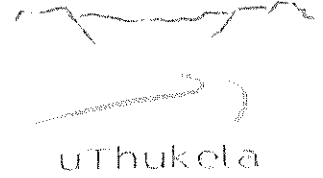


**UTHUKELA ECONOMIC
DEVELOPMENT AGENCY**

Heron House, 131 Murchison Street,
Ladysmith, 3370



**REMUNERATION POLICY
UTHUKELA ECONOMIC DEVELOPMENT AGENCY
2023/2024 FINANCIAL YEAR**

POLICY TITLE	REMUNERATION
DATE APPROVED	12 OCTOBER 2018
IMPLEMENTATION DATE	15 OCTOBER 2018
REVIEW DATE	06 APRIL 2023

1. POLICY STATEMENT

The aim of this policy is to create a framework for implementing remuneration management systems, procedures and principles that will enable the Agency to attract and retain the calibre staff required to meet organisational goals and targets.

2. PURPOSE

The purpose of the policy is to provide corporate guidelines that will:

- Create a framework for remuneration management that will enable UEDA to attract and retain staff of high quality and potential.
- Recognizes individual contributions toward the achievement of UEDA's objectives and motivates high levels of performance.
- Ensure that UEDA as an employer complies with legal prescriptions (e.g. the Basic Conditions of Employment Act), as well as the contractual obligations in the letters of appointment and conditions of service.
- Provide consistency and fairness in relation to the need to pay employees with similar responsibilities and levels of performance, similar pay.

3. SCOPE OF APPLICABILITY

3.1 The policy is applicable to all UEDA employees.

3.2 The remuneration package of the Chief Executive Officer will be constructed and negotiated by the chairperson of the UEDA Board and the District Municipality (Shareholder).

4. STATUTORY AUTHORIZATION

The directives contained in this policy are issued subject to all related regulations and directives provided for through relevant Labour Legislation, including, but not limited to the Labour Relations Act; the Basic Conditions of Employment Act; the Skills Development Act and the Employment Equity Act.

5. PRINCIPLES

In implementing this policy, the following should be the guiding principles:

- 5.1 The remuneration policy and practices will support the vision, mission, strategies and objectives of UEDA.
- 5.2 UEDA follows a total package approach in the determination and management of remuneration, as set out in the remuneration structure.
- 5.3 The total remuneration package of every individual is determined according to this policy, irrespective of what the source of financing of the package or part thereof may be.
- 5.4 Remuneration is one of the factors that influence employee behaviour and must therefore be managed in such a way that it contributes to a motivating work climate.
- 5.5 UEDA supports a culture of accountability and individual performance excellence through displaying the required competencies, technical skills and experience.
- 5.6 UEDA remunerates employees in accordance with the "value of their work" as defined by the Organisation in terms of capabilities i.e. competencies, technical skills and experience (input) and performance (output), at the various organisational levels.
- 5.7 Remuneration practices support internal equity, taking cognisance of individual employee contribution.
- 5.8 The principle of market related remuneration is respected. Market value differentiations are supported and remuneration practices must therefore ensure adequate levels of competitiveness, depending on the current and future scarcity of talent, both internally and externally.
- 5.9 Financial inflation and affordability serves as key consideration when making remuneration decisions.
- 5.10 If performance targets are achieved UEDA will reward performance excellence and therefore supports the activation of the incentive of the employee's contribution towards achievement of UEDA's objectives.

6. POLICY PROVISION AND PROCEDURE

6.1 Definitions:

6.1.1 **Pay/ Remuneration:** Pay is often referred to as remuneration. Pay and Remuneration are the same and are used interchangeably in this document.

6.1.2 **Pay scale:** A pay scale of remuneration range is a range of data points depicting possible salaries from a lowest point to a highest point. Typically such a range is

derived from some form of market comparison and provides guidelines as opposed to definite points.

6.1.3 **Basic Salary:** The basic monthly salary is the cash payment made to an employee and does not include any benefits or bonuses.

6.1.4 **Total cost of employment:** The total cost of employment is the total cost incurred by an organisation to employ the staff member. The amount includes basic salary plus benefits such as the employer's contribution to health care (medical aid), retirement provision (pension or provident fund), 13th cheque, and so on.

6.1.5 **Total package:** The total value of an employee's remuneration that is paid to the employee in the form of cash, benefits, allowances and employee contribution to pension fund.

6.1.6 **Cash portion:** The value of the total package that is paid to the employee in the form of monthly salary and 13th cheque.

6.2 Pay Structure

6.2.1 UEDA commits to a pay structure which complies with the following principles:

6.2.1.1 Is linked to jobs (organisational structure) established by means of job profiling and application of an approved job evaluation system;

6.2.1.2 Comprises of a minimum, midpoint and maximum pay range for each level (grade) of posts as determined in the organisational structure;

6.2.1.3 Does not make provision or notch or automatic increases within the determined pay range;

6.2.1.4 Has a pay line:

i) Where the midpoint of a pay range in the pay structure reflects the approved market value for the grade;

ii) With pay ranges of about 20% above and below midpoint;

iii) With not more than 10% to 25% progression in the pay line between consecutive grades.

6.2.2. Employees will be rewarded on a "Total Package" Basis

6.2.2.1. "Total Package" is made up of:

6.2.2.1.1 **Guaranteed pay** includes all guaranteed items such as basic salary, car allowance, medical aid, retirement fund, guaranteed allowances (legislated and non-legislated). The purpose of guaranteed pay

would be the attraction and retention of talented, high performing people.

6.2.2.1.2 **Variable pay** takes the form of either a bonus or an incentive and is over and above guaranteed remuneration. It is non-guaranteed, and forms part of short-term incentive. The purpose of variable pay would be alignment to UEDA strategy.

6.2.3 Total Package for employees is defined as follows:

Current basic pensionable salary (cash portion) **PLUS**

+ Employer's contributions to retirement fund

+ Employee contributions to medical aid

+ Car allowance

+ All allowances not defined as operational allowances

* Note: Basic Pensionable Salary includes 13th cheque

6.2.4 Employer and employee contributions towards the recognized benefit schemes that the employee is eligible for or compelled to join in terms of the employee's conditions of service will be the contributions rates as contained in the rules of the relevant scheme or as agreed to in terms of a relevant collective agreement as amended from time to benefits.

6.2.5 Contributions to a pension scheme are based on cash portion, the cash portion be regarded as 65% of Total Package.

6.2.6 Structuring Options

6.2.6.1 Employees are allowed to structure their remuneration packages subject to the provision of the Income Tax Act.

6.2.6.2 Employees may re-negotiate their package structure once per annum and that such restructuring be confirmed in writing.

6.2.6.3 Total Package can be structured according to the following elements:

6.2.6.3.1 **Fixed Cash Portion** to a minimum value of 65% of total package, including:

13th Cheque

An employee may structure his/her Total Package to provide for a once-off 13th cheque as part of monthly remuneration provided that in case of selecting and annual payment the following apply:

- The 13th cheque is paid in a month as agreed in writing at end of calendar year (i.e. December)
- Pro rata amount is paid on termination of service
- If an employee who elected to receive a 13th cheque is employed for less than 12 months, a pro-rata amount is paid

6.2.6.3.2 Flexible Remuneration Portion

i) The flexible portion of remuneration (35%) may be structured either as cash portion or to include:

- Car allowance
- Medical benefits
- Pension/provident fund

ii) Membership of one of the approved pension funds and medical aid schemes is governed by the applicable and relevant conditions of service policies.

iii) The portion of benefits not used for benefits will be paid in cash

6.3 Commencing Salaries

6.3.1 New external and internal appointments will be offered remuneration in the applicable range based on assessed competence, qualifications and experience, with the actual notch being determined by the Senior Manager/CEO in consultation with Human Resources.

6.3.2 The pay range is divided in the following manner to create a guideline for determining salary offers to new appointments.

i) 75th Percentile +

Typically where pay is positioned for employees who have reached full mastery in their current role. These employees are either good candidates for promotion or are major contributors in a role that suits them ideally. Performance is obvious to all, and clearly consistently above expectation. Role models for others. The employee needs little development, if any, for continuance in this role.

ii) 51st percentile to 74th percentile

This is where pay is positioned for employees who perform to or above standard and who are progressing well in terms of personal development. Important contributors. Those who respond to and still need some development. Candidates for promotion. Consistent performers. This percentile would also apply to candidates recruited for their experience and who have a demonstrable track record above industry norm.

iii) 26th to 50th percentile

This is where pay is positioned for employees with demonstrated potential and performance, but that still need development. This employee probably meets all goals, but with room for growth in the role. Candidates who have all the qualifications and some experience.

iii) Minimum to 25th percentile

This is the pay range for beginners, newcomers in the role (internal or external appointments), and employees just promoted to the role. Considerable development required to fulfil the role comprehensively. Candidates may have most of the required qualifications but essentially have limited experience for the role.

6.3.3 In addition to the determining of the appropriate notch the following criteria will also be considered in determining the final remuneration offer:

- Internal equity
- Current remuneration
- Skills scarcity

6.4 Scarce Skills

6.4.1 This section serves to address the scarce skills challenge.

6.4.2 Senior Managers/CEO shall, in consultation with Human Resources, identify occupational groups affected by a scarce skills challenge using the following criteria:

6.4.2.1 Turnover rate of employees in a particular occupation must be high resulting in high vacancy rate.

6.4.2.2 The demand for a particular skill/s should outweigh supply.

6.4.2.3 The skill/s should require an advanced knowledge in a field/science or learning by a prolonged course of study and/or specialized instruction and/or years of service.

6.4.2.4 Vacancies should prove difficult to fill.

6.4.2.5 There should be a demand for the identified skill in the local and national market, indication strong factors attracting such employees into the private sector.

6.4.2.6 Individual skills/knowledge/experience critical to a specific project or service.

6.4.3 A list of occupational groups which meet the above criteria must be submitted to the Corporate Service Committee, to be designated as such.

6.4.4 Submissions in the above regard must be accompanied by detailed proposals.

6.4.5 All designations determined in terms of clause 6.4.3 above shall be reviewed every twenty four (24) months to allow for relevant adjustments, based on changing trends.

6.5 Performance Bonus

6.5.1 Reward for performance shall be paid in the form of a bonus.

6.5.2 Employees shall be required to have completed a minimum of 6 months service to become eligible for such performance related increments.

6.5.3 Performance bonuses will be determined as per the outline given in the Performance and Development Management Policy (section 6.8.2.)

6.6 Annual Reviews

6.6.1 The remuneration packages must be revised annually.

6.6.2 Remuneration will be adjusted annually by means of a cost-of-living adjustment as determined by the UEDA Board.

6.6.3 Cost of living adjustments for all employees will be based on the remuneration package.

6.6.4 Adjustments to the pay structure may be considered and approved by the UEDA Board, following recommendation by the HR & Remuneration Committee.

6.6.5 The Senior Manager: Finance and Administration will ensure that provision for annual adjustments to the pay structure is made in the budget. Provision for rewarding performance must be included in the budget.

6.7 Remuneration Committee

6.7.1 The UEDA Board established Corporate Services Committee shall in consultation with, the Chief Executive Officer and Manager: Finance perform the following functions:

6.7.1.1 Commission market surveys and submit proposals for consideration by the UEDA Board, when required.

6.7.1.2 Facilitate the development, implementation and review of remuneration-related strategies.

6.7.1.1 Give guidance, technical support and make recommendations to the UEDA Board on remuneration issues.

6.7.1.4 Develop and implement a communication strategy for remuneration-related issues; and

6.7.1.5 Ensure that support tools and documentation are available to ensure ease of cost modelling, financial planning etc.

6.7.1.6 To facilitate budgetary planning and mandating processed for salary and wage negotiations, the Remuneration Committee will facilitate the preparation of a report(s) for consideration by the Board

6.7.1.7 The report on annual remuneration review to the board will take the following into consideration:

6.7.1.7.1 Consider Performance Audit Committee reports and recommend remedies for rewarding good performance and censuring poor performance

6.7.1.7.2 Appropriate market surveys as determined by the UEDA Board from time to time

6.7.1.7.3 Cost of living/inflation

6.7.1.7.4 Affordability of an adjustment to the pay structure

6.7.1.7.5 Local and national collective agreements on adjustment of remuneration

6.7.1.8 Resolve remuneration related dispute appeals that could not be resolved by UEDA management

6.7.1.9 Consider and recommend amendments to the remuneration policy

6.8 Governance

6.8.1 The UEDA Board is responsible for the existence and monitoring of implementation of a remuneration policy based on the needs of the organisation on best practice.

6.8.2 Management is responsible for the implementation of this policy in terms of the necessary processes, systems and procedures.

6.8.3 Senior Managers and/or CEO are responsible for the determination, revision and adjustment of staff remuneration packages. All such remuneration decisions should be clarified with the Human Resources department and prior approval by the immediate supervisor should have been received.

6.8.4 Human Resource department is responsible for;

6.8.4.1 The design and maintenance of the job grading system and remuneration structure, based on this policy

6.8.4.2 Benchmarking of remuneration, when required

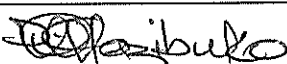
6.8.4.3 The provision of management information

6.8.4.4 The administration of the remuneration system

7. POLICY REVIEW

This policy will be reviewed as and when the need arises.

8. APPROVED BY:

NAME	SIGNATURE	DESIGNATION	DATE
MS DCP MAZIBUKO		CHIEF EXECUTIVE OFFICER	11/04/2023