

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 we believe great people are the foundation of our success. SAICA recognizes that without the contribution of highly engaged high performing employees, our strategic objectives cannot be achieved. It is therefore critical for the sustainability of SAICA that we continuously attract, develop and retain high performing employees by providing a compelling value proposition to prospective and existing employees. At the centre of the 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 our people grow and take advantage of opportunities.
- 1.3 SAICA is committed to providing a total remuneration packages that:-
 - 1.3.1 Attract, retain and motive high calibre employees
 - 1.3.2 Encourage performance and appropriately reward employees who meet and exceed the Institute's objectives
 - 1.3.3 Provide an environment that encourages excellent above par performance
 - 1.3.4 Brings consistency, transparency and equity through our 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 Remuneration Principles

- 2.1 For SAICA to succeed, the right people must be in the right positions. The Institute strives to offer remuneration packages that are competitive in the market we operate in.
- 2.2 SAICA's reward philosophy is underpinned by two fundamental principles, namely:
 - Recognizing performance and
 - Remunerating for capability.

These principles enable us to recognize staff performance and capabilities in terms of guaranteed remuneration differentiation, salary adjustments and performance bonus pay-outs.

- 2.3 Recognizing performance is facilitated through the implementation of a performance management system, enabled through the signing of performance contracts that are cascaded down from the SAICA balanced scorecard each year. The performance management process is articulated in our 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, which is calculated based on the performance of the-
 - Institute

- Division; and
 - Individual
- 2.4 SAICA is a meritocratic organisation and paying for performance is at the heart of our remuneration philosophy. We encourage all employees to set and achieve ambitious goals which are aligned to the Institute's strategic objectives. Exceptional performance is recognised and rewarded.
- 2.5 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.
- 2.6 SAICA recognises that remuneration is not the only motivation our employees join and stay at SAICA, but it is of significant concern if it is not competitive and equitable.
- 2.7 SAICA is 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.
- 2.8 SAICA adopts a total cost to company approach to remuneration. The total cost to company is the entire amount the Institute is willing to pay for an employee and this includes-
- 2.8.1 Guaranteed Remuneration (i.e. fixed salary and benefits)
 - 2.8.2 Short -Term Incentive (STI)
 - 2.8.3 Long -Term Incentive (currently under development)

as may be applicable to each employee

3 Scope and Application

- 3.1 This Policy applies to SAICA and all SAICA Controlled Entities, including Thuthuka Education Upliftment Fund (TEUF), The Hope Factory (THF) and SAICA Enterprise Development (SAICA ED), unless the relevant entities' Board has approved entity specific policies.)
- 3.2 This policy applies to all Permanent and Fixed -Term Contract employees who are on contract for no less than twelve (12) months. Employees who have been in the employ of the Institute during the financial year for a period of at least six months (i.e. employed prior to the 01st July of each financial year) are eligible for consideration of receiving a pro-rated STI in April the following year. Employees who have been in the employ of the Institute during the financial year for a period of at least three months (i.e. employed prior to the 01st October of each financial year) are eligible for consideration to receive a Market Movement Factor (MMF) annual increase 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 pro-rated depending on the duration that the employee has been with the Institute or role during the financial year under review.

4 Policy Statements

- 4.1 **Policy Statement 1:** SAICA's Remuneration policy provides for the structuring of the remuneration packages into the following components:
- 4.1.1 Fixed Salary (i.e. Base salary);

- 4.1.2 Variable Pay, represented by a Short Term Incentive (STI);
- 4.1.3 Benefits

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

- 4.2 **Policy Statement 2:** All jobs at SAICA are graded and allocated a grade using the Peromnes Grading system
- 4.3 **Policy Statement 3:** SAICA maintains salary scales per grade which will be adjusted annually by the Market Movement Factor (MMF), unless the results of salary benchmarking indicate differently or the HR/RemCo decides differently.
- 4.4 **Policy Statement 4:** Salary benchmarking will be conducted every second year in order to ensure fairness and market competitiveness
- 4.5 **Policy Statement 5:** Salary increases will be awarded to employees once a year based on performance which is managed through SAICA's Performance Management Policy. The market benchmarks will be used to inform proposed salaries' changes.
- 4.6 **Policy Statement 6:** 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
- 4.7 **Policy Statement 7:** Normal annual salary increases will be moderated by ExCo, to ensure equity across the Institute, before recommending approval by HR/RemCo.
- 4.8 **Policy Statement 8:** All performance scores (and any moderations thereof) across the different levels of the Institute will be subjected to an independent external review process prior to submission for consideration and approval by the relevant authority.
- 4.9 **Policy Statement 9:** SAICA is a performance driven organisation. Only employees who attain an individual performance score of 3.00 or more will be eligible to receive an annual salary increase in terms of Annexure 2
- 4.10 **Policy Statement 10:** The Institute 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.
- 4.11 **Policy Statement 11:** All promotion related increases will be approved by the CEO.
- 4.12 **Policy Statement 12:** No merit ad-hoc salary increases will be allowed outside of the annual salary increase cycle, unless it is an increase due to promotion¹ or retention.
- 4.13 **Policy Statement 13:** A retention salary adjustment can be considered and granted to retain key employees who have critical or scarce skills, fulfil critical functions, who typically occupy one-of-a-kind roles and in addition to this, are top performers in the Institute. The authorisation of any retention increase is subject to the approval of the Chief Executive Officer and the Chief Operating Officer.
- 4.14 **Policy Statement 14:** SAICA positions new appointments at the 50th Percentile of the market and scarce skills at the 70th Percentile of the market, unless otherwise approved by the CEO, with the necessary deviations process being conducted.

¹ Promotion increases as provided for in the promotions policy

4.15 **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.

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

5 Roles & Responsibilities

5.15 Line Managers have to apply this Policy consistently.

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

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

6 Reporting

6.15 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.

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

7 Remedial Action

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

8 Effective Date

8.15 This Policy shall be approved by the Board and shall come into effect 30 days from date of approval by the Board.

9 Review of Policy

9.15 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.

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

9.17 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 the Institute, (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 the Institute's performance to a greater extent.

LEVEL WITHIN THE INSTITUTE	INSTITUTE	DIVISIONAL	INDIVIDUAL
CEO	100%		
Executive Directors (Grade 3)	80%	20%	
Senior Executives (Grade 4)	50%	50%	
Project Directors (Grades 5 & 6)	20%	40%	40%
Project Managers (Grade 7)	10%	35%	55%
General Staff (Grades 8 – 16)	5%	30%	65%

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.

If an employee receives less than a 3.00 individual performance score, they will not be eligible to receive an annual salary increase.

Individual performance score rating	% annual salary increase (X = Market Movement Factor*)
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
<3.00	No increase

The percentage increases per performance level will be signed off every year by the Human & Remuneration Committee based on the salary increase pool available. Salary increases that are awarded on the basis of this model that pushes the individual salary package above the maximum of the approved salary scales will be capped at the maximum and monthly allowance will be awarded 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.

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 per grade of employment. The annual STI per grade is subject to recommendation of the Remuneration Committee to the Board for approval:

Rating	% STI Grade 2	%STI Grade 3	% STI Grade 4	% STI Grade 5 - 6	% STI Grade 7	% STI Grade 8 - 11	% STI Grade 12 - 16
4.50 – 5.00	28% of Guaranteed Remuneration	28% of Guaranteed Remuneration	23% of Guaranteed Remuneration	18% of Guaranteed Remuneration	11% of Guaranteed Remuneration	10% of Guaranteed Remuneration	8% of Guaranteed Remuneration
4.00 – 4.49	27% of Guaranteed Remuneration	27% of Guaranteed Remuneration	22% of Guaranteed Remuneration	17% of Guaranteed Remuneration	10% of Guaranteed Remuneration	9% of Guaranteed Remuneration	7% of Guaranteed Remuneration
3.50 – 3.99	26% of Guaranteed Remuneration	26% of Guaranteed Remuneration	21% of Guaranteed Remuneration	16% of Guaranteed Remuneration	9% of Guaranteed Remuneration	8% of Guaranteed Remuneration	6% of Guaranteed Remuneration
3.00 – 3.49 On Target Performance	25% of Guaranteed Remuneration	25% of Guaranteed Remuneration	20% of Guaranteed Remuneration	15% of Guaranteed Remuneration	8% of Guaranteed Remuneration	7% of Guaranteed Remuneration	5% of Guaranteed Remuneration
<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 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.

POLICY SIGN-OFF AND OWNERSHIP DETAILS

Policy Title	Remuneration and Reward Policy
Publication Date	18 November 2021
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Related Legislation Applicable	N/A
Related Policies, Procedures, Guidelines, Standards, Frameworks	Recruitment and Selection Policy, Performance Management Policy
Replaces	Version 3
Policy Owner	Senior Executive: Human Capital
Policy Owner (Tel)	011 621 6958
Policy Sponsor (if different from Policy Owner)	Chief Operating Officer
Application	SAICA and its Controlled Entities
Functional Owners	Human Capital
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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: 18 November 2021

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
1	02:2020	Minor Amendments, no approval required	Senior Executive : Human Capital
20	26:08:20	Newly drafted policy	Senior Executive: Human Capital & Chief Operating Officer
3	27.11.20	Updated policy with HR & RemCo inputs	Senior Executive: Human Capital & Chief Operating Officer
3.1	26.10.21 18.11.21	Revised Policy:- <ul style="list-style-type: none"> • Scope - 3.2 • Policy Statement 10 • Policy Statement 14 	Senior Executive: Human Capital & Chief Operating Officer

End of Policy