



SAICA GROUP

Remuneration and Reward Policy

Document control

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1. Introduction & Purpose

1.1 The South African Institute of Chartered Accountants (SAICA) Remuneration Philosophy is one based on the fact that great people are the foundation of SAICA's success. SAICA recognizes that without the contribution of highly engaged and performing employees, the organisation's strategic objectives cannot be achieved. It is therefore critical for the sustainability of SAICA, that high performing employees are continuously attracted, developed and retained by providing a compelling value proposition to prospective and existing employees. At the centre of SAICA employee value proposition is the remuneration and reward strategy that balances both market competitiveness as well as affordability.

1.2 SAICA offers an environment that provides challenging and meaningful work where employees grow and take advantage of opportunities.

1.3 SAICA is committed to adopt a remuneration practice that: -

1.3.1 Attract, retain and motivate high calibre employees.

1.3.2 Encourage performance and appropriately reward employees who meet and exceed SAICA's objectives.

1.3.3 Provide an environment that encourages high performance.

1.3.4 Brings consistency, transparency and equity through fair and responsible remuneration principles which supports employee engagement and trust.

1.3.5 SAICA strives to comply with the remuneration guidelines of King IV to the fullest extent possible and to meet the requirements of relevant legislation and regulatory regimes.

2. Definitions

2.1 "**Employee**" means any person, excluding an independent contractor (who does not have contractual employment relationship with SAICA), who works at SAICA and who receives, or is entitled to receive remuneration; and any other person who in any manner assists in carrying on or conducting the business of SAICA, and employed' and employment have meanings corresponding to that of employee. Definition of an employee includes employees appointed on fixed-term contracts by SAICA;

2.2 "**Line Manager**" means SAICA employees with line management responsibility or have employees directly reporting to them.



2.3 “**Job Grading**” means the process of using formalized systems for determining the relative value of jobs within an organisation. It typically involves the ranking of jobs using a points-factor system.

2.4 “**Guaranteed Remuneration**” means the fixed total annual amount payable to an employee on a guaranteed basis in terms of his/her employment contract with SAICA and include the basic salary plus benefits and fixed allowances structured within the overall total-cost-to-company package of the individual as indicated in the salary scales.

2.5 “**Comparative Ratio**” means the expression of an employee's salary as a percentage of the midpoint of the market salary range for that role.

2.6 “**Consumer Price Index (CPI)**” means a measure of monthly changes in prices for a range of consumer products. Changes in the CPI record the rate of inflation and the CPI can also be used as a cost-of-living index.

2.7 “**Short-Term Incentives**” means an annual non-guaranteed performance incentive that is variable and tied to the performance of the organisation, team and/or individual performance over the short term (annual).

3. Remuneration Principles

3.1 For SAICA to succeed, the right people must be in the right positions. SAICA strives to offer remuneration packages that are competitive in the market we operate in.

3.2 SAICA’s reward philosophy is underpinned by two fundamental principles, namely:

- i. Recognising performance and
- ii. Remunerating for retention.

3.2.1 These principles enable SAICA to recognise staff performance and capabilities in terms of performance-based pay.

3.3 Recognising performance is facilitated through the implementation of a performance management system, enabled through the signing of performance contracts that are cascaded down from SAICA balanced scorecard each year. The performance management process is articulated in the Performance Management Policy which provides for appropriate performance measurements and weightings based on the seniority of the job (refer Annexure 1). Staff performance is measured using a weighted score where applicable, which is calculated based on the performance of:

- i. SAICA
- ii. Division; and
- ii. Individual Employee



3.4 Paying for performance is at the heart of SAICA's remuneration philosophy. Employees are encouraged to set and achieve ambitious goals which are aligned to SAICA's strategic objectives. Exceptional performance is recognised and rewarded.

3.5 SAICA believes in remuneration that is market related and as such conducts regular salary surveys with salary benchmarking companies to ensure fairness and consistency across the organisation.

3.6 SAICA recognises that remuneration is not the only motivation employees join and stay at SAICA, but it is of significant concern if it is not competitive and equitable.

3.7 SAICA strives to be a non-discriminatory organisation, and all remuneration policies and practices are set to be free from unfair discrimination based on race, gender, age, religion, and marital status, ethnic and social origin.

3.8 SAICA adopts a total cost to company approach to remuneration. The total cost to company is the entire amount the SAICA is willing to pay for an employee and this includes-

3.8.1 Guaranteed Remuneration (i.e., fixed salary and benefits)

3.8.2 Short -Term Incentive (STI)

4. Scope and Application

4.1 This Policy applies to SAICA and its business activities and operations, and all its employees. This Policy shall also apply to SAICA's Controlled Entities and its business activities and operations, and all its employees, unless such an entity has adopted a similar policy.

4.2 This policy applies to all Permanent and Fixed -Term Contract employees who are on contract for no less than twelve (12) months.

5. Policy Statements

5.1 Policy Statement 1: SAICA's Remuneration policy provides for the structuring of the remuneration packages into the following components:

5.1.1 Fixed Salary (i.e., Base salary);

5.1.2 Variable Pay, represented by a Short-Term Incentive (STI);

5.1.3 Benefits

The structured remuneration package shall at all times be equal to the total cost to company of the employee.

5.2 Policy Statement 2: All jobs at SAICA are graded and allocated a job grade using a job grading system/methodology deemed appropriate as determined by Executive Management from time to time.



5.3 Policy Statement 3: SAICA shall maintain salary scales per grade which will be benchmarked by an external service provider every second year to ensure fairness and market competitiveness.

5.4 Policy Statement 4: SAICA will use the mid-point of the 50th percentile and the maximum of the 75th percentile as market benchmark range guidelines for salary scales. SAICA shall endeavour to remunerate employees at a minimum of 80% comparative ratio (CR = 0.80) of the 50th percentile. Notwithstanding, depending on the circumstances (e.g., scarce skills, prospective employee's salary, and other justifiable circumstances), offers shall accordingly be made within the benchmark range. Any appointment above the 75th percentile must be approved by the Chief Executive Officer. The Human Capital function will guide the implementation of this principle to ensure internal equity, fairness, and consistency (equal pay for work of equal value).

5.5 Policy Statement 5: Annual salary increase percentage will be determined by the Board as guided by the South African Consumer Price Index (CPI), unless the Board decides otherwise. The headline CPI year-on-year published in January for the financial year shall be used. The salary increase percentage shall be used to adjust the salary scales for the year in between the salary scales benchmarking years.

5.6 Policy Statement 6: Annual salary increases will be awarded to employees once a year based on performance which is managed through SAICA's Performance Management Policy. Eligibility for an Annual Increase will be the attainment of an individual performance score of 3.00 or above. An Employees annual salary increase will be determined by their weighted performance score and will be applied as per Annexure 2.

5.7 Policy Statement 7: The total annual salary increase percentage and STI pool for the year is approved by the Board, subject to performance evaluations and the financial affordability on the recommendation of HR/RemCo and AudCo.

5.8 Policy Statement 8: Normal annual salary increases will be reviewed by ExCo, to ensure compliance with this Policy before recommending approval by HR/RemCo.

5.9 Policy Statement 9: All performance scores across the different levels of the organisation will be subjected to a moderation process prior to submission for consideration and approval by Exco.

5.10 Policy Statement 10: Employees who have been in the employ of SAICA during the financial year for a period of at least three (3) months (i.e., employed prior to the 01st of October of each financial year) are eligible for consideration to receive an annual increase in April the following year.

5.11 Policy Statement 11: SAICA strives to maintain salary levels within the Board approved salary scales. Any employees who are close to or exceed the current salary scales will be dealt with on a case-by-case basis by the CEO, with the necessary deviations process being conducted.

5.12 Policy Statement 12: All promotion related increases will be approved by the CEO.



5.13 Policy Statement 13: No merit ad-hoc salary increases will be allowed outside of the annual salary increase cycle unless it is an increase due to promotion or retention.

5.14 Policy Statement 14: A retention salary adjustment can be considered and granted to retain key employees who have critical or scarce skills, fulfil critical functions and in addition to this, are top performers in SAICA. The authorisation of any retention increase is subject to the approval of the Chief Executive Officer and the Chief Operating Officer.

5.15 Policy Statement 15: Eligibility for the payment of Short -Term Incentive (STI) will be the attainment of an individual score of 3.00 or more, subject to Board approval. Employees who have been in the employ of SAICA during the financial year for a period of at least six months (i.e., employed prior to the 1st of July of each financial year) are eligible for consideration of receiving a pro-rated STI in April the following year. This includes newly appointed, transferred, or promoted employees and employees serving a probationary period. The allocation of the STI will be prorated depending on the duration that the employee has been with SAICA or role during the financial year under review.

5.16 Policy Statement 16: STI payments will be determined on an employee's weighted score and calculated as per Annexure 3.

6. Roles & Responsibilities

6.1 Line Managers have to apply this Policy consistently.

6.2 Human Resources must ensure that all management and employees understand and comply with this Policy.

6.3 Employees should know and understand the provisions of this Policy.

7. Reporting

7.1 This Policy imposes a duty and responsibility on employees to report non-compliance of this Policy to the Policy Owner. Alternatively, employees must report such via SAICA's Anonymous Tip-off Hotline.

7.2 The Policy Owner is required to report non-compliance of this Policy to the Compliance Function monthly and provide continuous status updates on non-compliance reports.



8. Remedial Action

8.1 It should be noted that should employees fail to adhere to this Policy, such conduct may result in disciplinary action being taken in accordance with SAICA's Disciplinary Procedures and other relevant procedures.

9. Effective Date

9.1 This Policy shall be approved by the Board and shall come into effect from date of approval by the Board.

10. Review of Policy

10.1 This Policy will be reviewed every 3 (three) years or as required, in order to ensure that the terms are current, fair and representative of relevant corporate and industry conditions.

10.2 The Human Capital Department is responsible for maintaining and revising this, Policy.

10.3 SAICA reserves the right to change this policy at any time, without prior notice and will communicate such changes to all affected.

ANNEXURE 1: Weighted Scoring Percentages

All employees are rewarded for achieving performance targets as set out in their annual performance contracts. The performance score of an employee is based on a weighted average, which takes into consideration three elements, namely

- (1) the performance of SAICA,
- (2) the performance of the division within which the employee operates and
- (3) the employee's individual performance.

The three elements are weighted differently depending on the level of seniority of each level. The respective element weighting takes into the consideration the level of authority, responsibility and influence an employee carries, with higher level employees being able to affect SAICA's performance to a greater extent.



| Occupational Level | Organisational Tier | | |
|--|---------------------|------------|---|
| | SAICA | Divisional | Individual |
| CEO | 80% | N/A | 20% - 360 degree [10%] + Board feedback [10%] |
| Top Management (Executive Directors) | 70% | 20% | 10% - 360-degree feedback |
| Senior Managers (Grade 4) | 50% | 40% | 10% - 360-degree feedback |
| Middle Managers (Grades 5 & 6) | 20% | 40% | 40% |
| Junior Managers (Grade 7) | 15% | 30% | 55% |
| Semi-skilled and unskilled (Grades 8 – 16) | 10% | 20% | 70% |

ANNEXURE 2: Salary Increase Scales

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 annually for every individual employee.

| Individual performance score rating | % Annual Salary Increase |
|---------------------------------------|--------------------------|
| 4.50 – 5.00 | CPI + 2% |
| 4.00 – 4.49 | CPI + 1.5% |
| 3.50 – 3.99 | CPI + .75% |
| 3.00 – 3.49 (“On Target” Performance) | CPI |
| <3.00 | No increase |

If an employee receives less than a 3.00 individual performance score, they will not be eligible to receive an annual salary increase. The percentage increases per performance level will be signed off every year by the Human Capital and Remuneration Committee based on the salary increase pool available.

**ANNEXURE 3: Short-Term Incentive (STI) Scheme**

The table below is an indication of the ideal allocation of the performance-based incentives according to employees' total cost to company using the weighted average score per grade of employment. The annual STI per grade is subject to recommendation of the Remuneration Committee to the Board for approval:

| Rating | Performance Bonus rewards/incentives (% of guaranteed remuneration) | | | | |
|-------------|---|---------------------------|-------------------------------|---------------------------|--|
| | Top Management - CEO & Executive Directors (Grade 2-3) | Senior Managers (Grade 4) | Middle Managers (Grade 5 - 6) | Junior Managers (Grade 7) | Semi-skilled and unskilled (Grade 8 -16) |
| 4.5 - 5 | 28% | 26% | 21% | 17% | 15% |
| 4 - 4.49 | 27% | 24% | 19% | 15% | 13% |
| 3.5 - 3.99 | 26% | 22% | 17% | 13% | 11% |
| 3.00 - 3.49 | 25% | 21% | 16% | 12% | 10% |
| <3 | No short-term incentive | | | | |

Pre-requisites for approval and 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 AUDCO
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 approved and paid.

STI Eligibility Criteria

1. Employee must be in the employ of SAICA for at least 6 months to be eligible for STI i.e., employees who join after 1st July are not eligible.
2. STI is allocated on a pro-rata basis to employees who join during the year, provided they meet the qualifying criteria.
3. Employees on maternity leave qualify to receive a full STI and the STI allocation will not be prorated to exclude the period during which the employee has been on maternity leave.



- 4. Employees in acting or care taking positions shall be paid STI on the basis of weighted total cost to company applicable to the acting position.
- 5. STI is allocated on a pro-rata basis to employees who retire during the year, provided they meet the qualifying criteria.
- 6. Employee must be in the employ of SAICA on the date the STI is paid (except retirees).
- 7. In case of death of the employee, the employee's estate benefits on a pro-rata basis provided the employee met the qualifying criteria.
- 8. Retrenched employees qualify on a pro-rata basis, provided they meet the qualifying criteria.
- 9. Dismissed employees forfeit their STI.
- 10. If SAICA's score is at least 3 (on target) but below 3.5, the Board, may at its discretion declare an STI in respect of all employees as per the table below:

| SAICA Score | Prorated STI (Exco and Senior Management) [% of STI payable when SAICA's score is at least 3.5] | Prorated STI (Middle Management and below) [% of STI payable when SAICA's score is at least 3.5] |
|--------------------|--|---|
| 3.4 – 3.49 | 75% | 85% |
| 3.3 – 3.39 | 70% | 80% |
| 3.2 – 3.29 | 65% | 75% |
| 3.1 – 3.19 | 60% | 70% |
| 3.0 – 3.09 | 55% | 65% |

**POLICY SIGN-OFF AND OWNERSHIP DETAILS**

| | |
|---|--|
| Policy Title | Remuneration and Reward Policy |
| Review Date | April 2026 |
| Related Legislation Applicable | N/A |
| Related Policies, Procedures, Guidelines, Standards, Frameworks | Recruitment and Selection Policy and Performance Management Policy |
| Replaces | N/A |
| Policy Owner | Executive: Human Capital |
| Policy Owner (Tel) | 011 621 6958 |
| Policy Sponsor (if different from Policy Owner) | Chief Operating Officer |
| Application | SAICA and controlled entities |
| Functional Owners | Human Capital |
| Status | Approved |
| Final Approval by | Board |
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Sign-off:

The following party is a signatory to the content of this policy:

Signed by the Chairman of the Board

Chairman of the Board

Date: _____ 2023

Revision History

| Version | Date | Revision Description & Summary of Changes (for audit trail purposes) Note: The Change Risk Management process must be followed where significant changes are made to this policy. | Policy Owner & Policy Sponsor |
|---------|------------------|---|-------------------------------|
| [2.0] | [March 2023] | [External Service Provider Review of the November 2022 amendments] | |
| [1.1] | [November 2022] | [Amendments to Policy Statements and other aspects such as MMF to CPI, clarity on job evaluation, comparative ratio amendments] | |
| [1.0] | [September 2022] | [Revised Policy] | |

End of Remuneration and Reward Policy