



## Bonus and Remuneration Policy

### 1. Introduction

The purpose of this policy is to articulate and give effect to the IoDSA's direction on fair, responsible and transparent remuneration. The IoDSA is committed to creating a workplace that attracts, motivates, rewards and retains competent, talented and forward-thinking individuals to promote the achievement of the IoDSA strategic objectives within the risk appetite of the IoDSA. The remuneration policy is aligned to the requirements of King IV and aims to provide clear and transparent guidelines for the IoDSA. There are to develop market-related, modern remuneration practices that achieve the above objectives, promoting positive outcomes and an ethical culture and responsible corporate citizenship.

### 2. Principles

The following overarching principles apply to remuneration of IoDSA employees:

- a. The IoDSA aspires to pay market-related salaries at median for the industry that it operates within, also taking into account complexity, size and nature of the business.
- b. The remuneration of the Executive is fair and responsible in the context of the overall employee remuneration for the IoDSA through benchmarking and cognizance is taken of the Gini Coefficient parameters.
- c. Remuneration is linked to performance measures that support positive outcomes across the economic, social and environmental context in which the IoDSA operates, and the capitals that the IoDSA uses and affects.
- d. The IoDSA wishes to reward superior performance, taking into account the nature of the position and the value the employee is adding to the IoDSA.
- e. The elements to employee remuneration are:
  - i. Base pay (basic remuneration for work performed) which is based on the functional job requirements of the position and the skills and experience of the employee in that position.
  - ii. A 13<sup>th</sup> payment at the option of the employee forms part of base pay and constitutes a payment which is calculated based on an accumulation of an agreed monthly deduction paid back to the employee at year end.
  - iii. *Ad hoc* – allowances for work done outside and beyond the job description of the employee for extended periods of time.
  - iv. Deductions specifically authorised by employees (i.e. pension, etc) and any other deductions required by law (e.g. PAYE, UIF etc.)
  - v. An annual discretionary bonus, based on the performance of the IoDSA as well as on individual performance.

- vi. The IoDSA elected to participate in Pension fund contributions to enhance the benefits of its employees. The IoDSA and the employee contribute a percentage determined annually by the Pension Fund for participating employees. All employees appointed since inception of the Pension Fund plan are required to participate in this benefit.
  - vii. Remuneration payout on termination of employment shall be in accordance with the Basic Conditions of Employment Act.
  - viii. Sign-on; retention and restraint payments must be recommended by the Remuneration Committee for final approval by the Board.
- f. Employee remuneration is determined on the basis that it should be sustainably affordable to the IoDSA and cannot be allowed to cause cash flow constraints. At the same time remuneration should constitute a fair reward to employees for their contributions.
  - g. Remuneration costs are budgeted for by the Executive and pre-approved in accordance with the Delegation of Authority.

### 3. Base Pay

- a. Base pay reflects the market median levels determined through external market research that yields market pay data and approximate pay ranges for specific positions taking into account the complexity, size and nature of the IoDSA.
- b. Base pay takes into account the nature of the position, its decision-making responsibilities, reporting structures, its value to the company, scarcity of skills and the skills and experience of the current incumbent required for the position.
- c. The reporting structure and quantum of remuneration for each position is determined by adopting the principles of the Paterson Modern Job Grading System. Jobs of similar complexity at each organisational level are combined in the same salary band according to the functional job and experience requirements for each individual position as follows:

| Job grading band  | Description  |
|-------------------|--|
| A Lower – A Upper | Restricted decision-making: Employees make very limited decisions on their own and carry out the instructions of line managers. (Unskilled employees)  |
| B Lower – B Upper | Routine or automatic decisions: Employees make routine or automatic decisions which may offer some variations of known factors. (Semi-skilled employees)   |
| C Lower - C Upper | Process and systems decisions: Employees are required to regularly make decisions concerning the institution of processes and systems in order to execute their duties. (Skilled employees who hold technical, junior management and/or and supervisory positions) |
| D Lower – D Upper | Interpretative or probabilistic decisions: Employees at management level who handle current situations and in addition plan for eventualities. (Qualified, experienced and/or specialist employees)  |
| E Lower – E Upper | Strategic and policy-making decisions: Employees determine policy and provide input at strategic level. (Executive management employees)   |

- d. The salary bands are employed as guidance and reference to determine the relative salaries associated with certain positions within the IoDSA. The Chief Executive Officer is entitled to within the parameters of the principles of remuneration set out in this policy use discretion in final determination of appropriate base pay for each position.
- e. Where an employee has opted to receive base pay in 13 payments, there is no interest accumulation and earnings are subject to any SARS taxation that may be applicable. Payment is made to the employee on the final pay day at the end of each year, or with the final payment to the individual upon termination of services.

#### **4. Annual Salary Increases**

- a. Annual salary increases are linked to inflation and benchmarking surveys.
- b. Employees do not have a right to an annual salary increase. Annual pay increases and increased budgets are a function of industry market conditions, inflation, internal equity, strategic investment, and company financial position as well as ability to pay. These factors are applied in order to arrive at the standard or average rate of increase which translates into a total amount available for increases approved by the Remuneration Committee.
- c. The Chief Executive Officer determines the employee salary increases within the parameters of the total amount approved for annual increases by the Remuneration Committee.
- d. The determination of the Executives annual increases is undertaken and determined by the Remuneration Committee, with guidance provided by the Chief Executive Officer.
- e. Generally, an employee is required to have been employed for six (6) months prior to the financial year-end in order to be eligible for an annual salary increase in the immediate following fiscal year. This is subject to the discretion of the Chief Executive Officer if an increase has been agreed on employment or if other circumstances exist that warrants the increase.

#### **5. Promotional Increases**

- a. Mere seniority in years is not per se a reason for promotion. Promotions are based on actual increase in scope of duties and responsibilities, performance, experience, and skills acquisition.
- b. Promotional increases are considered in the event that an employee is promoted into a new role with concomitant additional duties and responsibility and decision-making capacity.
- c. Should an employee be promoted to a higher level position, the employee's salary will be reviewed according to the outlined bands and job grades.

#### **6. Ad hoc Salary Adjustments**

- a. *Ad hoc* – salary adjustments may be authorised under exceptional circumstances if and when appropriate to address any market-related and/or internal inconsistencies.
- b. Employees who have taken on additional responsibilities or accountabilities, may qualify for such adjustment outside the annual salary review process as do employees who have been identified as key talent and who need to be actively retained, specifically in the event of an employee possessing critical knowledge or skills.
- c. Adjustments are made by the Chief Executive Officer subject to the mandate in terms of the Board approved Delegation of Authority to ensure that employees are immediately rewarded where appropriate with the longer term view to incentivise performance.

- d. It is the responsibility of the Executive to justify a salary adjustment request for a particular employee to the Remuneration Committee. Salary adjustments must be motivated in the context of accurate, relevant and up to date internal equity data, market data as well as budget availability. The Line Manager must ensure that the employee's job description and performance appraisal documents is updated.
- e. *Ad hoc* - salary adjustments within the period three months prior to the annual remuneration review process are not generally considered but the Chief Executive Officer may recommend this to the Remuneration Committee if deemed necessary at his/ her discretion.

## 7. ***Ad hoc* Allowances**

The Chief Executive Officer may subject to the terms of the board approved Delegation of Authority offer to an employee *ad hoc* - allowances as part of the employee's total cost of employment package where the employee assumes additional duties and responsibilities beyond the scope of the job description or that are associated with a more senior position in the IoDSA for an extended period of time.

## 8. **Short Term Incentives**

- a. Short-term incentives are intended to encourage particular behaviour and desired results and may be implemented from time to time at the discretion of the Chief Executive Officer and subject to Remuneration Committee approval. The bonus scheme is currently the only short term incentive available at the IoDSA.
- b. The purpose of the bonus scheme is to reward past good performance and to incentivise future performance. As such, there should be clear linkage between performance levels and the bonus amounts rewarded.
- c. Formal performance reviews are conducted annually during the months of October and November.
- d. The Remuneration Committee may at its discretion, make available at the end of the financial year, a pool of funds to be distributed amongst employees eligible for bonuses. In exercising its discretion the Remuneration Committee will have regard to the criteria set out below:
  - i. The bonus pool amount is determined by the Remuneration Committee on the basis of audited financial statements or on such other basis that in its discretion provides it with reasonable assurance concerning the accuracy of the financial results.
  - ii. The payment of bonuses are not recommended by the Remuneration Committee to the Board to the extent that it will result in the IoDSA financial statements reflecting an accounting deficit unless:
    - a. there are specific circumstances that had led to the deficit and which is beyond the control of the Executive and employees; and
    - b. the Board has in its discretion approved the bonus pool amount allocated.
  - iii. The over-achievement of budget for the year under review, financial net revenue reflected in the annual financial statements and the ability to strengthen cash reserves are factors that are taken into account when deciding the bonus pool amount.
- e. The Remuneration Committee will decide the bonus amounts to be paid to the Executives from the total bonus pool amount approved.

- f. The Chief Executive Officer is responsible for the allocation of the balance of the bonus pool amount to individual employees at his/ her discretion. In doing so the relative contribution that an employee has made to the overall financial performance and strategic objectives of the IoDSA during the year under assessment is taken into account. Elements of the IoDSA results that are attributable to an employee's performance or lack of performance are taken into account when individual bonus allocation is determined.
- g. An employee is excluded from the Bonus Scheme, where:-
  - i. the employee's performance were rated as being consistently below expectation for the year under review;
  - ii. the employee has not been a permanent employee for more than six (6) months at the end of the financial year in respect of which bonus payments are determined;
  - iii. the employee has been absent from the office for an extended period of time in the period under review (i.e. unpaid extended leave exceeding three (3) months); or
  - iv. the employee is not in the IoDSA's employ on the last day of the month in which the bonus payment is made; or
  - v. any other justified factor.
- h. Notwithstanding any of the exclusions above being applicable to an employee, a bonus may be awarded if in the discretion of the Chief Executive Officer it is justified, fair and responsible in the circumstances to make the bonus award to the employee.

## **9. Non-Executive Director Remuneration**

IoDSA non-executive Directors are not employees of the IoDSA, they serve in a voluntary capacity and do not receive remuneration as a director. The principles contained in this remuneration and bonus policy are therefore not applicable to the non-executive Directors.

## **10. Non-binding advisory vote and Disclosure**

In line with the recommendations contained in King IV, this remuneration policy is tabled at the annual general meeting (AGM) for a non-binding advisory vote by members.

The IoDSA Board, having considered the nature and size of the IoDSA and the lack of complexity of remuneration structures has determined that a separate remuneration implementation report will not be tabled at the AGM.

The Board deems the disclosure and reporting on the implementation of executive remuneration referenced in the notes to the annual financial statements to be appropriate for the IoDSA. Financial statements to be appropriate for the IoDSA.