



REMUNERATION POLICY

Policy Number	HR – P – AD - 18
Version Number	2023/2024 v1
Last Approved Date	November 2022
Type of Policy	Strategic
Compiled by	HR&OD, Total Rewards
Recommended by	Human Capital, Social and Ethics Committee
Approved by	Board of Directors
Signed on behalf of the Board	Board Chairman
Effective Date:	1 February 2024

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1. DEFINITIONS, ABBREVIATIONS AND ACRONYMS

DEFINITION	EXPLANATION
Critical roles	Positions TCTA has defined as critical to business success and include scarcity, supply and demand assessment, legislative requirements, and organisational factors.
Claw-back Clause	A provision under which money that has been paid out to an employee is returned to the employer upon non-achievement of agreed terms, e.g., resignation within a specified period or non-performance. Claw-back payments are calculated on a pro-rata basis.
Comparative Ratio (Compa-ratio)	The employee's current salary divided by the current market rate. Comparisons are position-specific.
Competency Verification Assessments	To determine an incumbent's competence concerning the inherent requirements of the role being occupied.
Employee	Under the Labour Relations Act 66 of 1995, as amended: <ul style="list-style-type: none"> any person, excluding an independent contractor, who works for TCTA and who receives, or is entitled to receive any remuneration; and any other person who in any manner assists in carrying on or conducting the business of TCTA, and "employed" and "employment" have meanings corresponding to that of "employee".
Employee Benefits	Employee Benefits at TCTA include the following: <ul style="list-style-type: none"> Group Life Administration fee Employer contribution to a pension fund Medical Aid Funeral Benefit
External Equity	The fairness in pay relative to what other employers pay for the same type of work, influenced by market data.
Fringe Benefits	As defined in the SARS guideline, an obligation is placed on the employer to determine the cash equivalent of the value of a taxable benefit.
Grade	According to the Paterson grading system, a grade is a result assigned to a position.
Immediate Family	Spouse, children and adopted children.
Incentive	Financial incentive to recognise employees who have performed with excellence, above a performance score of 3.50
Inconvenience Allowance	An allowance calculated as a percentage of an employee's TGP, which is paid to an employee for the term of the secondment
Internal Equity	The fairness in pay relative to what other employees are paid for the same type of work influenced by market data.

Job Evaluation	The systematic process of assessing job content and ranking jobs according to a consistent set of job characteristics and market-related remuneration.
Market Percentiles	50th Percentile (Midpoint): 50% of the market is paid below and 50% above.
Notch Increases	A % increase in an employee's Total Guaranteed Package, based on three-year performance data.
Midpoint	The middle point between minimum and maximum on the Unified Pay Curve (UPC).
Pay differentiation	Having the ability and willingness to differentiate how TCTA remunerates employees through their performance, pay and grading of the job.
Salary increase	The annual adjustment of employees' Total Guaranteed Pay Curve.
Scarce skills	Scarce skills refer to these occupations in which there is a scarcity of qualified and experienced people, currently or anticipated in the future, either (a) because such skilled people are not available or (b) they are available but do not meet employment criteria. The Department of Employment and Labour defines which skills are scarce regularly.
Total Guaranteed Package (TGP)	The Total Guaranteed Package is inclusive of basic pay and benefits such as company contributions to a pension fund, group life, and medical aid.
Unified Pay Curve (UPC)	A pay range for each grade level which is utilised to make remuneration decisions.

2. PURPOSE AND SCOPE

This Policy outlines the framework and principles that give effect to the guaranteed pay element of TCTA's Total Rewards offering, as it relates specifically to remuneration.

This Policy shall apply to all TCTA employees. For the interns, section 16 in this policy shall apply.

3. POLICY STATEMENT

TCTA commits to establishing a fair, transparent and fit-for-purpose remuneration approach and practices, that enable it to attract, retain and motivate employees (talent).

4. POLICY PRINCIPLES

TCTA's Remuneration Policy is anchored on the following key principles. TCTA shall:

- a) maintain a fair and transparent remuneration system that considers performance management as a fundamental underpinning.

- b) ensure internal and external equity using best practices and comparative market data.
- c) aim to remunerate at the midpoint of the Unified Pay Curve on Total-Guaranteed Pay.
- d) apply job design, analysis, and evaluation as critical input into fair remuneration practices since it determines the worth of a position.

5. LEGISLATIVE FRAMEWORK AND RELATED TCTA DOCUMENTS

This Policy shall be read and understood in conjunction with the following documents:

- a) BCEA of 1995 as Amended
- b) Employee Benefits Policy
- c) Employment Equity Act
- d) Acting Allowance Policy
- e) King IV report
- f) LHWP Secondment Policy
- g) Pension Fund Act
- h) PFMA
- i) Relocation and Redeployment Policy
- j) SARS guideline
- k) Short-Term Rewards and Incentive Policy
- l) Site Policy
- m) Standby Policy
- n) TCTA Total Rewards Strategy (Jan 2022)

6. PAY PHILOSOPHY

6.1 TCTA's pay philosophy is defined by a Unified Pay Curve (UPC).

A collective of data points from comparative sectors are used to design the Unified Pay Curve with the application of an algorithm covering all Patterson grade levels from A to F, as follows:

[(Median Pay Rate for highest grade/Median Pay Rate for lowest graded) $1/n-1$] - 1 X 100,
where n is the number of grades.

- 6.2 The Pay Range of the UPC is set at 25 percent below the midpoint for the minimum and 25 percent above the midpoint for the maximum.
- 6.3 The UPC shall be adjusted annually, with the percentage annual salary increase approved by the Board.
- 6.4 Possible revision of the UPC should be as a result of a remuneration benchmarking study. TCTA shall follow best practices to conduct an in-depth independent benchmarking exercise every three (3) to ensure external and internal fairness. Such an exercise shall be based on a “360-degree” benchmark with comparator sectors. The survey statistics for the private sector should include at least two surveys from independent survey houses.
- 6.5 Although TCTA aims to pay the mid-point of the UPC, remuneration offers are made based on an analysis that considers the suitability of the candidate, the degree of experience and expertise the candidate possesses, an internal equity analysis, and the nature of the TCTA need for the skills in terms of it being critical.

7. EMPLOYEE BENEFITS

TCTA provides the following benefits to its employees, which are included in the TGP, namely:

- 7.1 An employer medical aid subsidy towards the contributions, at a benchmarked position of a principal member, spouse/partner, and two children;
- 7.2 A percentage of company contribution towards group life;
- 7.3 A percentage of company contribution towards the pension fund;
- 7.4 Administration fee towards an employee’s benefits; and
- 7.5 A funeral benefit for the employee and their immediate family.

These employee benefits are detailed in the Employee Benefits Policy.

8. PACKAGE STRUCTURING

TCTA uses a flexible TGP pay package structure. Employees can structure their packages annually, in line with applicable tax legislation. Due to the flexible pay structure at TCTA, employees may:

- 8.1 define their pensionable and risk earnings from 70% to 100% of their TGP
- 8.2 structure their TGP package to allow for an Advised Value of not exceeding 1/13th of their TGP as a savings amount monthly. The amount saved shall be paid out in November of that year or upon the termination of employment.

8.3 define their risk-benefit pay-out cover to beneficiaries, as per their nomination of beneficiary form, as selected on the risk option form completed annually by employees, i.e. upon death or when circumstances change.

9. ANNUAL INCREASES

Annual increases are effective at the beginning of the financial year. TCTA management shall request a salary mandate from the Board for both Bargaining Unit and non-Bargaining Unit employees annually. The Board will consider relevant outer and inner contextual information such as, but not limited to, economic growth indicators, the Consumer Price Index (CPI), remuneration trends, TCTA remuneration portfolio information, and affordability.

TCTA will endeavour to implement performance-linked increases (matrix) calculated as per Table 1 below. A matrix approach shall be applied, starting with a Compa-Ratio above 120% for everyone against the applicable UPC's maximum data plotted against their performance analysis. Table 1 below is for illustrative purposes only and is in no way representing true values within the Performance / Compa-ratio Increase Model.

Table1: Performance Compa-Ratio Increase Model

Performance / Compa-Ratio Increase Model

Average Increase %:	7.0%
Compa-Ratio Differential %:	0.0%
Performance Rating Differential %:	3.0%
Minimum Increase	6.0%
Total Increases as % of Salaries	7.25%

% of Midpoint (CR)		Performance Rating				
From	To	1	2	3	4	5
0	80	6.0%	6.0%	6.0%	7.0%	10.0%
81	90	6.0%	6.0%	6.0%	7.0%	10.0%
91	100	6.0%	6.0%	6.0%	7.0%	10.0%
101	110	6.0%	6.0%	6.0%	7.0%	10.0%
111	120	6.0%	6.0%	6.0%	7.0%	10.0%
121		6.0%	6.0%	6.0%	7.0%	10.0%

Underpinnings of the Performance / Compa-Ratio Increase Model:

- Individual Performance Scores of the previous financial year shall apply
- Compa-ratio against the UPC of the previous October of each year shall be used

10. ATTRACTION PAYMENT

An attraction payment may be paid to a prospective employee who falls into the critical category, which is crucial and instrumental to the business to attract such a skill. This payment shall be up to a maximum percentage of 15% of the annual non-pensionable TGP.

The attraction payment shall form part of the employment contract, stating the terms and conditions, which shall include a claw-back clause, which is based on a pro-rata payback calculation in the event an employee leaves before the 12-month period has expired.

Attraction payments are approved by either the Executive HR&OD or the CEO, depending on the level of the employee being appointed, as per the relevant delegation of authority.

11. LONG SERVICE PAYMENTS

TCTA shall recognise an employee's long service at 5-year intervals of uninterrupted service.

The payment of long service awards applies to all TCTA employees who have completed uninterrupted service at milestones of five (5) years, i.e. 5, 10, 15, 20, 25, 30, 35, 40 and so on. The provision excludes independent contractors and/or Consultants as well as employees who are contracted to not work a full 8-hour day, five days per week in a calendar month. The award constitutes a cash award amount of R1 000 (One thousand rand) per year of service, subject to applicable taxation.

12. NOTCH INCREASES

Consistent, exceptional performance may propel progression within the scales. The UPC shall guide the progression of pay, as TCTA advocates for a high-performance culture. TCTA may consider annual (October) notch increases. Notch increases may take place at a 2,5 percent movement.

The underpinning of Notch increases:

- Consistent and exceptional performance ratings throughout three (3) consecutive years may render an employee eligible to be considered for a notch increase
- Notch increases may be made to employees who are paid within the UPC, and hereby the TGP increases.
- Notch lump-sum pay-outs may be made to employees with a compa-ratio above 120%, subject to a claw-back clause, and hereby the TGP does not increase.

13. ALLOWANCES

The following allowances apply in respect of this Policy:

13.1 ACTING ALLOWANCE

An Acting allowance is paid to an employee if TCTA requires that they act in a position at a higher grade level than their own, for a minimum period of three (3) months up to a maximum of six (6) months, renewable once.

When an employee is identified to act in a position, a non-pensionable acting allowance equal to ten percent (10%) of their TGP shall be paid monthly for the period of acting, renewable for one equal period.

13.2 STANDBY ALLOWANCE

Standby allowance is paid to an employee if TCTA requires that they be available for duty outside the regular working hours as defined in the Standby Policy.

13.3 SITE ALLOWANCE

A site and accommodation allowance shall be payable to TCTA employees occupying positions classified as site employees as defined in the Site Policy and the LHWP Secondment Policy.

13.4 INCONVENIENCE ALLOWANCE

An allowance is calculated as a percentage of an employee's TGP and paid to an employee for the secondment as per the eligibility criteria stipulated in the LHWP Secondment Policy.

13.5 TRAVEL ALLOWANCE

TCTA shall comply with the SARS guide for Employers Section 3.2, in respect of allowances (2022) with specific reference to Travel Allowance, which states that:

"80% of the travel allowance paid to an employee is subject to the deduction of employees' tax. Where the employer is satisfied that at least 80% of the use of the motor vehicle for a year of assessment will be for business purposes, then only 20% of the allowance is subject to the deduction of employees' tax effective from 1 March 2011. Note that this determination must be done monthly. If an employer withheld employees' tax on only 20% of an employee's travel allowance and circumstances change such that the employer realises that the

employee will no longer use the vehicle at least 80% for business purposes during the year of assessment, from the month in which the circumstances change, employees' tax must be withheld on the 80% of employee's travel allowance."

On an annual basis, TCTA's line managers shall satisfy themselves by reviewing employees' logbooks which detail business and private travel taking into consideration changes in the role or function of the employee and advising our Payroll section.

13.6 RELOCATION ALLOWANCE

The Relocation and Redeployment Policy refers that TCTA endeavours to attract new and retain its employees. To this end, if such employees reside outside Gauteng province, the employer accepts the responsibility to meet the relocation costs. Similarly, TCTA shall carry the costs of current employees requiring relocation as a result of redeployment. The Policy allows for relocation expenses, payment of a relocation allowance, and relocation leave.

A contract shall be entered into between the employee and TCTA in which the employee undertakes to continue employment with TCTA for 12 months from the effective date of relocation. Should an employee leave before the 12-month period matures, the employee shall be liable for repayment of either full or part of the costs incurred relating to the relocation. The final amount shall be deducted from an employee's final salary upon termination.

Calculation Method: The total value of relocation costs divided by 12 months equals the monthly value times the number of months worked back equals the amount worked back.

For example: If an employee served four months

$R100,000.00 / 12 = R8,333.33 \times 4 = R33,333.33$ (amount worked back)

The total cost incurred minus the amount worked back equals the amount owed.

$R100,000.00 - R33,333.33 = \mathbf{R66,666.67}$ (amount owed to TCTA)

14. IMPACT OF JOB EVALUATION RESULTS

- 14.1 All positions within TCTA's approved organisational structure shall be subjected to a grading interview if a position's complexity has changed by more than 30%, as per a job analysis process.
- 14.2 In the event of new positions, a grading interview shall take place after the job analysis process and before the position is filled.
- 14.3 The review of the grading of positions at TCTA shall be conducted every five (5) years or if the business strategy has changed substantially.

14.4 TCTA shall apply the following TGP adjustments:

14.4.1 If the grading result is one level up, e.g. C3 to C4, and an employee's TGP falls below the minimum of the respective UPC, it shall be increased up to the applicable lowest level, should the employee meet the competency requirements of the role.

14.4.2 If the grading result is one level up, e.g. C3 to C4, and the employees' TGP is already within the UPC, then their overall remuneration shall be increased by 5%, should the employee meet the competency requirements of the role.

14.4.3 If the grading result is two levels up, e.g. C3 to D1, and the employees' TGP is already within the UPC, then their overall remuneration shall be increased by 10%, should the employee meet the competency requirements of the role, and

14.4.4 If the employees' TGP falls outside of the applicable UPC, there shall be no remuneration adjustment.

14.5 A Competency Verification Assessment will be done using Performance data from the last three (3) year-end reviews in combination with technical assessments (non-psychometric). If an employee has not been in the employment of TCTA for three years, the employee shall be considered at the end of the three years.

15. CORRECTIVE ACTION: EMPLOYEES EARNING ABOVE OR BELOW THE UPC

TCTA aims to have 80% of its employees fall within the minima and maxima of the UPC.

In cases where an employee's TGP falls above the maxima of the UPC, the TGP may not be reduced as prescribed in law, yet the following corrective tactics may be applied:

- Employees may be paid the annual increase as a once-off bonus, thus the TGP does not increase.
- Consideration may be given to job enrichment by adding responsibilities to the employee's position and submitting it for re-grading.
- Consideration may be given to employees earning above their salary scale to be promoted to higher salary scales.

In cases where an employee's TGP falls below the minima of the UPC, the following corrective tactics may be applied:

- The employee's TGP may be adjusted to at least the minimum of the salary scale based on a case-specific assessment which takes into consideration that the employee:
 - 1) meets the minimum requirements of the position.
 - 2) meets performance target of 3 for 2 - 3 years.

3) is technically competent

4) there is no disciplinary action applicable such as matters of demotion or poor performance.

16. INTERNS STIPEND

16.1 Interns will earn an annual stipend paid monthly, to be adjusted annually with a CPI. The stipend will be benchmarked every three years and adjusted if required. The stipend will include the employer's contribution to the pension fund, medical aid and group life insurance.

16.2 Interns shall not qualify for paid parental leave but may claim from the Unemployment Insurance Fund.

16.3 Interns who are site-based shall be eligible for any applicable site-based allowances.

17. ROLES AND RESPONSIBILITIES

17.1 THE TCTA BOARD

The Board approves this Strategic Policy as aligned to the Total Rewards Strategy.

All approvals shall be aligned to the Delegation of Authority.

17.2 HUMAN CAPITAL SOCIAL AND ETHICS COMMITTEE (HCSE)

The HCSE is responsible for ensuring that TCTA Total Rewards Strategy and Remuneration Policy aligns with the principles of good corporate governance and has oversight that these practices are fair and transparent and promote equity in pay.

17.3 THE CHIEF EXECUTIVE OFFICER (CEO)

The Chief Executive Officer is responsible for the execution of this Policy.

All approvals shall be aligned to the Delegation of Authority.

17.4 HUMAN RESOURCES & ORGANISATIONAL DEVELOPMENT (HR&OD)

The HR&OD Division shall ensure that this Policy is implemented correctly and consistently, and all remuneration-related practices are fair.

17.5 THE LINE MANAGER

The line manager shall ensure that this Policy is implemented fairly, equitably, and consistently.

18. COMPLIANCE AND MONITORING

Compliance with this Policy is monitored through a combined assurance approach. Non-compliance or breach of this Policy and/or its related procedures will be subjected to consequence management.

19. EFFECTIVE DATE AND REVIEW

This Policy shall become effective on the first day following the approval date and shall be reviewed at least every three (3) years. Interim reviews will be conducted as required to ensure that this Policy remains consistent and in alignment with the organisation's growth, commitments and needs.