

Human Resource Services

# Non-Executive Directors

Best Practices and Fees Report 2007



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# Executive summary

This is the first edition of PricewaterhouseCoopers' (PwC) *Non-Executive Directors Best Practice and Fees Report*, which focuses on companies listed on the Johannesburg Securities Exchange (JSE). It does, however, cover companies that may have dual listings on other exchanges.

The responsibilities of Non-Executive Directors are ever increasing, given the rapid development in corporate governance standards, the increased risk inherent in these positions and the additional time commitment required. It is not surprising that there is a greater reluctance to take on a Non-Executive Director position.

The first part of the Report draws on examples of global best practice, whether prescribed by regulation or evidenced in market best practice, for the following roles:

- Non-Executive Chairpersons; and
- Non-Executive Directors.

Deputy Non-Executive Chairpersons are not included in this Report, since the quantum is either irrelevant for comparative purposes, or companies tend to appoint deputies as circumstances require.

There is no doubt that the road ahead will be even more challenging, and that potential legislation concerning global warming and greenhouse gas emissions will bite deeply into the day-to-day affairs of companies. Compliance with good corporate governance is a given, but Non-Executive Directors will only be able to carry out their role to the full if they recognise and embrace the fundamental entrepreneurial spirit that underpins successful business. It is a substantial success factor, which should in no way be diluted by over-regulation.

As South African companies embrace corporate governance there is evidence of better reporting and disclosures concerning Non-Executive Directors, which then also allows for more meaningful benchmarking.

The second part of the Report briefly reviews the trends in Non-Executive Director fee levels amongst South African companies given the inherent risks and exposures they face. In the UK, there are already reports of shortages of individuals wanting to assume non-executive roles. An increasing workload and time commitment is having an impact on the level of fees necessary to attract candidates to Non-Executive Director posts. South Africa is no different and whilst time commitment is not reported, the most common method of benchmarking their fees is currently market capitalisation and/or price-earnings ratio.

However, as is evidenced in this Report, there is little correlation between fees and either one of these methods. The median for a Chairperson is R730,000 but the range is significant in that the inter-quartile range is R316,500 to R1,7m with a maximum of R6m. Chairpersons in companies with a relatively small to medium market capitalisation are earning fees well in excess of the median. For Non-Executive Directors, the median is R215,000 and the inter-quartile range is between R126,000 and R433,000 with a maximum of R2,6m.

Whilst this correlation to market capitalisation may not be that evident, it can still be used as a guideline, but ultimately fees should be commensurate with the time commitment, role and responsibilities of the Non-Executive Director based on the Committee on which they serve and the respective market sector in which the company operates.

There is an increasing trend to remunerate Non-Executive Directors on an hourly basis. Rates currently vary between R2,000 and R3,000 per hour. In certain instances, companies obtain shareholder approval in advance for the levels to be paid. The practice to pay per meeting is common and so too the practice of deducting either an agreed amount or the actual fee for the meeting in the event of non-attendance.



**Gerald Seegers**  
**Director**  
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*(A specialist division within Tax)*



# Foreword

As we create visions of a better world, and taking due cognisance of the influence exerted by corporations in making things happen; shareholders who invest the money to drive economies are now more frequently involved in how decisions are made, and by whom, than was the case historically. The appointment of Non-Executive Directors is being examined more closely to ensure that their ability to make qualified, rational decisions in a fast-changing world is in line with the requirement. Historically, Non-Executive Directors were appointed based on name-reputation or from executive to non-executive at the time of resignation or retirement. The case for true independence and qualification is now becoming an ever increasing requirement, as Non-Executive Directors need to sign-off the more stringent legislative (and moral) reporting requirements against which the corporation will be measured. In summary, it is clear that stakeholders need to know the following:

- Who is making the final decision to protect my investment?
- Is the decision-maker qualified to make the decision?
- Is the level of remuneration in line with the responsibility?
- What comparison do investors have as a benchmark against similar entities?

Joining the Board is no longer a mere honour, though it is still about providing the individual with social esteem. It is a decision that merits some thought before answering the basic question: “Am I willing to spend the time, and engage my personal reputation on that Board?”

This *Non-Executive Directors Best Practice and Fees Report* is aimed at the following target recipients:

- Human Resource Management and Remuneration Committees;
- Non-Executive Directors;
- Chief Executive Officers;
- Chief Financial Officers;
- Audit Committees; and ultimately
- Shareholders.

## Source of information

Throughout, information for this report has been gleaned from the public domain. The main source of reference is the published accounts of listed entities as at 2 November 2007 and comment available in the public domain, or publications generally accepted to be available publically. The former source is not referenced as footnotes unless this is needed to clarify the comment or fact. Where possible, the latter two sources are referenced as a footnote.

Where information from listed sources is used, cognisance has not been taken of year-end dates, since it is generally accepted that the accounts have been audited, and fees reflected are for the period audited, and not necessarily co-terminus with the Non-Executives' tax period.

All values stated are in South African Rand, unless specifically otherwise stated. In the event that fees to be included into the analysis are in a foreign currency (as may be the case where dual listed entities report fees in another currency), they have been converted using the median ruling spot conversion foreign exchange rate for the ensuing twelve months against the currency reported.

Non-Executive Directors' fees are the aggregate of:

- Board Fees; and
- Committee Fees.

Non-Executive Director Fees benchmarked are the aggregate of all fees paid and reported for the total sample, and for specific Johannesburg Securities Exchange Sectors, which have been reported in upper, median and lower quartiles.

Where Committee Fees are benchmarked, the fees paid for the specific committee under scrutiny are quoted.

Where possible, in the body of the Report, comment will be made where unusual circumstances dictate that fees may be adjusted for non-attendance at scheduled committee meetings, or special fees for non-scheduled meetings, hourly rates etc.

In the case of Committee Fees, the results have been reported in upper, median and lower quartiles for each committee type.

## Transformation

Enron, WorldCom and Global Crossing changed the rules on how companies, worldwide, would report to their stakeholders in future.

Businesses are grappling with constant change. Before the Industrial Revolution, most culture was local. The economy revolved around an agrarian mindset, which distanced and distributed populations and divided

## Format of information and definitions

Three values divide the total frequency of a set of data into three equal parts: The central value is called the median and the other two are called the upper and lower quartiles, respectively.

Lower quartile: The point at which 75% of all fees paid are greater and 25% are lower

Median: The fee located at the midpoint of all fees arranged in order according to value

Upper quartile: The point at which 25% of all fees paid are greater and 75% are lower

## Carbon footprint

The term ‘carbon footprint’ has become tremendously popular over the last few years and is now in widespread use in the media.

With climate change high on the political and corporate agenda, carbon footprint calculations are in strong demand. Numerous approaches have been proposed to provide estimates, ranging from basic online calculators to sophisticated life-cycle analysis or input-output-based methods and tools. Despite its ubiquitous use, however, there is an apparent lack of academic definition of a ‘carbon footprint’. The scientific literature is surprisingly void of clarifications, despite the fact that countless studies in energy and ecological economics that could have claimed to measure a ‘carbon footprint’ have been published over decades.

nations by land. Things moved slowly. Information, also, moved as slowly as the distance that surrounded the population. Over a few generations, change has taken hold and we now communicate at the speed of light, and the distance between Johannesburg and London is no longer measured in hours of travel to deliver important information, but in milliseconds. We are fast approaching the concept of a Global City where distance is no longer an obstacle. The global village is here, globalisation is a reality.

The key to ensuring success in the face of the challenges globalisation brings, is found in the same place that created the phenomena; commerce and trade; encapsulated in one word: **Business**.

At the forefront of driving this success are the directors and managers who face the onerous task of steering the right course, using the best management practice to achieve a reasonable measure of ascendancy against which they will be measured, not only by their stakeholders, but the legacy left in the wake of their decisions.

Governments are diligently seeking new ways to measure the decisions made by Business Directors to ensure transparent business decisions. In fact, reporting is becoming so that the phrase “*The King is in the Altogether*” starts to ring true.

The seriousness of this statement is underlined consistently by the requirements forced on business for detailed sustainability and operating reports; clearly legislated, covering a plethora of measurable conditions from project inception to carbon footprint<sup>1</sup>.

The most pressing need in avoiding corporate scandals is aimed at honest reporting standards, and the following examples, although not fully comprehensive, touch on the seriousness of the paradigm shift in modern business practice, and what gets measured in major countries.

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1 ISAKU Research Report 07-01

## United States of America

These business scandals accelerated controlling legislation, culminating in the Sarbanes-Oxley Act (2002) (SOX). The promulgation of the Act was spearheaded by Paul Sarbanes and Michael Oxley.

Paul Spyros Sarbanes is a former United States Senator who represented the state of Maryland. Sarbanes was the longest-serving senator in Maryland history, having served from 1977 until 2007. He did not seek re-election in 2006 and was then replaced by Ben Cardin. Sarbanes was known for his low-key style, often shunning the limelight over his 30-year Senate career. However, he did lend his name to the Sarbanes-Oxley Act of 2002, which put his name in the headlines.

Michael Oxley has been a leading voice in the United States Congress for 20 years on issues related to Wall Street, banks, and the insurance industry, as well as trade, telecommunications and energy. As chairperson of the House Financial Services Committee, Oxley held the first Congressional hearings on the accounting abuses of these infamous companies.

The consequent fallout in the enforcement of SOX has undoubtedly created the most serious overhaul of business procedures to ensure that the many sections of legislation promulgated would be reportable. There is

sufficient ongoing literature on the seriousness of SOX to those corporations requiring to report in line with the legislation, that it would serve no point to repeat what is being said elsewhere.

## United Kingdom

External and legislative control of the boardroom is also the order of the day in the United Kingdom.

In January 2003, The Higgs Report<sup>2</sup> clearly outlined the role, duties and responsibilities of Non-Executive Directors in the United Kingdom. This was followed by the Tyson Report<sup>3</sup>, which flowed as a direct requirement to the Higgs Report regarding training, transparency and appointment of Non-Executive Directors, especially concerning the matter of evaluation and independence.

In 2005, the UK Companies Act was amended<sup>4</sup> to include a vast range of financial operating requirements into corporation annual reports to increase reporting transparency and to ensure that the necessary legislation to control the boardroom is in place.

## UK Combined Code

“The chairperson should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors’ knowledge and capabilities.”

- 2 Review of the role and effectiveness of non-executive directors addressed to the Chancellor of the Exchequer and the Secretary of State for Trade and Industry in London; Derek Higgs.
- 3 Tyson Report on the Recruitment and Development of Non-Executive Directors commissioned by the Department of Trade & Industry; published by London Business School.
- 4 The Companies Act 1985 (Operating and Financial Review and Directors’ Report etc.) Regulations 2005 Crown Copyright 2005.

## European Union (EU)

In Europe, the EU promulgated regulatory requirements for transparent accounting<sup>5</sup> by companies.

This was followed by their recommendation on the role of (independent) Non-Executive or Supervisory Directors<sup>6</sup>.

Once again, the terrain of the business playing-field is being reshaped to ensure that legislative and governance issues are brought to the fore, and what used to be voluntary, becomes obligatory.

## South Africa

South Africa was faced with the unequivocal need to get its own house into order. In fact the ball was already rolling and the first salvo in favour of stricter corporate governance practice had been published before Sarbanes-Oxley<sup>7</sup>, or Higgs, Tyson and the European Commission's recommendations.

The King Committee on Corporate Governance wrote the first King Report, which was hailed internationally as a seminal work on corporate governance, in 1994, well before the governance meltdowns at Enron, WorldCom, and the like. The committee wrote King II directly within the context of these failures, as well as some

spectacular governance collapses by South African companies such as Leisurenet, Regal Bank, and Retail Apparel Group.<sup>8</sup>

The King Report evoked unprecedented interest in corporate governance in South Africa. Corporate governance in its broader sense has been an issue since the inception of the first publicly-owned companies in South Africa. As of 1 September 2003, all companies listed on the Johannesburg Securities Exchange (JSE) had to comply with codes created in 2002 by the second King Report on Corporate Governance for South Africa, otherwise known as King II. These codes not only address core corporate governance issues, such as director independence and splitting CEO from Chair positions, but also require the use of Global Reporting Initiative (GRI) guidelines for disclosing social and environmental performance. This development places the JSE at the forefront of stock exchanges worldwide promoting socially responsible investment (SRI) criteria.

In the US, there is a legal requirement under the Sarbanes-Oxley Act that CEOs vouch for financial statements' accuracy with their signature.

The JSE's requirement that directors certify statements made in compliance with King II is not yet a legal responsibility for South African companies.

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5 EU Directive 2003/51/EC, European Parliament ("the Modernisation Directive")  
6 European Commission Internal Market Directorate General, Brussels 5 May, 2004 consultation document.  
7 An Act promulgated in the one hundred and seventh congress of the United States of America (second session) 2002.

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8 CBN Archive January 2003; African Statistics Corporate Action.

For example, King II stipulates the separation of CEO from Chair positions, an action that several top South African companies, such as Old Mutual, Anglo American, and Anglo Platinum have already undertaken.

Reporting on the impact of HIV/AIDS, perhaps the most pressing issue facing South Africa presents a greater challenge, especially in terms of quantification. Despite seeming like a tall order, companies such as Impala Platinum, New Africa Capital and Anglo Gold have published specific calculations regarding the impact of HIV/AIDS on their operations.

The ambitious nature of the JSE listing requirements could create some problems. On the positive side, ten of the 226 companies around the world that subscribe to the GRI standard of financial reporting are South African, including Barloworld, Eskom, Goldfields and Pretoria Portland Cement. In addition, over 100 major companies in South Africa, including South African Breweries, SASOL and Umgeni Water, use some or all of the GRI guidelines in shaping their sustainability reports.

The governance requirements are difficult for an emerging corporation to satisfy, and thus could present a barrier to entry for companies seeking new listings on the JSE.<sup>9</sup>

Add to the legislative complexities the ramifications of Broad-Based Black Economic Empowerment

(BBBEE),<sup>10</sup> and the responsibility to sign-off on annual financial statements and still maintain transparency with stakeholders becomes a daunting task.

There is no doubt that the road ahead will be more challenging, and that possible legislation concerning global warming and greenhouse gas emissions, with the side issues of carbon credits and corporation carbon footprints, will bite deep into the day-to-day affairs of companies.<sup>11 12</sup> This is a hot topic right now, and is destined to touch all companies in some way or another, some more than others.

Corporate governance requires a large dose of common sense. Board directors need to understand how the company's results are built: how profit is made and where in the company's activities profits are generated. Non-Executive Directors will only be able to carry out their role to the full if they recognise and embrace the fundamental entrepreneurial spirit that underpins successful business. It is a substantial success factor, which should in no way be diluted by over-regulation.<sup>13</sup>

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9 Department of Management, College of Business Administration, San Diego State University, 5500 Campanile Drive, San Diego, CA 92182, USA. Tel: 619-594-5314

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10 BusinessMap Foundation noted in a recent report on BBBEE that while the market capitalisation of black-controlled companies listed on the JSE increased from R44-billion at the start of 2003 to R58-billion by the end of the year, black control of total market capitalisation on the exchange remained at 3%. The number of black-controlled companies listed on the JSE also dropped from 22 to 21 during 2003.

11 Stern Review: The Economics of Climate Change; HM Treasury 2007 (See Annexure A – Executive Summary).

12 IPPC under the auspices of UNEP (2007)

13 PwC: Food for Thought – Retail and Consumer Works – July 2005.



# Committees

## General

Board committees should be established to aid the board and its directors in giving detailed attention to specific areas of the directors' duties and responsibilities. The board of directors is solely responsible for the actions and decisions of these committees. The board of directors should determine a policy for the frequency, purpose, conduct and duration of its meetings and those of the formally established committees. In South African companies, committees formed usually fall under the following main headings:

- Audit Committee;
- Risk Committee;
- Sustainability;
- Nomination Committee; and
- Remuneration Committee.

There is no clear-cut definition as to how these committees are constituted by companies. For example, in some cases, Audit and Risk are combined, or Risk Committees are charged with the additional portfolio of Sustainability, which then changes the naming nomenclature to Risk and Sustainability Committee. So too, the Remuneration Committee may have the added responsibility of Nominations.

Whichever way the board decides to set up committees, this should be communicated to the stakeholders, and in the course of their duty, there must be transparency and full disclosure from the committee to the board, except where the committee has been mandated otherwise by the board. It is recommended that all board committees be chaired by an Independent Non-Executive Director.

Board committees should be empowered to take independent professional advice where circumstances dictate, at the corporation's expense. This policy must be agreed to at board level. The composition of the committees (especially the Remuneration, Audit and Nomination Committees) should be detailed in the annual report, together with information containing a description of the committee's responsibilities, the number of meetings held and any other information that may be of relevance to shareholders. It is recommended that these committees be subject to regular evaluation and monitoring by the board in order to ensure that the committee's duties and responsibilities are being effectively carried out.

## Audit Committee

The Audit Committee should recommend and appoint auditors and approve the use of the external auditor for non-audit work.

In view of the recent accounting scandals, special emphasis will be placed on the Audit Committee (or equivalent body), with a view to fostering the key role it should play in supervising the audit function, both in its external aspects (selecting the external auditor, for appointment by shareholders, monitoring the relationship with the external auditor, including non-audit fees if any) and its internal aspects (reviewing the accounting policies, and monitoring the internal audit procedures and the company's risk management system).

One of the Audit Committee's main responsibilities is evaluating the audit process – both internal and external audits. This includes monitoring and advising the head of internal audit, reviewing the performance of the external auditors, and running the tender process for the appointment of new audit firms.

It is desirable that Audit Committee members have sound process management skills and the capacity to absorb a fair degree of detail. They must also be able to exercise subtlety in their judgment when reviewing the financial controls and procedures operating within the company. This is to ensure that an appropriate degree of pragmatism is shown when reviewing the appropriateness of financial controls, while continuing

to look after shareholder interests. This is particularly applicable to those working for organisations that trade globally or have complex supplier or joint venture arrangements.

It is vital that any Audit Committee member has enough time to undertake the role effectively. In addition to regular board and Audit Committee meetings, it has been demonstrated that regular "one-on-one" meetings between the CFO and the Audit Committee chairperson and/or members of the committee are increasingly common and mutually beneficial. Such meetings create far greater awareness on the part of the Audit Committee as to what is concerning the CFO on a tactical as well as strategic basis. They also provide an opportunity for Audit Committee members to advise and counsel the CFO. This kind of board behavior and practice is what Higgs was focusing on in his review.

Experience has shown that just as there is a natural link between the CEO and the board chairperson, effective links are developing between CFOs and Audit Committee chairpersons.

In addition, the effectiveness of an Audit Committee member is also fairly directly related to their ability and willingness to attend all offsite strategy days, as well as make themselves available to talk to the head of internal audit on an ad hoc basis.

The Chairperson of the Audit Committee is always directly

involved in the recruitment of a new group head of internal audit. Similarly, heads of internal audit often seek the Audit Committee's counsel when reviewing the scope and structure of their function.

The combination of sound judgment, good process management skills and pragmatism are qualities that any senior executive wishing to sit on the main board of a public company should possess. They are not restricted to requiring Audit Committee members to be drawn exclusively from the ranks of existing or recently retired group finance directors.

### Risk Committee

The primary objective of the Risk Committee is to advise and assist the Board, the Audit Committee or any other sector of the business to fulfil their corporate governance responsibilities relating to risk management and sustainability issues. The Risk Committee mandate varies widely, and may include investments, exposure and credit risk.

### Sustainability

In nature, a biological system consisting of many organisms that exist in mutual dependence with the other organisms in the system, is considered a sustainable ecosystem.

A business ecosystem is "an economic community supported by a foundation of interacting organisations and individuals – the organisms of the business world." A business ecosystem includes customers, lead

producers, competitors and other stakeholders. Key to a business ecosystem are leadership companies, "the keystone species", who have a strong influence over the co-evolutionary processes. These are metaphors that can clarify certain issues and help understanding them.<sup>14</sup> Today, business complexity has increased. The guardians of business have great responsibility to balance their actions to ensure sustainability.

For example, economists and scientists have much to say about assessing and managing the risk of diverse challenges, including climate change, looming pandemics and many other threats facing our planet, and how to design national and international responses to avoid both the reduction of emissions and adapt to the impact of unavoidable realities. If economics is used to design cost-effective policies, then taking action to tackle climate change will enable societies' potential for well-being to increase much faster in the long run than without action; we can be 'green' and grow. Indeed, if we are not 'green', we will eventually undermine growth, however measured.

Climate change has taken centre stage in our daily business decisions, and humanity may have passed the tipping-point where we have denuded planet Earth of all ancient sunlight<sup>15</sup>. We appear to be burning stored carbon fuel and simultaneously destroying the thin layer of life we call our atmosphere (in the 24 hours since this time

14 Moore, J.F. 1998. The Rise of a New Corporate Form. Washington Quarterly. Vol. 21(1), pp. 167-181.

15 "The Last Hours of Ancient Sunlight" – Thom Hartmann – Hodder & Stoughton Copyright 1998.

## Sustainability

Launched in 1999, the Dow Jones Sustainability Indexes are the first global indexes tracking the financial performance of the leading sustainability-driven companies worldwide. Based on the cooperation of Dow Jones Indexes, STOXX Limited and SAM, they provide asset managers with reliable and objective benchmarks to manage sustainability portfolios.

Currently 60 DJSI licenses are held by asset managers in 15 countries to manage a variety of financial products, including active and passive funds, certificates and segregated accounts. In total, these licensees presently manage over five billion USD based on the DJSI.

South African contributors are:

- Bidvest
- Investec
- Nedbank

Source: The DOW

yesterday, over 200,000 acres of rainforest have been destroyed, a full 13 million tons of toxic chemicals have been released into our environment, over 60,000 people have died of starvation (40,000 of them children) and over 130 plant or animal species have been driven into extinction by our collective action).

Sustainability, and all it stands for, is Risk One in the 21st century.

Some corporations have specific committees to deal with these issues.

The Second King Report on Corporate Governance urges companies to embrace the triple bottom line as a method of doing business. At the same time, any attempt to develop triple bottom line practices needs to be balanced with the need for companies to deliver a return for their shareholders.

Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services, while at the same time successfully reducing and avoiding sustainability costs and risks.

The quality of a company's strategy and management and its performance in dealing with opportunities and risks deriving from economic, environmental and social developments can be quantified and used to identify and select leading companies for investment purposes.

Leading sustainability companies display high levels of competence in addressing global and industry challenges in a variety of areas:

**Strategy:** Integrating long-term economic, environmental and social aspects into their business strategies while maintaining global competitiveness and brand reputation.

**Financial:** Meeting shareholders' demands for sound financial returns, long-term economic growth, open communication and transparent financial accounting.

**Customer and Product:** Fostering loyalty by investing in customer relationship management and product and service innovation that focuses on technologies and systems that use financial, natural and social resources in an efficient, effective and economic manner over the long term.

**Governance and Stakeholder:** Setting the highest standards of corporate governance and stakeholder engagement, including corporate codes of conduct and public reporting.

**Human:** Managing human resources to maintain workforce capabilities and employee satisfaction through best-in-class organisational learning and

knowledge management practices and remuneration and benefit programmes.

Corporate sustainability performance is an investable concept. This is crucial in driving interest and investments in sustainability to the mutual benefit of companies and investors. As this benefit circle strengthens, it will have a positive effect on the societies and economies of both the developed and developing world<sup>16</sup>.

Although responsible business activity was already bedded down for many SA companies, owing to the complex nature of the country's history, and the fact that the country had been a leader internationally in establishing a progressive corporate governance code (the King Code), companies still needed guidance on what their practices needed to encompass and investors were looking for a way to invest in companies that had good practices in relation to the triple bottom line.

As a means of helping to focus the debate, the JSE has developed criteria to measure the triple bottom line performance of companies in the FTSE/JSE All Share Index, with the aim of compiling an index comprising those companies that pass the criteria requirements. The Socially Responsible Investment (SRI) Index further offers a sustainability benchmark, recognising those listed companies incorporating sustainability principles into their everyday business practices and to serve as a tool for investors to assess companies on a broader base.

<sup>16</sup> Dow Jones

The JSE launched the first Socially Responsible Investment (SRI) Index in May 2004, recognising the strides listed companies are making in this regard. The results of the first annual review (2004/2005) were announced on 19 May 2005, the anniversary of the launch of the SRI Index. The results of the second annual review were announced on 25 April 2006. The 2007 review has been completed, with the results announced on 27 November 2007.<sup>17</sup>

### Nomination Committee

The Nomination Committee or a committee appointed for the fulfilment of a similar purpose should regularly review and assess the board, the committees and the individual directors in order to assess the effectiveness of the board and committees as a whole and to evaluate performance on a personal and individual level. It is recommended that these evaluations take place on an annual basis.

### Remuneration Committee

Remuneration Committees play an important role in ensuring an objective approach to the management of executive pay. There is growing recognition that companies listed on world equity markets should have a body of independent individuals who are responsible for setting executive directors' remuneration. Management is responsible for the day-to-day running of the business with the aim of maximising value for shareholders, whilst taking into consideration the interests of other

<sup>17</sup> Johannesburg Securities Exchange; [www.jse.co.za](http://www.jse.co.za).

## Nomination Committee

The primary purpose of the committee, as set out in the Nomination Committee Charter, is to ensure that the procedures for appointments to the board are formal and transparent. The committee considers the composition of the board, retirements, appointments of additional and replacement directors and makes appropriate recommendations to the board.

Executive Directors are appointed to the board on the basis of skill, experience and level of contribution to the Group and are responsible for the running of their businesses. Non-Executive Directors are selected on the basis of industry knowledge, professional skills and experience.

Source: Bidvest Annual Report 2007

## Remuneration Committee Member Profile

- Be independent of management;
- Have no personal interest in the outcome of the committee's decisions;
- "Add value" to the committee's decision making; and
- Have recent experience or specific skills relevant to the committee's work.

Source: Remuneration Committees – Good practices for meeting market expectations – PwC publication June 2006

stakeholders. One of the board's main roles is to critically review the strategy and the decisions taken by management and to ensure that effective controls are in place to safeguard the investment made by shareholders. These functions are particularly important where there is potential for unfair influence or conflicts of interest, as in the setting of executive remuneration. The Remuneration Committee, as a committee of the main or supervisory board, acts under delegated authority to provide an independent influence on executive pay. The delegation of responsibility to a committee of the board, constituted entirely of independent Non-Executive Directors, provides a significant degree of security for shareholders. It also increases the efficiency of the board, by removing certain processes from its remit and ensures that the work of the committee is free from conflict.

In the last five years, board governance has been strengthened in many territories, often in response to corporate failures. One of the features of the reforms is a much greater prevalence of board committees. Shareholders also have some responsibility for ensuring that an effective governance framework exists in the companies in which they invest. In those companies in which a Remuneration Committee has not been established, shareholders should satisfy themselves that there is a sufficiently strong independent faction on the board. Remuneration Committees are likely to become more widespread as leading companies in the 25 EU member states adopt the EC

Recommendation. We also expect to see increasing prevalence in countries not yet covered by similar regulation or codes of best practice as the focus on executive pay continues. However, the establishment of a Remuneration Committee is only a starting point; how the committees organise themselves and manage their risk will be a better reflection of the efficacy of the new regime<sup>18</sup>.

People in organisations will not be regarded as human capital in reality, until and unless their contribution to value can be measured with the same confidence as any other organisational asset. The drive towards meaningful human capital measurement is gaining pace. Human capital requires a strong internal guardian that ensures that its cost never exceeds its value, and that the margin is the best in the business. Competitive advantage is likely to rely increasingly upon human capital contribution and success will depend upon high engagement, low cost, and competitive return. The global off-shoring movements will intensify, forcing organisations to demand higher performance returns from workforces in existing locations.<sup>19</sup>

The Remuneration Committee has become an important integral part in running any business.

<sup>18</sup> Remuneration Committees – Good practices for meeting market expectations – PwC publication 6 June 2006.

<sup>19</sup> PwC publication "Driving Human Capital Forward?" Published Date 13 May, 2005

As far back as 1992 (with the publication of the Cadbury Report<sup>20</sup>), the topic of executive remuneration was on the agenda of corporate governance reforms. Indeed, executive pay, as a topic, has been a cause for serious concerns and debates in the US, Britain and South Africa in the last three decades.<sup>21</sup>

The Greenbury Report on directors' remuneration<sup>22</sup> and especially the recommendations<sup>23</sup>, clearly highlights the heavy responsibility placed on Remuneration Committees, which recommendations are now regularly included and have been referred to in local annual reports, especially of dual-listed companies, for some time.

The corporation should appoint a Remuneration Committee. This committee should consist mainly of independent Non-Executive Directors. The function of this committee should be to make recommendations to the board in respect of remuneration packages for executive directors. Membership of the Remuneration Committee must be disclosed in the annual report. Companies should also provide full disclosure of director remuneration on an individual basis in their annual report.

Shareholders must approve any granting of share options to Non-Executive Directors, having regard to the provisions of the Companies Act. It must be noted that in some global markets the trend is to grant Non-Executive Directors shares as opposed to share options.

Full disclosure by directors on an individual basis must be made in respect of all share and incentives schemes.

## Barloworld Annual Report 2001

The corporation has a secondary listing on the London Stock Exchange which, in 1998, adopted the Combined Code – Principles of Good Governance and Code of Best Practice. This blended the guidelines and codes shaped by the Cadbury, Greenbury and Hempel committees and were recently augmented by the recommendations of the Turnbull Report on Internal Control. The corporation is also aware of the provisions of the Blue Ribbon Report in the United States.

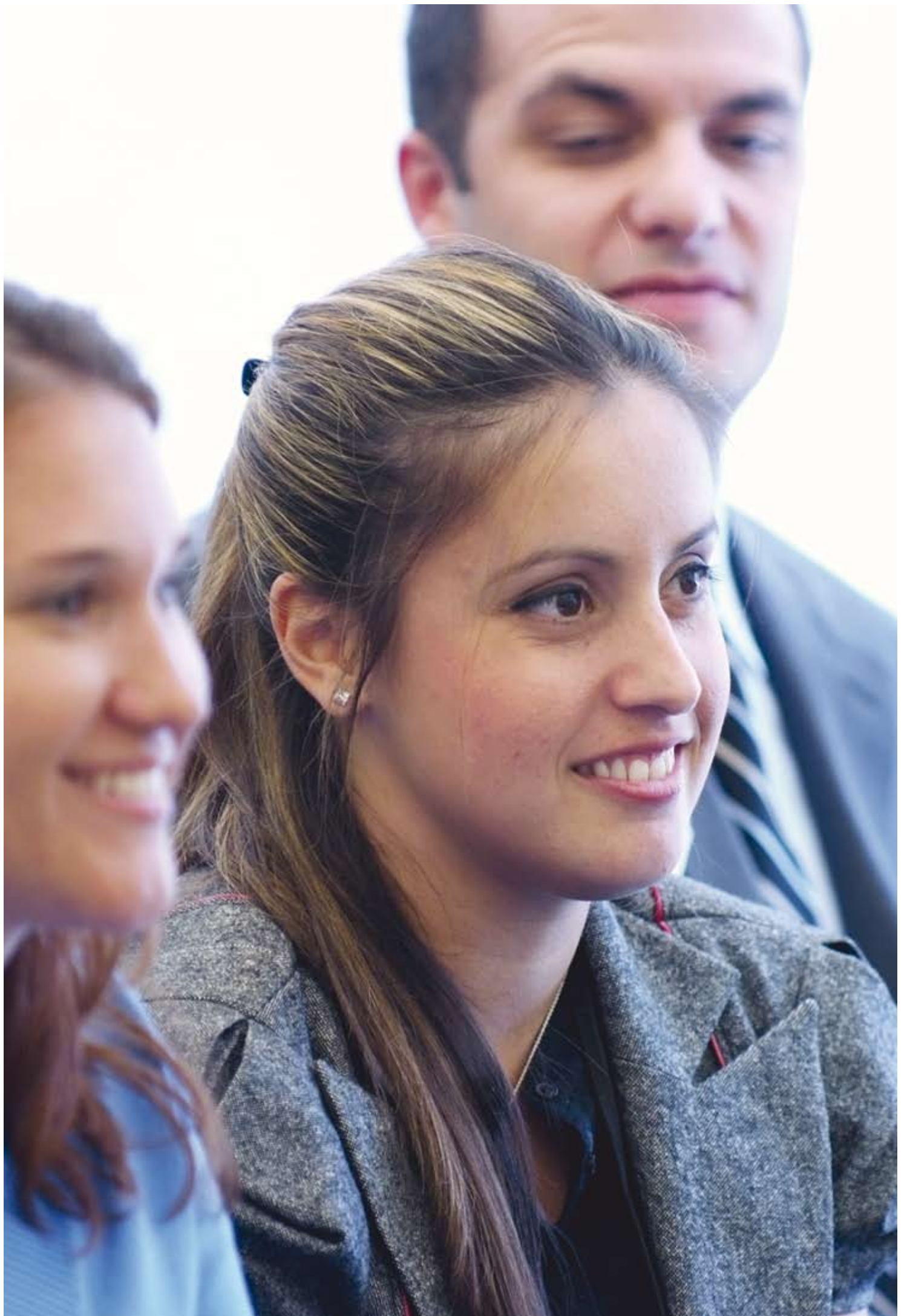
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20 Cadbury Report "The Committee on the Financial Aspects of Corporate Governance" December 1992 4.42

21 Tshepo Mongalo, Corporate Law & Corporate Governance: A Global Picture of Business Undertakings in South Africa (2003).

22 "Report of the Study Group chaired by Sir Richard Greenbury – Directors Remuneration" 17 July 1995

23 "Greenbury Recommendations – Code of Best Practice" – 1995



# Non-Executive Directors

## Higgs Review

Higgs recommended that Non-Executive Directors should normally be expected to serve two three-year terms, although he considered an additional term might be appropriate in exceptional circumstances. I consider therefore that a Non-Executive Director should normally be expected to serve two three-year terms with a company. There will be occasions where value will be added by a Non-Executive Director serving for longer, but I would expect this to be the exception and the reasons for it explained to shareholders (suggested Code provision A.7.3).

I consider that after nine years annual re-election is appropriate for Non-Executive Directors (suggested Code provision A.7.3).

Taken together, these recommendations should encourage planned and progressive refreshing of listed company boardrooms.

## Introduction

The role of directors, generally, has been widely ventilated following recommendations made in King II. This report focuses on Non-Executive Directors and it is considered prudent to briefly mention some of the recommendations. King II recommended that the corporation's annual report reflects the following categories:

**Executive Director:** A director involved in the day-to-day management and in the full time employ of the corporation, and any of its subsidiaries.

**Non-Executive Director:** A director not involved in the day-to-day management of the corporation and not gainfully employed by the corporation or any of its subsidiaries.

**Independent Director:** A Non-Executive Director who is not a representative of a shareholder, has not been employed by the corporation in any executive capacity for the preceding three financial years and has no significant contractual relationship or interest in the corporation or group.

**Chairperson:** A Non-Executive Director who is responsible for the effective functioning of the board.

## Induction

As Non-Executive Director's responsibilities and liabilities increase, companies should invest more in programmes to train and evaluate the members of their boards. Training should encompass both a thorough induction programme for new board members and training and development opportunities for ongoing board members. Training should also be linked to regular processes to evaluate board performance. We agree that as boards become more diverse, formal training and evaluation for board members will become even more important to foster trust, cohesion and communication among board members.

The Tyson Report – January 2003

If the roles of the Chairperson and the Chief Executive Officer are combined, there should be an independent Non-Executive Director serving as the deputy chairperson. Alternatively, there should be a strong independent Non-Executive Director element on the board. Any decision to combine roles must be justified each year in the corporation's annual report.

The Chairperson or a sub-committee appointed by the board should appraise the performance of the Chief Executive Officer annually.

### Terms of appointment

Most Non-Executive Directors are appointed for an initial three-year term.

The PwC Monks' Survey for Non-Executive Directors (2007) indicated that roughly 30% of companies have no set limit on the length of time that a Non-Executive Director may serve. Where a limit is in place, 20% of companies consider that the limit is usually enforced. The actual median age limit of Non-Executive Directors for all types of companies was 70 years.<sup>24</sup>

### Induction

A formal orientation programme is recommended to familiarise newly appointed directors regarding the corporation structure, and in particular the operations and policies of the corporation.

New directors must receive developmental and educational training in respect of their duties and responsibilities to the corporation.

Directors should be regularly updated on any new or pending legislation, regulations or codes of best business practice, especially concerning their sphere of responsibility in the corporation.

A regulated formal and transparent remuneration policy must be developed by the corporation in respect of director remuneration. A Statement of Remuneration Philosophy published in the annual report must support this policy, detailing how decisions are arrived at concerning director remuneration, which clearly reflects support of the Remuneration Philosophy.

As part of running an effective board, companies need to set aside adequate resources and ensure sufficient time is allowed for a thorough induction for directors. The Chairperson should take the lead in providing a properly constructed induction programme, facilitated by the Company Secretary. It can be helpful for existing Non-Executive Directors to give feedback on what they found useful. Induction programmes should be tailored to the company and the individual.

<sup>24</sup> PwC Monks' Non-Executive Director Report 2007.

PwC Monks' Survey<sup>25</sup> of FTSE<sup>26</sup> listed companies indicates that companies offering formal induction describe the arrangements as follows:

“Over 60% of all participants in our supplementary survey said they had a formal induction procedure in place, with almost 80% of financial companies stating that they had one. The following list provides a selection of the more frequent themes found in their answers:

- provided by the company secretary
- provision of a full information/ induction pack
- briefings and meetings with key individuals
- site visits
- induction tailored to role, e.g. chairperson of the Audit Committee ...”.

### Time commitment

In order to fulfil their commitment effectively, Non-Executive Directors need to assimilate a good knowledge of the company's business strategy, policies and structures. It is imperative that members are available for attendance at the committee meetings and that sufficient time can be set aside for adequate preparation. In Germany, members of the management board of a listed company may not accept more than five supervisory board mandates in other listed companies.

Under the UK Combined Code, no individual should be appointed to a second chairmanship of a FTSE 100 Company. The board should not agree to a full-time executive director taking on more than one Non-Executive Directorship in a FTSE 100 company, nor the Chairmanship of such a company.

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25 The thirteenth edition of PwC Monks' Survey of Non-Executive Director Practice and Fees.

26 FTSE - Financial Times Stock Exchange 100 stock index.

The following table<sup>27</sup> clearly defines average service days committed:

Industrial and service companies by revenues (£)		Chairperson (Days)	Director (Days)
75m	Lower quartile	16	12
	Median	23	15
	Upper quartile	32	22
	<i>Sample size</i>	20	63
76m –250m	Lower quartile	18	12
	Median	25	20
	Upper quartile	50	24
	<i>Sample size</i>	20	60
251m-750m	Lower quartile	31	12
	Median	50	15
	Upper quartile	79	20
	<i>Sample size</i>	21	69
751m-2,500m	Lower quartile	30	17
	Median	60	20
	Upper quartile	100	25
	<i>Sample size</i>	26	137
Over 2,500m	Lower quartile	50	18
	Median	100	20
	Upper quartile	125	25
	<i>Sample size</i>	19	111

27 The 13th Edition of PwC Monks' Survey of Non-Executive Director Practice and Fees

## Skills and behaviours

The skills and behaviours necessary to carry out a Non-Executive Director role effectively are universal. A summary of the more important attributes that should be manifested by an effective Non-Executive Director were identified in the Higgs Review in the UK.

However, there are also further specific criteria that are particularly relevant to Non-Executive Directors selected to specific committees such as the Remuneration Committee or Sustainability Committee.

## Independence

In South Africa, the position taken in King II is that a Non-Executive Director, who is not a representative of a shareholder, has not been employed by the corporation in any executive capacity for the preceding three financial years and has no significant contractual relationship or interest in the corporation or group, may be considered independent.

The concept of ‘independence’ is difficult to define, or encapsulate into a set of enforceable rules. However, the UK Combined Code formulated a series of scenarios that might compromise an individual’s perceived independence from the company’s management. These “tests” of independence have become the blueprint for independence criteria that have been adopted in certain other territories. Similar definitions of independence have been adopted in other territories.

## The effective Non-Executive Director

- Upholds the highest ethical standards of integrity and probity;
- Supports the executives in their leadership of the business while monitoring their conduct;
- Questions intelligently, debates constructively, challenges rigorously and decides dispassionately;
- Listens sensitively to the views of others, inside and outside the board;
- Gains the trust and respect of other board members; and
- Promotes the highest standards of corporate governance and seeks compliance with the provisions of the Code wherever possible.”

Source: The Higgs Review 2003

## United States

The guidelines issued by the NYSE are very clear on conflict of interest, which are concisely summed up in their rules as follows:

A “conflict of interest” occurs when an individual’s private interest interferes in any way – *or even appears to interfere* – with the interests of the corporation as a whole. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the company. Loans to, or guarantees of obligations of, such

## A director may not be considered independent if he/she:

- has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the company directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;
- has close family ties with any of the company's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the board for more than nine years from the date of their first election.

Source: Remuneration Committees – Good practices for meeting market expectations – PwC publication 6 June 2006.

persons are of special concern. The company should have a policy prohibiting such conflicts of interest, and providing a means for employees, officers and directors to communicate potential conflicts to the company.<sup>28</sup>

### European Union

Many legislative matters in the European Union are currently under stringent review, and this includes draft and future legislative matters concerning business ethics and business control still to be applied. In May 2004, a consultation document of the Services of the Internal Market Directorate General was issued to all member stakeholders concerning independence of directors. In its Action Plan<sup>29</sup> adopted on 21 May 2003, the Commission announced measures to modernise company law and enhance corporate governance in the European Union. With the objective of modernising the board of directors, the Commission's position as to the role of Non-Executive or Supervisory Directors was stated as follows:

“In key areas where executive directors clearly have **conflicts of interest** (ie remuneration of directors, and supervision of the audit of the company's accounts), decisions in listed companies should be made exclusively by **Non-Executive or Supervisory Directors** who are, in the majority,

28 Final guidelines and general application of rules and requirements NYSE.

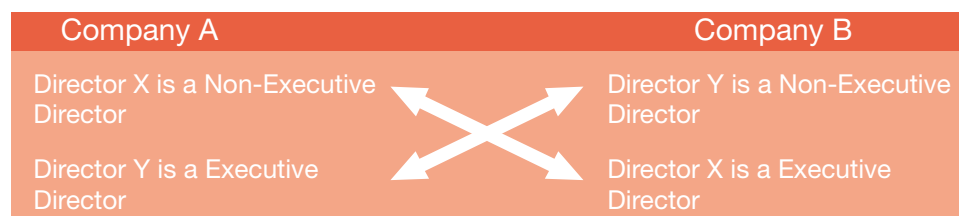
29 Modernising Company Law and Enhancing Corporate Governance in the European Union – A Plan to Move Forward (COM (2003) 284 final).

independent. With respect to the nomination of directors for appointment by the body competent under national company law, the responsibility for identifying candidates to fill board vacancies should in principle be entrusted to a group composed mainly of executive directors, since executive directors can usefully bring their deep knowledge of the challenges facing the company and of the skills and experience of the human resources grown up within the company. Non-Executive Directors should, nonetheless, also be included and specific safeguards should be put in place to deal with conflicts of interest when they arise, for example when a decision has to be made on the reappointment of a director. These requirements should be enforced by Member States at least on a “comply or explain” basis. Certain minimum standards of what cannot be considered to be independent should be established at EU level. With a view to fostering a concrete and active role for non-executive or supervisory directors, particular attention will be paid to the issue of the number of mandates that may be held concurrently”.<sup>30</sup>

### Cross-directorships

Internationally, the tests of independence include a requirement that there should be no “cross-directorships.” In other territories, disclosure of any cross-directorships must be made to the board. The precise meaning of cross-directorships has caused concern in many UK FTSE 100 companies because of the prevalence of parallel Non-Executive Directorships.

The UK National Association of Pension Funds (NAPF) Voting Guidelines suggest that the independence of a Non-Executive Director is only compromised where a directly reciprocal cross-directorship relationship exists. An example of reciprocal cross-directorships is:



30 Recommendation on the role of (independent) non-executive or supervisory directors – Consultation document of the Services of the Internal Market Directorate General – Brussels, 5 May 2004

## NYSE Governance Rules, an extract.....

4. (a) Listed companies must have a nominating/corporate governance committee composed entirely of independent directors.
- (b) The nominating/corporate governance committee must have a written charter that addresses:
  - (i) the committee's purpose and responsibilities – which, at minimum, must be to: identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance principles applicable to the corporation; and oversee the evaluation of the board and management; and
  - (ii) an annual performance evaluation of the committee.

There is a perceived risk, in these circumstances, that the cross-directorships give rise to a relationship that could potentially compromise the directors' independence in their roles as non-executives. In France, the cross-directorship restriction is extended by precluding a director of Company B sitting on the Remuneration Committee of Company A; if a director of Company A is a member of the Remuneration Committee of Company B.

### Continuing education

Recent SEC rules require companies listed on the New York Stock Exchange to address director education in the governance guidelines.

Most of the initiatives taken at European Union (EU) level in the area of company law have been based on Article 44 (2) g (ex 54) of the Treaty establishing the European Community. This Article, which appears in the chapter devoted to the right of establishment, requires the European institutions to attain freedom of establishment, "by co-ordinating to the necessary extent the safeguards which, for the protection of the interests of members and others, are required by Member States of companies or firms within the meaning of the second paragraph of Article 48 (ex 58), with a view to making such safeguards equivalent throughout the Community". Although the ultimate objective of the forthcoming recommendation is precisely to enhance the protection of the interests of shareholders and third parties, Article 44 cannot

be considered as an appropriate legal basis since it only foresees the adoption of directives. The legal basis for the recommendation will then be Article 211 of the EC Treaty, which gives the Commission a general power to formulate recommendations on matters dealt with in the Treaty, either where it expressly so provides or where the Commission believes that it is necessary to do so.

In the broad context, and by default, this enactment includes continuing education of gatekeepers to ensure that educated views regarding matters concerning sustainability are entrenched in business policy. In this regard, individual member states are promulgating policy statements to underline the importance of continuing education and updating of individual skills. France is a good example.

France's *Nouvelles Régulations Économiques: Using Government Mandates for Corporate Reporting to Promote Environmentally Sustainable Economic Development*<sup>31</sup> clearly underlines the importance of education on the agenda, focusing on sustainable development, which is now high on the agenda of any business.

In the UK, the requirement for directors to undertake regular and relevant training is contained in the UK Combined Code.

For example, Remuneration Committee Members should maintain their knowledge and skills and seek regular training. Subjects that should be covered in training include:

- typical remuneration structures and plans;
- current market practices;
- updates on changes in regulation or best practice guidance on remuneration; and
- other developments in related areas (eg tax, accounting and employment law).

Generally, the responsibility for assisting Remuneration Committee members with professional development falls on the Company Secretary. The Company Secretary often takes responsibility for identifying suitable update courses for Remuneration Committee members and arranging their participation. It is becoming increasingly commonplace in the UK for companies to have a budget for the external training of the Non-Executive Directors.

The board should comprise a majority of Non-Executive Directors with the technical or analytical skills to benefit the board and the company. All of the Non-Executive Directors should dedicate the time and attention necessary to fulfil their obligations to the company and not to accept assignments that could be seen to be a conflict of interest.

## UK Combined Code

“The chairman should ensure that the directors continually update their skills and the knowledge and familiarity with the company required to fulfil their role both on the board and on board committees. The company should provide the necessary resources for developing and updating its directors’ knowledge and capabilities.”

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31 A paper prepared for presentation at the 25th Annual Research Conference of the Association for Public Policy and Management, Washington, DC, November 2003

The tighter regulatory regime has introduced requirements for Non-Executive Directors and, in particular, those with committee responsibilities, to regularly update their skills.

In the UK, the Higgs Review and the Tyson Report both underline the importance of education.

Higgs Review	Tyson Report
<p>“On appointment, Non-Executive Directors will already have relevant skills, knowledge, experience and abilities. Nonetheless a Non-Executive Director’s credibility and effectiveness in the boardroom will depend not just on their existing capability but on their ability to extend and refresh their knowledge and skills.”</p> <p>(Higgs, 11.6)</p>	<p>“We agree with the Higgs Review that companies should organise thorough induction programmes for their Non-Executive Directors. We also recommend ongoing professional development of Non-Executive Directors, with specialised training for those who serve on audit and Remuneration Committees. Non-Executive Directors serving on nomination committees might also benefit from training on how to recruit and evaluate candidates in ways that promote diversity and equal opportunities for diverse candidates.”</p>

It is becoming more widely recognised that even those individuals who have served on a board for several years may not have the necessary skills and knowledge to meet today’s more stringent corporate governance standards.<sup>32</sup>

### Evaluating performance

Performance evaluation of Non-Executive Directors is tending to become a universal best practice. The need for boards and board committees to be able to demonstrate a high level of professionalism has been recognised in local corporate governance codes. Recommendations for ongoing training are supported by encouragement for boards and committees to evaluate their own performance on a regular basis.

It is encouraging to note that South African companies are regularly evaluating the effectiveness of boards of directors, as well as the committees which serve under their directorship. Clear statements are made in the annual reports underlining this practice as necessary.

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<sup>32</sup> Remuneration Committees – Good Practices for Meeting Market Expectations – PwC publication 6 June 2006.

The annual practice of evaluating the Chairperson as well as Non-Executive Directors and effective functioning of committees appointed is in line with the spirit and intention of King II. The aim is a high level of transparency, and an evaluation of the Committee and its members is a move in the right direction. This is a positive trend toward best practice, since the findings will be published in the public domain.

The Higgs Review recommended that the UK Combined Code be updated to reflect best practice, and that the performance of the board as a whole, of its committees and of its members, is evaluated at least once a year. Companies should disclose in their annual report whether such performance evaluation is taking place. It is the responsibility of the Chairperson to select an effective process and to act on its outcome. The use of an external third party to conduct the evaluation will bring objectivity to the process. The evaluation process will be used constructively as a mechanism to improve board effectiveness, maximise strengths and tackle weaknesses. The results of a board evaluation should be shared with the board as a whole, while the results of individual assessments should remain confidential between the Chairperson and the Non-Executive Director concerned. The following are some of the questions that should be considered in a performance evaluation. They are, however, by no means definitive or exhaustive and companies will wish to tailor the questions to suit their own needs and circumstances. The responses to these questions and others should enable boards

to assess how they are performing and to identify how certain elements of their performance areas might be improved.

#### Performance evaluation of the board

- How well has the board performed against any performance objectives that have been set?
- What has been the board's contribution to the testing and development of strategy?
- What has been the board's contribution to ensuring robust and effective risk management?
- Is the composition of the board and its committees appropriate, with the right mix of knowledge and skills to maximise performance in the light of future strategy?
- Are inside and outside the board relationships working effectively?
- How has the board responded to any problems or crises that have emerged and could or should these have been foreseen?
- Are the matters specifically reserved for the board the right ones?
- How well does the board communicate with the management team, company employees and others?
- How effectively does it use mechanisms such as the AGM and the annual report?

*Extract from Harmony Gold Annual Report 2007*

#### Self-assessment

The board is required to conduct a self-assessment or self-evaluation annually. The chairman is required to assess the performance of individual board members and the board is required to evaluate the chairman, based on several factors, including expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings. A board effectiveness survey will be concluded towards the end of September 2007.

## Broadening the pool

It has become fashionable to complain about the critical shortage of high calibre Non-Executive Directors but, says David Stewart, a partner in the business and career mentoring firm, IDDAS, it is not strictly true. In our experience there are many more people who would like to be Non-Executive Directors than there are roles. A different issue is the balance between those who are properly equipped to be NEDs and the number of roles. Here there is a better balance.

There is a tendency amongst larger companies to appoint Non-Executive Directors from a relatively small pool of experienced senior people. Widen the gene pool, Mr Stewart argues, and more potential NEDs will suddenly emerge, who can be trained or mature into their roles.

Board effectiveness is the product of self monitoring first, which results in transparency for the shareholder.

### Broadening the pool

One of the biggest challenges facing listed companies is the ability to attract a sufficient number of well-qualified independent directors. Historically, in the UK and the US, many Non-Executive Directors have been selected from a pool of current or retired chief executives and finance directors of the largest listed companies. This has resulted in a rather homogenous population of Non-Executive Directors.

Recent corporate governance guidance in many territories places greater emphasis on the importance of diversity in listed company boardrooms. This is accompanied by a requirement for a rigorous appointment process that focuses on identifying potential non-executives who have the skills and experience necessary to ensure the board and its committees can fulfil their responsibilities. For example, in order to attempt to broaden the pool of Non-Executive Directors available to UK companies, the Department of Trade and Industry (DTI) suggested there should be greater representation of women and individuals from diverse backgrounds in UK boardrooms. The DTI believes that increasing the diversity of UK boardrooms will help to protect the standing of UK companies, on the basis of research indicating that companies with a wide variety of board members demonstrate better governance.

Similar concerns have been raised in the US where it has been suggested that the shortage of candidates from traditional sources (ie Fortune 500 chief executive positions) should be addressed by appointing executives from posts below board level who have specific and relevant skills and knowledge.<sup>33</sup>

Businesses will find it difficult to recruit Non-Executive Directors, with individuals reluctant to take up positions as a result of the risk and responsibilities involved. Non-Executive Directors' fees have increased by 10% in the UK in 2007, a sharp rise compared with 5.8% in 2006. The median fees for Non-Executive Directors now range from £32,500 in the smallest FTSE companies to £66,500 in the largest.

### Risk and reward

The raising of corporate governance standards around the world is changing the profile of the Non-Executive Director role. The expected contribution of a Non-Executive Director has increased considerably, with a higher degree of accountability now required from the board by shareholders. Training in specialist areas addresses only part of this.

The additional time commitment arising from training and development programmes and other corporate governance developments, together with the increased risk and responsibility inherent in the independent director role has started to put upward pressure on directors' fees in the UK and the US.

33 PwC Good Practices for Meeting Market Expectations

There is also some evidence of a greater reluctance to take on Non-Executive Director positions because of the heightened risk and exposure.<sup>34</sup>

In an interview with Keith Butler-Wheelhouse, CEO of Smith Group plc, for PwC's 10th Annual Global CEO Survey, he commented that: "If you've got skilled non-executives, that's where they're most valuable. If you have people on your board who are business people, who have run companies and who understand that dilemma, they're extremely useful." He added "... I think the problem is two-fold: one, the time commitment to being a Non-executive Director should not be half a day per month, to come to the board meeting plus read the papers. It should be more than that. But commensurate with that, in order to ensure that the job actually gets done properly, Non-Execs should be paid twice what they're being paid. So they don't have the temptation to be on two boards to make up the cash that they were used to when they were full-time people."

## Facilities and benefits

Internationally, Non-Executive Directors are increasingly being paid for facilities in addition to benefits. In South Africa, Non-Executive Directors are paid fees, and in rare cases travelling expenses over and above reimbursable expenses. Additional payments for facilities are not reported on financial statements, and are therefore considered not paid. In the UK in particular, additional stipends are allowed for the use of, and value of facilities, as outlined in the PwC Monks' Non-Executive Review 2007.

## Globalisation – changing the rules

Research indicates that many countries are setting up best practice statements, and entrenching these into legal enactments. A few examples are quoted to broaden the view. The sample includes one Far East example, one African example, one EU established country and one EU new member State.

## Facilities and benefits UK

Around 50% of Non-Executive Chairpersons will receive assistance in terms of office facilities, secretary, car, either on a shared/company basis or personal provision. Less than 10% of Non-Executive Directors will receive assistance in these areas – where assistance is provided it will be on a shared basis.

The provision of other benefits such as pension contributions, medical insurance and life assurance is uncommon. Eligibility for participation in short- or long-term incentive plans is rare and not normally acceptable to institutional investors.

Source: PwC Monks Non-Executive Director Report 2007.

<sup>34</sup> PwC Good Practices for Meeting Market Expectations

## Hong Kong

On 30 January 2004, The Stock Exchange of Hong Kong Limited (the HKEX) issued an exposure paper on the proposed Code on Corporate Governance Practices (the Code) and the requirement that Hong Kong listed companies file corporate governance reports.

When implemented, the Code will replace the existing Code of Best Practice in the main board Listing Rules. The draft Code is more comprehensive and substantive than the existing Code and the HKEX considers it a “significant enhancement” of the existing Code.

The draft Code contains provisions on: (1) the board of directors, its function, composition and appointment; (2) directors’ remuneration; (3) accountability and audit; (4) delegation by the board; and (5) communication with shareholders.

The draft Code is structured so that each section contains three elements: (1) principles; (2) code provisions; and (3) recommended best practices. The draft Code, when implemented, will be a non-mandatory code and non-compliance with its provisions will not be considered a breach of the Listing Rules.

One may ask how a non-mandatory code would improve corporate governance. The answer is in the comply-or-explain mechanism of the new Code. A listed company or its directors may deviate from the Code provisions, but the deviation and the reasons for it must be disclosed in the listed company’s

corporate governance report, which it is required to issue under the Listing Rules for inclusion in its annual reports. The deviation and reasons for deviation must also be disclosed in the listed company’s half-year reports.

The disclosure of deviation and reasons for deviation from the Code could have an embarrassment effect and could subject the listed companies and their directors to the scrutiny of their shareholders and the financial markets. Failure to make the required disclosure is a breach of the Listing Rules.

Directors of listed companies should also consult the Non-Statutory Guidelines on Directors’ Duties issued by the Hong Kong Companies Registry and the Guidelines for Directors and Guidelines for Independent Non-Executive Directors.<sup>35</sup>

## Italy

In July 2002 Borsa Italiana SpA, the company responsible for the Italian Stock Exchange, issued a revised version of the Code of Conduct for Italian listed companies, which was set forth in 1999. The Code of Conduct has been drafted by the Committee for the Corporate Governance of Listed Companies.

The Code of Conduct contains a flexible set of recommendations on the corporate organisation of listed companies, which is aimed at maximising share value, reducing business risk and adequately dealing with potential conflicts of interest.

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<sup>35</sup> New Code on Corporate Governance Practices issued by the Hong Kong Institute of Directors.

The Code is divided into 12 sections. The first nine relate to the board of directors (role, composition, appointment and remuneration of its members, internal control system, chairperson, handling of confidential information) while the remaining three sections relate to the members of the board of auditors and the relationship between the board of directors and shareholders, in particular institutional investors.

One of the novelties of the revised Code of Conduct, which is inspired by national and international best practice, concerns independent directors. Independent directors are Non-Executive Directors who do not have business relationships with the company, its subsidiaries, its executive directors or its controlling shareholders and do not have control over the company. According to the recent amendments their independence must be subject to a periodic evaluation and must be based on more detailed criteria than was the case under the former version of the Code of Conduct. The outcome of the periodic evaluation of their independence must be disclosed to the market.

The revised Code of Conduct will be applicable on a voluntary basis. The comparison between the issuers' corporate governance and the revised Code will form the object of an annual report, which will be made available to shareholders.

Although not supported by specific legislation, the Code undoubtedly represents an effort to establish a uniform approach to corporate governance among listed companies.<sup>36</sup>

## Tanzania

The main legislation in Tanzania dealing with corporate governance is the Companies Act, Cap 212 (the CA) and the Capital Markets and Securities Act 1994.

The Companies Act and the Public Corporations Act 1992 provide the regulatory framework for corporate governance in corporations, both private and public, and public companies. Tanzanian companies tend to have a unitary board structure comprising of a balance of executive and Non-Executive Directors, with a minimum of two directors. Directors are appointed by shareholders at the annual general meeting and must upon appointment, sign and deliver for registration at the Companies Registry, consent in writing to act as directors.

Subject to the CA and limitations by shareholders' resolutions, the articles of the company specify the scope of the directors' powers and duties, which involve managing the company's affairs.

The directors' duties are laid down in the company's articles and their appointment letters.

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<sup>36</sup> Revised code of conduct for Italian listed companies Studio Legale Beltramo, Rome

However their statutory duties include a duty to disclose any remuneration they receive and to disclose any interests they might have in contracts entered into by the company. Although a director's liability depends on the company's memorandum, the CA restricts any clauses that exempt any director from any liability that, by virtue of any rule of law, would attach to them in respect of any negligence, default, breach of duty or breach of trust.

The Capital Markets and Securities Act Guidelines on Corporate Governance by Public Listed Companies in Tanzania contains a list of recommended best practices in corporate governance, which were developed to promote the standards of self-regulation to bring the level of governance in line with international standards. The guidelines require that the responsibilities of the board of directors should be defined, and that the appointment and qualifications for an effective board and the remuneration of the directors should also be outlined.

Although the Companies Act 2002 is not yet in force, it was drafted to take into consideration developments in corporate governance and directors' duties. Once in force, the Companies Act will introduce statutory directors' duties that are currently under common law, such as the directors' duty of care, a minimum age of 21 years for appointment as a director coupled with a duty on directors to disclose their age, a prohibition of loans to directors of the company or its holding company, a statutory procedure for the removal of directors, personal liability for the

company's debts if a person is disqualified from being a director, prohibition of tax-free payments to directors and opening directors' service contracts for inspection.<sup>37</sup>

## Romania

To integrate the European *aquis communautaire* and the OECD Principles on Corporate Governance into Romanian legislation, the Ministry of Justice has initiated a legislative project to amend the Romanian Company Law 31/1990. The proposed amendments do not make fundamental changes to the Company Law, but they are intended to provide investors with clearer guidelines, as a means to promote economic growth in Romania and a better understanding of the mechanisms of Romanian corporate law. The issues that the project aims to improve include:

- clarifying directors' rights and obligations, in order to improve the overall efficiency of a company;
- increasing shareholders' protection to aid the decision-making process; and
- harmonising provisions related to mergers and acquisitions with EU legislation, to further integrate the Romanian market into the single European market.

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<sup>37</sup> Corporate governance Mkono & Co, Dar es Salaam

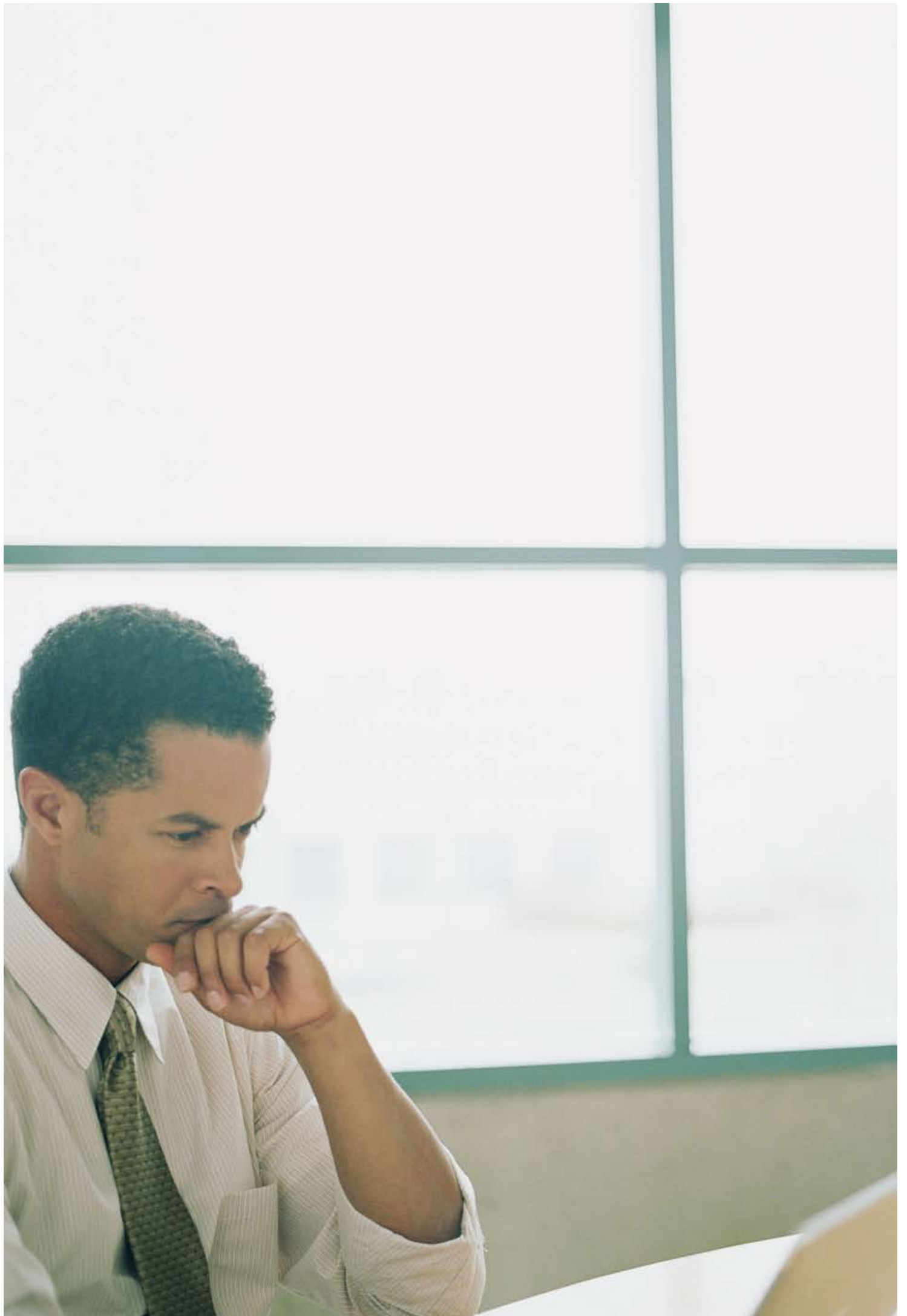
To clarify the status of directors in Romanian companies, the amendments to the Company Law expressly require directors to work under a transparent management agreement, containing specific information related to fees, termination and the executive and representative functions of the directors.

The structure of the board of directors is better organised, with a clear distinction between the executive and non-executive duties, and the roles of the president of the board and of the general manager are further clarified. The intended harmonisation introduces statutory fiduciary duties to the extent that the directors are expressly required to act with due diligence and care, in the best interests of the company they serve and to preserve and maintain the confidentiality of all company trade secrets.

It is not clear whether the project will be adopted in the form proposed by the Ministry of Justice. However, the Ministry should be commended on its efforts to harmonise the current Romanian Company Law with the appropriate EU standards and best practices.<sup>38</sup>

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<sup>38</sup> Company Law now in line with EU Wolf Theiss, Bucharest



# Fees

The aggregate of fees paid to Non-Executive Directors included in the select sample of companies listed on the JSE are reflected under two distinct headings; Non-Executive Chairpersons and Non-Executive Directors. There are instances where the Chairperson may be an Executive Director, but for purposes of this first report, these have been excluded.

## Policy

Most companies review their Non-Executive Directors' fees annually. It is common practice for companies to compare their annual fees and practices with other companies in the same business sector. This is especially so with financial sector organisations. Many organisations will monitor companies of comparative size and may even use more than one comparative group or entity.

It is still fairly common practice in the US, to pay some or all of the Non-Executive Directors' fees by way of company shares – although this method is changing. Higgs in his 2003 review concluded that there was merit in paying part of a Non-Executive's fees in shares. Whilst there is much discussion in this regard, the reality is that fewer companies actually do so.

## Statistical sample

This first report, has examined published accounts of companies across the full spectrum of companies listed on the JSE, and a brief summation of the statistical balance is reflected in the following tables.

## Market capitalisation<sup>39</sup>

This report generally views fees paid to Non-Executive Directors against the market capitalisation of companies included in this report. Market capitalisation is generally viewed as an acceptable metric to use when measuring the level of fees paid to Non-Executive Directors. The results achieved from the data selected appear to indicate that market capitalisation is not a valid metric to use exclusively, even within industries. Comparative market capitalisation for the sample reflects the following:

## Policy

The remuneration of a Non-Executive Director should be sufficient to attract and fairly compensate high quality individuals. It may comprise an annual fee, a meeting attendance fee, and an additional fee for the chairpersonship of committees.

(Higgs Review paragraph 12.24)

All companies in the selection	Market capitalisation (Rm)
Lower quartile	5 360
Median	17 850
Upper quartile	48 441
Maximum	563 387

<sup>39</sup> Market capitalisation – the value of a corporation as determined by the market price of its issued and outstanding common shares. It is calculated by multiplying the number of outstanding shares by the current market price of a share.

This sample equates to 77.40% of the total market capitalisation, by value, for companies quoted on the Johannesburg Securities Exchange.

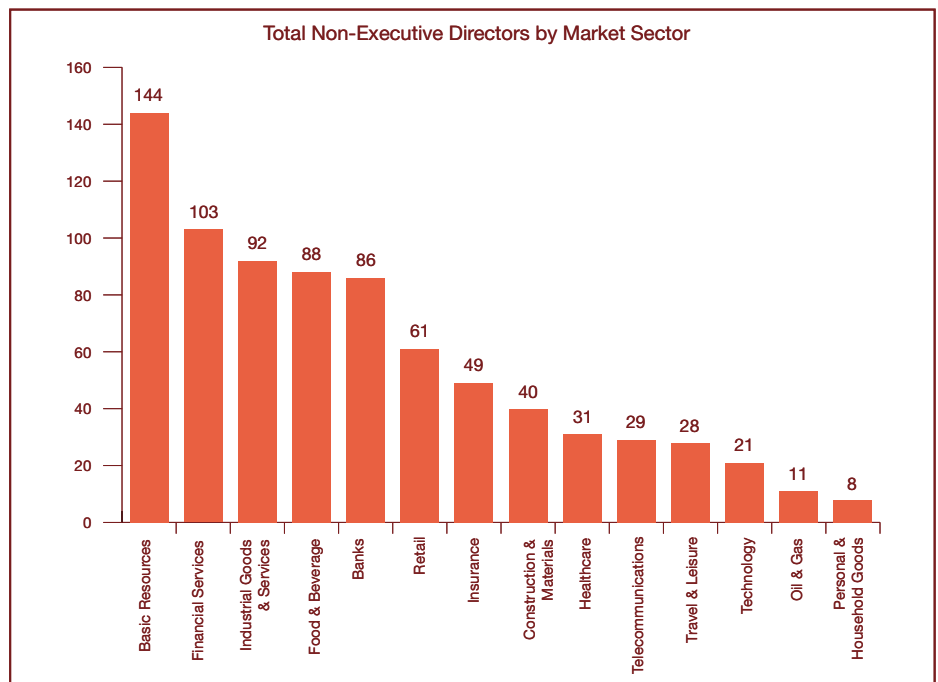
### Non-Executive Directors

The sample, which covers 39 of the 40 Large Caps on the JSE, and 60 other companies in both the Medium and Small Cap companies, reflects the following distribution:

Positions	Sample	BBBEE	BBBEE %
Chairpersons	102	15	15
Non-Executives	689	165	24
<b>TOTAL</b>	<b>791</b>	<b>180</b>	<b>23</b>

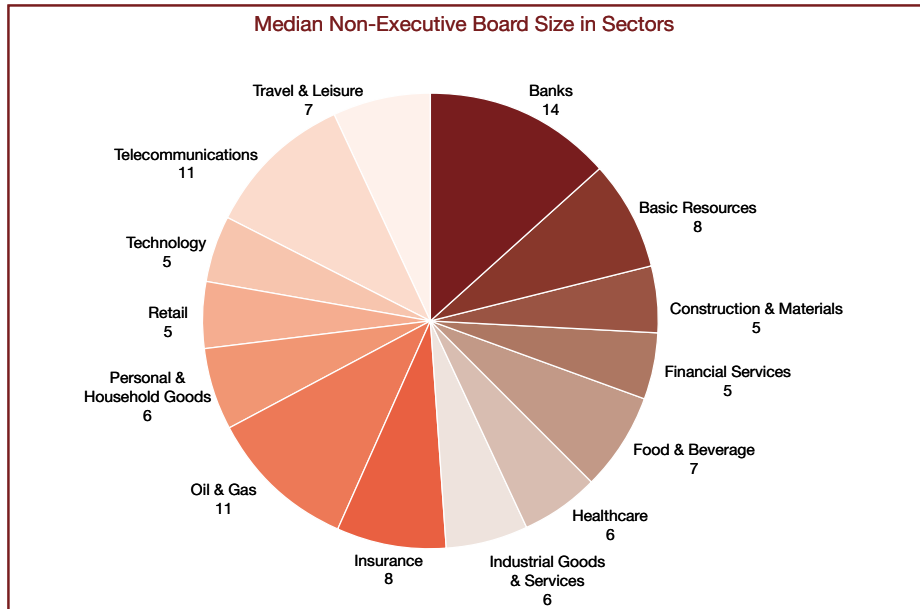
### Non-Executive Directors by market sector

The sample reflects the total Non-Executive Directors, by market sector, as follows:

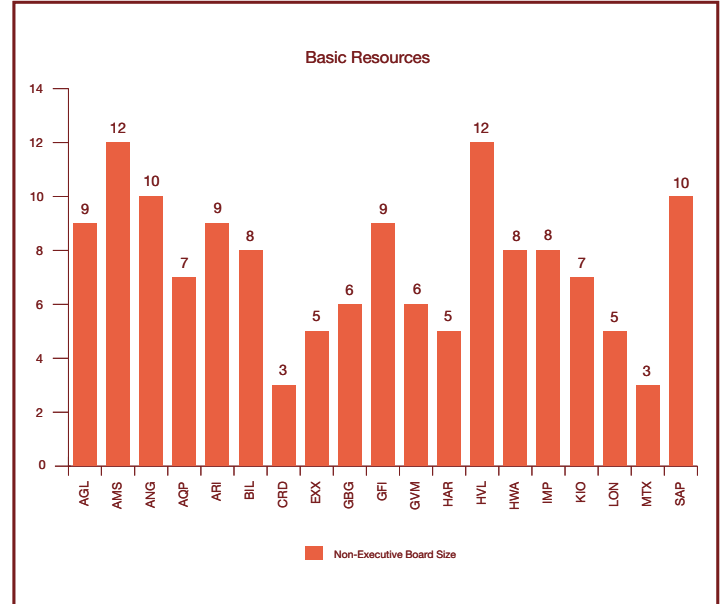
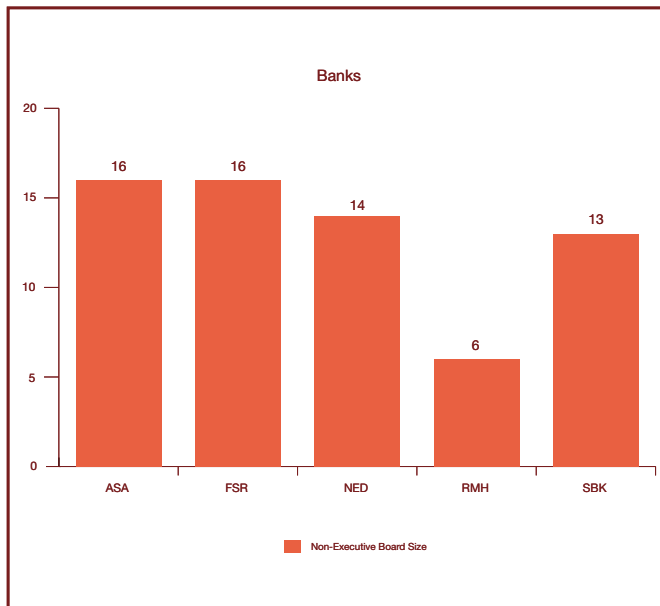


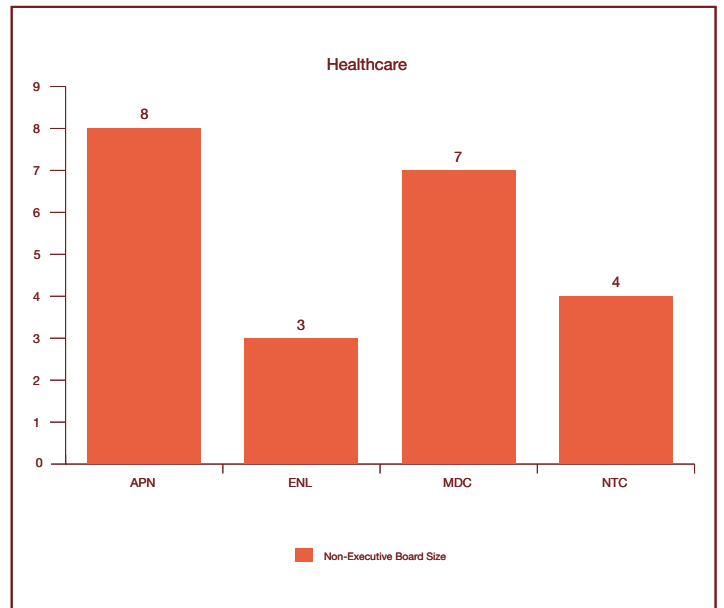
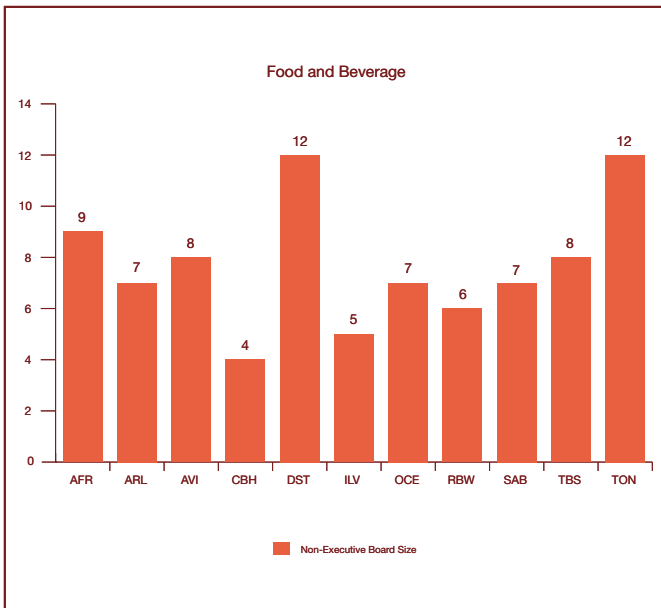
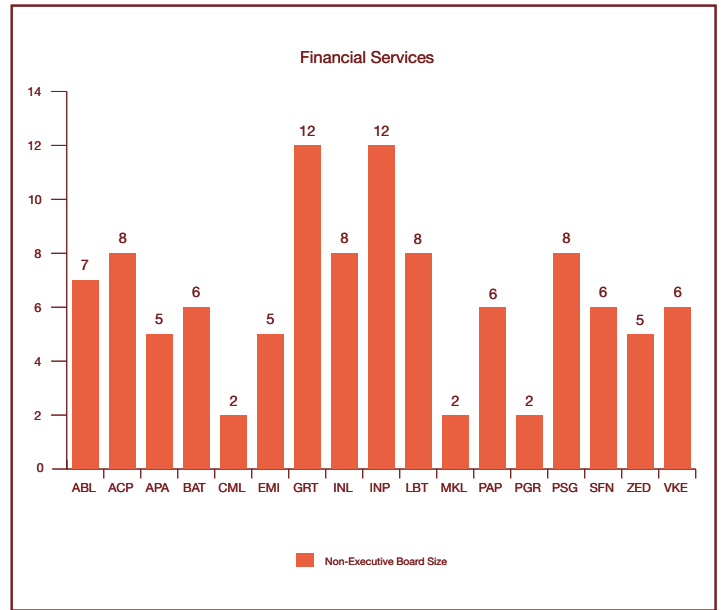
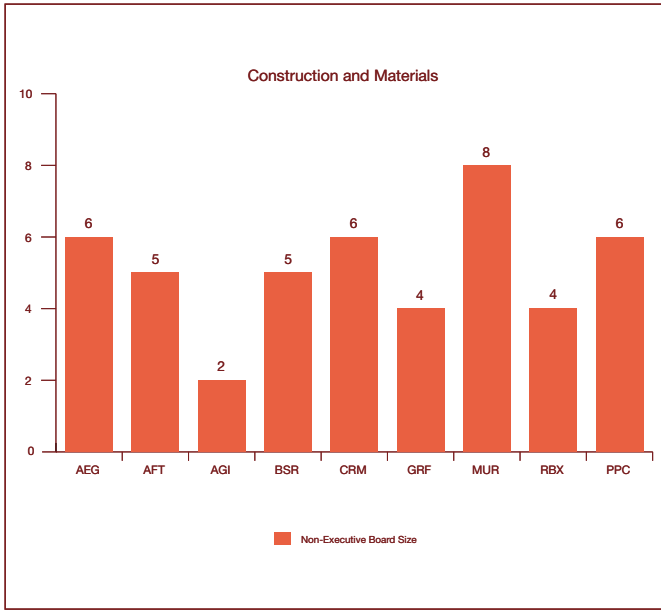
## Board size

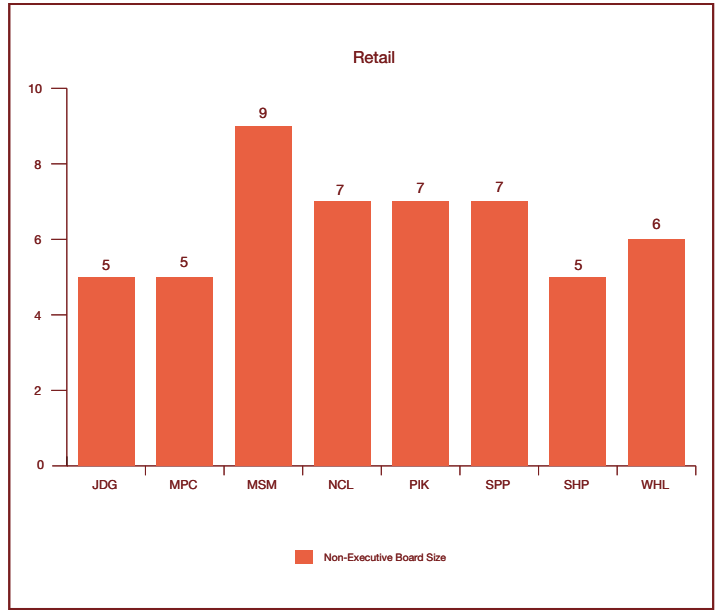
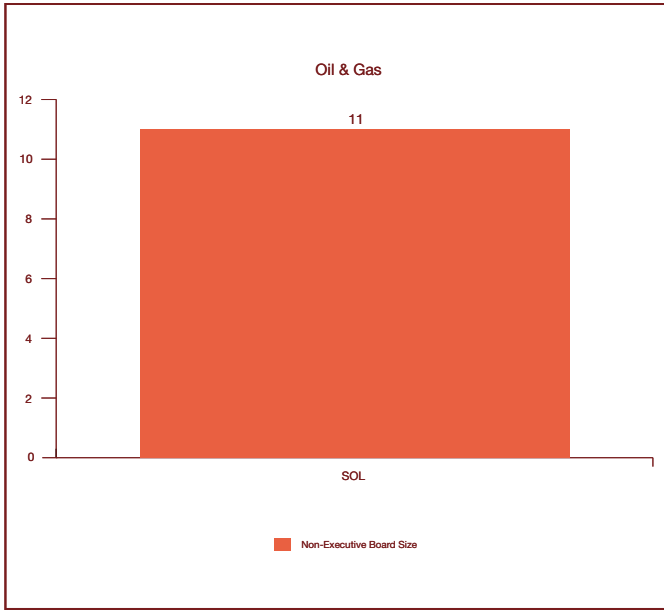
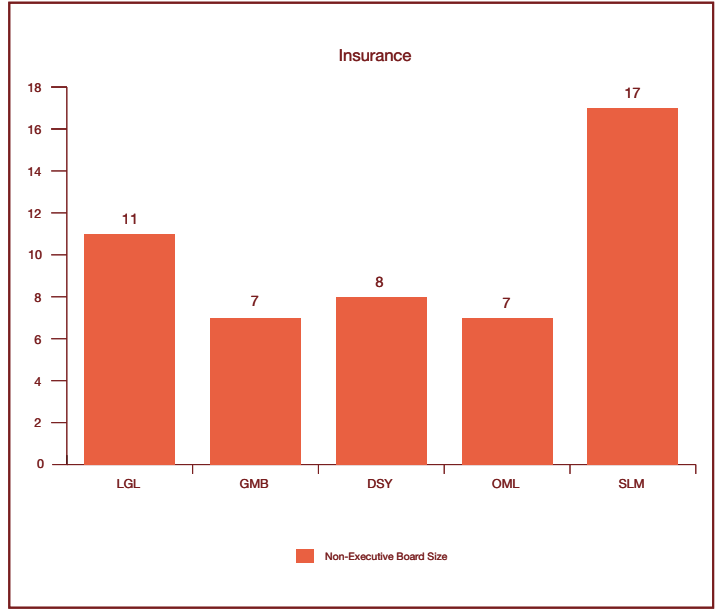
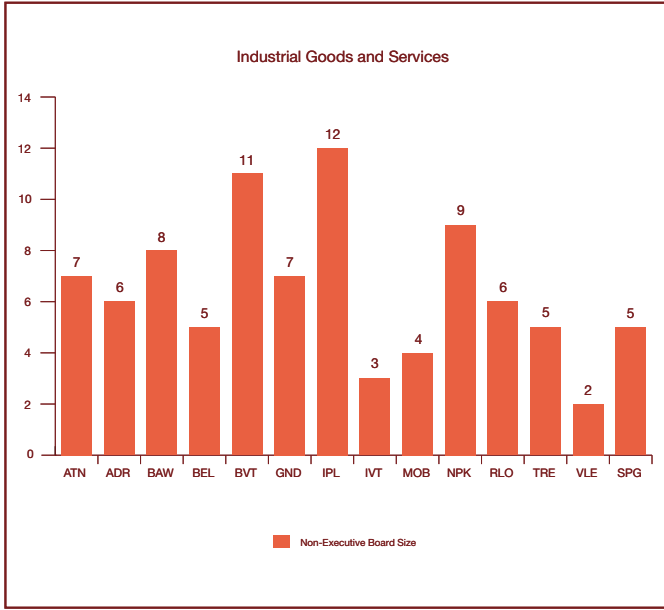
The number of Non-Executive Directors by market sector serving as board members was examined, and the following is the result:

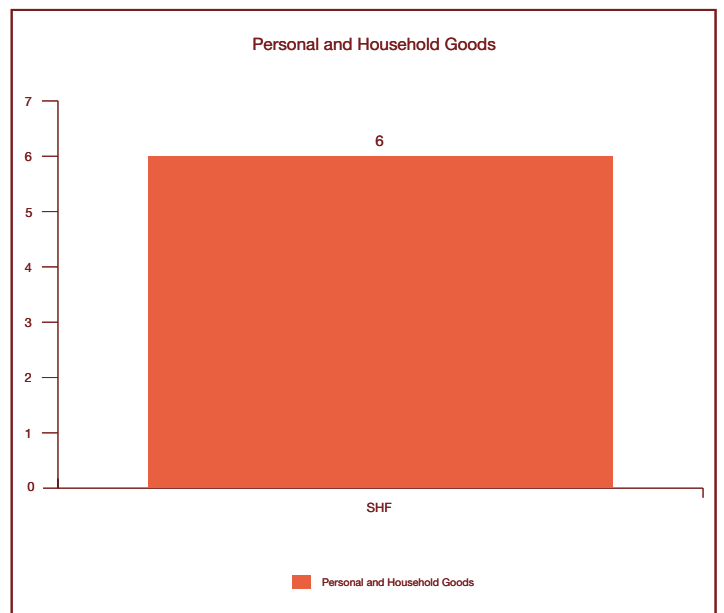
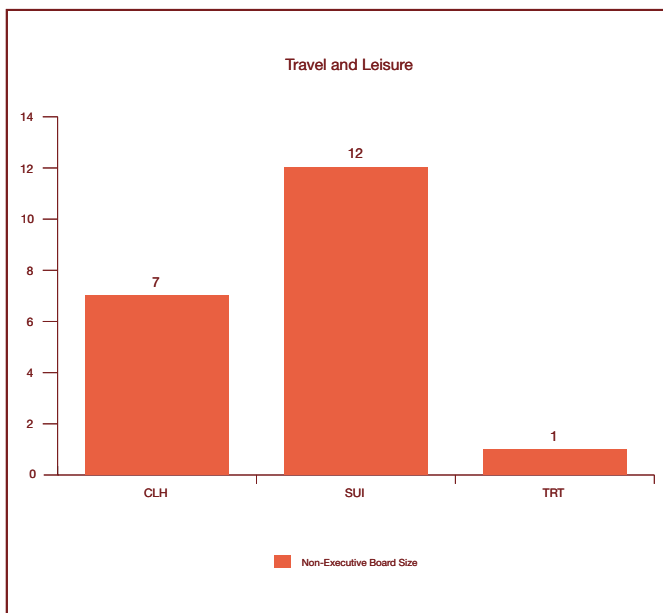
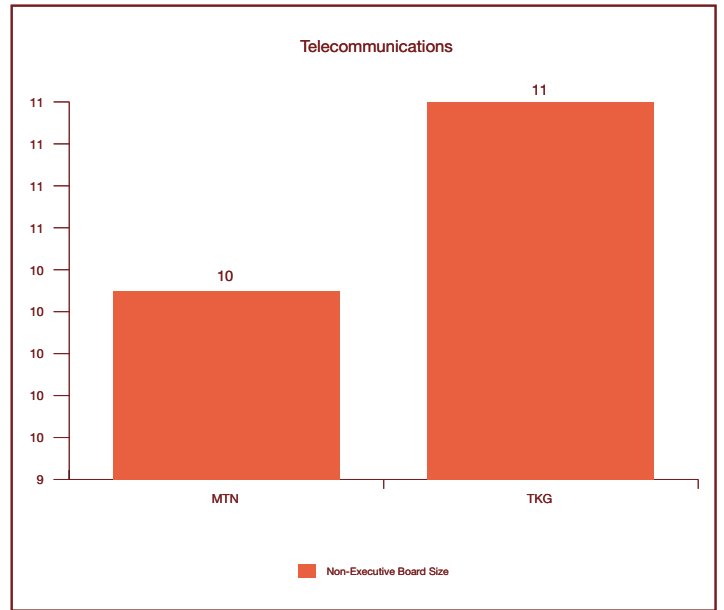
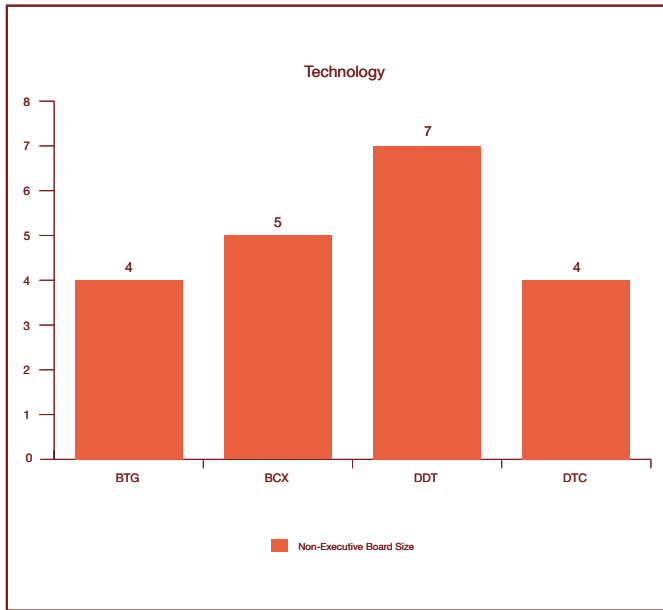


The main constituent companies are listed separately as follows:









Not all sectors have been covered in this first edition of PricewaterhouseCoopers' (PwC) *Non-Executive Directors Best Practice and Fees Report*.

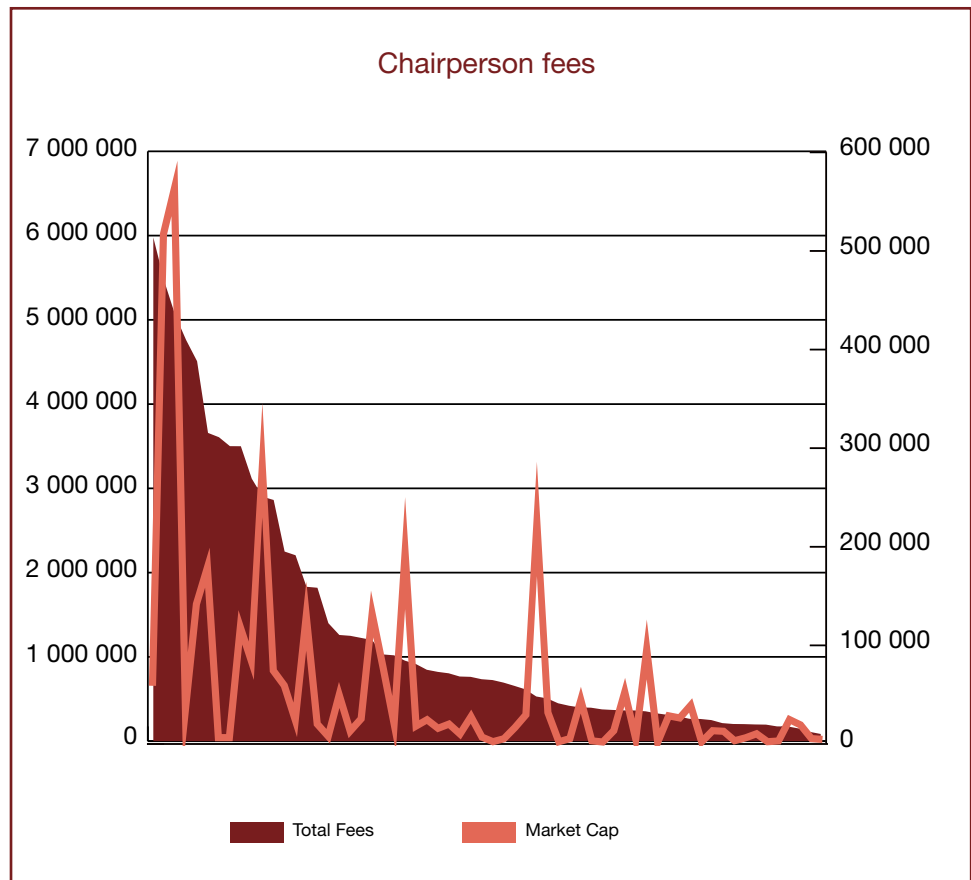
## Chairperson fees

Total fees paid to Non-Executive Chairpersons vary widely. Market capitalisation as a metric, does not appear to clearly dictate the fee levels paid to Chairpersons in the sample selected. The median for fees paid to a Chairperson is R730,000 and although the median market capitalisation is R20bn, there is no correlation between the two.

### Chairperson fees measured against market capitalisation

It is understood that it is common practice to use market capitalisation as the main metric to gauge the level of fees paid to the Chairperson. The chart alongside reflects fees against this metric. This highlights the fees paid against corporation value as measured by shareholder investment. The market capitalisation is drawn directly off data published by the Johannesburg Securities Exchange (JSE) at current common shares in issue multiplied by the closing value per common share at close of business on 2 November 2007, across all sectors.

In summary, the statistics reflect the following:



Chairpersons	Market cap Rm	Fees
Lower quartile	6 444	316 500
Median	20 393	730 000
Upper quartile	57 428	1 715 230
Maximum	563 387	5 978 938

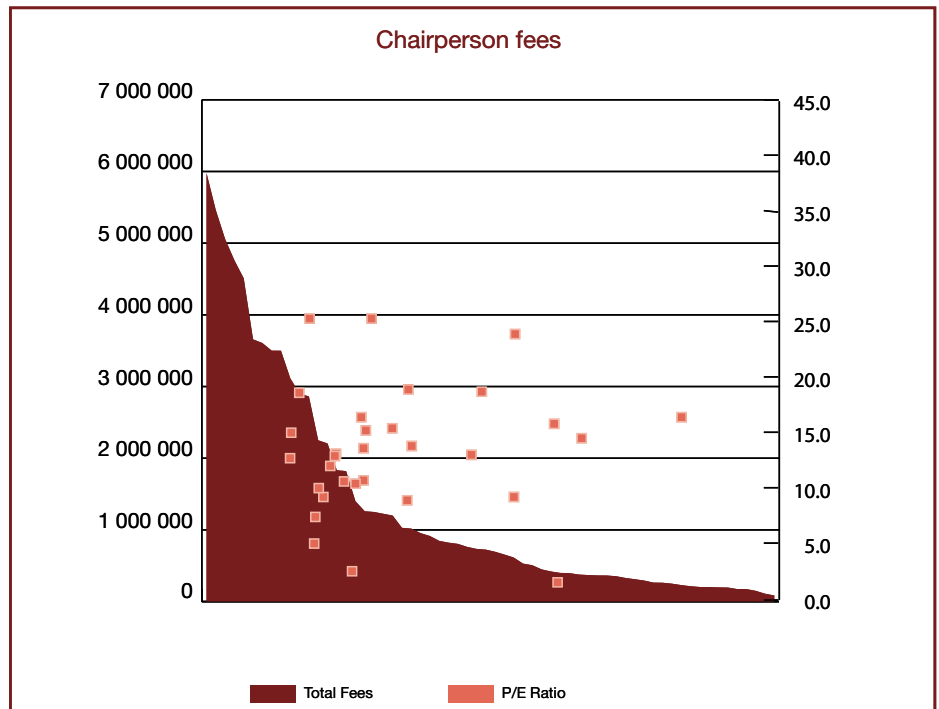
This is further highlighted in the following stratification of market capitalisation:

Market capitalisation (Rm)	Chairperson's fees
2 000 – 10 000	85 000 – 3 607 000
10 001 – 20 000	150 000 – 1 250 000
20 001 – 50 000	174 000 – 4 760 000
50 001 – 100 000	353 000 – 5 979 000
100 001 – 200 000	955 000 – 4 509 000
200 001 and higher	530 000 – 5 460 000

There is no clear correlation between the market value of a corporation, measured by the share price and fees paid to Chairpersons.

#### Chairperson fees correlated to price earnings ratio

The following analysis reflects fees paid to Chairpersons, viewed against price earnings ratio (P/E)<sup>40</sup>. These ratios are drawn directly off data published by the JSE at current common shares in issue, against last audited earnings. There does not appear to be any direct correlation between fees paid and P/E ratio.



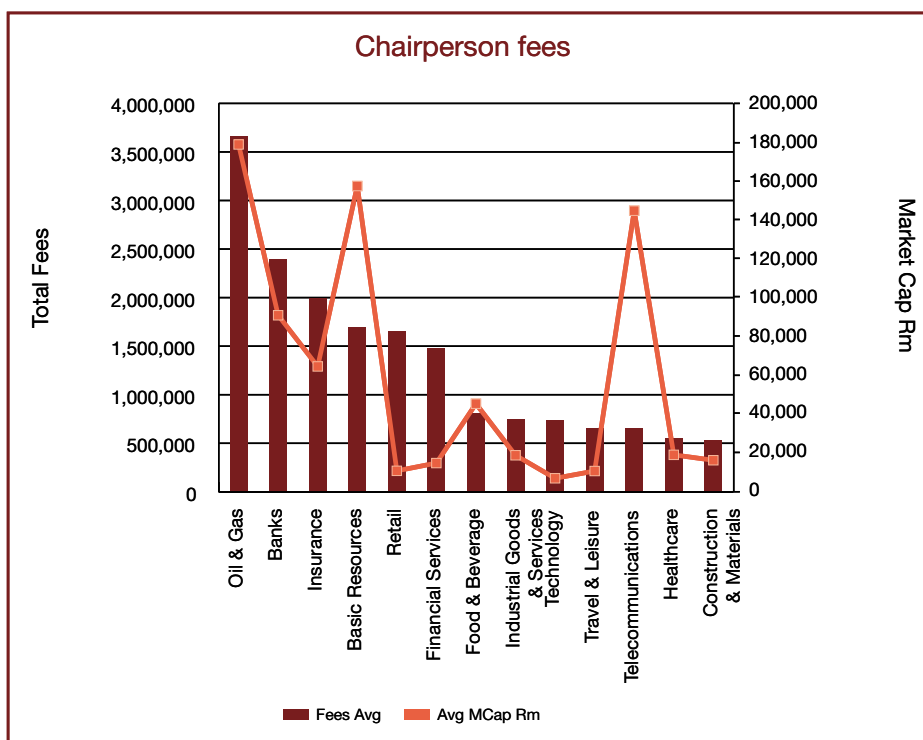
40 The relationship between the share price and earnings per share. It is calculated by dividing the share price per share by earnings per share for a twelve month period. For instance, a share price of R25 a share and earning R5 a share is said to be selling at a P/E ratio of 5.

In the sample the following table confirms the lack of correlation between P/E and fees paid to Chairpersons:

Price earnings ratio	Chairpersons' fees (R)
20-40	230 000 – 2 900 450
10-19	150 000 – 5 460 000
00-09	85 000 – 5 978 938

### Chairperson fees paid by market sector

Data has been examined for fees paid to Chairpersons, and is reflected in the following chart, viewed against market sectors:



The data has been arranged by market capitalisation, and there does not appear to be any clear correlation between the market value and the fees paid.

## Non-Executive Director fees

Fees paid to Non-Executive Directors vary widely. Market capitalisation as a metric, again does not appear to dictate the fee levels paid to Non-Executive Directors in the sample selected.

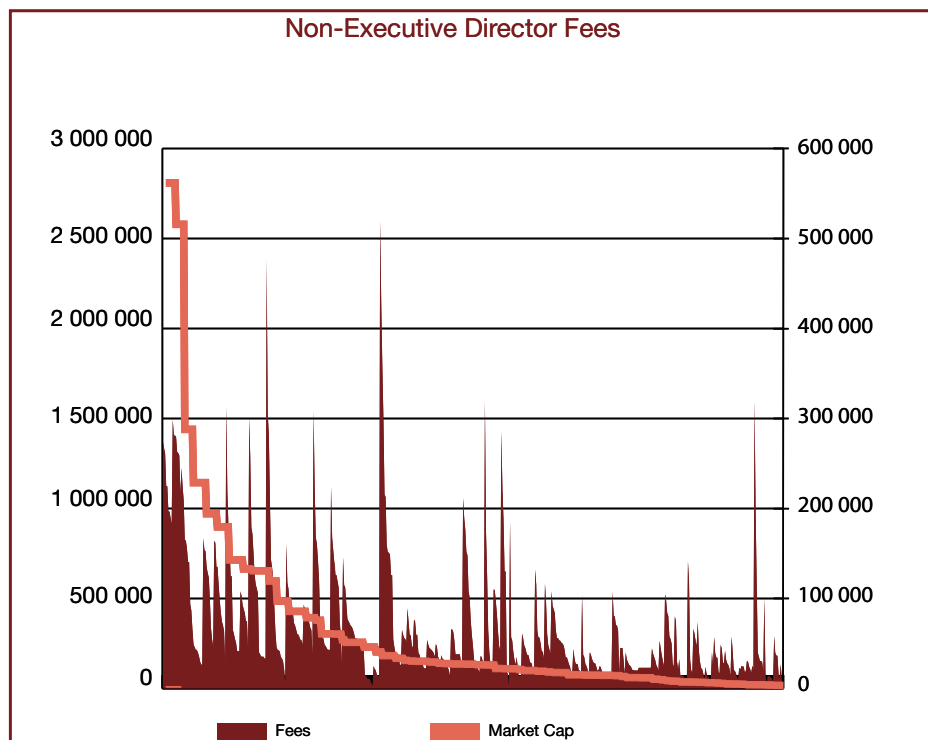
Non-Executive Directors	Market cap Rm	Fees
Lower quartile	10 355	126 000
Median	25 342	215 000
Upper quartile	74 419	433 000
Maximum	563 387	2 597 084

Stratifying the market capitalisation, the breakpoints deliver the following results:

Market capitalisation (Rm)	Non-Executive fees
2 000 – 10 000	18 000 – 1 596 457
10 001 – 20 000	50 000 – 660 000
20 001 – 50 000	14 000 – 2 597 084
50 001 – 100 000	32 670 – 1 540 000
100 001 – 200 000	14 100 – 2 380 000
200 001 and higher	131 250 – 1 493 310

### Non-Executive Director fees measured against market capitalisation

Values were extracted to reflect total fees paid viewed against market capitalisation. This chart reflects fees paid to Non-Executive Directors as viewed against this commonly used metric.



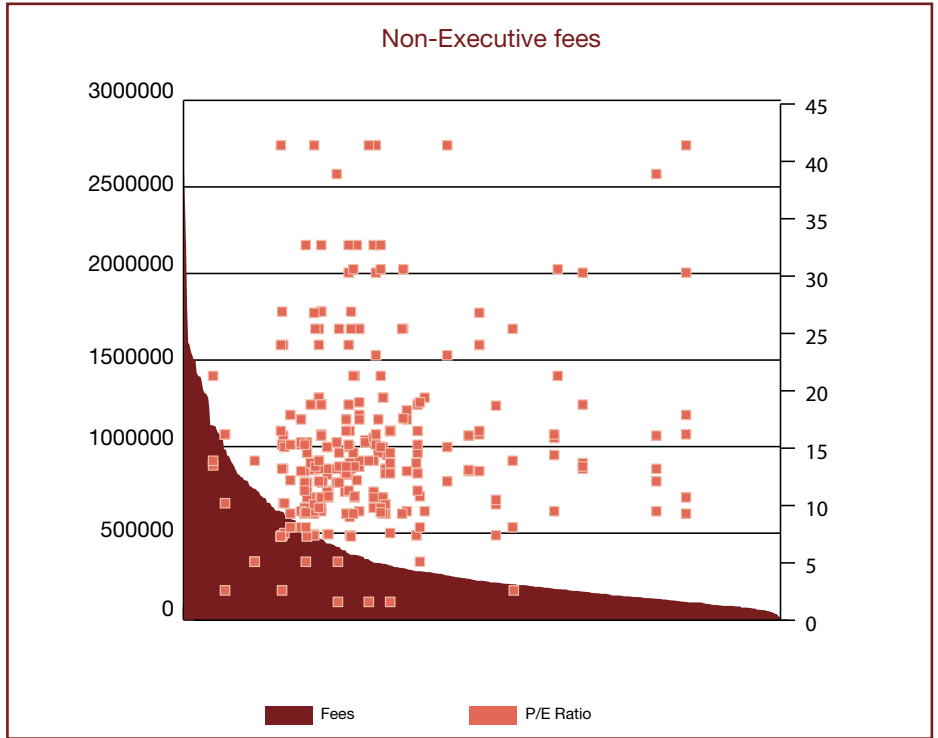
There does not appear to be a direct correlation between the market capitalisation of a listed company and the fees paid to Non-Executive Directors as depicted in the chart.

The following table reflects a statistical view of of fees paid to Non-Executive Directors. The fees reflected in the end column do not have a direct correlation to the market capitalisation examined. The two statistics are drawn from the same data, but are exclusive in representation.

Benchmark Non-Executive Directors	Market cap Rm	Fees
Lower quartile	10 355	125 000
Median	24 725	215 000
Upper quartile	59 328	423 000
Maximum	563 387	2 597 084

**Non-Executive Director fees correlated to price earnings ratio**

The following chart reflects fees paid to Non-Executive Directors, viewed against P/E. These ratios are drawn directly off data published by the JSE at current common shares in issue, against last audited earnings. There does not appear to be any direct correlation between fees paid and P/E ratio.

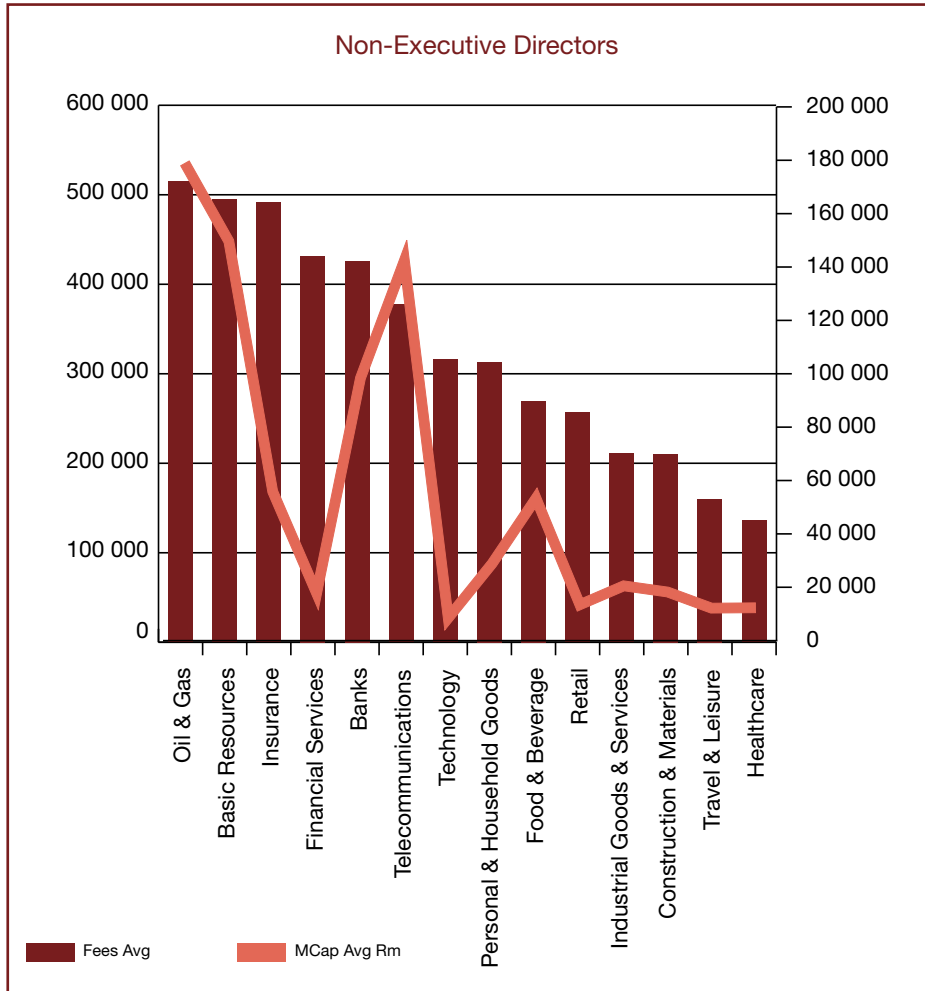


In the sample, the following table confirms the lack of correlation between P/E and fees paid to Non-Executive Directors:

Price earnings ratio	Non-Executive Director fees (R)
20-40	78 744 – 3 714 399
10-19	17 000 – 1 878 000
00-09	3 000 – 1 596 457

### Non-Executive Director fees measured against market sector

Data has been examined for fees paid to Non-Executive Directors, and is reflected in the following chart, viewed against market sectors, as well as a view of the market capitalisation:



The following analysis reflects total fees paid in Rand to Non-Executive Directors across broad industry sectors<sup>41</sup>.

Market Sector	Lower quartile	Medium quartile	Upper quartile	Maximum
Banks	220 000	303 250	582 690	2 597 084
Financial Services	85 500	181 500	630 000	1 857 200
Insurance	225 600	328 000	563 700	2 380 000
Food & Beverage	103 750	131 000	258 000	1 596 457
Personal & Household Goods	267 500	300 000	344 167	445 000
Retail	150 000	225 000	304 000	660 000
Healthcare	100 000	135 000	172 500	223 000
Travel & Leisure	92 500	146 000	201 500	305 000
Basic Resources	177 460	337 300	739 850	1 540 000
Construction & Materials	122 500	176 000	220 000	928 000
Industrial Goods & Services	100 000	140 000	209 028	1 594 000
Oil & Gas	367 500	505 000	676 000	821 000
Technology	124 250	250 767	406 875	536 888
Telecommunications	207 405	297 884	586 250	834 000

## Fees paid in UK

Comparisons between fees paid in the United Kingdom may not reflect any direct comparison to those paid in South Africa, but it is of interest to reflect some research results highlighted by PwC Monks<sup>42</sup> in their 2007 survey for Non-Executive Chairpersons and Non-Executive Directors for the FTSE 100<sup>43</sup> total fees paid to this Report:

	Chairperson (£000)	Chairperson (Rand)	Non-Executive Director (£000)	Non-Executive Director (Rand)
Lower quartile	217	316 500	48	125 000
Median	260	730 000	57	215 000
Upper quartile	373	1 715 230	70	423 000
Sample Size	78	102	582	689

More detailed comparative values will be given following in this report for committee meetings, which may be of greater interest.

<sup>41</sup> The nomenclature used to reflect Market Sector is as used by the JSE.

<sup>42</sup> Monks'-PwC is a Remuneration Research organisation affiliated to PricewaterhouseCoopers

<sup>43</sup> An index of the share prices of the 100 largest companies (by market capitalisation) in the UK which is updated throughout the trading day in real time. The index was started in 1984 with a base of 1,000.

## Committee meetings and fees

A vital question about business organisation is, “how can they be kept on their toes?” The best answer usually is “competition” – multiple organisations trying to do the best job they can to please the customer. The good corporations grow, the weak disappear.

Corporations strive to cut costs, find innovative technology to stay a step ahead of the competition, or find new ways to re-invent themselves. Competition is essential, and to ensure that it is effective, anti-trust laws are needed along with rigorous prevention of insider trading and enforcement by independent gatekeepers to guard against malpractice, which could easily cause a corporation to fail. Add to this the nightmare of proving matters of sustainability and to be in harmony with ecologists (where very real threats are lurking to trip up any unsuspecting action within the ambit of corporate control), then the responsibilities facing the directors begin to weigh heavily in the boardroom.

Consensus in matters such as combating global warming or the real and present danger of HIV/AIDS is important. These threats lurk on the very doorstep of even the smallest corporation. “Consensus” can only be reached through committees making decisions together for the good of the corporation.

Broadly speaking, corporations have, over time, developed specific mechanisms to control matters where decisions are to be made for the good of the organisation. This is more so the case in corporations listed on bourses, using capital created in a “laissez faire” environment does not always appear “fair” when every move needs to be explained to the shareholder or their representative, the free market. For this very reason, many corporations are opting out of public listing, looking to private equity partners, or moving their listing to a different bourse, which may have a different set of rules. But the rules are changing fast, and on the near horizon all corporations and companies will be tested by the same rules. The world has shrunk, and what is good, or necessary, for one will surely become the obligation for all.

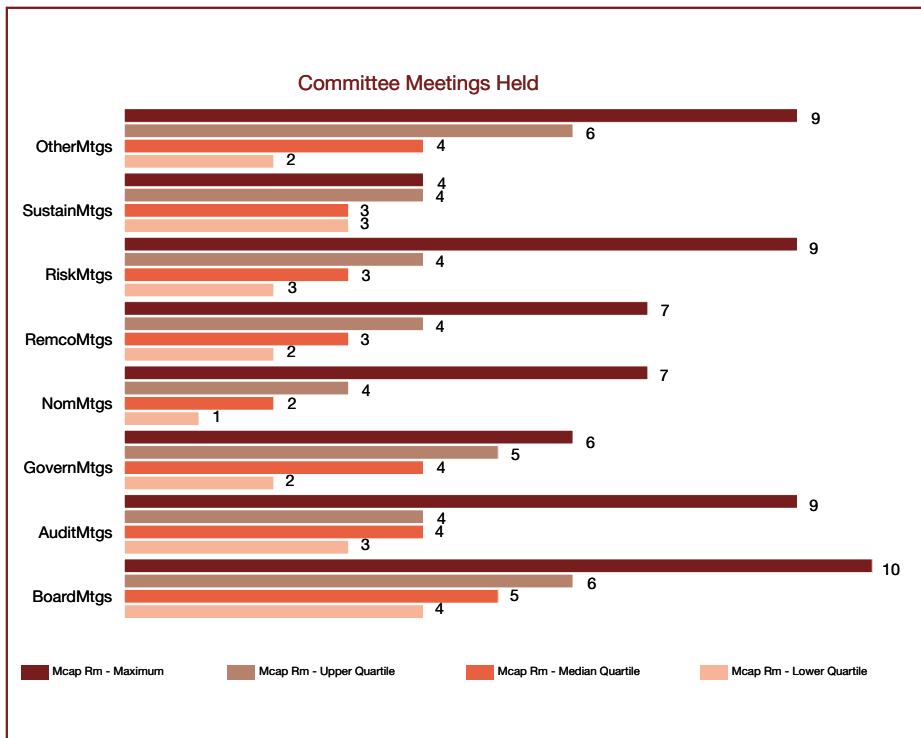
This is only the beginning, and as global threats increase, directors will be held to account for the actions of all their operations, employees and actions in a minefield of requirements in a world that is both shrinking and expanding simultaneously. This carries unimaginable responsibility.

The question begs to be asked, “how much does a corporation pay the gatekeepers?”

This report is an attempt to demonstrate how much is being paid to those who shoulder this responsibility, and how much time and effort is expended in this regard.

## Extract from Bell Equipment Annual Report

Independent Non-Executive Directors receive basic annual retainers, similarly determined by market surveys, *but the bulk of their remuneration comes from attendance fees for meetings that they attend.* The independent Non-Executive Directors who chair board subcommittees receive a premium for this additional responsibility.



## Committee meetings

A detailed analysis was made of meetings held by corporations listed on the Johannesburg Securities Exchange, focusing on committee meetings attended by Non-Executive Directors:

### Committee meetings – held

Committee meetings held by companies listed on the Johannesburg Securities Exchange were analysed by market capitalisation, and the following is the result (see graph alongside).

Ad hoc meetings, or special meetings called were not included in this analysis. The fees paid for such meetings are included in the fees depicted on page 53. Ad hoc meeting fees are either per meeting, which varies widely since some meetings are either held off-shore or by invitation to non-resident directors. Where fees are paid on an hourly basis, the rate varies between R2 000 and R3 000 per hour. In certain instances, companies obtain shareholder approval in advance from shareholders at the Annual General Meeting by way of tabled proxy proceedings.

The number of committed days per Non-Executive Director is not included in this report, since meetings, as scheduled, could last more than one day.

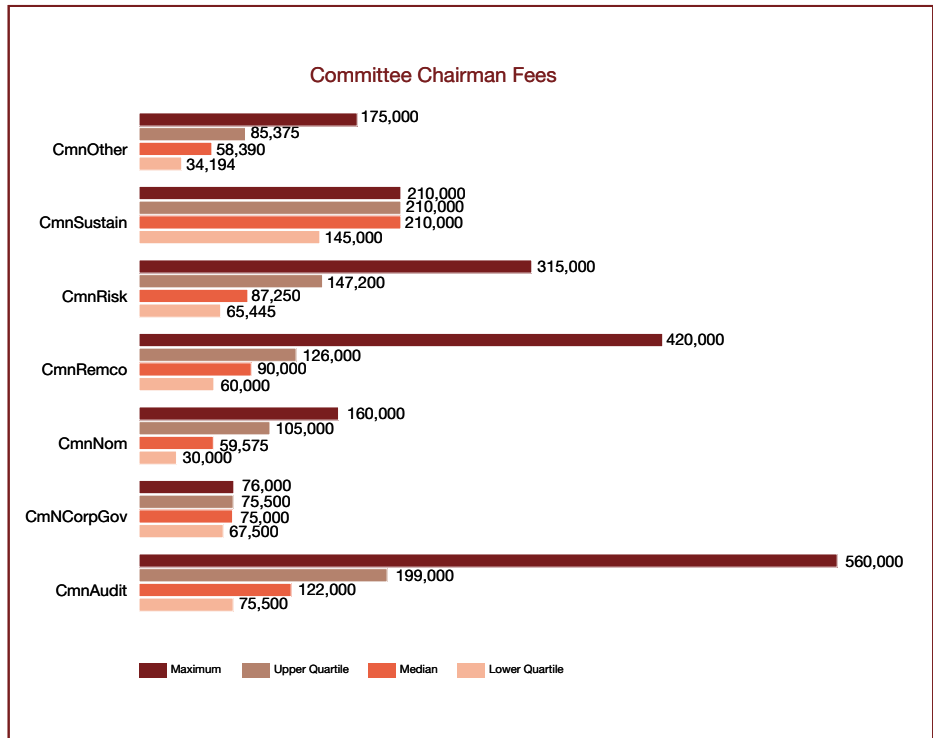
The practice to pay per meeting attended is becoming more commonplace, and so too the practice of deducting either an agreed amount, or the actual fee for the meeting, in the event of non-attendance.

## Extract from Murray & Roberts' 2006 Annual Report, item 3 on the AGM agenda...

“A deduction of R10 000 per meeting will apply for non-attendance at a scheduled meeting and an ad hoc fee of R20 000 will be payable for attendance at a special board meeting...”

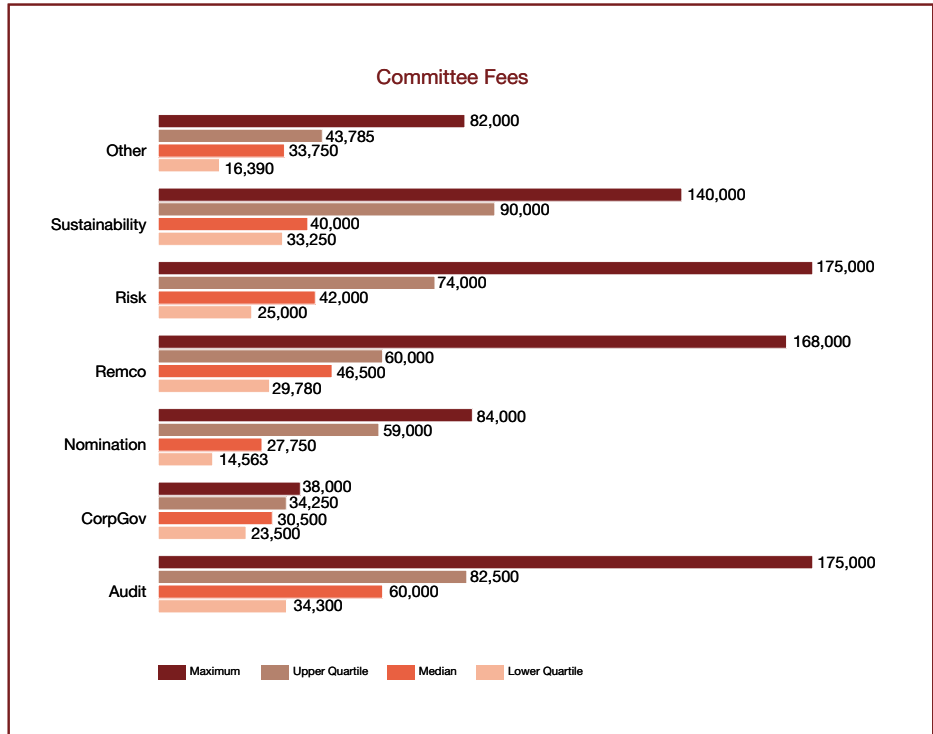
### Committee fees – Chairpersons

A detailed analysis was made of fees paid to Non-Executive Directors serving as Chairpersons on committees:



### Committee fees – Non-Executive Directors

A detailed analysis was made of fees paid to Non-Executive Directors serving on committees:





# Human resource services

## About PricewaterhouseCoopers

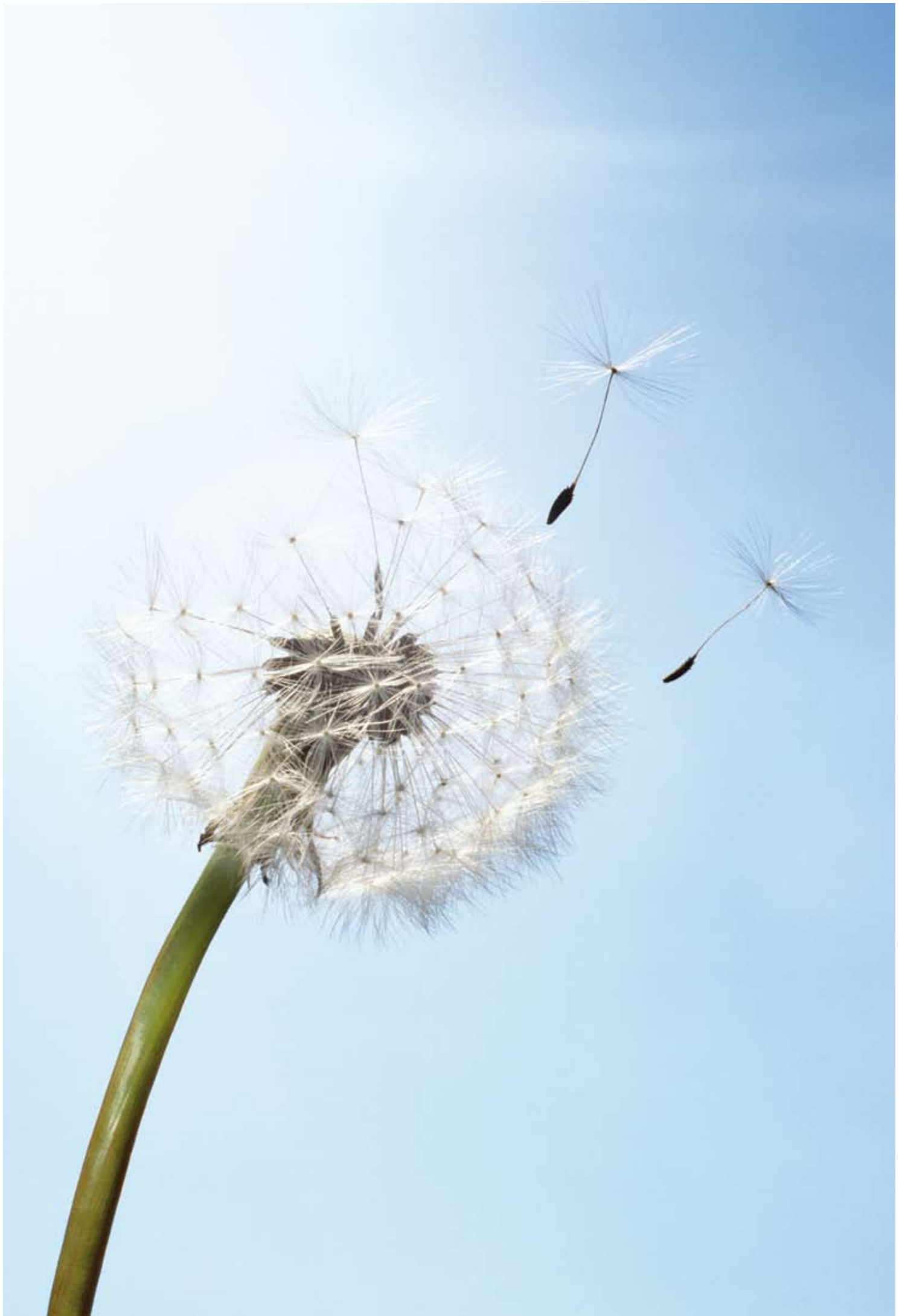
PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

## PricewaterhouseCoopers Human Resource Services

PricewaterhouseCoopers' Human Resource Services practice works with clients who strive to make their people a sustainable source of competitive advantage. Our strategy is built on our own belief in developing our people to be creative and effective team players committed to outstanding client service. We bring the ability to take fresh perspectives, to think differently, and to develop and implement new and value-adding solutions.

We work in close relationships with clients to offer practical, multi-disciplined approaches to the increasingly complex challenges facing businesses. One of the main challenges is to create environments in which their people can work most effectively. Our Human Resource Services practice brings together all of the professionals working in the human resource service arena – tax, benefits, retirement, communications, financial planning, international assignment, equity, culture and change, compensation, strategy, regulatory, legal, and process management – affording our clients an unmatched breadth and depth of expertise, both locally and globally.

Our expertise in tax, law, actuarial, accounting and compliance issues, combined with our knowledge of employment best practices, sets us apart.



# Acknowledgements

We would like to thank the following person/s for their valuable input in putting this Report together:

- Martin E. Hopkins, specialist adviser to PwC
- David L. Yzelle, independent project researcher
- PwC United Kingdom

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# Board Size

Banks		
ASA	ABSA Group Ltd	16
FSR	Firststrand Ltd	16
NED	Nedbank Group Ltd	14
RMH	RMB Holdings Ltd	6
SBK	Standard Bank Group Ltd	13
Basic Resources		
AGL	Anglo American Plc	9
AMS	Anglo Platinum Ltd	12
ANG	Anglogold Ashanti Ltd	10
AQP	Aquarius Platinim Limited	7
ARI	African Rainbow Minerals Ltd	9
BIL	BHP Billiton Plc	8
CRD	Central Rand Gold Ltd	3
EXX	Exxaro Resources Ltd	5
GBG	Great Basin Gold Ltd	6
GFI	Gold Fields Ltd	9
GVM	GVM Metals Ltd	6
HAR	Harmony G M Co Ltd	5
HVL	Highveld Steel & Vanadium Corp Ltd	12
HWA	Hwange Colliery Ltd	8
IMP	Impala Platinum Hlgs Ltd	8
KIO	Kumba Iron Ore Ltd	7
LON	Lonmin Plc	5
MTX	Metorex Ltd	3
SAP	Sappi Ltd	10

Construction & Materials		
AEG	Aveng Ltd	6
AFT	Afrimat Ltd	5
AGI	AG Industries Ltd	2
BSR	Basil Read Hldgs Ltd	5
CRM	Ceramic Industries Ltd	6
GRF	Group Five Ltd	4
MUR	Murray And Roberts Holdings Ltd	8
MDC	Medi-Clinic Corp Ltd	7
NTC	Network Healthcare Hldgs	4
RBX	Raubex Group Ltd	4
PPC	Pretoria Portland Cement	6
Financial Services		
ABL	African Bank Investments Ltd	7
ACP	Acucap Properties Ltd	8
APA	Apexhi Properties -A-	5
BAT	Brait Sa	6
CML	Coronation Fund Managers Ltd	2
EMI	Emira Prop Fund	5
GRT	Growthpoint Prop Ltd	12
INL	Investec Ltd	8
INP	Investec Plc	12
LBT	Liberty Internationl Plc	8
MKL	Makalani Holdings Ltd	2
PAP	Pangbourne Properties Ltd	6
PGR	Peregrine Holdings Ltd	2
PSG	PSG Group Ltd	8
SFN	Sasfin Holdings Ltd	6
ZED	Zeder Investments Ltd	5
VKE	Vukile Property Fund Ltd	6

<b>Food &amp; Beverage</b>		
AFR	Afgri Ltd	9
ARL	Astral Foods Ltd	7
AVI	Avi Ltd	8
CBH	Country Bird Holdings Ltd	4
DST	Distell Group Ltd	12
ILV	Illovo Sugar Ltd	5
OCE	Oceana Group Ltd	7
RBW	Rainbow Chicken Ltd	6
SAB	Sabmiller Plc	7
TBS	Tiger Brands Ltd	8
TON	Tongaat Hulett Ltd	12
<b>Healthcare</b>		
APN	Aspen Pharmacare Hldgs	8
ENL	Enaleni Pharmaceuticals Ltd	3
MDC	Medi-Clinic Corp Ltd	7
NTC	Network Healthcare Hldgs	4
<b>Industrial Goods &amp; Services</b>		
ATN	Allied Electronics Corporation Ltd	7
ADR	Adcorp Hldgs Ltd	6
BAW	Barloworld Ltd	8
BEL	Bell Equipt Ltd	5
BVT	Bidvest Ltd	11
GND	Grindrod Ltd	7
IPL	Imperial Holdings Ltd	12
IVT	Invicta Holdings Ltd	3
MOB	Mobile Industries Ltd	4
NPK	Nampak Ltd	9
RLO	Reunert Ltd	6
TRE	Trencor Ltd	5
VLE	Value Group Ltd	2
SPG	Super Group Ltd	5

<b>Insurance</b>		
LGL	Liberty Group Ltd	11
GMB	Glenrand Mib Ltd	7
DSY	Discovery Holdings Ltd	8
OML	Old Mutual Plc	7
SLM	Sanlam Ltd	17
<b>Oil &amp; Gas</b>		
SOL	Sasol Ltd	11
<b>Retail</b>		
JDG	Jd Group Ltd	5
MPC	Mr Price Group Ltd	5
MSM	Massmart Holdings Ltd	9
NCL	New Clicks Holdings Ltd	7
PIK	Pik N Pay Stores Ltd	7
SPP	The Spar Group Ltd	7
SHP	Shoprite Hldgs Ltd	5
WHL	Woolworths Holdings Ltd	6
<b>Technology</b>		
BTG	Bytes Technology Group Ltd	4
BCX	Business Connexion Group Ltd	5
DDT	Dimension Data Hldgs Plc	7
DTC	Datatec Limited	4
<b>Telecommunications</b>		
MTN	MTN Group Ltd	10
TKG	Telkom SA Ltd	11
<b>Travel &amp; Leisure</b>		
CLH	City Lodge Hotels Ltd	7
SUI	Sun International Ltd	12
TRT	Tourism Investment Corporation Ltd	1

