1. **Purpose**

To confidently guide the Board in determining and managing Headway Gippsland Inc (Headway) Executive remuneration, contract conditions and performance incentives.

1. **Definitions**
   1. Executive Team Member

For simplicity and due to the nature of these positions, the following assumptions define who may be classified as ‘Executive’ staff at Headway

* + 1. Fixed or Maximum Term contracts as opposed to permanent ongoing employment
    2. Remuneration conditions exceed the Fair Work High Income Threshold at any given time
    3. Management level appointments meeting the above criteria
  1. Employee: Paid persons engaged for pay, to deliver the programs and services of an organisation, this included non-executive Management.
  2. Awards (modern awards) are legal documents that outline the minimum pay rates and conditions of employment as set out by Fair Work.
  3. Remuneration: Money paid in exchange for work or services.
  4. Wages: A wage is an employee's pay including their base rate of pay for hours worked, as well as any loadings, penalties or allowances payable, unless otherwise absorbed or offset.
  5. Salary: A salary is a form of inclusive periodic payment from an employer to an employee, which may be specified in an employment contract. It is contrasted with wages, where each job, hour or other unit is paid separately, rather than on a periodic basis.
  6. High Income Threshold: There is an exemption provided for the use of Fixed Term Contracts for those earning in excess of the ‘High Income Threshold’. The high income threshold changes each year. From 1 July 2023, it is $167,500 pro rata. This is calculated from all remunerative elements (or guaranteed income) for 12 months and excludes superannuation, non-remunerative benefits or not guaranteed income such as discretionary performance bonuses.

1. **Policy**

Headway commits to ensuring that theExecutive are paid in full compliance with the conditions provided under The Fair Work Act 2009 and/or any other relevant industrial instruments or agreements.

Headway recognises the importance of competitive remuneration and performance based incentives in securing and retaining the best possible people for our organisation.

From salary conditions to total remuneration packages, this policy defines how compensation will be structured at Headway Gippsland for the responsible, equal and accurate payment of entitlements for Executives, as well as any discretionary performance incentive payments that may be paid to them by the organisation.

1. Executive appointments will report directly to the CEO (or Board in the case of the CEO). Contracts offered to fill these executive roles will be approved by the Board prior to any offer of employment being made or prior to any variation being made to any existing contract beyond any Board approved annual variation made in accordance with this policy.  **Executive Compensation at Headway**
   1. Pay rates are determined by the position descriptions and responsibilities of each role, and their relevant classification under the relevant Award. The classification in the Award then informs the minimum pay rate applicable either as an hourly rate exclusive of allowances, penalties and loadings, for hours worked per a roster, or as an annualised, inclusive salary package.
   2. Executive positions are generally considered as senior (management), extraordinary, temporary or specialised positions not provided for under the Award.
   3. Executive contracts may be referred to as ‘Award-free’ in that the conditions (salary and additional components) generally far exceed the conditions provided under any minimum award conditions.
   4. Executive compensation generally comprises both monetary and non-monetary variables, including the base salary.
   5. The salary represents an annual amount that is paid in satisfaction of any and all monetary entitlements that you may otherwise be entitled to receive. This includes but is not limited to; minimum hourly conditions, allowances and penalties stipulated by an industrial instrument, as well as compensation for reasonable additional hours.
      1. For the avoidance of doubt, salaries take into account any hours that you are required to work outside of your standard hours of employment.
      2. Where your pay (salary) exceeds any legislative and Industrial Instrument minimum entitlements:any amount paid in excess of these minimum entitlements may be used to offset any entitlement that may otherwise have been applicable.
      3. Salary (payments made for services rendered) may form only part of total remuneration package. Compliance with Fixed Term rules under the Fair Work Act 2009 must be considered when negotiating the conditions of Executives offered temporary or maximum term employment.
   6. Executive contracts are uniquely informed by the business need and by the required skills, experience and qualification for the position. The salary is often dictated by these factors as well as; the period and duration of engagement, the level of responsibility expected of the position, the delegations afforded to the position, and the KPI’s set for the position’s objectives for the term of the contract.

Considering these factors, a salary is normally determined by:

* + 1. Existing position details
    2. Existing remuneration structure
    3. Market competitiveness
    4. External benchmarks may be used
  1. Additionally, given that these positions are ‘Award-free’ and unguided by a ‘classification’ in the same objective manner as employee positions, the Headway Board may engage a third party to conduct a remuneration assessment such as a Mercer Evaluation and Assessment to determine and advise on market-competitive salary packages compliant with the Fair Work Act.
  2. Entitlement calculation for the purpose of accruals such as long service leave, may be informed by the Social, Community, Home Care and Disability Services Industry Award [MA000100], unless specifically addressed in the contract.

1. **Executive contract types**

Executive contracts may be offered as permanent or temporary contracts depending on business conditions.

* 1. Executive engagements are commonly fixed term or temporary in nature.
  2. By definition under this policy, these positions exceed the regulatory requirements provided for Fixed Term contracts under the Fair Work Act 2009, in that the monetary components of the contract exceed the high income threshold.
  3. Executive contracts generally encompass multiple factors such as:
     1. Earnings’ under Fair Work Act
        1. Earnings may take into account other income beyond your hourly rate or salary that is fixed and guaranteed -

5.3.1.2 Non monetary benefits - An Executive contract may also consider non-monetary components of the position. This may include training provisions or budget, flexibility privileges, mobile phone or equipment for personal use, gym membership etc.

5.3.1.3 Salary sacrifice privileges - the ability to sacrifice portions of the salary are discretionary and do not form part of the monetary value for the purpose of the High Income Threshold calculation at time of writing.

1. **Annual Pay Adjustment** 
   1. Headway Executive do not automatically attract the CPI adjustment afforded annually by Fair Work Australia to Headway employees.

6.2 If an executive's contract does not include any provision for an annual adjustment to remuneration, any adjustments will be at the discretion of the Board based on recommendations of the CEO (for those roles reporting to the CEO) and at the absolute discretion of the Board for the CEO..

1. **Headway Performance/Retention Bonus**

Separately to the annual Fair Work CPI adjustment, Headway may at its discretion provide a Performance/Retention Bonusand bonus..

* 1. ,The Board will consider annually, whether a fixed amount or percentage of the audited surplus, should be used for this performance/retention bonus. Matters to be considered – may include but not limited to: overall organisational performance, amount of surplus generated, prevailing market conditions for attracting and retaining skilled staff and any other relevant matters.
  2. The percentage of surplus or fixed amount preserved for this purpose is generally limited to no more than $50,000 or 10% of the surplus per annum (which ever is lower) This bonus pool is to be a single pool to be shared with executive staff, if payable, and not a separate pool to that which might be offered to the executive.
  3. Employees, Management and Executive who are eligiblefor the Headway Performance/Retention Bonus will be assessed in accordance with the Procedure, and based upon assessed outcomes, may receive a payment.
  4. Should the board decide that a bonus will be payable an eligible employee’s share of the bonus will be determined by the proportion of that employee’s base salary as a proportion of the sum of the base salaries of all the employees eligible for the bonus payment.

7.5 Payments are generally reserved for employees who achieve ‘occasionally exceeding expectations’ or ‘always exceeding expectations’ outcomes in the annual performance review process.

* 1. A performance/retention bonus is not payable to any employee whose:

\* employment is terminated; or

\* employment concludes prior to the end of the eligible period.

* + 1. eligible period.

1. **Performance/Retention Bonus Summary**

Performance/retention bonuses are considered in the Headway Performance Bonus Procedure. These terms are provided for the avoidance of doubt and should be read in conjunction with the procedure.

* 1. All eligible employees will participate in an annual planning activity relating to their role, their personal development and their career planning.
  2. The plan will contain performance measures to be achieved in the financial year. Similarly, performance reviews will fall in a cycle according to financial year, rather than anniversary of service.
  3. On completion of annual review with the employee, Managers will assign outcomes to performance, and this will be tied to the performance/retention bonus scheme.
  4. individual and organisational performance.
  5. Any payments made iunder the schemes are one off bonus payments rather than an increase to base hourly rates or salaries.
  6. Staff not meeting expectations would dbe equipped with performance improvement strategies and support, as well as associated training as part of this process.

**9.0 Delegation to Governance Committee**

9.1 The Board may request its Governance Committee to make recommendations in relation to the annual payment of performance/retention bonuses.