prosus

2024

ANNEXURE TO THE CEO REMUNERATION DISCLOSURE

Improving everyday life for billions of people through technology

Annexure A

After engagements with our top shareholders on our FY24 remuneration report and the CEO remuneration package, please find the group's responses to queries frequently raised:

Question 1: Why have you decided to base measurement of the "Moonshot" on market capitalisation versus share price? Doesn't that disincentivise executives from engaging in value-creating corporate transactions like spin-offs, buybacks and dividends for example?

The "Moonshot" incentive has been designed to incentivise the CEO to create truly exceptional value at a peer-beating pace. It is triggered only after two conditions are met simultaneously:

First, the market cap of the group must double from US$84bn to US$168bn over a four-year period. This implies a growth in value of an average of above 19% per year. Very few companies have achieved that consistently over four years. Put differently, the challenge to Fabricio is to add more new value to our group

- To use comparisons from our peer group: create a 'new company' bigger than either of the present market cap of SoftBank, PayPal, Shopify or Airbnb.

That is a tough assignment indeed.

The second condition, to be met simultaneously, is that:

- the Total Shareholder Return of our group over that same period must beat at least 50% of peers. This peer group includes some of the biggest, toughest and best companies in the world. Listed alphabetically: Adyen N.V., Airbnb, Alibaba Group Ltd, Alphabet, Amazon, Auto Trader, Baidu, Bajaj Finance, Bilibili, Block, Booking.com, Chewy, Coupang, Deliveroo plc., DoorDash, eBay, Etsy, Exor N.V., Expedia group, FSN Ecommerce (Nykaa), IAC, JD.com, Just Eat Takeaway.com, Kinnevik AB, Kuaishou Technology, LY Corporation, Match group, Meituan, MercadoLibre, Meta Platforms, NetEase, Ocado group, One97 Comms, PayPal, Pinduoduo, Pinterest, Rakuten group, Schibsted ASA, Sea Limited, Shopify Inc., Snap, SoftBank Group, Trip.com Group, Uber Technologies, Vipshop Ltd, Wayfair, Zalando SE, Zillow group and Zomato.
- Market capitalisation for the purposes of the Moonshot incentive will be based on the free float (unrestricted) shareholding, and calculated as follows:

*Group Market Cap = (Prosus issued Ns – treasury shares – Naspers ownership in Prosus) * share price * EUR/USD FX ("**Prosus Market Cap**") + (Naspers issued Ns – treasury shares) * share price * ZAR/USD FX ("**Naspers Market Cap**")*

- This market cap calculation will be adjusted for corporate actions which may create value for shareholders, but theoretically would reduce the market cap. Examples include, but are not limited to: distribution of assets or cash to our shareholders, special dividends, spin-offs to shareholders, plus potentially other distribution events. These values would be added to the value of our aggregate market cap at the time of its final measurement in four years.
- On the other hand, if more of our own shares are issued, or a rights offer of our shares is made, or our shareholders are diluted in any way by issuing our shares to acquire an asset, then such dilution (plus appropriate interest) will be deducted from the market cap in four years.
- Thus, to be clear, the aim is to ensure that the new value built for our shareholders over four years is measured fairly. Adjustments will be made to achieve this.
- The share buyback programme is a board decision, not in the hands of management only. It will always remain subject to board approval. As previously stated, the intention is to continue with the programme as is running at present.

Question 2: Regarding the Moonshot, would it be fair to assume that management is precluded from completing a rights issue (or other capital raise) in order to inflate the market cap artificially and reach that target?

- Yes. The Remco will adjust the group market cap at the time of the final measurement to make allowance for any events (such as rights offers and acquisitions for shares), which would increase the group market cap, but not create real aggregate new value.

Question 3: Why did you not back out Tencent from the Moonshot?

- Tencent is the group's largest and most valuable asset. The board believes that the CEO should be compensated to give full attention to such asset.
- Capital allocation is one of the most important jobs of the CEO of the group. This includes decisions made with respect to buying or selling Tencent, like every other asset.
- Furthermore, Fabricio will also be incentivised to create value in the non-Tencent portion of the portfolio through his SARs' incentive. Plus to create value in all assets combined, and reduce the discount further, through the Moonshot incentive and the PSU linked to TSR.
- The Remco believes that all of these components together create a well-rounded package that ultimately aligns Fabricio's incentives with shareholders' interests.

Annexure A

Question 4: Is US$100m the maximum payout Fabricio can receive as part of the Moonshot, or can that amount increase during the one-year period in which the amount is held in escrow post the conditions being met over the four-year period?

- This number will not increase. If both conditions of the Moonshot are met, and the value created is maintained for at least one year, thus to 30 June 2029, Fabricio will receive a special once-off award of US$100m in Prosus and Naspers shares (split 70/30) paid in July 2029.

Question 5: Is the board satisfied with the current level of discount?

- No. Therefore, the committee has put in place an STI to incentivise the reduction of the discount further. The committee also believes the continuation of the share repurchase programme will also allow Fabricio to create value and reduce the discount over time.

Question 6: Why is Fabricio not being incentivised to reduce the discount?

- Fabricio's package is designed to create value from a Total Shareholder Return perspective in all our assets combined.
- He is thus incentivised to create value also by way of reducing the discount.
- However, after engagement with several shareholders, we realise that there may be benefit in adding an explicit shorter-term discount reduction incentive. Improve the holding-company discount over the 12 months of FY25.

Question 7: Why is Basil's discount linked STI only to 'maintain' the discount rather than to 'reduce' it?

- Valid point regarding formulation.
- After engagement with several shareholders, we intend amending this STI to read as follows: Improve the holding-company discount over the 12 months of FY25

Question 8: Why did you remove the requirement for the CEO to hold 10 times his salary in group stock?

- Fabricio is already deeply invested in the iFood business, through his 4% ownership stake of Movile. Plus, he has committed to over time acquire Naspers/Prosus shares. That will be communicated to the market as it happens.

Question 9: Why haven't you disclosed Ervin Tu's remuneration? Is Ervin going to be appointed to the board?

- Ervin is not a board director as the CEO and CFO are. In addition, he is not a prescribed officer or person discharging managerial responsibilities.
- It is felt that management is adequately represented on the board by the CEO and CFO. Enlarging the board further with executives would create other governance concerns.

Question 10: Why is half of Fabricio's LTI related to SARs 'without any performance hurdle'?

- The quote reflects a factual misunderstanding. Share appreciation rights incentivise a particular team to grow the value of the consumer internet assets they are personally responsible for. We do this by creating share appreciation rights over baskets of assets, for example, our 'global Classifieds assets' is the basket for execs working in OLX. The performance hurdle is creating real new value. If no value is created, no payout follows.
- Since these assets are unlisted, a mechanism is needed to value them annually. The valuation process is set out in detail on page 100 of the annual report, but for your quick reference is included as an excerpt to this document (Appendix 1).
- The Remco believes it is important to ensure that Fabricio is also incentivised to create value in the non-Tencent portion of the ecommerce portfolio. That is why he has been issued a fair value amount of $27m in SARs that can be earned over four years. He will thus receive a payout only if real new value is created in the aggregate of these non-Tencent assets.

Updated FY25 CEO STI goals and objectives

Group financial goals	%	Description	Maximum payout (US$'000)
Core headline earnings (including Tencent)	10	Achieve core headline earnings at target, including Tencent	75
Free cash to equity	10	Achieve free cash-to-equity inflow at target	75
Reduce holding company discount	15	Improve the holding-company discount over the 12 months of FY25	112.5
Ecommerce financials	15	Deliver organic revenue growth at target	112.5
Trading profit	20	Achieve trading profit at target	150
Total	**70**		**525**
Ecommerce ecosystem	10	Increase growth of group companies by 3% through synergies of the ecosystem	75
ESG: People	10	Achieve employee engagement score of 78% positive or 2% higher than FY25	75
	5	Through promotions and new hiring, achieve an outcome of no fewer than two women in the senior leadership of the group	37.5
ESG: Climate	5	Majority-owned businesses are to effectively measure and document material scope 3 emissions	37.5
Total %	**30**		**225**

Appendix 1

Employees

CEO's remuneration compared to average employee remuneration

When reviewing the CEO's remuneration, the human resources and remuneration committee considers international CEO market data, CEO's performance, business performance, and the employees' remuneration globally across the group.

As a global technology group, we have a wide geographical footprint. Most of our activities and employees are based in high-growth countries, including India and Brazil, regions where socioeconomic disparities can be large. On a global level, the CEO pay ratio versus employees (including LTI) is not considered an appropriate measure of fairness given widely different pay levels in the countries where we operate.

The pay-at-risk portion for the CEO and, within that, more specifically LTI, weighs heavily in our total executive remuneration mix. This approach is typical in the consumer internet and technology sector where we compete for the best talent. For completeness, we have also reviewed pay ratios excluding LTI.

The ratios are obtained by dividing the FY24 total remuneration for the CEO by the FY24 average total remuneration of all other employees (which includes salaries, wages, on-target bonuses, pension and benefits for employees, excluding contractors). It excludes training and development that we offer to our employees. Details of staff costs appear in note 14 on page 138 of the consolidated financial statements.

Pay ratio CEO vs employees

	FY24[1] (%)	FY23 (%)	FY22 (%)	FY21 (%)	FY20 (%)
Global (including LTI)	120:1	237:1	340:1	316:1	311:1
Netherlands (including LTI)	16:1	30:1	40:1	19:1	22:1
Global (excluding LTI)	44:1	112:1	71:1	75:1	72:1
Netherlands (excluding LTI)	6:1	22:1	14:1	6:1	8:1
Average remuneration per full-time employee	US$70 262	US$67 697	US$57 669	US$45 433	US$43 870

Competitive pay – knowledge workers

We review the pay levels of our staff at least annually: relative to pay in the markets and countries where we operate, our reward levels are competitive. The effectiveness of our reward philosophy and practices is confirmed via our formal employee engagement surveys: in recent years, most employees find that they are paid fairly, relative to similar jobs in other companies, reporting a high satisfaction level that is above external benchmarks.

Management of share-based incentive schemes

Valuations

The Global Ecommerce portfolio

The performance of SARs and PSUs is determined by YoY changes in the per share valuation of the group's Global Ecommerce portfolio. This scheme excludes the performance of Tencent.

Methodology

The valuation is an amalgamation of a number of individual schemes and assets that are valued annually, or in the interim if required, by KPMG. In determining the company value and scheme share value, the valuer uses appropriate and reasonable valuation methods, including comparable peer multiples, precedent transactions and discounted cash flow (DCF) valuations. Importantly, the methodology has remained consistent since its inception, which is essential both for the legitimacy of the valuation and transparency for scheme participants.

Where predominantly employing a DCF methodology, the valuer is using assumptions for future cash generation, discount rates and long-term growth. These valuations assess the pathway to value creation and serve as a critical component of a comprehensive compensation vehicle designed to align management performance and compensation, excluding Tencent, with shareholder outcomes. It is also important to note that funding is initially dilutive to value, and many of our companies are early-stage or loss-making, meaning that the schemes are diluted by short-term investment and acquisitions. The Global Ecommerce portfolio scheme is made up of underlying schemes, each with a different set of assumptions.

FY24 valuation outcome

The group's assets have achieved consolidated profitability, ahead of the target communicated to investors previously. This is attributable to the strong performance in the Classifieds and Food Delivery assets, though offset by performance in Payments and Fintech and Edtech. The increase in the value of the portfolio reflect the re-rating of all our listed assets, including Delivery Hero in particular which saw a YoY decline, but offset by increases in other listed assets. The updated valuations at 31 March 2024 reflect the performance of our businesses in the context of an ongoing difficult macroeconomic environment, including volatile market movements and high inflation that resulted in high interest rates remaining in most of our markets.

1 *For FY24 we have annualised Bob van Dijk's total remuneration to calculate the CEO pay ratio.*

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