Policy on Remuneration Guidelines

Table of Contents

Approval			
Reviewer	**Approver**	**Electronic Approval**	**Date Approved**
Waldo Hattingh Human Resource Manager	Andre van Deventer Chief Financial Officer	ID - 19109	2020/02/19

Next Revision Date	January 2025

Revision History		
Rev No	**Changes**	**Date**
00	New document drawn-up for Group	2019/11/30
01	Reviewed and updated format: Document name changed from Remuneration Policy to Policy on Remuneration Guidelines.	2020/01/28

1. INTRODUCTION

1.1. The purpose of this document is to describe the Master Drilling Group Policy on Remuneration Guidelines and to provide principles and guidelines to regulate the strategic management of employee remuneration without creating specific entitlements.

1.2. MDG subscribes to a Policy of paying employees fairly for the work they perform in accordance with laid down and agreed conditions and principles of service which are free of discrimination on the basis of race, gender, sex, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, political opinion, culture, language, marital status or family responsibility.

2. DEFINITIONS

2.1. Remuneration is defined as payment in money or in kind or in both money and kind as is owing to any person in return for that person working for any other person. For the purposes of this policy, remuneration is defined as any cash paid to an employee plus benefits in return for the employee's services.

2.2. Cash elements of remuneration include basic salary, annual bonus, overtime payments, sundry payments and telephone allowances.

2.3. Cost to Company elements of remuneration include basic salary, company contributions, 13th cheques, travel allowances, living out allowances, housing allowances.

2.4. Employee refers to any person who is employed by the MDG on a permanent, temporary or part-time basis or through a labour broker. It excludes independent contractors.

2.5. Employees on part-time conditions of employment are employees who are either on permanent or fixed term contracts of employment; however, they only work for part of the day e.g. five (5) hours a day.

2.6. Independent contractors are persons who contract their services for a fee and who are not employed under a contract of service as is the case with employees.

3. REFERENCES

3.1. This Policy must be read in conjunction with the relevant country's legislation.

3.2. In addition, this policy should also be read with any other collective agreements that have been entered in between organised labour and MDG concerning conditions of employment.

4. ACRONYMS

4.1. **MDG -** Master Drilling Group.

5. REMUNERATION STATEMENT

5.1. MDG recognizes that one of its sources of competitive advantage is its people, and holds to the belief that in order to meet corporate goals and business objectives, reward policies and objectives must:

5.1.1. Be an integral part of an overall human resource strategy, geared to support business strategies;

5.1.2. Be designed to motivate and reinforce superior performance;

5.1.3. Encourage the development of organizational and individual performance;

5.1.4. Encourage the development of competencies required to meet future business needs;

5.1.5. Be based on the premise that employees should share in the success of the company;

5.1.6. Be designed to attract and retain high-quality people with the optimum mix of competencies;

5.1.7. Be aimed at securing employee commitment to company goals and purposes via the optimum mix of financial and non-financial rewards;

5.1.8. Be aligned with anti-discriminatory practices.

6. REMUNERATION PRINCIPLES

6.1. A change or alteration to any condition of employment will be achieved by agreement. Where collective bargaining structures exist, negotiation will take place with the relevant labour organisations. In cases where collective bargaining structures are absent, agreement will be achieved through consultation and communication with individuals. Any change of condition of employment will be confirmed in writing to the relevant employees.

6.2. Prospective employees will be given an offer of employment setting out their remuneration details. In addition, they will receive a package breakdown so that they know what to expect in terms of their monthly salary payments and deductions or hour rate for fixed term employees.

6.3. Employee’s will receive a monthly payslip from the Payroll Department showing the transactions of their remuneration.

6.4. A record of each employee’s remuneration details will be kept by the Payroll Department from the date of the employee’s commencement of employment.

6.5. MDG will adhere to the payment and/or deduction of tax in terms of any prevailing income tax legislation.

6.6. MDG will comply with basic conditions of employment and Minimum Wage Legislation unless exemptions have been secured.

6.7. Employees on temporary conditions of employment will receive fixed-term contracts of employment with starting dates and termination conditions.

6.8. An employee employed on a fixed-term contract for more than three months must not be treated less favourably than an employee who is employed on a permanent basis performing the same or similar work, unless there is a justifiable reason for different treatment.

7. INTERNAL EQUITY

7.1. Individuals will be remunerated fairly in relation to their role in the organization, their critical performance accountabilities and their performance as measured by the results they achieve in relation to agreed objectives.

7.2. Each job will be internally and externally benchmarked, to determine its relative contribution in terms of complexity and expected outputs / results.

7.3. This process will be facilitated by the Human Resources and Finance Departments in conjunction with the relevant line manager.

8. EXTERNAL MARKET COMPETITIVENESS

8.1. In order to attract and retain high-calibre individuals, MDG will identify the markets in which it competes for people.

8.2. This market is identified as the:

8.2.1. Mining industries;

8.2.2. Process industries with a high asset base;

8.2.3. Large companies with a number of business units; and

8.2.4. Functions attracting premium remuneration.

8.3. MDG will maintain national rates of remuneration, which are based on the appropriate market for each job family.

8.4. Where scarce competencies are identified, individuals will be paid in line with the relevant specialist markets to ensure that these employees are attracted, motivated and retained.

8.5. In general, MDG will strive to remunerate at the 25th percentile of the market for guaranteed remuneration.

8.6. This will differ from country to country with the principle of paying conservative basic salaries but aggressive incentives and bonusses to achieve parity in the market and attract top talent.

8.7. Remuneration will be analysed relative to market norms on the basis of job families and job types – on a triennial basis – and adjusted where necessary to ensure that remuneration remains competitive.

9. REMUNERATION RANGES

9.1. Role levels, Patterson Grading level and market medians will form the basis of remuneration range structures.

9.2. Remuneration ranges with minimum and maximum values will be utilized in order to allow for flexibility of remuneration based on market trends and performance.

9.3. Remuneration ranges will be reviewed at least annually to ensure ongoing market competitiveness.

10. REMUNERATION PACKAGE AND BENEFITS

10.1. In general, MDG will use the individual guaranteed total cost to company as a basis for determining market competitiveness. In addition, market remuneration trends will inform the design of variable remuneration such as performance-based reward and bonus schemes.

10.2. All employees are entitled to the same range of employee benefits appropriate to their role levels. The principle of equal pay for equal work needs to be applied where possible.

10.3. Package category employees will have some choice in structuring their remuneration packages within certain company and legislative limitations.

11. PAY SCALE METHODOLOGY AND SCALES

11.1. MDG sourced and obtained market data for:

11.1.1. Benchmarking the current internal salaries to the general market and;

11.1.2. To design formalised pay scales.

11.2. This analysis will be conducted every three years.

11.3. The principle of equal pay for equal work needs to be applied where possible.

11.4. The benchmarking analysis compares the internal salary levels to the market, per grade, to assess how MDGs internal pay sits relative to the market. This determines how competitive MDG remunerates their employees and how wide the pay spread is between the lowest paid and highest paid employee within the same grade, which in turn will guide how wide the pay range will be for the respective pay scales.

11.5. The benchmarking and pay scale design is grade based (Paterson). A job matching exercise will be conducted which involves matching MDG’s internal jobs to generic positions within the market data provider’s job catalogue. Matched positions are assigned a model grade (generic Paterson grade) in order to conduct the benchmarking analysis and to ensure alignment with the principle of Equal Pay. The pay scale design also follows a grade-based approach for the same reason.

11.6. Pay scales are designed using best practice principles and are used to promote internal behaviours with regards to employees obtaining the minimum required competency standard.

11.7. The salary scales per Paterson Grade is signed off annually on completion of the benchmarking process.

12. SALARY INCREMENT GENERAL PRINCIPLES

12.1. MDG Subscribes to the Following Principles Regarding Annual Increases:

12.1.1. An annual increase is not a legal entitlement but subject to affordability of the business to pay an increase and also on the performance of employees.

12.1.2. Increases will be referenced against inflation rate averaged at a rate six (6) months prior to the month that the increase is payable.

12.1.3. Employees who have received a salary adjustment greater than the inflation percentage within six (6) months of that date of increase is not entitled to a further increase.

12.1.4. Employees who have been employed for six (6) months and less are not entitled to an increase and will stand over to the next cycle of increases.

12.1.5. The salary bill should also not exceed the benchmark set by the Chief Financial Officer from time to time.

12.1.6. The philosophy of the company is to strive to pay salaries for employees who cannot quality for bonuses at the 50th percentile of the approved salary scale for comparable positions in comparable industries and company size for employee however, this remains a management prerogative and remuneration of individuals may be greater of less as than the 50th percentile.

12.1.7. Based on performance an employee may receive a higher than inflation increase as set out under point 13 below.

12.1.8. The collective bargaining process must be respected as per the applicable legislation in countries where this is currently the practice. A mandate for negotiations must be obtained from the Chief Financial Officer and Group Human Resource Manager prior to the commencing of such negotiations.

12.1.9. In addition, a salary adjustment may be made to deserving and scarce and critical skilled employees where this may be appropriate to retain such employees. Any salary adjustments outside of the salary increase process and that is more than the 50th percentile must be approved as per the guidelines as set out in the approval matrix.

12.1.10. Labour cost should not exceed 35% of revenue and the General Managers must manage this benchmark carefully.

12.1.11. It is advised that employees who are paid below the salary scale minimum may be given above inflationary increases to close the gap between the employee's actual salary and the minimum of the salary scale for the position. This remains a management prerogative and is subject to an employee's performance.

12.1.12. Should an employee's remuneration be above the salary scale, then the employee should not receive any further salary increases until the salary scale is adjusted with the person's actual salary over a period of time. Management should find ways to enrich the person's responsibilities to justify a salary above the salary scale. Hence a proper career path is needed for such individuals. However, increases may still be given should the person be a scarce and critical skilled employee and the performance of the employee would justify increases above the maximum of the pay scale.

13. PERFORMANCE RATINGS AS A BASIS FOR MERIT INCREASES

13.1. In addition to the inflationary increases an employee may receive an additional increase over and above the inflationary increase. This increase is based on the average performance rating score of the last two quarters performance rating, preceding the month in which the increase will be effective.

This implies that should annual increase be effective in January then the average performance rating of quarter four (4) should be used to determine the merit increases.

13.2. If no performance rating is done, the score will automatically default to a three (3) rating, indicating at most an inflation increase only.

13.3. The normal performance ratings procedure must be applied.

13.4. The below merit adjustment will be applied:

Rating or Score	Increase Above Inflation Increase	Comments - Refer to Performance Management Policy.
1 - Poor	0% No Increase	Person should be performance managed and on a final warning.
2 - Below Average	0% No Increase	This person should be closely monitored and failing to improve performance will lead to further action to be placed under review.
3 - Average	Inflationary Percentage	These are our average performers and will probably be around 70-80% of the Employees.
4 - Well Above Average	150% of the Inflationary Percentage	This should be the star performers and will probably be around 10% of the population. These Employees need to be fast tracked.
5 - Excellent	175% of the Inflationary Percentage	This should be a rare achievement and may represent between 0% and 2% of the population.