning Executive Director remuneration with shareholder returns was considered a fundamental basis for the Remuneration Policy, and therefore the primary measure used to assess the Executive Directors' performance is share price performance. Receipt of variable remuneration (in the form of an annual bonus) is based on this metric.

Adjusted share price is the sum of two figures: the Volume Weighted Average Price ("VWAP") as determined over the last 30 trading days of the calendar year, and the aggregate dividends/distributions per ordinary share declared during the calendar year (the "Adjusted Share Price"). The Adjusted Share Price must have increased by 10% or more compared with the Adjusted Share Price for the previous calendar year before an annual bonus for Executive Directors becomes payable.

The amount of any annual bonus received is based on each Executive Director's annual base compensation. A greater increase in the Adjusted Share Price results in an annual bonus equal to a larger percentage of base compensation, capped at 100% of base compensation. In the event of the Adjusted Share Price for the relevant year increasing by the thresholds below compared with the Adjusted Share Price for the previous calendar year, the following annual bonuses would be awarded to the Executive Directors:

- Increased by 10% or more but less than 15% – annual bonus award of 25%;
- Increased by 15% or more but less than 20% – annual bonus award of 50%;
- Increased by 20% or more but less than 25% – annual bonus award of 75%; and
- Increased by 25% or more – 100% annual bonus awarded.

As an example, a 12% increase in the Adjusted Share Price would unlock an annual bonus equal to 25% of each Executive Director's annual base compensation, and a 17% increase would result in a bonus of 50%.

Complete information on how this performance measure could affect Executive Directors' variable remuneration is expanded upon in this report. The table that follows provides a worked example of the possible effect of the Adjusted Share Price on total Executive Director remuneration, using 2019 compensation levels as an example. An illustrative 17% increase to the Adjusted Share Price has been used as well as the highest- and lowest-case scenarios, that is, the highest being an increase of the Adjusted Share Price by 25% or more and the lowest being the situation where the Adjusted Share Price does not increase by 10% or more.

Adjusted Share Price compared with previous year:	Decreased, unchanged, or increased by less than 10%	Increased by 17%	Increased by 25% or more
Base compensation amount:	100%	100%	100%
	USD	USD	USD
Sean Gilbertson	575,000	575,000	575,000
David Lovett	337,000	337,000	337,000
Subtotal	912,000	912,000	912,000
Annual bonus amount:	No bonus	50% of base compensation	100% of base compensation
Sean Gilbertson	–	287,500	575,000
David Lovett	–	168,500	337,000
Sub-total	–	456,000	912,000
Total cash remuneration	912,000	1,368,000	1,824,000

Executive Director share option plan

On termination of the Investment Management Agreement on 14 September 2017, the Executive Directors at the time were each granted share options equivalent to 2% of the issued ordinary shares of the Company at the time, as approved by shareholders on 26 June 2017. The share options were divided into five equal tranches.

Each of the tranches becomes exercisable or vests at a different date. The first tranche is exercisable from the date the options were granted (14 September 2017), the second from the first anniversary of that date (14 September 2018), the third from the second anniversary (14 September 2019), the fourth from the third anniversary (14 September 2020), and the fifth from the fourth anniversary (14 September 2021).

Further to this, Mr Sean Gilbertson currently holds 27,890,213 share options at an option price of ZAR3.45 cents, representing approximately 2.2% of the Company's issued share capital. Mr Sean Gilbertson was not granted any further share options during 2018 and 2019.

In 2018, Mr David Lovett was granted: (i) 1,184,200 share options on 4 January 2018 at an option price of ZAR2.97 cents; and (ii) 7,000,000 share options on 27 June 2018 at an option price of ZAR2.30 cents, together representing approximately 0.65% of the Company's issued share capital. These share options were granted in five tranches as per the above. Mr David Lovett was not granted any further share options during 2018 and 2019.

Should an Executive Director cease to be employed by the Company, then the manner of their departure and the date any options were granted to them determine how those options are treated.

Executive Directors' contracts of employment

The termination clause in Mr Gilbertson's service contract allows for his services to be terminated by him giving the Company six months' written notice, or by the Company giving him three months' written notice.

If Mr Gilbertson's service contract is terminated, the Company would pay him an amount equal to one year of his base compensation, and any annual bonus which he would have received in the 12 months following the termination date had he remained in the Company's employment.

Should the termination be as a result of death or disability, different arrangements apply. The Company would then pay Mr Gilbertson an amount equivalent to six months' base compensation and any annual bonus which would have been paid to him in the six months following the termination date as if his termination had not occurred.

The termination clause in Mr Lovett's service contract allows for service to be terminated by Mr Lovett giving the Company three months' written notice, or by the Company giving him three months' written notice. If Mr Lovett's service contract is terminated, the Company will pay him an amount equal to his notice period only.

Should the termination be as a result of death or disability, the Company would then pay Mr Lovett an amount equivalent to six months' base compensation and any annual bonus which would have been paid to him in the six months following the termination date as if his termination had not occurred.

Evaluation of whether the Remuneration Policy meets its objectives

When creating the Remuneration Policy, the Remuneration Committee focussed on three key areas:

Performance incentives

The Remuneration Committee is satisfied that the elements of Director remuneration are a good foundation for both the short and long-term success of the Company.

The fixed remunerative elements (base compensation, benefits and Non-Executive Director fees) are competitively set to both attract and retain the key talent required by the Company.

The performance-related elements of variable remuneration (annual bonuses and share options) ensure that the interests of the shareholders are at the forefront of the minds of Executive Directors, all of whom would stand to benefit by short- and long-term growth in the share price.

Shareholder engagement

Shareholder engagement has been key to creating the Remuneration Policy and applying it to Executive Director remuneration, both in

the first year of employment and going forward. Shareholder advisory votes are a key means of shareholder feedback from which the Remuneration Committee can tailor both practical remuneration and the Policy. Consequently, the Company commits to engaging shareholders on the subject of remuneration each financial year. The two votes held during 2019 were important for the Remuneration Committee to collate shareholder feedback following the initial setting of the Policy and the Executive Director remuneration in 2017.

Should any shareholder advisory vote conclude in a result of less than 75% in favour of the remuneration matter under vote, the Remuneration Committee will re-examine the matter. Where possible, the Remuneration Committee will engage in direct discussion with shareholders in order to understand the motivation behind such a vote, that is, to better understand their concerns. However, a number of shares are held anonymously, thus creating an obstacle to shareholder engagement. The Remuneration Committee will consider communicating with shareholders individually, also via the Company's website and via SENS and RNS, encouraging shareholders to come forward should they believe their view is yet to be represented.

Non-binding advisory votes to endorse the Company's Remuneration Implementation Report and the Company's Remuneration Policy were held at the AGM on 10 May 2019. As more than 25% of shareholders voted against these non-binding advisory votes, the resolutions did not pass and the Company engaged with available shareholders in accordance with the principles of King IV.

King IV standard

The Remuneration Committee is satisfied that the Remuneration Policy complies with the King IV Code and that the robust principles of governance encouraged by King IV have been implemented.

Remuneration Policy availability

A link to the GGL Remuneration Policy is available online at www.gemfieldsgroup.com.

REMUNERATION IMPLEMENTATION REPORT

Key decisions made in 2019

Change to Chairman role

In part to satisfy certain corporate governance requirements arising in connection with the Company's dual listing on AIM, Mr Brian Gilbertson elected to resign as Non-Executive Chairman of the Company, effective 25 November 2019. He was replaced on the same date by Mr Martin Tolcher, formerly an Independent Non-Executive Director of the Company. The Company and the Remuneration Committee believe that Mr Tolcher's extensive experience and leadership qualities position him well to chair the Board. This also results in the Company having a more conventional management and governance structure in line with King IV.

As a result of his transition to Non-Executive Chairman, Mr Tolcher was awarded a base compensation of USD100,000 per annum which includes compensation for his membership of Board committees. The fee is capped at a maximum Non-Executive Director fee of USD100,000 per annum. As Non-Executive Chairman, Mr Tolcher will not be eligible for participation in the annual bonus scheme.

1 January 2019 to 31 December 2019	Base compensation USD'000	Bonus payment USD'000	Total USD'000
Sean Gilbertson	575	201	776
David Lovett	337	118	455
Total	912	319	1,231

The Non-Executive Director fees vary based on the individuals' involvement and role within the various committees of the Company's Board. The fees payable to Non-Executive Directors for the year ended 31 December 2019 are as follows:

1 January 2019 to 31 December 2019	Group Director fees USD'000	Board committees USD'000	Lead Independent Director USD'000	Total USD'000
Brian Gilbertson ¹	90	–	–	90
Martin Tolcher ²	45	17	–	62
Dr Christo Wiese	40	–	–	40
Lumkile Mondi	40	17	3	60
Kwape Mmela	40	13	–	53
Carel Malan ³	39	5	–	44
Erich Clarke ⁴	1	–	–	1
Total	295	52	3	350

¹ This relates to the period 1 January 2019 to 25 November 2019.

² This has been calculated to reflect Mr Tolcher's change of duties as of 25 November 2019.

³ Appointed effective 9 January 2019.

⁴ Resigned effective 7 January 2019.

At the Company's EGM, held on 26 June 2017, shareholders resolved that the maximum amount payable as Non-Executive Director fees be increased to USD100,000 per Director per annum. With effect from 14 September 2017, the fee payable for each Non-Executive Director increased from USD35,000 per annum to USD40,000 per annum. There was no change to this in 2018 and 2019.

Variable remuneration

The Variable Remuneration Scheme for Executive Directors as explained in the Remuneration Policy was established in the 2017 financial year and consists of two elements: annual bonuses and share options.

Annual bonuses

The Adjusted Share Price was measured against a price of ZAR1.87. The Adjusted Share Price at 31 December 2019 was ZAR1.62, and therefore no annual bonuses were payable in relation to the 2019 financial year based on Adjusted Share Price movement. Under the prevailing bonus scheme for Executive Directors, the

Schedule of fees and remuneration

Throughout the 2019 financial year, the Executive Directors' remuneration consisted of their base compensation only. No annual bonuses were paid, nor any share options awarded in 2019. The table below sets out the remuneration of Executive Directors during 2019:

1 January 2019 to 31 December 2019	Base compensation USD'000	Bonus payment USD'000	Total USD'000
Sean Gilbertson	575	201	776
David Lovett	337	118	455
Total	912	319	1,231

Board has the right (but no obligation) to award a discretionary bonus should a bonus not be payable based on Adjusted Share Price. At its meeting on 18 March 2020 and in subsequent discussions, the Committee decided to recommend a discretionary cash bonus of 35% of their respective USD denominated base compensation to the Executive Directors, in recognition of the achievements of the Company during the 2019 financial year.

The Adjusted Share Price at 31 December 2019 of ZAR1.62 will be compared with the Adjusted Share Price at the end of 2020 to determine if any annual bonuses will be payable for the 2020 financial year.

Share options

On 14 September 2017, the then Executive Directors were each granted share options equal to approximately 2% of the issued ordinary shares of the Company at the time. The first of five tranches became exercisable on the date of issue.

In 2018, Mr Lovett was granted: (i) 1,184,200 share options on 4 January 2018 at an option price of ZAR2.97; and (ii) 7,000,000

share options on 27 June 2018 at an option price of ZAR2.30, together representing approximately 0.65% of the Company's issued share capital.

Mr Sean Gilbertson currently holds 27,890,213 share options at an option price of ZAR3.45 cents, representing approximately 2.2% of the Company's issued share capital. No share options were granted to Mr Gilbertson in 2019.

	Options held at 1 January 2019	Options granted during the year	Options forfeited during the year	Options exercised during the year	Options held at 31 December 2019
Sean Gilbertson	27,890,213	-	-	-	27,890,213
David Lovett	8,184,200	-	-	-	8,184,200

Effect of performance measures on variable remuneration

Executive Directors' variable remuneration in the form of annual bonuses is based on the performance of the Adjusted Share Price.

It is not yet possible to gauge the Executive Directors' performance during 2020 with regard to the Adjusted Share Price, as insufficient time has elapsed.

Share options for employees of the wider Group

In 2018, the Group established a Share Option Programme for the employees of the wider Group within the parameters of the scheme approved by shareholders on 26 June 2017. In the same manner that the Company has used share options as a long-term incentive for its Executive Directors, the Board extended this benefit to a wider number of its employees.

A total of 21,601,796 share options were granted to Group employees at ZAR2.97 cents on 4 January 2018. These were granted equally in five tranches, with the first tranche of share options vesting immediately and thereafter on an annual basis.

A total of 44,790,000 share options were granted to Group employees at ZAR2.30 cents on 20 July 2018. These were granted equally in five tranches, with the first tranche of share options vesting immediately and thereafter on an annual basis.

A total of 1,580,000 share options were granted to Group employees at ZAR1.90 cents on 15 March 2019. These were granted equally in five tranches, with the first tranche of share options vesting immediately and thereafter on an annual basis.

No share options have been exercised by Group employees during the year ending 31 December 2019.

No share options were exercised by the Executive Directors during the year ending 31 December 2019.

The table below illustrates the number of options issued and forfeited during the year in respect of the Executive Directors.

Success of the Remuneration Policy throughout 2019

While it is too early to determine whether the Remuneration Policy's long-term objectives have been achieved, the Remuneration Committee is confident that the Remuneration Policy is proving to be robust in practice.

Future focus areas

During 2020, the Board and the Remuneration Committee have two main priorities:

1. To maintain good communication with shareholders. The implementation of the Remuneration Policy and the Executive Director remuneration throughout 2019 has benefitted from shareholder engagement. The Remuneration Committee remains committed to continuing this dialogue to the benefit of all parties.
2. To continue ensuring that employees of the wider Group feel engaged with Gemfields by having their remunerative rewards closely tied to the success of the Company, which in turn, will encourage employees to perform as active stakeholders and have their efforts at work appropriately rewarded. Consequently, the Company and its shareholders can be confident that employees will continue to perform at a superior standard, with all parties focussed on a unified aim.

Approval of the Remuneration Committee Report for 2019

All decisions undertaken in the 2019 financial year were compliant with the Remuneration Policy as determined by the Remuneration Committee. Accordingly, this report was recommended by the Remuneration Committee and was approved by the Board on 4 April 2020.

Kwape Mmela

Chair of the Remuneration Committee

**IMAGE**

ZAMBIAN EMERALDS,
SURROUND FABERGÉ PALAIS
TSARSKOYE SLODO LOCKETS
WITH LADYBIRD, CLOVER
AND HEN SURPRISE