BENEFITS GUIDE

PetroSA

Retirement Fund

All about your fund and what it does for you

Legal Disclaimers

- This guide is a summary of the benefits of the Rules of the Fund. In the event of a conflict between this guide and the Rules or policies, the Rules or policies will apply.
- The content of this guide does not constitute advice, neither by the Trustees, nor by its consultants.
- This guide will be updated from time to time; please check the Fund's website to ensure that you have the latest version.

BENEFITS OF THE PETROSA RETIREMENT FUND

This guide deals with the benefits provided by the PetroSA Retirement Fund.

The specific areas covered are:

- The design of the Fund
- The rationale for flexible benefit design
- The contributions payable
- What benefit you will receive on retirement
- Your resignation, retrenchment and dismissal benefits
- What benefit your dependants will receive (from the Retirement Fund) should you die in service

THE DESIGN OF THE FUND

The PetroSA Retirement Fund is a *Defined Contribution* arrangement.

PetroSA (your employer) pays **fixed contributions to this account on a monthly basis**. This amount is then invested, and the investment returns earned on this money are added to your account. Your Member Share ccount is comprised of three components (or two components if you have no retirement fund savings prior to 01 September 2024).

Your Member Share Account grows, together with investment returns.

This means that each month the Fund receives a contribution which is then allocated to your retirement savings. (An explanation on how the contributions are allocated is discussed below). These contributions grow with the net investment return (which may be positive or negative) earned on the portfolio where you elect to invest your money. There is a separate guide titled your **Investment choices** dealing with your investment choices in the Fund.

Other than your retirement benefits, the Fund also provides benefits on your resignation, retrenchment and death.

IMPLEMENTATION OF THE TWO POTS SYSTEM EFFECTIVE 01 SEPTEMBER 2024

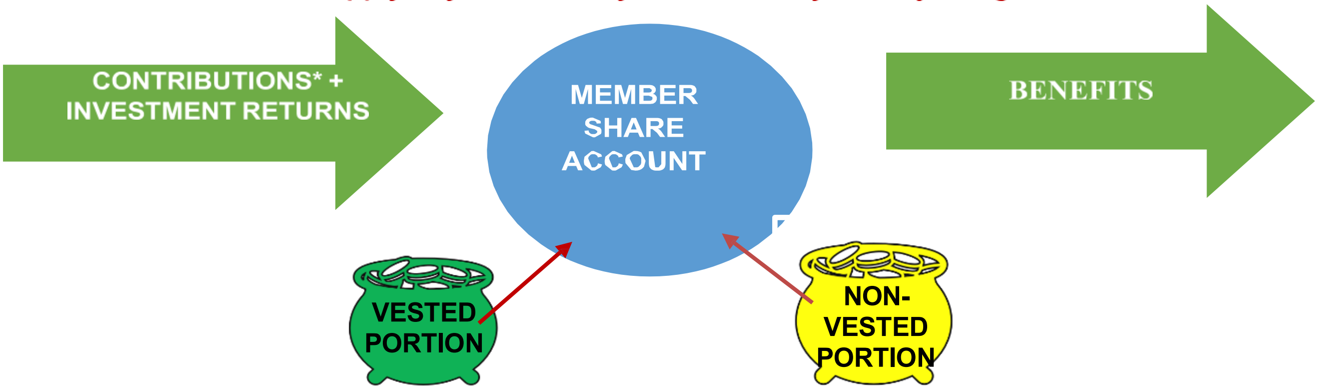
With effect from 01 September 2024, the Two Pots system was implemented and it will reshape retirement planning in South Africa in general, and how it impacts you as a member specifically. Below we explain how things worked prior to 01 September 2024, as well as how things currently work post implementation of the Two Pots System.

HOW THINGS WORKED PRE 01 SEPTEMBER 2024

Up until 01 September 2024, all the money in the Fund was in **one** “pot” called your Member Share Account). Contributions were made into this account. Investment returns were credited to this account. However, members had no access to this money unless a benefit was paid out - i.e. on retirement, withdrawal (resignation, dismissal, retrenchment) and death.

HOW THINGS WORKED PRE 01 SEPTEMEBER 2024

This of course will not apply to you if this is your first time you are joining a Retirement Fund



**The employer contributions are net of insured benefit premiums and fund expenses.*

Note: The Vested and Non-Vested Portions only applies to those members that were present prior to 01 March 2021, as well as new members who previously belonged to a Provident Fund.

What changed is that, on 01 September 2024, the amount of your Member Share Account (illustrated above) became your “VESTED POT” i.e. all the money you’ve saved for retirement up to 31 August 2024, including the August 2024 contributions, even if they were only invested in September 2024, less your “SEED CAPITAL”. Your Vested Pot is closed to new inflows, so you do not contribute to this pot anymore. But the money you have saved in your Vested Pot will remain invested and will keep growing with investment returns until you take benefits from the Fund (after you leave employment).

Note: This only applies to members who were previously part of a retirement fund. If you have never belonged to any fund in the past, you can ignore the above.

HOW YOUR MEMBER SHARE ACCOUNT WORKS FROM 01 SEPTEMBER 2024

From 01 September 2024, your Member Share Account operates as follows:

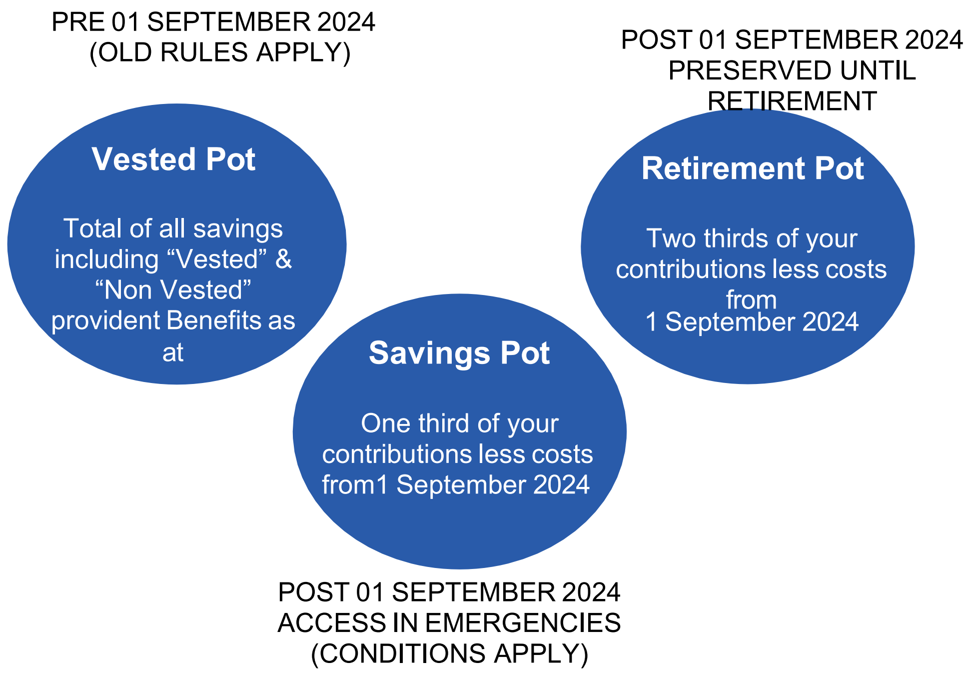
You have **three components** to your Member Share Account (if your first membership of any Fund was effective on or after 01 September 2024, you will have two components to your Member Share Account).

1. The **Vested component (pot)** will be your accumulated retirement savings on 31 August 2024.

2. **Retirement component (pot)** into which two thirds of a member's monthly contribution (after deducting the insurance premiums and fees) will be paid.

3. **Savings component (pot)** into which a third of a member's monthly contribution (after deducting the insurance premiums and fees) will be paid.

   NOTE: That wherever in this document we refer the word "POT" or "COMPONENT" – it is one and the same.



HOW YOUR CONTRIBUTIONS ARE ALLOCATED

The Vested Pot is closed and cannot receive new contributions. From 01 September 2024, future contributions are split between TWO further components (Pots):

RETIREMENT POT

- $2/3^{rds}$ of monthly net contributions goes into the "retirement pot".
- Members continue to earn investment returns on the monies in this retirement pot.
- The money in this pot **must** be preserved **until retirement.**
- On retirement, you **must** buy a pension with the entire amount in the retirement pot – except if the retirement pot plus 2/3rds of the vested pot is less than the *de minimis* amount (R165 000), all may be withdrawn as a lump sum.

SAVINGS POT

- 1/3rd of monthly net contributions goes into the "Savings Pot"
- You can make one withdrawal per tax year from the Savings Pot
- Withdrawals from the savings pot are subject to certain conditions
- There is also an initial once-off "seeding" amount that was transferred to this pot on 01 September 2024.

The result is that you have three components or "pots", making up your Member Share Account. Unless you are a new member who joined the Fund after 01 September 2024 and never belonged to a previous retirement Fund. In this case you will only have 2 pots – your Savings Pot and your Retirement Pot

MORE ABOUT THE SAVINGS POT

The Savings Pot is intended to provide access to emergency funding. How exactly will withdrawal from your Savings Pot work, and what are the conditions of withdrawals? Initially i.e. on 01 September 2024, you had no contributions in the Savings Pot, so the Savings Pot is seeded with up to R30, 000.00. The actual amount of the seed capital was calculated as 10% (ten percent) of your Member Share at 31 August 2024 BUT UP TO A MAXIMUM OF R30, 000. (This money comes out of your Vested Pot – it is not an extra amount that is being credited to you.)

WITHDRAWING MONEY FROM THE SAVINGS POT AND THE CONDITIONS OF WITHDRAWALS

- You had an option of withdrawing your seed capital immediately on 01 September 2024 or any time after (if more than R2 000).

- You can only withdraw cash if you have more than R2 000 in your Savings Pot (component). If you have less, you will not be eligible to make a withdrawal. (The withdrawal cannot be for less than R2 000, but if you have more than R2 000 in your Savings Pot you don't have to withdraw the full balance).

- You can only make one withdrawal in a tax year (a tax year runs from beginning March to the end of February the next year). Keep in mind that the amount you apply to withdraw is not the money you will receive – tax and a processing fee will be deducted. We cover this further on in the document.

- SARS will deduct tax from any amount that you withdraw from the Savings Pot, at your current marginal tax rate, i.e. the rate at which your monthly salary is taxed.

A PROCESSING FEE (SEE BELOW) WILL BE PAYABLE TO THE FUND'S ADMINISTRATOR - THIS WILL ALSO BE DEDUCTED FROM THE WITHDRAWAL AMOUNT THAT YOU APPLY FOR

- Saving component withdrawals between R2,000 and R5,000 will incur the minimum transaction fee of R100
- Saving component withdrawals between R5,000 and R30,000 will incur a fee equal to 2% of the pre-tax withdrawal amount.
- Saving component withdrawals above R30,000 will incur the maximum transaction fee of R600
- Minimum and Maximum fee limits will be subject to annual inflationary adjustments

IMPORTANT NOTE: You should really only withdraw money from your Savings Pot in financial emergencies – ideally, you should otherwise not touch this money until you retire from employment. You are taxed on any amount you withdraw, and you will also pay an administration fee on the amount you withdraw. The more you "dip into" your Savings Pot while you are working, the lower your retirement savings will be when you eventually retire.

THE RATIONALE FOR FLEXIBLE BENEFIT DESIGN

PetroSA follows a total cost of employment remuneration structure. This allows PetroSA to offer employees a choice in the allocation between a cash salary and benefits.

The central motivation behind flexible benefit design is that you should do your financial planning after considering all the assets, insurance and debts (liabilities) you have. **This means you need to consider your "total wealth" as opposed to regarding each of your assets (e.g. your retirement savings) separately.**

Typically, your total wealth consists of:

- Your remuneration package
- The value of your house reduced by any loans you have taken on this property
- Your Retirement Fund Individual account (i.e. your total accumulated retirement savings)
- Other investments (e.g. unit trusts, shares, insurance policies) reduced by any debts you have

You can select the PetroSA benefits that offer the best value for money in managing your total wealth.

A key advantage of the benefits provided by PetroSA is that they are secured on a “wholesale” basis as opposed to "retail" basis. This means that the cost structure and policy terms for the various benefits have been obtained using the bulk buying power of PetroSA and are generally better than those you can obtain as an individual investor.

Flexible benefits need careful planning, based on your unique circumstances. There is little doubt that if you have choices you will need to spend more time and thought on your benefits than people who have no such choices.

THE CONTRIBUTIONS PAYABLE TO THE RETIREMENT FUND

WHAT CONTRIBUTIONS ARE PAID?

You may structure your package and contribution category. Depending on your selected contribution category, PetroSA will contribute (expressed as a percentage of your pensionable salary) to the Retirement Fund according to the following table:

Category of employment	Percentage %
A	7.5
B	10
C	12.5
D	15
E	17.5
F	20
G	22.5
H	25
I	27.5

The contributions that are made are tax- deductible.

Important to note that these contributions are allocated as follows:

- Retirement component (pot) into which two thirds of a member's monthly contribution (after deducting the insurance premiums and fees) are paid.

- Savings component (pot) into which a third of a member's monthly contribution (after deducting the insurance premiums and fees) are paid

HOW OFTEN CAN THE CONTRIBUTION RATE BE RESTRUCTURED?

You can restructure your package yearly (on the annual salary review date). If do not exercise a choice by around 10 August annually (the actual date is confirmed and advised to you in advance), you will be kept in your current contribution category (if you never make a choice you are defaulted into Category C).

HOW MUCH OF MY PACKAGE SHOULD BE STRUCTURED AS RETIREMENT SAVINGS?

In order to provide a reasonable retirement benefit, you should ideally structure your package so that PetroSA contributes at least 15.0% of your pensionable salary for your retirement savings.

Possibly, the main reason you **might** structure your package on a lower retirement savings contribution rate is to pay off debt (for example your housing bond) more quickly.

Generally, you pay interest of about 10% p.a. on debt and by paying it off quicker you are earning an after tax return equal to the interest rate on your debt.

If you elect a lower contribution rate for the period that you might be paying off a debt, then it is especially important that you increase your retirement contribution as soon as the debt is paid.

Note: There is a huge risk of inadequate retirement benefits if you make too low allocation for retirement savings.

The Fund has developed an interactive retirement planner so that you can better understand the relationship between the retirement savings contributions you make and your retirement benefit. You can find the link to this tool via AFConnect.

CAN I TRANSFER BENEFITS FROM A FORMER FUND INTO THE PETROSA RETIREMENT FUND?

Yes, the Rules of the Fund allow any member to transfer in benefits from a former Fund, subject to the requirements of the Pension Funds Act.

WHAT IS THE DEFINITION OF PENSIONABLE EARNINGS?

The amount of your salary that is regarded as pensionable is 80% of total guaranteed remuneration, in accordance with your contract of employment.

RETIREMENT BENEFITS

AT WHAT AGE CAN I RETIRE?

In terms of the Fund Rules, your normal retirement age is 65. The earliest age at which you can retire is ten years before your normal retirement date, subject to 3 month's written notice.

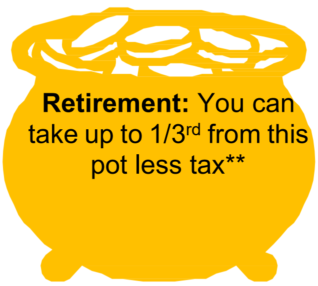
You may remain in service after your normal retirement age and retire at the later date, as agreed upon between yourself and the employer (but no later than age 70).

WHAT IS MY RETIREMENT BENEFIT?

When you retire, the amount in your Member Share Account will be paid to you as follows:

- You can select to receive <u>up to</u> one-third of your vested component as a cash lump-sum, plus the full amount of any transfer in of a Vested portion from a provident fund**, plus the balance of your savings component.
- The balance of your money, which will include the full balance in your retirement component, must be used to provide a monthly pension, either in the form of a Life annuity and/or a Living annuity (This is a choice you will make once your are ready to retire).

VESTED POT



SAVINGS POT

RETIREMENT POT

You can choose to receive the Living annuity from the Fund and/or from an external insurer (If you elect to use an external insurer certain conditions apply).

**For members who have transferred funds into the PetroSA Retirement Fund from another Provident Fund, as well as PetroSA Retirement Fund members who were present as at 1 March 2021(and under the age of 55 at that time) the following will apply:

On retirement, those members will still be allowed to take all their vested benefits (i.e. savings accrued up until 01 March 2021, plus returns) in cash (or part cash/part pension) (subject to tax).

In terms of the non-vested portion of the vested benefits, i.e. amounts contributed after 01 March 2021, they will only be able to take a maximum of one-third of these savings as cash (subject to tax), and the remaining two-thirds will need to be used to purchase a pension.

If you elect to take cash and/or purchase an annuity outside of the Fund, you leave the Fund. This means that you and your dependants have no further claim for benefits against the Fund. This is not the case if you elect to be paid a "living annuity" from the Fund.

At retirement, you thus face two important choices, namely:

- How much of your benefit you should take in cash; and
- What type of pension you should receive at retirement.

There is a detailed retirement guide available which explains the various options you have at retirement. Workshops are also held BI-ANNULLY for all members aged 55 and older.

EARLY RETIREMENT

The Human Capital Division has been approached by a number of employees regarding early retirement and the benefits associated with it. For this reason, it was decided to publish this communication that outlines the applicable rules, retirement benefits, as well as the procedures that must be followed when applying for early retirement.

1. RULES AND REGULATIONS

1.1 PETROSA RETIREMENT FUND

Paragraph 8.2.6 of the company's policy on Terms and Conditions of Employment that deals with the Retirement Fund, reads as follows:

- "The normal retirement age is 65. Employees may however apply for early retirement after reaching the age of 55. The Employer must approve such applications."
- In line with the above policy, early retirement age is defined as follows, in the rules of the PetroSA Retirement Fund:
  "A MEMBER may, with the consent of the EMPLOYER, retire at any time on or after the 10th (tenth) year before his or her NORMAL RETIREMENT DATE."
- From the above, it should be clear that any employee may retire from the age 55 onwards, provided that the PetroSA EXCO approves such applications.

2. EARLY RETIREMENT BENEFIT

The same benefit as the normal retirement age benefit.

HOW CAN I RECEIVE MY RETIREMENT BENEFIT?

The PetroSA Retirement Fund is a Provident Fund and because of this (prior to 01 March 2021) you could choose how much of your Member's Share must be paid to you as pension and/or a lump sum.

From 01 March 2021, members of provident funds are only able to draw up to a maximum of one-third of their total retirement benefit, as a lump sum. The remainder of the retirement benefit must be taken in the form of a pension payable for life. Therefore, provident funds such as the PetroSA Retirement Fund work the same as approved pension funds (which have always had the one-third restriction on lump sum retirement benefits).

It is important to note that, accrued rights of existing provident fund members are protected. For current members of provident funds:

- Accumulated benefits at 01 March 2021, together with investment returns up to date of retirement may be taken fully as a cash lump sum on retirement (this is called your Vested Portion).

- Members who were members of the Fund and were aged 55 or older on 01 March 2021, may take their full retirement benefit as a cash lump sum, irrespective of retirement date. This includes benefits accumulated after 01 March 2021 (Unless these members opted to participate in the Two Pots System).

The only exception to this is if your post March 2021 balance is lower than the limit set by National Treasury (currently R247 500) in which case, you have the option to commute your entire pension. We would note that the Trustees believe it is best to use the money to secure a pension to ensure you have some income for the remainder of your life. As such, if you want your entire benefit as a lump sum, you must provide the Trustees with evidence that you have taken financial advice.

Once you have received your retirement benefit, you leave the Fund. This means that you and your dependents have no further claim for benefits against the Fund. There is one exception to the above - you can elect to be paid a "living annuity" from the Fund.

At retirement you thus face two important choices, namely:

- How much of your benefit you should take in cash; and
- What type of pension you should receive in retirement.

These issues are dealt with in a separate guide, titled “Retirement Options Guide”.

DEFERRED RETIREMENT

WHAT IS DEFERRED RETIREMENT?

This is when you retire from employment but elect to defer the payment and taxation of your retirement benefit until a later date.

Deferred Retirement is available on retirement from employment, i.e. a member can retire before normal retirement age (NRA) and elect to be paid out his/her benefit at a later date or could retire at or after NRA and elect the benefit at a later date.

There is currently no maximum election age at which the benefit must be paid out, but National Treasury is expected to prescribe a maximum age in due course.

A partial Deferred Retirement is not permitted, i.e. the payment of the member’s full benefit (any cash portion and any annuity to be purchased) must be deferred until a later date, when electing this option.

RESIGNATION, RETRENCHMENT AND DISMISSAL BENEFITS

People can change jobs throughout their working life, so it is important that you understand what benefit you will receive from the Fund, if you should leave before you retire.

WHAT BENEFIT DO I RECEIVE ON RESIGNATION, RETRENCHMENT OR DISMISSAL?

On resignation, retrenchment or dismissal you will receive your Member Share (which is made up of 3 components as explained earlier). The tax treatment of this benefit is dealt with under “Taxation of Benefits”

WHAT OPTIONS DO I HAVE WITH MY RESIGNATION, RETRENCHMENT OR DISMISSAL BENEFIT?

For details in this regard go to the menu item RESIGNATION OPTIONS on the Fund website.

DEATH-IN-SERVICE BENEFITS

WHAT BENEFIT YOUR DEPENDANTS WILL RECEIVE (FROM THE RETIREMENT FUND) SHOULD YOU DIE IN SERVICE

Death is generally not something we like to think about, but it is important that you plan for it, especially if you have family who depend on you.

THE BENEFIT YOUR DEPENDANTS WILL RECEIVE

If you die in service on or before you reach age 65, your dependants will receive a cash benefit equal to:

- Your Member Share Account; plus
- An additional amount payable by the separate Group Life Assurance Scheme, which is provided by the employer and falls outside the Fund. For details on this, refer to the section death-in-service benefits

SPECIAL NOTE ON DEATH BENEFITS PAYABLE FROM THE PETROSA RETIREMENT FUND

The Trustees will have complete discretion as to how the benefit payable by the PetroSA Retirement Fund (i.e. your Member Share Account) will be allocated to your dependents. This Trustee power is derived from Section 37C of the Pension Funds Act, which requires the Trustees to allocate any retirement Fund benefit to those persons that were most financially dependent on you (usually your spouse and children).

However, in the event of there being no spouse or financially dependent children, your benefits will be paid to your financially independent children, or your nominated beneficiaries. A nomination in your will is not sufficient to indicate how you wish your retirement savings to be allocated, in event of your death. It is therefore most important that you complete a beneficiary nomination form to ensure that anyone whom you wish to benefit will have the opportunity of doing so. Forms are available from the PetroSA Human Capital Department.

The Trustees will only be able to pay benefits of deceased members to a trust where the trust concerned was nominated by the member or a major beneficiary.

Otherwise, benefits may be paid to a beneficiary fund for beneficiaries who are minors. A beneficiary fund is a pension fund organisation, which has the sole purpose to receive, administer invest and pay death benefits, as contemplated in Section 37C of the Pension Funds Act. Beneficiary funds must register in terms of the Act.

If a beneficiary that receives a benefit from a beneficiary fund dies, any remaining assets must be paid into the beneficiary's estate or, if there is no estate, into the Guardian's Fund.

The tax treatment of this benefit is covered under “Taxation of Benefits Guide.”