



THE SOUTHERN AFRICAN INSTITUTE FOR BUSINESS ACCOUNTANTS
(“SAIBA”)

REMUNERATION POLICY

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1. PREAMBLE

SAIBA is a professional body established during 1990. The initial Remuneration Policy consisted of the Board of Directors (the “Board”) determining the annual budget. For the period 1990–2010, SAIBA did not employ or remunerate staff members and relied on Board members to voluntarily commit their time to the management of SAIBA, except for out of pocket expenses.

During 2010, SAIBA adopted a new business model that placed a strong emphasis on member growth. During this time, the Board contracted with an external service provider, SA Accounting Academy Pty Ltd, to market and promote membership of SAIBA to the broader accounting profession. In addition, a managing director and administrative assistant were appointed. Staff members, together with Board members, continued to manage the day-to-day operations with SAIBA Board setting annual budget including staff remuneration. The Remuneration Policy was based on expediency and utility applicable to a small professional body.

In 2012 SAIBA rebranded and further entrenched the growth focused business model. In line with this model, SAIBA adopted a lean and agile operation strategy and a flat management structure. The Remuneration Policy adopted during this period focused on strong performance incentives with the Board setting the annual budget, the total amount allocated for staff remuneration, and determining bonuses based on SAIBA’s performance. Board members were also remunerated due to their involvement in the management of SAIBA and the then small staff component. Annual bonuses were based on staff performance reviews, conducted by external consultants and approved by the Board, taking into consideration SAIBA’s solvency and liquidity.

In 2014 SAIBA continued to grow and develop its operational model. New staff members were appointed in key roles and this necessitated a reconsideration of the then applicable Remuneration Policy. In 2014 the Board concluded that Board positions should revert to being non-remunerated and that staff remuneration should be based on industry benchmarks, whilst taking into consideration the financial position and performance of SAIBA.

The 2015 Remuneration Policy, which was adopted by the Board on 18 September 2015, seeks to build on the past policies whilst introducing improvements and alignment with the professional body sector.

Therefore, in order to achieve its mission and strategic objectives, SAIBA will adopt a suitable Remuneration Policy, which will ensure that all executive directors and employees are remunerated fairly and are treated consistently throughout SAIBA. Remuneration is the most tangible reward provided to employees. To be effective, it requires an assessment of the employee's contribution to SAIBA in a way that is perceived to be fair and equitable by most employees.

2. OBJECTIVES

The objectives of the Remuneration Policy (the “Policy”) are to ensure that the remuneration system:

- 2.1 remunerate directors and employees in a manner that is consistent with SAIBA’s strategic plan and operating model;
- 2.2 manage remuneration expenditure in an appropriate manner and offers the desired yield in terms of the behaviour and performance of the employees – in line with SAIBA’s values and performance indicators;
- 2.3 reward individuals for the achievement of SAIBA’s objectives and motivates high levels of performance;
- 2.4 reward exceptional performance by senior management through the performance incentive system;
- 2.5 allow SAIBA to compete effectively in the labour market and to recruit and retain high calibre employees;
- 2.6 achieve consistency and fairness in relation to the need to pay employees with similar responsibilities and levels of performance, similar pay.

3. SCOPE OF APPLICATION

The Policy will apply to all SAIBA directors and employees, on initial appointment and/or employment and at each remuneration review thereafter.

4. LEGAL AND RELATED MATTERS

The Policy must be read in conjunction with, including but not limited to:

- 4.1 labour and related legislation;
- 4.2 SAIBA’s Memorandum of Incorporation;
- 4.3 SAIBA Annual General Meeting resolutions;
- 4.4 Companies Act, 71 Of 2008; and
- 4.5 any other relevant laws and charters as determined from time to time.

5. DEFINITIONS AND KEY TERMS

In the Policy, unless inconsistent with the context, words referring the singular will include the plural and vice versa, and natural persons will include artificial persons and vice versa. In the Policy, the following words will have the following meanings, unless the context clearly indicates otherwise:

- 5.1 **Acting appointment** refers to a temporary appointment of an existing employee to a higher-level position vacated by an employee who is expected to return to the position, at which time the acting appointee will return to his/her former position or a position vacated through the resignation of an employee;
- 5.2 **Board** refers to the Board of Directors elected by SAIBA members to oversee the activities of SAIBA;
- 5.3 **Casual employee** will mean an employee engaged on a day-to-day basis and works for less than 24 hours in any calendar month;
- 5.4 **Compulsory contributions and deductions** are all contributions or deductions that are compulsory in a Cost to Company package;
- 5.5 **Contract worker** is defined as a person appointed on a fixed-term contract basis for a pre-determined time, to perform a pre-determined task or set of tasks;
- 5.6 **Cost to Company** is defined as the total amount that SAIBA pays for the employee and includes all benefits and costs associated with an employee's employment, and remuneration will have the corresponding meaning;
- 5.7 **Effective date** is the date of the Policy coming into operation;
- 5.8 **Job evaluation** is the process whereby a position is valued in relation to a set of objective criteria based on its relative worth in SAIBA;
- 5.9 **Median (50th percentile)** means the middle value of remuneration within a particular sample: 50% of the sample receives a higher value of remuneration and 50% receive a lower value;
- 5.10 **The Midpoint** refers to the middle of the pay range, and to the actual rate of pay a qualified employee with all the right credentials and experience performing at a satisfactory level should be paid between the minimum and maximum;
- 5.11 **Paterson** refers to the job evaluation system used at SAIBA, which categorise jobs based on the nature and complexity of the decision-making required in that particular job;
- 5.12 **Pay curve** means the remuneration consequence of differentiating a remuneration band per grade, from the lowest to the highest, resulting in a graphical curve that demonstrates how each job grade remuneration levels are different from the previous and the next, from entry to maximum in each grade;
- 5.13 **Pay grade** is a compensation system that defines the amount of pay an employee will receive;
- 5.14 **Pay range** refers to the minimum, maximum and midpoint of salaries for jobs within the same remuneration band;

- 5.15 **Personal-to-holder** is the status which provides protection of current terms and conditions to an employee, who has accepted a specific Cost to Company package, where that package may not conform to all aspects of the Policy;
- 5.16 **Policy** will mean this Remuneration Policy of SAIBA;
- 5.17 **Remuneration bands** set and rank jobs by experience, education and responsibility within SAIBA. The structure is determined based on multiple factors and assigned pay grades should correlate with the salary range for the position with a minimum and maximum.
- 5.18 **SARS** is the South African Revenue Service;
- 5.19 **Temporary worker** can be defined as a person appointed additional to the approved establishment of SAIBA under the following conditions:
- if the employee of the position is expected to be absent for such a period that her/his duties cannot be performed by other personnel, ie maternity leave, etc.;
 - if a temporary increase in work occurs, and if it is necessary for any other reason to temporarily increase the staff of SAIBA;
- 5.20 **Senior managers** refer to those employees whose positions fall within remuneration band D and above;
- 5.21 **SAIBA** is the Southern African Institute for Business Accountants;
- 5.22 **UIF** refers to Unemployment Insurance Fund;
- 5.23 **Variable remuneration** is any *ad hoc* remuneration not included in the Cost to Company package which relates to other forms of remuneration that are not guaranteed.

6. **PRINCIPLES OF REMUNERATION**

- 6.1 **Support for strategic objectives:** remuneration and reward frameworks and decisions will be developed in a manner that is consistent with, supports and reinforces the achievement of SAIBA's vision and strategy.
- 6.2 **Transparency:** the process of remuneration management will be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- 6.3 **Internal equity:** SAIBA will remunerate all directors and staff fairly in terms of their roles within SAIBA. Positions will be formally evaluated to determine their relative weight in relation to other positions within SAIBA and consequently their Paterson grade on which the remuneration will be based.
- 6.4 **External equity:** SAIBA strives to pay its directors and employees an equitable remuneration, capable of attracting and retaining high quality staff. Therefore SAIBA will remain logically mindful of the ongoing need to attract and retain high quality people, and the influence of

external remuneration pressures. Reference to external market norms will be made using appropriate market sources, including relevant and comparative survey data, as determined to have meaning to SAIBA's remuneration practices at that time.

- 6.5 **Market-related remuneration:** SAIBA will measure its remuneration practices against both the local and national market through the use of remuneration surveys and benchmarking with other comparative institutions.
- 6.6 **Flexibility:** remuneration and reward offerings will be sufficiently flexible to meet both the needs of individuals and those of SAIBA whilst complying with relevant tax and other legislation.
- 6.7 **Performance-driven remuneration:** SAIBA will entrench a culture of performance driven remuneration through the implementation of a Performance Incentive System.
- 6.8 **Affordability and sustainability:** SAIBA will ensure that remuneration is affordable on a sustainable basis by considering solvency and liquidity.
- 6.9 **Directors and employees:** SAIBA Board members are elected at the annual SAIBA AGM. Except for executive Board members such as the CEO, Board members are not considered to be employees.
- 6.10 **Disclosure of payments to directors:** All payments, including remuneration or other payments due or made to directors, in their capacity of director or otherwise, whether directly or indirectly, will be fully disclosed to members at the AGM.
- 6.11 **Contracts with directors:** SAIBA may enter into contracts with directors to further the objectives of SAIBA. Such contracts should be evaluated in terms of SAIBA's Procurement Policy as such contracts and related payments are not viewed as employment or remuneration.

7. POLICY PROVISIONS

7.1 Approach to remuneration

In recognition of the fact that "a one size fits all" approach will not be compatible with the types of skills required by SAIBA to ensure delivery on its mandate, SAIBA adopts a Cost to Company approach to remuneration.

7.2 Job evaluation

In order to establish the relative worth of each position and ensure equity in remuneration, a job evaluation system will be consistently applied across all jobs. SAIBA will use the Paterson method of job evaluation for all positions. All positions will be evaluated every 5 (five) years or sooner if the job content has changed significantly. Positions will only be re-evaluated where necessary. Positions will be evaluated according to the Paterson method of job evaluation.

7.3 Remuneration structure

7.3.1 Market positioning

Skills are a limited resource in a finite labour market and thus SAIBA must make remuneration decisions in the context of the market from which it draws its skills. It is therefore imperative to know and understand both the current market practices and the future trends. SAIBA will select a credible market survey that measures the non--profit sector, the public sector and the general market.

7.3.2 Review of remuneration bands

7.3.2.1 Remuneration bands for all employees will be reviewed annually by the Nominations and Remuneration Committee of SAIBA (the "Committee"), in order to ensure that the remuneration objectives are being achieved. During this review, recommendations will be made for the positioning of the bands relative to the market. All remuneration adjustments to align existing salaries with chosen benchmarks will be based on the performance of the affected individuals and the requirements of the position. All remuneration bands will be submitted to the Committee for recommendation to the Board for approval.

7.3.2.2 The following principles apply in respect of SAIBA's remuneration bands:

- The minimum and maximum of a remuneration band will be 20% below and above the midpoint of the remuneration band. The midpoint of the remuneration band is the market-related median for the specific job grade;
- The need for overlaps between grades is accepted as a practical reality. An overlap of 17% between grades will apply.

7.4 Remuneration mix

7.4.1 Cost to Company package

The Cost to Company package includes cash and non-cash salary and is dependent on cash flow as set out herein. Employees receiving a Cost to Company package are allowed to structure their respective packages subject to the provision of the Income Tax Act. Employees are allowed the freedom to structure (and restructure) their Cost to Company packages to their specific needs and to be tax efficient. The Cost to Company package could be structured according to the following:

7.4.1.1 Cash salary may include the following:

7.4.1.1.1 Basic pensionable salary – the fixed guaranteed cash payment made to an employee on a monthly basis, equalling at least 60% of the Cost to Company package;

7.4.1.1.3 Travel allowance – this benefit can only be selected if the position requires the employee to use his/her private vehicle for business purposes. An employee may be granted a maximum travel allowance of 25% of his/her gross remuneration. Any variation above 25% requires

written motivation to be submitted to, and approved by, the Human Resources representative.

7.4.1.2 Non-cash salary includes the following benefit:

Retirement annuity – the Employee has an option to obtain a retirement annuity. Should the Employee choose to select a retirement annuity, SAIBA undertakes to contribute 50% of the total monthly premium payable, capped at 15% of the Cost to Company package. Other elements may also be introduced subject to the approval of the Committee.

7.4.2 Variable remuneration

7.4.2.1 Discretionary bonus – payment of discretionary bonuses is not a right, and is not a term or condition of employment, but is solely at the discretion of the Board. Until such time as the Board decides on the payment or non-payment of discretionary bonuses for that year, employees are advised are to assume that no bonus will be declared for that year. Employees are strongly advised to not rely on custom and practice as a reason to expect the payment of a discretionary bonus in any year, and to not include the amount of any discretionary bonus or expected bonus into household budgeting calculations;

7.4.2.2 Non–pensionable market allowances/awards

Market allowances provide SAIBA with a mechanism to remunerate employees above the prescribed level in certain circumstances. This enables SAIBA to respond to, and compete with, the market for key staff.

7.4.2.3 Performance incentive scheme

7.4.2.3.1 A performance incentive scheme will be implemented that is linked directly to a performance management system – this with the aim of strengthening the ability of the executive to develop well motivated and focused employees. The performance incentive scheme criteria will be determined for senior management positions and reviewed annually.

7.4.2.2.2 The incentive value calculation will be calculated and paid bi-annually based on the results of senior managements' performance reviews and SAIBA's financial performance. A performance incentive is not part of the individual's Cost to Company package. There is therefore no expectation of continuity and it may be withdrawn. Total performance incentives of senior management cannot be more than 20% of the annual Cost to Company package for senior management.

7.4.2.3 Acting allowances

Situations that require appointing an individual in an acting capacity at a higher level represent an ideal opportunity to utilise employees from the designated employment equity groups, as well as other existing employees, in positions of increased responsibilities for both

evaluative and professional developmental purposes. An acting appointment is therefore seen as beneficial to the employee. An acting allowance is payable when an employee is required to undertake the full duties and responsibilities of a higher level position for more than 30 days and for a maximum of 6 (six) consecutive months. The employee will be remunerated at a rate determined by management and capped at 50% of the difference between the basic monthly Cost to Company package of the employee and the basic monthly salary of the employee for who the employee is acting. Should the acting capacity be required for longer than 6 (six) months, for whatever reason, the Committee, will at its sole discretion decide on the process to follow and the acting employee will have no automatic right to remain in the position.

7.4.2.4 Travel and subsistence allowance

SAIBA will pay subsistence and reimbursement for local travel to employees at such rates and on such conditions as determined by SARS. Advances for travel will be paid in accordance with the SARS guidelines. The payment of travel and subsistence allowance is subject to the rules and conditions set out in SAIBA's Travel and Accommodation Policy.

7.4.2.5 Overtime

Employees may be required to work overtime, subject to the provisions of the Basic Conditions of Employment Act. Overtime is payable for all hours worked in excess of 45 in any work week below the remuneration threshold, ie R 205 433.30 as stipulated by legislation. No employee will be remunerated for overtime worked, unless a senior manager has authorised such overtime. Remuneration for overtime worked in terms of the Policy will be as follows:

7.4.2.5.1 Normal working days and Saturdays

- Overtime hours will not exceed 10 (ten) hours per week, or more than 3 (three) hours per day and will be remunerated as follows:
 - at a one and a half times the normal hourly rate; alternatively
 - as per agreement between the employee and SAIBA, payment of ordinary wage for overtime worked and grant the employee at least 30 (thirty) minutes time off on full pay for every hour of overtime worked; alternatively
 - grant the employee at least 90 (ninety) minutes paid time off for each hour of overtime worked.

7.4.2.5.2 Sundays and public holidays

Employees who normally work a five-day week, will be remunerated as follows:

- double the normal hourly rate; alternatively

- as per agreement between the employee and SAIBA, payment of ordinary wage for overtime worked and grant the employee at least 60 (sixty) minutes time off on full pay for every hour of overtime worked; alternatively
- grant the employee at least 120 (one hundred and twenty) minutes paid time off for each hour of overtime worked.

Time off in terms of the Policy is subject to approval of the CFO, taking into account operational requirements at the time of intended time off, who may not unreasonably refuse to approve time off in terms of this policy.

8. REMUNERATION ADJUSTMENTS AND REVIEWS

8.1 Annual cost-of-living adjustments

8.1.1 Remuneration may be adjusted and will be reviewed annually effective 01 July each year, by means of a cost-of-living adjustment. Reviews will be in accordance with the prevailing financial conditions of SAIBA, as well as individual performance and merit. A remuneration adjustment is not a right, or a term or condition of employment, but is solely the discretion of SAIBA.

8.1.2. If an employee's Cost to Company package falls above the pay range for the position the employee occupies, such employee will only qualify for 75% of the annual cost-of-living adjustment as approved by SAIBA until such time that the employee's Cost to Company package is within the pay range of the position.

8.2 Remuneration band adjustments

8.2.1 If an employee's Cost to Company package falls below the pay range for the position which the employee occupies, an in-band salary adjustment will be recommended for such an employee. SAIBA may approve an adjustment as follows:

8.2.2.1 Promotion/reclassification, being up to 20% of the employee's Cost to Company package prior to the promotion/reclassification, or up to the midpoint of the new remuneration band, whichever is greater;

8.2.2.2 Level adjustment, being up to 15% of the employee's Cost to Company package prior to the adjustment.

Any increase greater than 8.2.2.1 and 8.2.2.2 requires Board approval.

8.2.2 Any employee who is remunerated above the maximum of the remuneration band will be managed in respect of his/her remuneration on a personal-to-holder basis.

8.3 Post re-grading

Where a position has been re-graded to a higher level, the current employee's remuneration must be matched to the remuneration band for the new grade. If the current remuneration equals or exceeds the minimum of the higher level, no further adjustments will be made.

8.4 Commencing salaries

8.4.1 New external and internal appointments will be offered remuneration in the applicable remuneration band based in an assessment performed by SAIBA. This may be between 10% below or 20% above the minimum of the band.

8.4.2 The CEO should recommend a commencing salary in accordance with the guidelines above. Such a recommendation should be based on a careful consideration of a candidate's task maturity in terms of qualification, experience and ability to function effectively without direct supervision. Furthermore, the candidate's position relative to existing staff in the same grade should also be considered in order to justify the decision to appoint at a specific notch.

8.4.3 Candidates who have exceptional skills, as determined by the Committee, will qualify for a variation of up to 50% above the relevant remuneration band, solely within the CEO's discretion. Any increase greater than 50% requires Board approval.

8.4.4 There may be candidates who do not satisfy the minimum requirements in terms of qualification and/or experience for a particular position. In such cases, representation should be made to the representative in Human Resources why the candidates should be considered for appointment. If Human Resources is satisfied that the candidate should be considered for appointment, remuneration below the minimum notch of the remuneration band for the position may be considered in accordance with the guidelines above.

9. REMUNERATION OF THE BOARD

9.1 Volunteer work

As elected and nominated volunteers SAIBA Board and Board committee members play a vital role in the governance of SAIBA and, attendance of all Board meetings, Board Committee meetings and meetings of the Company are non-remunerated other than reimbursement of expenses incurred.

9.2 Board Chairperson

The Chairperson of the Board is paid a fixed retainer as nominal payment for acting as a representative of SAIBA.

9.3 Other amounts payable to directors

SAIBA's MOI determines that the Company will not, directly or indirectly, pay any portion of its income or transfer any of its assets, regardless how the income or asset was derived, to any

person who is or was an incorporator of the Company, or who is a member or director, or person appointing a director, of the Company, except:

- 9.3.1 for reimbursement of expenses incurred to advance a stated object of SAIBA;
- 9.3.2 as a payment of an amount due and payable by SAIBA in terms of a bona fide agreement between SAIBA and that person or another;
- 9.3.3 as a payment in respect of any rights of that person, to the extent that such rights are administered by SAIBA in order to advance a stated object of SAIBA; or
- 9.3.4 in respect of any legal obligation binding on SAIBA.

10. **NOMINATIONS AND REMUNERATION COMMITTEE (the “Committee”)**

The Committee will be constituted, which will report to and derive its mandated powers from the Board. The Committee’s primary objective is to serve as a governance structure to advise the Board and monitor and strengthen the objectivity, fairness and credibility of the remuneration and bonus system for the executive director(s), senior management and staff employed by SAIBA.

11. **CASUAL, TEMPORARY AND CONTRACT EMPLOYEES**

11.1 Casual employees

Subject to SAIBA's policy on the employment of casual employees, they will be paid an hourly rate based on the minimum of the remuneration band in respect of relevant job grade of the position. Remuneration of casual employees will not include benefits.

11.2 Temporary employees

Subject to SAIBA's policy on the employment of temporary employees, they will be appointed on a Cost to Company package approach based on the remuneration band applicable to the position.

11.3 Project-based workers

There will be many occasions where the use of projects based contracts is justified. Within this context examples of necessary and objective reasons or circumstances for the use of fixed-term contracts could include where:

- 11.3.1 the position requires specialist skills for a limited period, or to accomplish a specific task or project which has a predetermined lifespan;
- 11.3.2 the appointment is made to cover the temporary absence of another member of staff, inter alia, sickness, maternity leave, secondment, acting appointments, sabbatical etc.;
- 11.3.3 the position is a secondment to SAIBA;
- 11.3.4 the position is externally funded;

- 11.3.5 there is no reasonably foreseeable prospect of short-term funding being renewed nor other external or internal funding being available or becoming available;
- 11.3.6 the position has been created to satisfy a short-term need, ie seasonal work or the implementation of a specific time limited project;
- 11.3.7 the operational demand can be demonstrated as particularly uncertain;
- 11.3.8 the individual is re-engaged following normal retirement to complete activities or transfer knowledge; and
- 11.3.9 the contract is for training or career development, ie clinical staff undertaking professional training, learnership/traineeships/apprenticeship.

11.4 Contract workers

Contract workers will be appointed on a Cost to Company package approach based on the remuneration band applicable to the position.

12. DEVIATIONS FROM THE POLICY

Any deviations from the Policy are subject to the approval of the Board on recommendation by the Committee.

13. APPROVAL AND AMENDMENT

The Policy was adopted by the Committee on 23 June 2016, and approved by the Board. The Policy may be amended by the Board.

| | | | |
|------|-----------|----------|------|
| Name | Signature | Position | Date |
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