

# SAICA GROUP

## Remuneration and Reward Policy

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## POLICY SUMMARY

Policy Title	<b>Remuneration and Reward Policy – SAICA</b>
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## **1. Introduction**

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This document sets out the Remuneration Policy for South African Institute of Chartered Accountants (SAICA) and all subsidiary operating entities, hereafter referred to as SAICA.

The overall strategic aim of the Remuneration and Reward Policy is to enable the business to attract, motivate and retain talented high performing people.

The objective is therefore to create reward processes that are based on the institute's values, what it is prepared to pay for and what it can afford to pay. Reward at SAICA is driven by the need to reward the right outcomes that must convey the correct message about what is important in terms of both expected behaviours and outputs. We also ensure that all our incentives are structured in such a way that there is consistency and uniformity across the institute with no unfair outcomes for employees.

This remuneration and remuneration policy is based on best practice and good governance principles. SAICA will strive to comply with the remuneration guidelines of King IV to the fullest extent possible and will be cognisant of the remuneration-related guidance provided by relevant legislative and regulatory regimes.

**Annexure 1** sets out the definitions used in this document.

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## **2. Philosophy and Principles**

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### **2.1 Philosophy**

All remuneration practices must directly and simultaneously drive the achievement of both short-term results and long-term sustainability, with one never being achieved at the cost of the other.

Our philosophy, supported by a performance management practice, strives to set our employees' total guaranteed package at a competitive level by benchmarking to the market and providing incentives geared to agreed performance outcomes, where appropriate.

Innovation and entrepreneurship are highly valued and encouraged by the institute, but only if it leads to sustainable growth that does not pose any unmitigated risks to the interests of members, greater society and the general reputation of the institute.

## **2.2 Principles**

SAICA is committed to the concept of Total Reward, which recognizes that reward is multi-faceted and does not only have direct financial components.

Excellent operational performance is a key driver of overall performance within the institute and, therefore, guaranteed pay is set at a level that is aligned to the sustained operational performance that is expected.

Our remuneration approach is to benchmark guaranteed pay at the 25<sup>th</sup> percentile and create the opportunity for exceptional performers to earn up to the 50<sup>th</sup> percentile. This will always be subject to the individual's actual performance, the Institute's overall performance and well as the available funds in the bonus pool.

The institute aims to provide normal market-related benefits. These include (but are not limited to), retirement funding, medical aid, and other benefits including death, disability and funeral cover.

The key tenets of all remuneration practices at SAICA are that they must at all times and in as far as is practically possible be hallmarked by:

- Simplicity (by being no more complex than is required to be fit-for-purpose)
- Consistency
- Transparency (as appropriate at given hierarchical levels)
- Predictability
- Certainty

The Total Guaranteed Package (TGP) pay scales will progress employees' salaries based on employees' proficiency and meeting all performance and delivery of expectations over a period of time.

SAICA supports performance-based reward where employees will progress on the SAICA pay scale/s based on their sustained performance and competence.

An appropriate remuneration mix between TGP, short-term and (depending on eligibility criteria) long term incentives will apply at all levels in the institute.

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### 3. Purpose

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The purpose of the Remuneration and Reward policy is to set the framework for decision-making regarding all aspects of remuneration within SAICA as aligned to the policy, values and employee value proposition and ensure overall alignment with business needs.

This includes how SAICA positions its remuneration and pay levels.

The remuneration and reward policy directly supports execution of the key strategic thrusts of SAICA, being:

1. Continued relevance of the accounting profession and delivering better member value
2. Growing the Institute's reputation and thought leadership
3. Making quantifiable social contribution
4. Creation of an ethical culture within our profession
5. Enhancement of risk & governance processes
6. Enhancement of internal efficiencies and effectiveness

Whilst doing so, the remuneration and reward policy will at all times remain mindful of the Institute's strategic intent:

***"We contribute to sustainable economies through developing responsible leaders."***

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## 4. Scope

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The Remuneration Committee is responsible for ensuring that Senior Management (executive directors, senior executives) and persons to whom functions are outsourced and employees are remunerated fairly and responsibly and that the remuneration policies set are aligned with the Institute's overall reward philosophy, which is linked to the long-term objectives and risk management strategy. In accordance with this policy, the Remuneration Committee is required to ensure that remuneration and reward structures are implemented in terms of the following key principles:

- **Long term interest** – overall remuneration and reward policy and practice are in line with the Institute's strategy, profile, objectives, values, risk management practices, interests of its members and long term entity-wide interest and performance that has been adopted;
- **Management of risk** – the remuneration and reward policy applies to the Institute as a whole in a proportionate and risk based way and contains specific arrangements that take into account the roles of the different levels of employees undertaking activities that may involve significant risk taking;
- **Transparent** – there is a clear, transparent and effective governance structure for remuneration including the definition of the remuneration and reward policy and its oversight;
- **Appropriate mix of fixed and variable pay** – there is a balance between fixed and variable pay, with the fixed pay representing a sufficiently high portion of the total remuneration to avoid employees becoming overly dependent on variable pay, unless in situations where the market dictates otherwise. The variable portion is based on a combination of the institute, divisional and individual performance. The short-term incentive can vary year on year depending on the institute's, division's and the individual's performance;
- **Treats members and employees fairly** – performance scorecards and incentives are structured in such a way to ensure that the way we reward people at all levels does not result in any unfair outcomes. Members' interests and the institute's interests are treated with applicable importance thus ensuring the Institute's long term sustainability.
- **Defining performance** – performance is based on both financial and non-financial measures and includes measures for current and future risks.
- **Internal and external disclosure** – the remuneration and reward policy is transparent internally and adequately disclosed where required.
- **Approvals and decision-making** – The Institute's RemCo has a mandate to approve all changes to the remuneration and reward policy and its rules, and determination of the yearly bonus pot as per recommendation from ExCo.

The Remuneration and Reward Policy applies to all permanent and fixed term contract employees in SAICA who are on contract for no less than twelve (12) months. This includes newly appointed, transferred or promoted employees (following a recruitment process) and employees serving a probationary period. Limited duration employees (contract appointments with a duration of less than three months) are excluded.

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## **5. Remuneration Mix**

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The remuneration mix reflects the relative proportions of pay represented by Total Guaranteed Pay (TGP), Short-term Incentive (STI) and Long Term Incentive (LTI) pay:

- STI and LTI = Variable Remuneration (VR)
- TGP + VR = Total Remuneration (TR)

The ratio of TGP to VR is referred to as the remuneration mix. TGP includes all guaranteed items such as basic salary, car allowance, medical aid contributions, retirement fund contributions and guaranteed allowances.

SAICA will adopt, where appropriate, suitable levels of variable pay and the remuneration mix may vary by level and job family. There will thus not be a one-size-fits all approach to the remuneration mix. This will be applicable as a strategy to reward employees where performance expectations are met and retention of critical staff.

In keeping with the principles of total reward, employees may tailor their remuneration package where applicable, within strict parameters that would not violate the approved remuneration mix. This relates to travel allowances; savings option and other related options.

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### **5.1 Total Guaranteed Package**

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SAICA pays fixed pay on a TGP basis. This value is used for the development of pay ranges and for benchmarking purposes. It includes all contributions to the organisations benefit structures and consists of the following:

- Cash Component

- Retirement funding
- Medical aid
- Risk cover / insured benefits
- Travel Allowance (only if the employee qualifies in terms of income tax legislation).

The SAICA Remuneration Committee will from time to time scrutinise all benefits including retirement funds, benefits in kind and other financial arrangements to ensure that they are justified, correctly valued and suitably disclosed.

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## 5.2 Variable Pay Principles

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SAICA promotes a culture that supports modernization and improvement with appropriate short- and long-term performance-related rewards that are fair and achievable.

Contribution to success is rewarded by several sharing mechanisms. Variable pay will be earned as a result of organisational, divisional and individual success. This sharing flows from the achievement of a range of “stretch” goals. STI bonuses and LTI cash scheme will be utilised.

Factors affecting the institute’s performance outside the control of Senior Management, and to which the Directors have made no contribution will only be rewarded to a limited extent. SAICA does not support highly leveraged incentive schemes as they may result in excessive cost or risk for the institute.

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### 5.2.1 Short Term Incentive

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The payment of the bonus is subject to SAICA meeting its performance targets as set out in the balanced scorecard for the year, thus an individual weighted performance score will form basis of the short term incentive to employees’ subject to the qualifying criteria (refer to **Annexure 2**). The short term incentive pool under this scheme will be determined by the board taking into account affordability and organisational performance. All permanent and fixed term contract employees in SAICA who are on contract for no less than twelve (12) months employees are eligible to participate in the STI.

In support of SAICA’s pay for performance remuneration approach, STI derived variable pay will be linked to the Performance Management System (PMS) outputs. The SAICA PMS aligns individual performance to organisational strategy.

SAICA's short-term incentive scheme design is to reward performance for meeting short-term organisational targets. The guiding principles are as follows:

- A direct link is established between performance management and rewards at SAICA;
- Objectives and measures used in the incentive scheme will be derived from the overall annual strategic objectives for SAICA. These will be cascaded down to determine relevant objectives and targets at all levels;
- The incentive scheme will seek to enable participants to have a clear understanding of value add remuneration opportunities and what they can do in order to maximise their pay.

SAICA STI bonuses will clearly relate to performance against annual objectives consistent with long-term value for stakeholders and greater society. Individual and organisational performance targets, both financial and sustainability related will be tailored to the needs of the business and reviewed regularly to ensure they remain appropriate.

The primary risk from a short-term incentive perspective lies in the measurement of performance and the resulting quantum of the incentive:

- **Determination and size of the incentive pool** – Short Term incentive pool is based on past trends and projects of current year's organizational performance. The percentage increase of the pool varies reasonably along the latter statement.
- **Short Term Incentive Allocation** – Weighted average performance score for individuals in each job grade will be used as a basis of awarding performance bonuses to staff subject to the qualifying criteria (refer to **Annexure 3**).
- **Incentive capping** - Employees could receive up to a maximum of 25.2% of their total guaranteed pay, as their incentive as indicated by the bonus qualification percentages and Peromnes levels.
- **Circumstantial allowances in the period under review** - Employees who may have acquired additional responsibilities in the form of acting in a higher graded role or caretaking a role at the same grade, will be awarded an incentive on condition that the required performance of either the same or higher graded role has been met.
- **Performance Measurement** - Incentives are dependent on performance measured over a twelve-month period. Performance pool distribution is measured according to organizational; divisional and individual measures. Performance measures are based on audited financial results of the institute and the measures are independently verified by the Strategy Office and reviewed annually. External and Internal Audit may be required to independently verify reported results against scorecard measures

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### 5.2.2 Long Term Incentive

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The SAICA Long Term Incentive Plan (LTIP) shall apply to eligible employees where appropriate.

Long-Term incentives offered over a period of two or more years are designed to:

- Align performance with the achievement of long-term SAICA objectives
- Act as a retention mechanism for critical employees
- To drive a continuous and sustained growth and improvement culture within SAICA

To align interests, long-term incentive awards will be conditional on achieving performance conditions. Such performance measures and the reasons for selecting them will be fully disclosed. They will be linked to factors enhancing stakeholder value, and require strong levels of overall organisational performance, measured against an appropriately defined peer group or other relevant benchmark/s.

Awarding of long-term incentives will be made on a sliding scale to avoid an 'all or nothing' profile and should start at a level that is not significant in comparison with TGP. Awards with high potential value should only be linked to commensurately high levels of performance that are linked to strategic programmes that will generate long term benefits to SAICA and its stakeholders. Full awards will require significant value creation.

The primary risk from a long-term incentive perspective lies in the criteria of critical skills and the resulting quantum of the incentive:

- **Determination and size of the incentive pool** – Discretionary bonus pool is based on 10% of the overall Short Term Incentive pool. The percentage increase of the pool varies reasonably along the latter statement.
- **Long Term Incentive Allocation** – Allocations shall be issued annually to qualifying SAICA's critical talent applying the qualifying criteria (refer **Table 1**).
- **Deferral timeline** – Payment deferral shall be for a period of three retention years on condition that employee maintains individual performance and remains in service
- **Incentive capping** - Employees could receive up to a maximum of X% of their total guaranteed pay, as their incentive is indicated by the "critical employees" qualifying criteria.

SAICA will allocate long term incentives to its critical staff based on a weighted qualifying criteria that factors key focus areas of retention for SAICA and availability of funds. The criteria will be based on the following:

**Table 1:**

<b>BEE</b>	<b>SCARCE</b>	<b>HIPO/PRO</b>	<b>TECHNICAL EXPERT</b>	<b>IMPACT</b>
Motivation and retention of valuable “black” staff	Demand of current or future skills; qualified and experienced people to fill particular specialist roles	High performing future leader (Hi Potential) or Expert (Hi Professional) who set and drive strategy and business values	Develops and provides technical solutions within their area of expertise whether internal or external	Nature of overall impact of position holder as well as relative contribution to business strategy and vision

This should be limited to at least 10% of the total staff complement including Senior Management.

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## **6. Job Evaluation**

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It is recognised that properly determined and applied job grades are an essential prerequisite for the proper management of remuneration within SAICA.

The SAICA job evaluation process and resultant job grades support the Pay Scales, establishes a logical basis for salary benchmarking (internal and external parity), and establishes a logical basis for pay structuring by:

- Using the approved method of job evaluation in order to assess and compare jobs;
- Ensuring equity and consistency are the fundamental principles for the comparison of jobs within SAICA.

Where job grading anomalies are identified, the Senior Executive: Human Capital shall be accountable for developing and implementing remedial actions.

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## 7. Pay Scale Design Criteria

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The design of SAICA' Pay Scales is guided by a number of key best practice principles. SAICA's Pay Scales seek to get the balance right between affordability and competitiveness. The following features are incorporated in the design of SAICA' Pay Scales:

- a. The pay structure supports the remuneration philosophy;
- b. The principles of internal and external equity are upheld;
- c. It is flexible enough to respond to internal and external pressures;
- d. It allows for superior performance to be rewarded;
- e. It ensures consistent decision-making and application of the remuneration philosophy;
- f. Implementation is not disruptive or unnecessarily costly;
- g. It has appropriate stakeholder buy-in;
- h. It is legally defensible;
- i. It is affordable yet competitive.
- j. It complies with technical best practice regarding design criteria such as progression, range spread, range overlaps and pay grade.

In order to find a balance between the need to employ people at cost effective rates and the need to compete for scarce business critical skills and top performers, the range between 25<sup>th</sup> percentile to 50<sup>th</sup> percentile or market median is regarded as the most appropriate market reference point for SAICA. Market data should be sourced in an appropriate mix covering for example technical/ standards, stakeholder management, education related to CAs in the pipeline as well as national general data, as dictated by availability.

When designing pay scales, considerations of internal and external equity will always be taken into account.

- **Internal equity** refers to the relative grade assigned to different jobs within SAICA. Ensuring that relative grades are defensible both horizontally and vertically within the organization supports internal equity.
- **External equity** is the second consideration in the design of a pay structure. The focus in this area is on external equity (i.e. the competitiveness of the level of remuneration assigned to each grade) and SAICA' needs to compete in a free market for skills. Part of this competition is the management

of labour costs – ensuring that the labour force is neither overpaid nor underpaid, possibly leading to a high turnover or low morale which could harm employee effectiveness.

The base date of the Pay Scales is 1 January each year. The Pay Scales are reviewed on an annual basis (in line with the budgeting cycle each year well ahead of the annual review), based on pay increase trends, performance, market movement factor and on affordability considerations.

Remuneration bands will be determined for each job family, based on prevailing market forces that will determine the ranges of remuneration applicable to each employee grouping. This means that a one-size-fit all pay scale design is not considered optimal, and that where justified, differential pay scales may be developed and implemented to cater for specialist skills and career paths.

Movement through the pay scales will be according to the rules & criteria for movement within the pay scales.

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## **8. Rules & Criteria for Movement Within Pay Scales**

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Only in exceptional circumstances should employees fall outside the scales, and this should as a rule of thumb be limited to no more than 10% of headcount. Movement within the scales is based on sustained performance management scores.

Employees that fall above maximum of the scales will be dealt with on a case by case with final consideration and approval of the CEO.

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### **8.1 Criteria for Placement within Scales**

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Based on competency assessments, employees are placed at the relevant salary scale level as follows:

- **Minimum or below minimum** – Does not meet required performance levels. The employee's performance is below the standard requirements set. Little or no evidence exists of the employee's competence. (Equates to a 1 PMS rating)
- **Lower Guide** – Partially meets required performance levels/delivery standards. The employee's performance partially meets all the threshold requirements set. Evidence exists of the employee's competence. (Equates to a 2 PMS rating)

- **Midpoint** – Meets required performance levels. The employee's performance meets threshold requirements set for the job. Tangible evidence shows that job outputs have been met. (Equates to a **3** PMS rating)
- **Upper Guide** – Exceeds the required performance levels. The employee's performance meets the stretch requirements set. Tangible evidence exists of the employee's sustained exceptional and on-going achievements far beyond the requirements of the post. (Equates to a **4** PMS rating)
- **Maximum** – Outstanding Performance. The employee's performance is visibly outstanding on a sustained basis and far exceeds the requirements set. Tangible evidence exists of the employee's on-going achievements. (Equates to a **5** PMS rating).

Performance management scoring will always be monitored for conforming to a normal distribution. SAICA may however allow deviations from this in line with exceptional or unusual circumstances, especially if a specific Divisional Unit has performed particularly well.

Moderation may also be applied in the opposite direction, where for example natural disasters or market movements disproportionately impact the performance of the industry in which SAICA operates.

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## 8.2 Criteria for Placement of New Appointments

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On appointment to a new position an employee should be appointed as follows:

- **Minimum of Salary Scale** – The newly appointed employee is below the job requirements (e.g. a trainee). Little or no evidence exists of the newly appointed employee's ability to perform. The newly appointed employee needs to be trained and gain experience.
- **25<sup>th</sup> percentile – 50<sup>th</sup> percentile of salary scale** – Newly appointed employees in grades 7-16 shall be anchored using this range.
- **50<sup>th</sup> percentile of salary scale plus 20% of national market** – Newly appointed employees in grades 3-6 shall be anchored using this range in order to attract and retain key staff that have the necessary skills and expertise.

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### **8.3 Criteria for Appointments to Higher Positions**

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As a general rule, when an employee is appointed to a higher position with a higher grade, they should be appointed as per the new appointment guidelines above. The percentage increase consideration should take into account the responsibilities of the new role, the internal and external market benchmark.

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### **8.4 Criteria for Lateral Movement within SAICA**

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When an employee moves from one Division / Business Unit in SAICA to another Division / Business Unit to a position at the same job grade for example due to:

- Organisational Restructuring; or
- Voluntary Transfer Request

In such cases the individual employee will be moved to the other Divisions / Business Units remaining at the same remuneration level with no increase.

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## **9. Salary Reviews**

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### **9.1 Performance Management Moderation**

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The objectives of performing moderation in performance reviews is:

- ensure and maintain a consistent evaluation of performance management;
- ensure common understanding of the standards required at each level of the rating scale;
- protect the integrity of the process.

The key factors to be considered during moderation are as follows:

- stretch factor in the objectives set by divisions;
- complexity in achievement of objectives;
- relative contribution made towards achieving divisional or SAICA goals.

The moderation process will occur in two phases, i.e.

- First phase, performance scores will be moderated at divisional level led by the Executive Director and Human Resource Business partner;
- Second/ Final phase, each Executive Director will present their divisional performance scores to ExCo led by the Chief Executive Officer and SE: Human Capital.

The moderation of all performance scores will occur before the annual review is considered. ExCo led by the Chief Executive Officer shall have discretion to moderate up or down based on evidence of performances in relevant divisions.

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## 9.2 Annual Review

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In order for SAICA to maintain an appropriate remuneration market comparison vis-à-vis the national market, remuneration will only be reviewed effective 1 January each year although payment shall occur in April.

Annual remuneration reviews will be informed by:

- Projected market movement factor;
- Internal equity;
- External market;
- Performance/delivery;
- Affordability.

SAICA seeks to align the pay of individuals with SAICA's salary scale on condition of financial viability and in line with the salary increase principle of the institute. (refer to **Annexure 4**).

SAICA shall not allow "merit increases" outside of the January annual increase round.

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## 9.3 Relationship between Pay Scales and Annual Increases

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The criteria for movement within the scales are both pay scale related and based on the performance and competence of the individual in the job:

- Underperformers who are overpaid - gradually retard increases through the link between annual increases and performance

- Under-performers who are underpaid - pay at the minimum of the grade
- Over-performers who are overpaid - confirm that it is defensible to pay up to the maximum based on their performance history and the impact of that performance on the annual increases
- Over-performers who are underpaid - move at the fastest rate to the correct point through the reward of performance in the annual increase process

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## **10. Remuneration Reviews**

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### **10.1 Annual Guaranteed Remuneration**

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SAICA reviews individual total guaranteed pay (TGP) once per annum effective from 1 January of each year but paid in April. The average increase in employment cost is approved by the RemCo and is a factor of the increase in cost of living, market remuneration rates, affordability and general employment market trends. It is vitally important to understand that remuneration increases are determined on an individual basis without reference to an automatic across the board or minimum guaranteed percentage increase.

#### **10.1.1 Eligibility**

All employees in the service of SAICA and who have been with the Institute for more than three months at the time of the review will qualify for a remuneration review.

#### **10.1.2 Newly Appointed Employees**

As a general guideline, employees who have been in a position for a period of less than three months and who can therefore not be satisfactorily assessed in terms of their value add in the new role, may not be awarded an increase.

#### **10.1.3 Poor performing Employees**

Performance management is an ongoing process, thus identifying and managing poor performance should take place on an ongoing basis. Poor performance should be managed according to agreed performance enhancement programmes designed to address inadequate employee performance.

As a general rule, employees whose performance is assessed as poor should not receive an increase in TGP. Divisional HR Business Partners must be consulted when managing poor performing employees as per Poor Performance Guidelines.

#### 10.1.4 Guiding Principles and Steps

In awarding individual employee increases, the following should be taken into account:

- the overall remuneration history of the individual i.e. their fit to the existing pay scale;
- the individual's unique market worth where applicable;
- actively manage the remuneration of good performers who are considerably underpaid;
- slow down the remuneration of overpaid people (i.e. under performers who are paid at the top of the pay scale).
- cap remuneration to the pay scale maximum thereby ensuring that no one individual employee is paid above the maximum of the scale, where possible.

The table below demonstrates a remuneration increase model guide that differentiates by performance level and positioning within the pay scale, assuming an illustrative example of an average budgeted increase of 6%:

Individual's Current TGP positioning against Pay Scale	% Increase per Performance Rating				
	1	2	3	4	5
At Pay Scale Maximum	0%	3%	4%	5%	6%
Between Maximum and Midpoint	0%	4%	5%	6%	7%
At Pay Scale Midpoint	0%	5%	6%	7%	8%
Between Midpoint and Minimum	0%	6%	7%	8%	9%
At Pay Scale Minimum	0%	7%	8%	9%	10%

#### 10.1.5 Key point of contact

The first point of contact in all matters relating to the annual review process is the SE: Human Capital.

#### 10.1.6 Communication of the Annual Review Decisions

- All employees, whether or not they have received an increase must receive notification of such before payslips are available on InfoSlips.
- It is the Line Manager's responsibility to communicate reward decisions to his/her team members.

- All reward decisions must be communicated face-to-face by the relevant line manager prior to availability of payslips reflecting the changes.

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## **10.2 Annual Short Term Incentives**

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All performance bonuses will be paid in April of every year.

- Only the allocated bonus pool may be used to reward individual employee's performance. The bonus pool must cover all employees that are eligible for bonus awards and an attempt should be spread as per STI criteria across all eligible employees at SAICA.

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## **10.3 Bonus Recommendations**

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There should be a clear link to performance with distinct differentiation based on performance.

Divisional unit recommendations will be collated and may be subjected to consistency checking within the Divisional unit to ascertain the robustness of decisions, e.g.:

- appropriate consistency or differentiation between the different departments within a Divisional Unit;
- sufficient differentiation by performance;
- appropriateness of quantum of awards year-on-year;
- no bias by gender, race, etc.

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## **10.4 Long Term Incentive Plan**

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Consideration for LTIP is only for critical employees in roles identified as key within the institute. Recommendations for the annual allocation, where applicable, should be done at the same time as the TGP and STI reviews.

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## **10.5 Other Remuneration Increase Processes**

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SAICA shall not allow “**merit increases**” outside of the annual remuneration increase process.

The following will be the only instances where approval will be granted to review remuneration outside of the annual review:

- **Promotion** into a more senior (higher graded) or larger role as a result of a normal recruitment and selection process;
- Where there is a strong **need to retain key employees** and market data suggests that remuneration could be an issue;
- Where increases are used as a mile stone in talent development strategies;
- In all the above remuneration review instances, the Executive and the SE: Human Capital has to authorise.

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### 10.5.1 Promotions

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For the purposes of these guidelines a promotion is defined as the advancement of an employee to a role that has a higher grade, a higher level job title, and often, increased and higher level job responsibilities following a recruitment process. In some instances, a promotion results in an employee taking on responsibility for managing or overseeing the work of other employees. Decision making authority tends to increase with a promotion as well.

#### 10.5.1.1 General guidelines

Internal promotion and mobility assist in retaining institutional knowledge and expertise for a greater cultural and commercial benefit, in turn maximising productivity when compared to hiring from outside the organisation. In order to support our commitment to internal mobility, Hiring Managers and HR Business Partners should consider internal succession and talent candidates as a priority.

If a Hiring Manager wishes to approach an employee about a role proactively, they should not do so without contacting the employee's current Line Manager. Equally, Line Managers who are contacted about an internal opportunity for a member of their team must fully consider the employee's career development and facilitate this where appropriate.

#### 10.5.1.2 Timing

Ideally, promotions should be considered once a year, however, they can be considered at other times if there are organisational critical reasons for doing this.

### **10.5.1.3 TGP adjustment on promotion**

Promotions generally result in a remuneration increase at the time of promotion. The percentage increase should be appropriately aligned to the role and proficiency level of the individual. Depending on the employee's current TGP remuneration, the pay scale minima can also be used as a reference point to justify a higher increase. SE: Human Capital should be consulted when determining the remuneration of employees who are promoted.

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### **10.5.2 Lateral Movement (Transfer) or adjustment within same Grade**

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When an employee moves from one Division Unit in SAICA to another Division Unit to a position at the same job grade for example due to:

- Organisational restructuring; or
- Voluntary transfer request

In such cases the individual employee will be moved to the other Divisions / Business Units remaining at the same remuneration level with no increase.

Remuneration adjustments may be required when an employee takes on significantly more responsibility. Significant more responsibility is considered when more than 30% of the employee's job content changes. The same principles applicable to a promotion or new hire should apply.

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### **10.5.3 Counter-offers**

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As a general principle, counter-offers to employees may only be made under exceptional circumstances where the employee in question occupies a formally recognised scarce skill and/or critical category and may only be made once to any individual.

- Where counter-offers are unavoidable, these must be signed off by the Chief Executive Officer and the SE: Human Capital.

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### **10.5.4 Sign on bonuses**

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All sign on bonuses should be approved by the Chief Executive Officer together with the SE: Human Capital in cases where this is deemed appropriate due to the seniority of the individual concerned.

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## **10.6 Governance**

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As a general rule, any appointment decision or adjustment to remuneration requires the approval of the line manager of the person making the appointment or adjustment to remuneration. Generally, most divisions require approval at least at an “Executive Director” level for appointments and Chief Executive Officer level for ad hoc remuneration adjustments. In all instances SE: Human Capital must be consulted before the fact when making remuneration decisions.

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## **11. Scope of the Remuneration Committee**

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The proceedings of the SAICA Remuneration Committee are governed by the terms of reference approved by the Board.

The Remuneration Committee is constituted as a committee of the Board of Directors of SAICA. The duties and responsibilities of the members of the Committee are in addition to those as members of the Board.

The terms of reference of the SAICA Remuneration Committee are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

The Remuneration Committee assists the board in its responsibility for setting and administering remuneration policies in the institute's long-term interests. The committee considers and recommends remuneration policies for all levels in SAICA, and is especially concerned with the remuneration of senior executives, including executive directors.

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## **12. Remuneration Reporting**

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SAICA provides full disclosure of each individual executive and non-executive directors' remuneration, giving details of base pay, bonuses payments, granting of options or rights, restraint payments and all other benefits (including present values of existing future awards).

The SAICA annual Remuneration Report, to be included in the integrated report, explains the remuneration policies followed throughout the institute with a special focus on executive management, and the strategic objectives that it seeks to achieve, and provides clear disclosure of the implementation of those policies.

The Remuneration Report explains the policy on base pay, including the use of appropriate benchmarks. It also explains and justifies any material payments that may be viewed as being ex-gratia in nature.

Policies regarding executive employment are set out in the annual Remuneration Report.

The annual Remuneration Report discloses the maximum and the expected potential dilution that may result from the incentive awards granted in the current year, if applicable.

The components of the Remuneration Report will include:

- Introduction;
- Remuneration philosophy, strategy and policy;
- Key remuneration decisions taken during the period under review;
- Overview of remuneration;
- Executive contracts and policies;
- Non-executive directors' terms of appointment;
- Payments made to executive directors and other specified individuals;
- Funding of bonuses and dilution.

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### **13. Termination of Service**

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SAICA policy does not provide for balloon payments on termination, as they do not generally meet the requirements of a balanced and fair remuneration policy.

As SAICA bonuses have a contractual link between variable pay and performance, in the event of early termination there will be no automatic entitlement to bonuses payments.

SAICA employment contracts refers to termination process should an employee be dismissed because of a disciplinary procedure. Thus a shorter notice period than that given in the contract would apply without entitlement for compensation for the shorter notice period.

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## **14. Communication**

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SAICA endeavours to communicate with all employees about the design of remuneration programmes, and of on-going changes to them, with clear statements of what remuneration is designed to achieve.

The behaviours of employees are influenced by their level of understanding and by their perceptions of the remuneration and benefits system. Inadequate knowledge or incorrect perceptions of the remuneration system or of elements of the remuneration system can impact negatively on the effectiveness of the remuneration programmes and can lead to the costly and unnecessary loss of skills and unjustified demands.

SAICA communication plans should outline the way in which the remuneration system will be promoted internally and externally – what target audiences will receive communication, what channels will be used, how frequently communication will take place, how coverage in the various channels will be achieved and the underlying message to be conveyed.

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## 15. Policy governance

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The table below outlines the roles and responsibilities of the stakeholders responsible for governance of this policy:

Responsibility	Structure	Interest, Duties and Responsibilities
Supervision	Board of Directors with delegated responsibility to the Remuneration Committee	<p>The Remuneration Committee comprises of non-executive directors.</p> <p>The Remuneration Committee's mandate includes:</p> <ul style="list-style-type: none"><li>▪ Ensuring the institute's ability to attract and retain staff is appropriate;</li><li>▪ Balancing member and management interest;</li><li>▪ Ensuring sustained performance through appropriate rewards;</li><li>▪ Ensuring performance measures and reward do not drive inappropriate risk taking and behaviour;</li><li>▪ Ensuring rewards are affordable and fair; and</li><li>▪ Overseeing reward design and awards to SAICA and Divisional executive committee members.</li></ul>
	Strategy Office	<p>The office provides guidance for divisional scorecards, review target setting and progress reporting. The office may outsource auditing and verification to Internal Audit.</p>

Operational Implementation	Executive Committee	<p>The Executive Committee is responsible for the operational implementation. Actual work is delegated downwards, completed and progress reported back upwards with the Remuneration Committee being ultimately responsible for advising on and overseeing of this process.</p> <p>The Executive Committees delegate responsibility for operational implementation to the human capital departments' operational management.</p>
	Human Resources	<p>Group Human Capital has an oversight accountability to monitor practices and ensure alignment to what was approved.</p> <p>Deviation is reported to the Executive Committee and if required to Risk and Compliance Committees.</p>

## Annexure 1: Definitions

The following definitions are applicable in defining the terms used in this document:

**South African Institute of Chartered Accountants (SAICA)** is defined as SAICA Group

**Capping of Pay Scale** refers to the capping of the Pay Scale at each level in the organisation to include a maximum pay point in the pay scale above which no individual should ideally progress.

**Executive** refers to all employees on SAICA Executive and Senior Management Team at Peromnes 2,3 and 4.

**External equity** refers to the competitiveness of the level of remuneration assigned to each grade and is based on the need to compete in a free market for skills.

**Internal equity** refers to the relative grade assigned to different jobs within the organisation. In addition, internal equity assesses how reasonable these grades are. Internal equity can be examined on two levels, namely horizontally (i.e. between departments) and vertically (i.e. within one department).

**Job Evaluation** refers to the systematic and objective process of determining the relative worth of a job in the organisation utilising a structured process. The result of this process would be accurate job grades.

**Remuneration levels are defined as follows:**

- **Minimum** – Does not meet required performance levels. The employee's performance is below the standard requirements set. Entry level competence.
- **Midpoint** – Meets required performance levels. The employee's performance meets the threshold requirements set for the job. Tangible evidence shows that job outputs have been exceeded.
- **Maximum** – Outstanding Performance. The employee's performance is visibly outstanding on a sustained basis and far exceeds the requirements set. Tangible evidence exists of the employee's on-going achievements.

**Short-term Incentive (STI)** is an annual bonus tied to the Overall Organisational performance. Short-term incentives refer to incentives that are applicable for up to one year. This forms part of the Variable Pay linked to performance and is not added to the base pay of an employee.

**Total Remuneration (TR)** is the sum of Total Guaranteed Package (TGP) and Variable Remuneration (VR).

**Total Guaranteed Package (TGP)** is the total annual guaranteed cost to a company of employing an incumbent. The cost includes the total annual salary (basic salary), plus non-cash fringe benefits and fixed allowances. Typically, these include allowances, vehicle benefit; pension fund and medical aid contributions; and any other benefits. In summary the term can be defined as follows:

**Basic Salary**

+ Fixed Allowances (including variable / circumstantial allowances)

+ Benefits

+ Employer Contributions to Employee Benefits (medical aid / retirement / group life)

**= Total Guaranteed Package**

**Variable Pay / Variable Remuneration (VR)** is defined as non-guaranteed performance related payment made in respect of individual, Team / Divisional Unit performance. Variable Remuneration comprises Short-Term and Long Term Incentive plan.

## Annexure 2: Weighted Average Per Job Grade:

The table below is an indication of the ideal computation of the weighted average score which can be populated for the entire organisation:

	Job Grade					
	CEO	Executive Director (Grade 3)	Senior Executive (Grade 4)	Project Director (Grades 5-6)	Project Manager (Grade 7)	Grade 8 - 16
Level of Responsibility	Weighting	Weighting	Weighting	Weighting	Weighting	Weighting
Organisational	100%	80%	50%	20%	10%	5%
Divisional	-	20%	50%	40%	35%	30%
Individual	-	-	-	40%	55%	65%

### Annexure 3: Short-Term Incentive (STI) Scheme

The table below is an indication of the ideal allocation of the performance based incentives using the weighted average score and is subject to final approval of the Remuneration Committee:

Rating	% STI Grade 2	%STI Grades 3	% STI Grades 4	% STI Grade 5 - 6	% STI Grade 7	% STI Grade 8 - 11	% STI Grade 12 - 16
4.50 – 5.00	28% of Guaranteed Pay	28% of Guaranteed Pay	23% of Guaranteed Pay	18% of Guaranteed Pay	11% of Guaranteed Pay	10% of Guaranteed Pay	8% of Guaranteed Pay
4.00 – 4.49	27X% of Guaranteed Pay	27% of Guaranteed Pay	22% of Guaranteed Pay	17% of Guaranteed Pay	10% of Guaranteed Pay	9% of Guaranteed Pay	7% of Guaranteed Pay
3.50 – 3.99	26% of Guaranteed Pay	26% of Guaranteed Pay	21% of Guaranteed Pay	16% of Guaranteed Pay	9% of Guaranteed Pay	8% of Guaranteed Pay	6% of Guaranteed Pay
3.00 – 3.49 (On Target Performance)	X% of Guaranteed Pay	25% of Guaranteed Pay	20% of Guaranteed Pay	15% of Guaranteed Pay	8% of Guaranteed Pay	7% of Guaranteed Pay	5% of Guaranteed Pay
<3.00	No performance bonus will be paid	No performance bonus will be paid	No performance bonus will be paid	No performance bonus will be paid	No performance bonus will be paid	No performance bonus will be paid	No performance bonus will be paid

#### Pre-requisites for Payment of the STI

1. SAICA performance score of at least a 3.50 or board discretion to pay STI
2. Financial affordability as determined by Finco
3. Individual score must be at least a 3.00
4. Divisional score must be at least a 3.00

All these pre-requisites must be met for the STI to be paid out.

#### STI Eligibility Criteria

1. Employee must be in the employ of SAICA for at least 3 months to be eligible for STI i.e. employees who join after 1st October are not eligible.
2. STI is paid pro-rata to employees who join during the year, provided they meet the qualifying criteria.
3. Employees on maternity leave shall qualify for 100% total cost to company of short term incentive as per Performance Management Policy principles.
4. STI is paid pro-rata to employees who retire during the year, provided they meet the qualifying criteria.
5. Employee must be in the employ of SAICA on the date the STI is paid (except retirees).
6. In case of death of the employee, the employee's estate benefits on a pro-rata basis provided the employee met the qualifying criteria.
7. Retrenched employees qualify on a pro-rata basis, provided they meet the qualifying criteria.
8. Dismissed employees forfeit their STI.

#### **Annexure 4: Salary Increase Scale**

The salary increase is based on the final weighted performance rating of individuals as per the scale below. The premise on which this approach rests is that performance is measured against cascaded balanced scorecard **outputs** and that “on target” performance of each scorecard reflects the achievement of reasonable but stretched targets set for every year for every individual.

<b>Rating</b>	<b>% Increase</b>
4.50 – 5.00	X + 2%
4.00 – 4.49	X + 1.5%
3.50 – 3.99	X + .75%
3.00 – 3.49 (“On Target” Performance)	*X - Market Movement Factor
<3.00	No increase

The percentage increases per performance level will be signed off every year by the Remuneration Committee based on the salary increase pool available. Salary increases that are awarded on the basis of this model that pushes the salary package above the maximum of the approved salary scales will be capped at the maximum and ex gratia payments, at the discretion of the CEO, will be considered to reward performance where applicable.

\*Market Movement Factor: This is the general market movement as per the national salary benchmarking trend which includes inflationary and supply and demand factors and is based on the average increases over the last 12 months and what is predicted for the next 12 months. This factor will be provided by the survey company used to benchmark salaries for inclusion in the salary calculation process every year.

**Sign-off:**  
**The following party is a signatory to the content of this policy:**  
*Signed by the Chairman of the Rem/HR Committee*

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**Chairman of the Policy Committee**

**Date:** \_\_\_\_\_ **2018**

**Policy and document administration and control**

<b>Policy Name</b>	<b>SAICA Remuneration and Reward Policy</b>
<b>Policy Number</b>	<b>00002</b>
<b>Version Number</b>	<b>02</b>
<b>Approved by AudCo for recommendation to the SAICA Board</b>	
<b>Approved by Board resolution on:</b>	<b>N/A</b>
<b>Next Review Date</b>	<b>Annually or directed by Rem/HR Committee</b>
<b>Title of Policy Owner</b>	<b>Senior Executive: Human Resource</b>
<b>Issuing Business Division</b>	<b>Human Resources</b>
<b>Details of Policy approval authority</b>	<b>SAICA Rem/HR Committee</b>

**Changes made to the Policy**

<b>Date</b>	<b>Full details of changes made to the Policy (for audit trail purposes)</b>
<b>DD:MM:YY</b>	<b>Note:</b> <b>The Change Risk Management process must be followed where significant changes are made to this policy.</b>

**End of Policy**