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## Gemfields Group Limited: Shareholder Communication re Executive Remuneration

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### Introduction

On 7<sup>th</sup> July 2020, Gemfields Group Limited (“Gemfields” or “the Company”) announced that following the 2020 AGM voting results for the resolutions on the Company’s Remuneration Policy and Remuneration Implementation Report, it had set up a telephone conference call on 16<sup>th</sup> July 2020 with the company’s Remuneration Committee and invited shareholders to attend.

Representatives from a number of shareholders and shareholder groups attended that call. Points raised included salaries, annual bonus structure and outstanding long-term incentive awards.

Further to that shareholder engagement, the Company’s Remuneration Committee began a detailed examination of the best way forward in order to address shareholder concerns and requirements. To that end, the Committee engaged the services of h2glenfern Remuneration Advisory, an independent remuneration consultancy with extensive experience advising international resources companies. Gemfields is now pleased to provide the following update on its thinking and decision-making in relation to the executive remuneration:

### Salary

In response to the Covid-19 crisis, the Company’s shareholders have previously been advised that all executive and non-executive directors agreed to 20% salary and fee reductions, effective from 1<sup>st</sup> May 2020. This reduction, which was also applied across the entire UK workforce, is still in place. The Board will consider when to restore salaries and fees to contractual levels.

The Company will also implement a salary freeze for the two executive directors for 2021.

### Annual Bonus

In light of the impact of the Covid-19 crisis on the Company, there will of course be no annual bonus paid to the two executive directors in respect of financial year 2020, irrespective of performance. With effect from 1<sup>st</sup> January 2021, Gemfields will terminate the existing share price based annual bonus structure and adopt a balanced scorecard structure. The central methodology for the new structure is an assessment of performance improvement across 11 Key Performance Indicators (“KPIs”) against performance in the previous year and over the previous three years. These KPIs are:

1. Free Cash Flow
2. Revenue
3. Total Cash Operating Cost
4. Total Premium Carats Produced
5. Total Rock Handling
6. Fabergé Cash Consumption
7. Balance Sheet (net cash / net debt, treasury, financing, tax)
8. HSEC (Health, Safety, Environment, Community)
9. Strategy / Business Development / Development Projects / Organic Growth
10. Leadership / Organisational / People Development / Staff Turnover
11. Financial and Shareholder Reporting / Auditors / Accounting / Controls

Under the new structure, the Remuneration Committee will have an overriding discretion to adjust bonus payments from formulaic outcomes in light of overall assessment of (1) performance and (2) HSE matters. The new structure will have malus and clawback provisions.

The normal executive director annual bonus maximum will remain at 100% of salary payable in cash.

Given this is a new scheme, a review will be carried out after its first year of operation in order to assess its functioning and suitability, with changes made where and to the extent recommended by the Remuneration Committee (and subject to Board approval).

### **Long term incentives**

The Company will make no changes to any existing awards and make no new awards to executive directors during 2020. The outstanding option awards represent legally enforceable commitments.

Depending on how events unfold, Gemfields may consider a new approach to long term share incentive awards. The Company will consult with as many shareholders as possible in advance of any proposed new awards or changes to existing awards and will seek formal shareholder approval for any new plans in advance of implementation.

To provide reassurance to shareholders in relation to the level of dilution arising from the existing awards, the Company sets out summary points below:

- a. 117.6 million awards are outstanding, 10.1% of issued shares.
- b. While this percentage is significant, dilution may be low given the structure of the awards (including exercise price and lapsing profile).
- c. 55.8 million awards (47% of the outstanding awards) have a ZAR 3.45 exercise price. These commence lapsing from September 2021 and are fully lapsed in September 2024.
- d. Of these 55.8 million, 50% are held by leavers and the balance (27.9 million / or 2.4% of issued shares) are held by the CEO. Of the current total outstanding awards, approximately 38% lapse by December 2022 and 74% lapse by December 2023 – just over three years out.
- e. The total awards with exercise prices between ZAR1.91 to ZAR2.97: 62m/5.3%
- f. The weighted average exercise price of the outstanding options is ZAR2.94 (£0.132)

### **Summary**

As can be seen from the above, the Company has positively addressed points raised by shareholders directly, cognisant of the fact that some shareholders have felt unable to vote in favour of previous/existing policies. Following further shareholder engagement, these steps will bring in a revised Company Remuneration policy that, as well as meeting shareholder requirements, still provides appropriate incentivisation to the executive directors.

The Company proposes to hold a further telephone conference call for shareholders on remuneration with members of the Company's Remuneration Committee to be held at 14:00 Greenwich Mean Time (2pm GMT) on Monday 14 December 2020.

Shareholders who wish to participate in the telephone conference are requested to contact the Company Secretary at the email address below by 5pm GMT on Friday 11 December 2020 to obtain further details for the telephone conference. [companysecretary@gemfields.com](mailto:companysecretary@gemfields.com)