



Emerging
Stronger
A better Future

DIRECTORS' REMUNERATION REPORT

East African Breweries Limited ("EABL" or "Company") ambition is to be the best performing, most trusted and respected consumer products company in Africa. Achieving this will require significant leadership focus and investment behind an ambitious growth strategy. Reward is a key enabler to this strategy – impacting our ability to not only attract, but to motivate and retain talent with the capability to deliver EABL's strategy and performance goals.

EABL is pleased to present the Directors' remuneration report for the year ended 30 June 2021. This report is compiled pursuant to EABL's reward policy, the Capital Markets Authority Code of Corporate Governance, and the Kenyan Companies Act, 2015 Regulations on Directors' remuneration. A key provision of the Company's principles is that reward directly support the business strategy with clear and measurable linkage to business performance.

The EABL reward system seeks to recognise the contribution its employees make towards the success of the Company, while reflecting not only the value of the roles they perform, but also the level to which they perform them. Our approach to recognising our Directors' contribution to the business is based on our reward principles, which are summarised as below:

- **Competitiveness:** Our total reward levels are reflective of the competitive market, and compare favourably with our peers for such skills. Our reward structure is reviewed regularly and is subject to external benchmarking to ensure that we continually offer our Directors a competitive total reward package.
- **Transparency:** Our reward programme is simple and globally aligned in terms of core offerings and mechanism. We strive to explain to all stakeholders the component value of the total reward package and the criteria which may affect it.
- **Performance based:** Our reward programmes are linked to our performance ambition. They are simple and clearly communicated, recognising individual and business performance.

As at 30 June 2021, EABL's Board of Directors consisted of:

- 2 Executive Directors: Mrs. Jane Karuku and Mrs. Risper G. Ohaga. Mr. Andrew Cowan resigned from the Board on 1 March 2021.
- 3 Non-Executive Directors: Mr. John O'Keeffe, Mr. Leo Breen and Mr. Dayalan Nayager who was appointed as a Non-Executive Director on 1 March 2021.
- 6 Independent Non-Executive Directors ("INEDs"): Dr. Martin Oduor-Otieno, Ms. Carol Musyoka, Mr. John Ulanga, Mr. Japheth Katto, Mr Jimmy Mugerwa and Ms. Ory Okolloh. Ms. Ory Okolloh was appointed as Independent Non-Executive Director on 16 October 2020.

In accordance with Section 6 of the Companies (General) (Amendment) Regulations of 2017, the Directors Remuneration Report for the year ended 30 June 2020 was presented to shareholders for approval at the Annual General Meeting (AGM) held on 16th September 2020. 99.98% voted in favour of the report, 0.00% voted against the report while 0.02% of the votes were withheld or spoilt.

The next section outlines the details of the remuneration.

DIRECTORS' REMUNERATION REPORT (continued)

1. Executive Directors

The reward of the Executive Directors is guided by the principles set out above. It comprises guaranteed elements (base pay and fixed allowances), benefits and variable elements (bonus pay and stock options or awards).

The elements of the Executive Directors' remuneration are as detailed out on the table below:

Reward Element	Description
Base pay	<p>Purpose and link to Group Strategy</p> <p>The base pay supports the attraction and retention of the best global talent with the capability to deliver EABL's strategy and performance goals.</p> <p>Operation</p> <ul style="list-style-type: none"> • It is paid monthly (12 equal instalments) during the year, and is pensionable. • The base pay is reviewed annually in October, to reflect changes in market pay levels and individual performance. • The Board Nominations and Remuneration Committee (BNRC) approves the budgets that form the basis for the annual base salary increments on an annual basis. • Performance measure – It is based on individual's level of responsibility
Fixed allowances and benefits	<p>Purpose and link to Group Strategy</p> <p>These allowances and benefits provide market competitive and cost effective benefits.</p> <p>Operation</p> <ul style="list-style-type: none"> • Fixed allowances are provided in line with the Company's pay structure and may include a car allowance (unless in cases where an actual car is provided). Further, Executive Directors on international assignee contracts receive mobility related allowances to compensate for cost of living and location differentials. • Market competitive benefits that are in line with the Company's pay structure include pension, medical, accident and life insurance and club membership. • International assignees receive additional benefits that include: home leave travel, housing support, dependants' education support and tax support through tax equalisation. <p>Performance measure – It is based on individual's level of responsibility.</p>
Bonus	<p>Purpose and link to Group Strategy</p> <p>This incentivises delivery of EABL's annual strategic financial and non-financial targets. It provides focus on the key financial metrics and the individual's contribution to the Company's performance.</p> <p>Operation</p> <ul style="list-style-type: none"> • Bonus pay is discretionary and is paid out in line with the Company's bonus scheme referred to as the Annual Incentive Plan (AIP). AIP seeks to reward an employee's contribution as part of a winning team. • Bonuses are awarded during the EABL Annual Review Cycle and paid out in cash in October of every year. • The elements used to calculate the bonus are: <ul style="list-style-type: none"> o Annual base salary - Bonus is usually expressed in terms of one's annual base salary. o The business multiple – This is a reflection of the performance of the business against its annual operating plan. It could be between 0.0 and 3.0. o The bonus factor - is the proposed recommendation by the Line Manager. It is a reflection of one's individual performance in the performance year and is between 0% - 200%. <p>Performance measure – This is based on individual and Company performance</p>

DIRECTORS' REMUNERATION REPORT (continued)

Reward Element	Description
Shares / stock options	<p>Purpose and link to Group Strategy These provide focus on delivering superior long term consistent performance in line with EABL's business strategy and to create alignment with the delivery of value and returns to shareholders.</p> <p>Operation The Executive Directors participate in the below plans:</p> <ul style="list-style-type: none"> • Diageo Executive Long Term Investment Plan (DELTIP) – Under this plan, Diageo has discretion to grant Restricted Stock Units (RSUs) and/or share options in Diageo plc. Awards are normally made annually in September. DELTIP encourages leaders of the business to act like owners by linking reward to Diageo plc's share price performance. Awards will normally vest three years after grant, subject to continued employment. Employees can exercise their options at any time within the seven year period following the vesting date. • The Performance Share Plan (PSP) – This is a long-term incentive that offers the executive the opportunity to receive a conditional award overshares in Diageo plc, subject to the achievement of performance conditions: organic Profit Before Exceptional Items and Tax (PBET), organic Net Sales Value (NSV) growth and Environmental, Social and Governance (ESG) priorities. Provided that the performance conditions are met, shares will vest and be released to participants three years after the date of grant. The proportion of the award released depends on the extent to which the performance conditions are met. <p>Performance measure for the right to receive shares – The vesting of awards is linked to a range of measures which may include, but are not limited to:</p> <ul style="list-style-type: none"> • A growth measure (e.g. net sales growth, operating profit growth); • A measure of efficiency (e.g. operating margin, cumulative free cash flow, return on invested capital); • A measure of Diageo's performance in relation to its peers (e.g. relative total shareholder return); and • A measure relating to ESG priorities.
Company product	All Directors are eligible to receive a discretionary choice from a select product range to enable them experience the Company brands first hand. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit.
Notice period	The notice period is defined in the individual contracts. Local contracts provide for 3 months notice period. Notice period for international assignees is defined by their home contracts terms of service.
Termination payments	These are defined by Company policy, which provides for severance payment, payment in lieu of notice and payment of any accrued fixed pay and leave.
Compensation for past Directors	This report includes payments made in the relevant financial year to any person who was not a Director of the Company at the time the payment was made but had previously been a Director of the Company.

DIRECTORS' REMUNERATION REPORT (continued)

Executive Directors Remuneration – Auditable information

Table 1: Executive Directors Pay and Benefits

	Salary	Bonuses	Allowances and benefits	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Year ended 30 June 2021				
Andrew Cowan	21,324	-	55,932	77,256
Jane Karuku	39,433	-	12,878	52,311
Risper G. Ohaga	23,910	-	4,742	28,652
Total	84,667	-	73,552	158,219
Year ended 30 June 2020				
Andrew Cowan	39,197	57,543	54,993	151,733
Jane Karuku	30,867	24,812	6,878	62,557
György Geiszl	16,183	23,181	52,943	92,307
Risper G. Ohaga	9,963	6,121	5,926	22,010
Total	96,210	111,657	120,740	328,607

The remuneration disclosed for directors who serve for a part of the year constitutes payments during the period they were in employment with the Company.

The bonus is awarded during the annual review cycle and paid out in October of every year. Therefore, the disclosed bonus remuneration is the amounts paid in the financial year based on the individual and company performance in the prior year.

Table 2: Executive Directors Stock options

The movement in the Executive Directors' share options awards is as follows:

	At start of year	Shares/options awarded	Shares/options exercised	At end of year
Year ended 30 June 2021				
Andrew Cowan	37,563	13,731	(12,797)	38,497
Jane Karuku	45,468	13,198	(8,365)	50,301
Risper G. Ohaga	1,328	5,811	-	7,139
Total	84,359	32,740	(21,162)	95,937
Year ended 30 June 2020				
Andrew Cowan	40,377	12,273	(15,087)	37,563
Jane Karuku	40,683	6,901	(2,116)	45,468
György Geiszl	11,541	1,069	(4,781)	7,829
Risper G. Ohaga	-	1,328	-	1,328
Total	92,601	21,571	(21,984)	92,188

The charge through profit or loss relating to the share options and awards was Kshs 47,504,000 (2020: Kshs 29,018,000)

DIRECTORS' REMUNERATION REPORT (continued)

2. Non-Executive Directors

The Non-Executive Directors, Mr. John O'Keeffe, Mr. Leo Breen and Mr. Dayalan Nayager are full time employees of the majority shareholder, Diageo plc. As a result of being full time employees of Diageo plc, these Non-Executive Directors did not earn any fees for sitting on the board of EABL.

3. Independent Non-Executive Directors (INEDS)

Independent Non-Executive Directors' remuneration policy and framework

Our reward policy targets to ensure that our pay is competitive at all levels across the business which also extends to include the compensation for the Non-Executive Directors. The Non-Executive Directors remuneration is based on an analysis and understanding of our market practices as well as the Capital Markets Authority (CMA) guidelines on good corporate governance that "the non-executive directors' remuneration should be competitive in line with remuneration for other directors in competing sectors".

EABL's preferred market positioning for remuneration is 75th percentile within a comparable peer group of companies. The approved internal policy and market practice is to review remuneration for Board Members every 2 years.

The list of the reward components is as follows:

(i) Consolidated fees

This is competitive taking into account market rates of pay. Fees are reviewed every two years after a survey of prevailing market rates. Any increases will be determined in accordance with the ability of the business to fund the increase. Retainer fees are paid on a monthly basis.

Effective financial year 2020, the Retainer Fees and Siting Allowance was consolidated to provide for one amount paid out monthly and differentiated by level of responsibility in the Board. Therefore, no separate attendance fees are paid in addition to the consolidate fees.

(ii) Insurance cover

EABL provides professional indemnity insurance for all the Independent Non-Executive Directors in line with best practice in the market.

(iii) Product allowance

Independent Non-Executive Directors' are eligible to receive a discretionary choice from a select product range to enable them experience the Group's brands first hand. The value of the products is Kshs 3,000 per month. There is no cash alternative to product allowance and it is not a contractual benefit.

(iv) Travel and accommodation when on Company business

EABL provides for travel and accommodation costs in line with its Travel and Entertainment policy. Independent Non-Executive Directors travel on business class when going for Company related meetings.

(v) Medical cover

The Company provides Independent Non-Executive Directors with medical cover, both inpatient and outpatient, within the limits provided for EABL employees.

The Company values continued dialogue with EABL's shareholders and engages directly with them at the Annual General Meeting when making any revisions to the INEDs remuneration package.

DIRECTORS' REMUNERATION REPORT (continued)

Independent non-executive Directors' remuneration policy and framework (continued)

INEDS Remuneration – Auditable information

	Retainer	Sitting allowances	Total
	Kshs '000	Kshs '000	Kshs '000
Year ended 30 June 2021			
Martin Oduor-Otieno	8,800	-	8,800
Carol Musyoka	5,580	-	5,580
Japheth Katto	6,558	-	6,558
Jimmy Mugerwa	6,251	-	6,251
John Ulanga	6,037	-	6,037
Ory Okolloh	3,720	-	3,720
Total	36,946	-	36,946
Year ended 30 June 2020			
Charles Muchene	3,772	280	4,052
Martin Oduor-Otieno	7,108	345	7,453
Carol Musyoka	5,497	375	5,872
Japheth Katto	5,651	67	5,718
Jimmy Mugerwa	5,651	67	5,718
John Ulanga	5,447	79	5,526
Total	33,126	1,213	34,339

By order of the Board

Ms Kathryn Maundu

Company Secretary

Date: 29 July 2021

