9th edition, July 2017, South Africa

Executive directors
Practices and remuneration trends report

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Contents

Executive summary

It gives us great pleasure to share the ninth edition of our Executive directors – Practices and remuneration trends report: South Africa with all our clients and board members.

While governments across the globe continue to grapple with the idea of increasing the regulation around executive pay in an attempt to curb perceived excessive pay levels, executives in the private sector have come under pressure to adapt to the changing business environment. The increasing digitisation of the business world has increased this pressure.

In South Africa, there is a strong movement (inspired by the provisions of King IV™) pushing for listed companies to adopt better remuneration reporting and shareholder engagement practices, and for all organisations to implement fair and responsible remuneration policies.

In our 2014 edition, we initiated our discussion of the importance of aligning an organisation's purpose with executive remuneration. Business leaders today are expected to do the right thing and act for the betterment of all rather than for personal gain, and therefore need to take full responsibility for their company's impact on all its stakeholders.

The trend is unfortunately in the wrong direction—the fact that the richest 1% of the world's population now have as much wealth as the rest of the world combined is an alarming statistic. Many business leaders and governments are losing public confidence, and there is a real perception that business and political leaders are not doing enough to address fairness and inequality. We take a closer look at this issue in this edition.

Our research on key trends in executive remuneration continues. Executives at all levels have shown remuneration increases of around 6%. Our analysis of pay statistics indicates that the Gini coefficient of the employed has remained steady at 0.43. Going forward, there should be a greater focus on the financial wellness of junior workers and on addressing the issues of inequality, unemployment and poverty.

The gender imbalance is still evident. While 40% of today's global workforce is female, women hold only 5% of global CEO positions. On a positive note, the percentage of female executives leading JSE-listed companies is slowly increasing.

At our cut-off date of 28 April 2017 there were 360 active JSE-listed companies with a combined market capitalisation of R14.0 trillion. Industrials continue to lead the pack with 48.8% of the total, followed by financial services (17.9%), basic resources (16.6%), services (15.5%), AltX (0.1%) and preference shares (1.1%).

Only 33 companies account for 80% of the total market capitalisation on the JSE. Large-caps hold 83%, medium-caps 12% and small-caps 5%.

The top-100 companies, comprising large- and medium-caps, account for 95% of total JSE-listed invested capital. The top-10 companies account for 60% of the JSE's total market capitalisation. We analyse the average executive remuneration of this group for the first time.

We continue our analysis of seven African stock exchanges and observe some interesting trends around executive remuneration across the continent. For the second time, we've extended our analysis to the UK and have observed similar trends among FTSE 100 companies, which now represent 45% of the total market capitalisation of the LSE.

Our executives face a number of challenges navigating organisations in today's business environment while at the same time managing employees' demands that their workplace have a clear meaning and purpose, and fit with their values.

Anelisa Keke
Editor

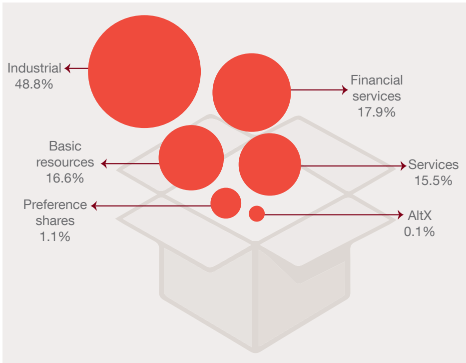
Sources of information

The data used in this publication has been drawn from information publicly available for the 12-month reporting period ended 28 April 2017.

Information was extracted from the annual reports of 360 (2015: 360) actively trading companies listed on the Johannesburg Securities Exchange (JSE), which had a total market capitalisation of R14.0 trillion (2015: R14.7 trillion).

At our cut-off date of 28 April 2017, an analysis of the market capitalisation reflects the following:

Fig 1. Market cap by sector value distribution



Source: PwC analysis

We have excluded the directors of those companies that have either delisted or were suspended during the reporting period. Residual market capitalisation for these companies is also excluded. To avoid double counting, we have excluded directors on boards with only preferential shares.

It is noteworthy that 33 (2015: 30) of JSE-listed companies account for 80% of the market's capitalisation. Large-caps hold 83% (2015:85%), medium-caps 12% (2015:11%) and small-caps 5% (2015:4%).

The top-100 companies, comprising large- and medium-caps, account for 95% (2015: 96%) of the total invested capital on the JSE.

Format of information and definitions

Remuneration levels rarely follow a normal distribution curve—rather, these levels tend to fluctuate. For this reason, we have used a quartile/percentile range rather than giving averages and standard deviations that assume normality.

The quartiles/percentiles are defined as:

- **Lower quartile** (25th percentile) 75% of the sample earn more than this level and 25% earn less.
- **Median** (50th percentile) 50% of the sample earn more than this level and 50% of the sample earn less.
- **Upper quartile** (75th percentile) 25% of the sample earn more than this level and 75% earn less.

Since the introduction of this annual publication in June 2009, we have held that there is no direct correlation between market capitalisation and the remuneration of executive directors. However, we believe that market capitalisation gives a good indication of size and complexity and is an appropriate metric to set peer groups and for benchmarking purposes. It is against this backdrop that data is analysed.

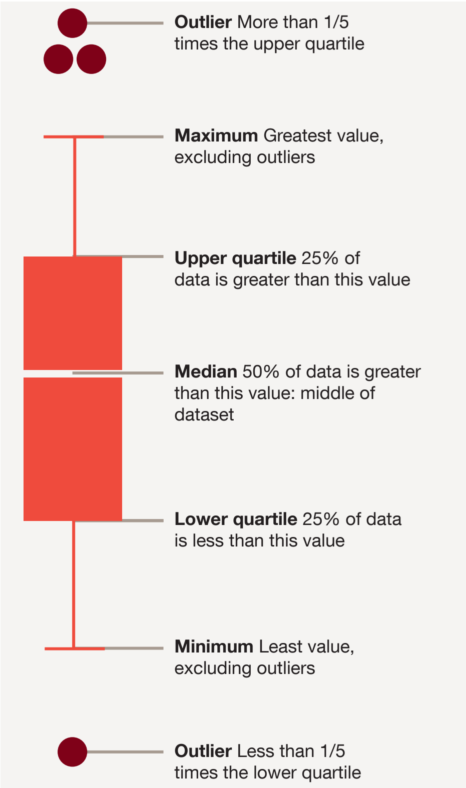
The market capitalisation breakpoints are:

- **Large-cap**: The top-40 JSE-listed companies;
- **Medium-cap**: 41 to 100 of the JSE-listed companies; and
- **Small-cap**: 101 to 360 of the JSE-listed companies.

For the first time, we have separately analysed information pertaining to the top-10 listed companies by market capitalisation.

As the box and whisker chart below shows, outliers are excluded in both maximum and minimum values.

Percentile classifications used in this report



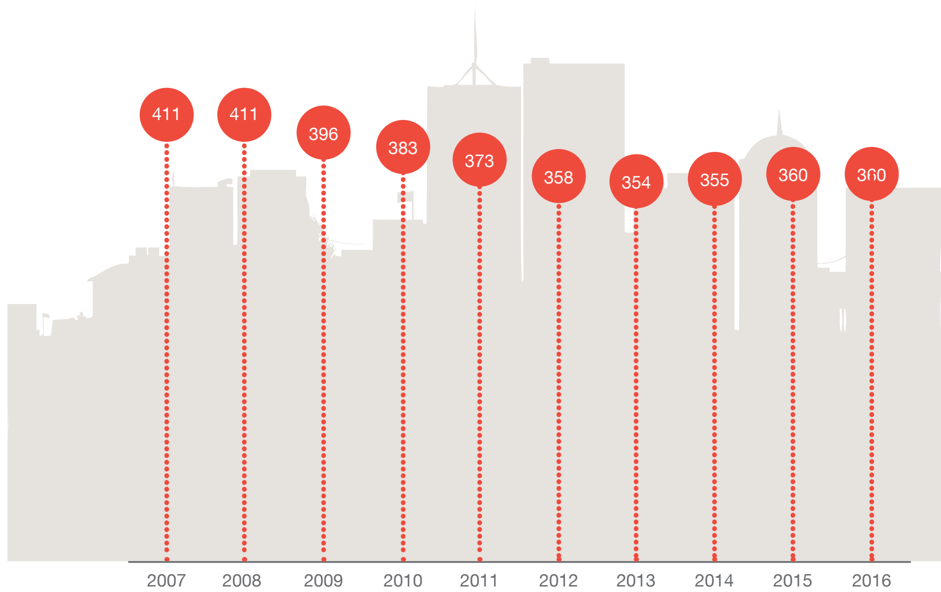
Terms used in this publication

- **Total guaranteed package (TGP)**
  All components of remuneration that are guaranteed, including base salary and benefits that typically accrue on a monthly basis (retirement, medical, travel allowance, etc.).
- **Short-term incentive (STI)**
  All cash-based payments that are paid to an individual based on company and individual performance for a 12-month period. STI differs from target STI, which is reflective of the company's policy regarding potential STI earnings.
- **Long-term incentive (LTI)**
  All cash and equity-based awards that accrue to an individual based on company performance over a period longer than 12 months.
- **Variable pay**
  Refers to short-term incentives and long-term incentives.
- **Share gain**
  Gains earned on LTI.

Johannesburg securities exchange

- The JSE is the largest stock exchange in Africa.
- The number of companies listed at 28 April 2017 and for the last ten years are shown below.

Fig 2. Number of companies listed on the JSE, 2007-2016



Source: PwC analysis

Executive remuneration continues to come under close scrutiny from stakeholders, and governments across the world are starting to grapple with the possibility of increasing the regulation of executive pay levels.

On one hand, this could curb what are perceived to be excessive pay levels and force more companies to firmly align executive pay to the company's financial performance as well as the creation of sustainable value in society. On the other, regulations may lack the nuance necessary to address all possible scenarios and may constrain a company's ability to adapt pay structures to suit new business realities.

The following sections set out governance trends in executive remuneration in several territories. It appears that some countries have sought to regulate remuneration for companies falling within specific sectors (e.g. financial institutions), whereas others have addressed all publicly listed companies.

Australia

ASX 100 executive remuneration trends

PwC Australia conducted an analysis of remuneration packages for executives serving on companies listed on the Australian Stock Exchange (in particular, the ASX 100) versus the company's overall financial performance during the 2016 financial year.[1]

Australian gross domestic product increased by 2.4%, and ASX 100 companies delivered low returns with average EBIT[2] growth at 0.6% for the year to 30 June 2016.

Overall ASX 100 growth was -5.1% for the same period. Against this backdrop, CEOs achieved an average of 101% of their STI targets, and other executives averaged 95% of their STI targets. This suggests that threshold and stretch levels may not have been stretching enough.

CEOs, executives and non-executive directors typically received 2-3% fixed pay increases. PwC Australia noted that these increases were often higher than average workers' increases of 1.9%.

Highlights from PwC Australia's research:

- Median fixed pay movements for same incumbents were:
  - 2.4% for CEOs (3.5% for those that received an increase);
  - 1.9% for other executives (6.2% for those that received an increase); and
  - 1.3% for NEDs (4.5% for those that received an increase).
- Remuneration packages showed a marginal movement toward more variable pay in FY16.
- Median STI payments were on target, with many companies paying out very similar amounts to last year.

1 PwC Australia "10 minutes on…2016 Executive remuneration trends: fair pay for a fair day's work?" May 2017, available at *http://www.pwc.com.au/publications/pdf/10-minutes-executive-remuneration-may17.pdf*, accessed on 31 May 2017.

2 Earnings before interest and tax.

- While relative total shareholder return (TSR) remains the dominant LTI measure, the use of earnings per share increased materially:
  - As a measure used alongside relative TSR (28% to 36%); and
  - As a sole hurdle (2% to 4%).
- Internal hurdles vested more frequently than external hurdles:
  - 68% of internal hurdles vested in part or full; and
  - 54% of external hurdles vested in part or full.
- 51% of the ASX 100 companies require CEOs, and executives in some instances, to hold a minimum value of shares.
- Across all ASX 100 companies, median shareholdings increased to 229% of fixed pay for CEOs and 81% for other executives.

Source: PwC Australia

When it comes to trends in STI design, more ASX-100 companies are adopting STI deferral. Regarding LTIs, there has been an increase in the proportion of ASX companies switching from using fair value to face value when determining their LTI allocations, and more companies have indicated that they will make similar changes in 2017.

The length of remuneration reports has increased marginally since FY2015, likely as a result of increased disclosure on achievements relative to performance targets.

In 2017, boards and remuneration committees will have to consider increased transparency and additional shareholder engagement regarding the rationale behind how remuneration frameworks enable their corporate strategy, and how remuneration outcomes align with company performance.

European Union

EBA Report on High Earners 2015

In terms of Capital Requirements Directive IV (CRD IV)[3], the European Banking Authority (EBA) is required to publish aggregated data on high earners in financial services institutions earning EUR1 million or more per financial year.

In February 2017, the EBA published its annual report on high earners, based on data as of the end of 2015.[4] The main results are:

- The number of high earners who have been awarded EUR1 million or more in annual remuneration for 2015 increased significantly from 3 865 in 2014 to 5 142 in 2015, driven mainly by changes in the exchange rate between EUR and GBP, which led to an increased income paid in GBP when expressed in EUR. The largest population of high earners in the EU is located in the UK, which has 80.4% of the total number of high earners.
- The population of high earners that are staff identified as having a material impact on the institution's risk profile was almost the same as in 2014.

3 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 Official Journal of the European Union at 338 – 436.

4 European Banking Authority "EBA Report on High Earners – data as of end 2015" (2017), available at *https://www.eba.europa.eu/documents/10180/1720738/EBA+Final+Report+on+High+Earners+2015.pdf*, accessed on 04 June 2017.

United Kingdom

Green paper on corporate governance reform

The United Kingdom Department for Business, Energy and Industrial Strategy (BEIS) released a green paper on corporate governance reform in November 2016.[5] Its aim is:

> *to focus on ensuring that executive pay is properly aligned to long-term performance, giving greater voice to employees and consumers in the boardroom, and raising the bar for governance standards in the largest privately held companies.*

[5] Available at *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584013/corporate-governance-reform-green-paper.pdf*, accessed on 04 June 2017.

It frames a number of options regarding the regulation of certain areas of executive pay, in terms of which it requests that commentators and members of the public provide their views on a number of issues. These include:

- Whether shareholders need stronger powers to improve their ability to hold companies to account on executive pay and performance. The green paper proposes several options in this regard;
- How to encourage shareholders to engage on executive pay;
- Requiring remuneration committees to improve their effectiveness, and require them to consult more widely with shareholders and general staff when preparing remuneration policies;
- Improving transparency on executive remuneration; and
- Whether LTIs should be revised as a whole, due to their complexity and their potential to incentivise short-term behaviour in some circumstances.

A section of the green paper is dedicated to exploring options for strengthening the employee, customer and wider stakeholder voice. These options include:

- Creating stakeholder advisory panels, or designating certain non-executive directors to provide a clear voice for key interested groups. Alternatively, individual stakeholder representatives could be appointed to company boards, or reporting requirements related to stakeholder engagement could be enhanced.

The green paper also addresses corporate governance in large privately held businesses. Some options for reform include:

- Applying enhanced standards of corporate governance (i.e. the UK Corporate Governance Code) more widely; and
- Applying reporting standards more consistently.

While the Committee acknowledges that the job of leading a major company "is extremely taxing and requires great skill and commitment", and that there should be appropriate reward for such important roles, it expressed concern that overall pay levels have become so high that it is impossible to draw a credible link between pay and performance. This is compared to average levels of pay, which in the UK have remained relatively stable.

Key concerns about executive pay which formed part of the Committee's findings include:

- An ongoing trend towards higher executive pay, without commensurate clear links to underlying corporate performance;
- LTIPs have a tendency to distort executive behaviour, and a perception that CEOs can take decisions affecting the share price with an intention to influence the value of vesting awards;
- The prevalence of short-termism, with a concern that share plans that operate over 1-3 years can encourage short-term decision-making; and
- There is a difficulty associated with setting meaningful forward-looking performance metrics, with the result that LTIP outcomes often did not match their intention, meaning that LTIPs may fail to perform their function.

Other observations included:

- Greater shareholder engagement on pay does not necessarily, of itself, act as a force for restraint. There is conflicting evidence regarding whether a binding vote on executive remuneration has the effect of better accountability and greater incentives for remuneration committees to consult more effectively.
- Employee representation on remuneration committees would represent a powerful signal regarding company culture and commitment to fair pay.

PwC's suggestions to bolster good governance surrounding executive remuneration are as follows:

- In terms of pay fairness and differentials:
  - The role of the remuneration committee in this area should be considered, and potentially broadened, and the interaction between the remuneration committee and the social and ethics committee should be carefully considered, in line with King IV™;
  - The King IV™ recommended practices surrounding the ethics of pay should be duly considered and applied, and companies should adopt a fair remuneration framework;
  - Ensure that meaningful engagement surrounding pay levels takes place not only with shareholders, but also with employees;
  - Other initiatives through appropriate means to increase stakeholder voice (rather than increases in shareholder powers alone); and
  - Regarding quantitative disclosures of pay relativities, the changes in pay relativities are of more importance than the pay ratio. Favour should be given to more scientific methods of determining pay relativities, and to determining and paying a living wage.
- In terms of the danger of short-termism and its link to executive pay:
  - Remuneration committees should reconsider the form of long-term incentive awards, and consider the appropriateness of target-driven plans in the context of the historical outcomes of such plans and whether these outcomes have been aligned to performance outcomes of the business, and the ease with which the business is able to set meaningful prospective performance targets;
  - Traditional views on executive pay should be scrutinised by all stakeholders to ensure that they withstand challenge, and institutional investors and proxy advisors should be encouraged to consider the possibility that long-term share awards can, in the right circumstances, be a legitimate alternative to target-driven plans;

- Alternative methods of long-term incentivisation should be considered (our alternative model, first presented in the 2013 edition, is set out in chapter 7);
- Remuneration reporting should focus on a complete view of incentives and the pay-for-performance relationship; and
- Any new shareholder voting powers that are sought to be introduced should use an 'escalation mechanism' to identify those companies that should be subjected to more stringent provisions when they have demonstrated corporate governance failures in terms of executive remuneration (rather than applying a more onerous regime across the market).

In terms of managing overall executive remuneration levels and improving corporate governance, we suggest driving better stewardship through more transparency, better reporting and, where appropriate, more employee involvement.

In particular, high-quality and honest reporting on executive remuneration is required to improve comparability and accountability, and in turn build public trust.

Finally, remuneration committees should keep abreast of governance tools at their disposal, such as malus and clawback policies, and minimum shareholding requirements.

Solvency II remuneration requirements

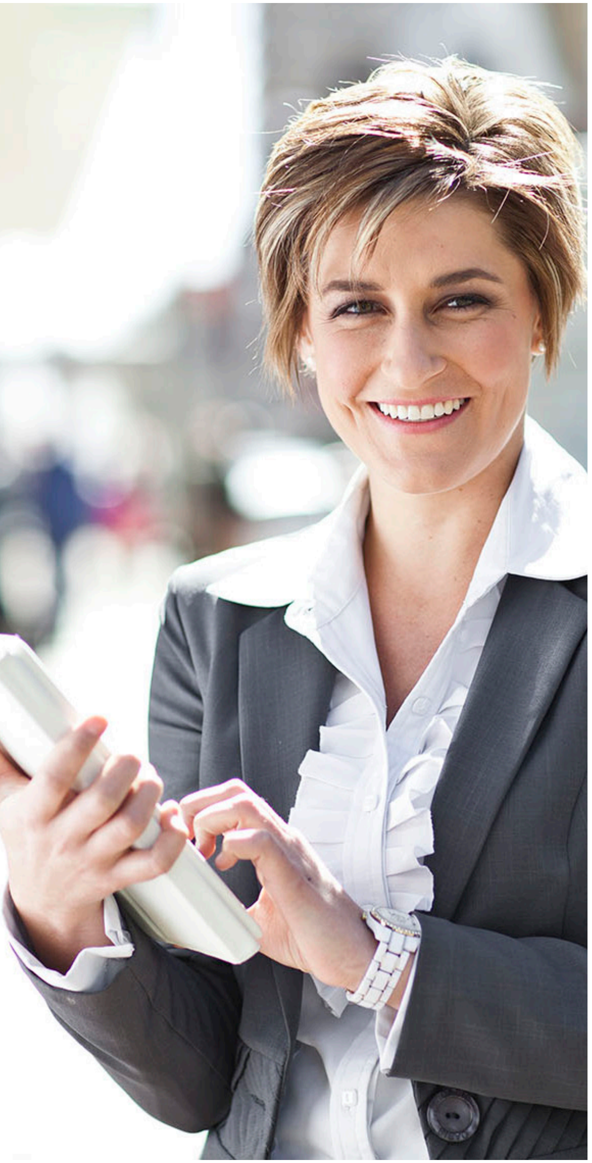
The UK Prudential Regulatory Authority (PRA) released a Supervisory Statement on the Solvency II remuneration requirements for UK insurers on 12 August 2016.[6] They apply to all firms falling within the scope of Solvency II.

Variable remuneration awards made in respect of the 2016 performance year should be compliant with the Supervisory Statement. In terms of this, insurers must fill out the PRA's Solvency II Remuneration Policy Statement reporting template and submit it ten months after the end of the firm's financial year.

Some of the requirements of an insurer's remuneration policy include:

- A consistent remuneration policy should be applied that is in line with the group's risk management strategies; however, where an insurance group has a banking or asset management entity, these entities may require different remuneration arrangements to be applied.
- Fixed and variable remuneration components need to be appropriately balanced, with the fixed portion representing a sufficiently high proportion of total remuneration, allowing the operation of a fully flexible policy on variable remuneration components, including the possibility of paying no variable remuneration.
- Variable remuneration paid to Solvency II staff (staff whose professional activities have a material impact on the company's risk profile) engaged in risk management, compliance, internal audit or actuarial functions should be independent from the operational units under their control.
- Termination payments should be fair and proportionate relative to prior performance.
- Arrangements should be in place to ensure that Solvency II staff undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.
- Solvency II staff should have at least 40% of variable remuneration deferred over a three-year period. An insurer's STI and LTI components can be used in aggregate to address the 40% variable remuneration requirement for Solvency II staff in PRA Category 1 and 2 firms. These firms do not need to apply the 40% deferral rule if an individual earns total remuneration of not more than GBP500 000 and variable remuneration of not more than 33% of their total remuneration.
- For the purposes of determining the 40% variable remuneration deferral requirement, the LTI should be valued at the grant date at the maximum potential value that could be paid out if 100% of the performance conditions were met.
- Variable remuneration payable should vest (over a three-year deferral period) no faster than on a pro rata basis from year 1.

6 For more information in this regard, see PwC UK "The PRA Solvency II remuneration requirements" (2016), available at *https://www.pwc.co.uk/assets/pdf/pra-solvency-ii-remuneration-requirements.pdf*, accessed on 31 May 2017.



- Malus must be applied to unvested awards in the event of specific management failures. The application of clawback is not required.
- It is recommended that firms should adopt a balanced scorecard approach, consider the use of risk-adjusted metrics and only use profit- or value-based measures such as TSR and return on equity where they form part of a balanced risk-adjusted scorecard.

The PRA will keep the Supervisory Statement under review to reflect changes to the UK regulatory framework, including changes arising from Brexit. The Solvency II Regulation contains certain principles that are similar to those found in CRD IV.

When compared to the South African draft Prudential Authority governance standards, the Supervisory Statement has more detailed requirements around the structure and composition of remuneration paid to executives and other material risk-takers.

South Africa

Draft Prudential Standards for Insurers

The Financial Services Board (FSB) has published a series of draft Insurance Prudential Standards that will manage the governance standards for insurers.[7] Prudential Standard GOI 1 (the Framework for Governance and Operational Standards for Insurers) sets out the high-level framework for assessing the governance and operational soundness of South African insurers from a regulatory perspective.[8]

It specifically identifies incentive arrangements that support sound and prudent decision-making as one of the cornerstones of strong governance.

Prudential Standard GOI 2 (Governance of Insurers) states that insurers will be required to have, *inter alia*, a remuneration committee.[9]

[7] Other than insurers that fall into certain specified categories. The initial drafts were published for comment, and comments closed on 26 May 2017.

[8] "Prudential Standard GO 1 – Framework for Governance and Operational Standards for Insurers" Financial Services Board, published on 26 April 2017, available at *https://www.fsb.co.za/Departments/insurance/Documents/Prudential%20Standard%20GOI%201%20-%20Framework%20for%20Governance%20and%20Operational%20Standards%20for%20Insurers.pdf*, accessed on 28 May 2017.

[9] "Prudential Standard GOI 2 – Governance of Insurers" Financial Services Board, published on 26 April 2017, available at *https://www.fsb.co.za/Departments/insurance/Documents/Prudential%20Standard%20GOI%202%20-%20Governance%20of%20Insurers.pdf*, accessed on 28 May 2017.

The role of a board of directors is also set out, and in overseeing senior management and heads of control functions, it must (among other things) set appropriate performance and remuneration standards for senior management consistent with the long-term strategy and the financial soundness of the insurer and monitor whether senior management are meeting the performance goals set by the board of directors.

This duty was not as expressly set out in the governance framework published in Board Notice 158 (the Governance and Risk Management Framework for Insurers).[10]

The remuneration committee will have to consist of at least three non-executive directors, the majority of whom must be independent. The chairperson of the board of directors may be a member of the remuneration committee, but may not be the chairperson.

[10] Board Notice 158, GG 38357 of 19 December 2014.

The remuneration committee must develop and conduct regular reviews of an appropriate remuneration policy for the insurer, monitor the implementation and effectiveness of the policy in line with the Prudential Standard, and make annual recommendations to the board of directors on the remuneration of the CEO, direct reports of the CEO, and other persons whose activities may, in the remuneration committee's opinion, affect the financial soundness of the insurer and any other person specified by the Prudential Authority.

Members of the remuneration committee must be available to meet with the Prudential Authority on request.

Prudential Standard GOI 3 (Risk Management and Internal Controls for Insurers) prescribes that an insurer must, at a minimum, have board-approved policies that address certain material risks and risk areas, including for remuneration.[11]

[11] "Prudential Standard GOI 3 – Risk Management and Internal Controls for Insurers" Financial Services Board, 26 April 2017, available at *https://www.fsb.co.za/Departments/insurance/Documents/Prudential%20Standard%20GOI%203%20-%20Risk%20Management%20and%20Internal%20Controls%20for%20Insurers.pdf*, accessed on 28 May 2017.

The remuneration paid to the heads of control functions should not be linked to the financial performance of the insurer. It also sets out broad guidelines for the remuneration policies of insurers, which are similar to those set out in the Governance and Risk Management Framework for Insurers; however, it also states that an insurer's remuneration policy should be consistent with the insurer's business and risk management strategy (including risk management practices) and target corporate culture.

As with Board Notice 158, when remuneration includes both fixed and variable components, the remuneration policy should provide that:

- The fixed portion represents a sufficiently high portion of the total remuneration to avoid over dependence on the variable components;
- The variable component is based on a combination of assessment of the individual and the collective performance, such as the performance of the business area and the overall results of the insurer; and
- The payment of the major part of a significant bonus, irrespective of the form in which it is to be paid, contains a flexible, deferred component that considers the nature and time horizon of the insurer.

In defining an individual's performance, the remuneration committee should ensure that both financial and non-financial performance is considered.

The FSB also published a draft guidance note on corporate culture, which states that as part of prudent business management, an insurer should seek to establish a strong corporate culture of ethical behaviour and compliance with legal and regulatory requirements.[12]

The draft guidance note states that in monitoring and assessing its corporate culture, the board of directors of an insurer should recognise the many factors that can drive unethical behaviour. Furthermore, while incentive arrangements can be a major motive for behaviour, both good and bad, they are not the only one.

Amendments to JSE listing requirements

The JSE published amendments to its listing requirements in November 2016 that calls on listed companies to adopt certain elements of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™).[13] These would make it compulsory for all JSE-listed companies to adhere to the following:

- The remuneration policy and the implementation report must be tabled every year for separate non-binding advisory votes by the shareholders at the annual general meeting.
- The remuneration policy must record the measures that the board of directors of the company commits to take in the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised.

[12] "Guidance Note GOI GN 2.1 – Corporate Culture" Financial Services Board, 26 April 2017, available at *https://www.fsb.co.za/Departments/insurance/Documents/Guidance%20Note%20GOI%20GN%202.1%20Corporate%20Culture.pdf*, accessed on 28 May 2017.

[13] 20170522 - Amendment Schedule – Part 1 of 2016" JSE (2017), available at *https://www.jse.co.za/content/JSEAnnouncementItems/20170522-Amendment%20Schedule%20Part%201%20of%202016.pdf*, accessed on 31 May 2017; and Institute of Directors Southern Africa King IV™ Report on Corporate Governance for South Africa (2016), available at https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA King IV™_Report_-_WebVersion.pdf, accessed on 02 November 2016.

- In order to give effect to the minimum measures referred to in King IV™, in the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the voting rights exercised, the issuer must in its voting results announcement (i.e. its SENS announcement) provide for the following:
  - An invitation to dissenting shareholders to engage with the issuer; and
  - The manner and timing of such engagement.

In an explanatory note to the amendments,[14] the JSE acknowledged that although some jurisdictions have a binding vote on remuneration, uncertainty and practical issues arise when a binding vote on remuneration is not passed, including:

- How and when the remuneration will be approved;
- How remuneration will be treated during the period that the remuneration is not approved; and
- What happens if the remuneration is not approved at all.

[14] "JSE Explanatory Memorandum Part 1 of 2016" JSE (2016), available at *https://www.jse.co.za/content/JSEAnnouncementItems/20161101-Explanatory%20Memorandum%20Part%201%20of%202016.pdf*, accessed on 05 June 2017.

Therefore, the JSE opted to give more content to the non-binding vote and shareholder engagement in order to give effect to King IV™.

The amendments were finalised on 19 May 2017.[15] The JSE will only require the application and disclosure of the King IV™ amendments on any documents (circulars or annual reports) submitted to the JSE on or after 1 October 2017.[16]

Furthermore, the King IV™ amendments will apply to all new listings from the effective date (i.e. 19 June 2017). The proposed amendments effectively supersede the effective date of King IV™, which states that it only applies to financial years beginning on or after 1 April 2017—in other words, many companies would only need to fully align their remuneration reporting requirements to King IV in their 2018 financial year.

[15] Board Notice 87 of 2017, GG 40847.

[16] "Amendments to the JSE Listings Requirements: Part 1 of 2016" JSE (2017), available at *https://www.jse.co.za/content/JSEAnnouncementItems/20170522-JSE%20Letter%20Implementation%20May%202017.pdf*, accessed on 05 June 2017.

Conclusion

The regulations and trends above illustrate that while some jurisdictions place specific requirements on the composition and disclosure of an executive's remuneration package, these same jurisdictions' regulatory bodies are also attempting to empower shareholders and encourage companies to proactively engage with their shareholders.

South Africa and the UK have also sought to align the remuneration packages of executives in insurance companies to each company's risk horizon. The concepts of fairness as well as pay for performance remain some of the most pressing issues in the field of remuneration, and investors as well as a broader range of stakeholders expect to see companies take tangible steps to give effect to these principles.

Remuneration practices and King IV™

Remuneration governance and disclosure

As discussed in the previous chapter, amendments to the JSE's listing requirements now place a more onerous responsibility on remuneration committees. In this chapter we consider some of the key aspects of remuneration disclosure to be considered by companies and their remuneration committees.

What is "fair and responsible"?

> *King IV™ Principle 14 – Recommended practice 27: The governing body should approve the policy that articulates and gives effect to its direction on **fair, responsible and transparent** remuneration [bold is our emphasis].*
>
> *Recommended practice 29: The company's remuneration policy should address organisation-wide remuneration and include provision for the following specifically: a) Arrangements towards ensuring that the remuneration of executive management is **fair and responsible** in the context of overall employee remuneration in the organisation" [bold is our emphasis]*

In the minds of many, executive pay has become a symbol of wage inequality (both within companies and when compared to the broader workforce in society), and governments have come under pressure to level the playing field by striking an appropriate balance between remuneration paid to executives and the wage conditions for employees in lower-level jobs.

The table below examines how fair pay and the wage gap have been addressed by governance bodies and regulators in South Africa, the UK and the US, respectively. We introduce a deeper discussion around the concept of fairness in remuneration in Chapter 8 regarding the economics and ethics of pay.

Fair pay and the wage gap

South Africa	UK	US
King IV™ calls for companies to adopt arrangements towards ensuring that the remuneration paid to members of executive management is fair and responsible in the context of overall employee remuneration in the organisation. The Institute of Directors in Southern Africa (IoDSA) published a position paper on fair and responsible remuneration[17] which contained suggestions on what arrangements could be included. Fairness includes the concept of 'horizontal fairness' (equal pay for work of equal value) and 'vertical fairness' (differences in total remuneration between different job levels can be explained and justified on a consistent basis).	The BEIS green paper on corporate governance reform provides various options for improving the transparency of remuneration. One of these is pay ratio reporting (i.e. whether companies should publish ratios comparing CEO pay to pay in the wider company workforce), and the proposed recommendation draws attention to the US regulations around the disclosure of a company's pay ratio. In terms of this option for increased transparency, boards of companies would have to explain why the ratio is appropriate given the performance of the business and rewards for the general workforce. It caveats, however, that a simple ratio of CEO pay to the median salary in the company could produce misleading results.	The SEC's final ruling on Pay Ratio Disclosure[18] requires each registrant to disclose: • The median of the annual total compensation of all employees; • The annual total compensation of its CEO; and • The ratio of these two amounts. The identification of the median employee must include a cross-section of employees, including various employee categories. These rules became effective for fiscal years commencing on or after 1 January 2017.

Sources: King IV™
IoDSA Remco forum paper on Fair and Responsible Remuneration (see reference below)
SEC Ruling on Pay Ratio Disclosure (see reference below)

What does this mean for disclosure?

The debate on the disclosure of wage gaps is continuing. While publishing pay ratios might be the right decision for some companies, there is a danger that without specific guidance on disclosure and meaningful discussion or interpretation thereof, it could lead to misleading comparisons across companies.

A fair pay charter, with a requirement to engage with employees, should create the right incentives for boards to address the fairness question. Additional issues that could be covered in such a charter include the company's internal wage gap and Gini coefficient and the motivation for setting pay at the current levels, together with future plans to improve it.

It is, however, interesting to note that in PwC's mid-season update of the first 40 FTSE 100 annual reports published for companies with year ends from 30 September 2016 to 31 December 2016, the following key trends regarding pay ratio disclosures emerged:

- Pay ratios: Of the 40 companies reviewed, only four disclosed such pay ratios.

[17] "Remuneration Committee Forum Position Paper 6 – fair and responsible remuneration" (2017), available at *http://c.ymcdn.com/sites/www.iodsa.co.za/resource/collection/57F28684-0FFA-4C46-9AD9-EBE3A3DFB101/IoDSA_Position_Paper_6-.pdf,* accessed on 04 June 2017.

[18] Securities and Exchange Commission release no. 34-74835, available at http://www.sec.gov/rules/proposed/2015/34-74835.pdf, accessed on 30 April 2015.

- Employee consultation: A number of companies disclosed that they actively consult with or survey a subset of employees or representative union on matters of pay. Some of these companies explain their approach as helping to provide the remuneration committee with a broader perspective, taking into account the views of the average employee when making decisions.
- Cascade of incentives: Some companies are increasingly disclosing how the structure of incentives and benefits for executive directors cascades and compares to that for the wider employee population.
- Gender equality disclosures: In anticipation of the requirement to disclose their gender pay gap, some companies have provided statistics and context around the demographics of their employee base, such as disclosure of the gender split at each level.

Exit payments

Recommended practice 30: All elements of remuneration offered by the Company as well as the mix thereof should be set out in the remuneration policy, including payments on termination of office.

Recommended practice 35 (c): Separate disclosure of, and reasons for, any payments made on termination of employment or office.

Exit payments made to directors are arguably the most contested remuneration matters and evoke much criticism from shareholders and the public at large. Within the current King IV™ framework, the policy relating to exit payments should be explained in part 2 (policy section) of the remuneration report and be disclosed in part 3 (implementation section), both of which are subject to a non-binding advisory vote.

Very few companies disclose the actual policy applicable on termination in detail and in the event that the policy is disclosed in detail, separation packages are often negotiated outside the disclosed policy.

This begs the question of whether companies should not be subject to additional sanctions if exit payments are determined and paid outside of the parameters of the shareholder-endorsed policy.

Boards of directors, institutional investors, governments and the media are holding CEOs to a far higher level of accountability for ethical lapses than in the past. Globally, CEO dismissals for ethical lapses increased from 3.9% of all successions in 2007-2011 to 5.3% in 2012-2016, a 36% increase.[19]

We note this increased focus in the UK too, where there is a draft government proposal that requires a company to disclose contractual arrangements relating to exit payments that limits executive termination provisions to no more than one year's basic salary and benefits.

Should more not be done to protect shareholders?

Is a non-binding vote enough, after the payment, in the past, of an exit payment that is unlikely to be repeated?

Also, what purpose would any engagement (as contained in the JSE 's listings requirements) with shareholders have if the payment has been made?

Should remuneration committees not be bound by what is disclosed in the policy on exit payments?

We would like to think that remuneration committees should approach this element of their remuneration policies with greater care and would be supportive of additional changes to the JSE 's listings requirements imposing greater sanctions on companies who deviate from the shareholder-endorsed policy on exit payments.

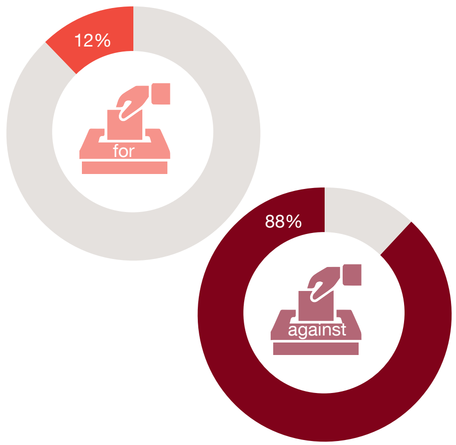
[19] Strategy& 2016 CEO Success study, available at *https://www.strategyand.pwc.com/ceosuccess#nav,* accessed on 12 June 2017.

Understanding and engaging shareholders

The following section sets out certain remuneration reporting trends for companies listed on the JSE, in particular:

- The voting patterns on the remuneration policies and remuneration reports of JSE top 40 companies;
- The remuneration voting patterns of South Africa's major institutional investors; and
- An analysis of the most common reasons for voting down a company's remuneration policy or remuneration report.

Fig. 1 Voting patterns on remuneration policy/ remuneration report: JSE top 40 companies



It appears that many companies on the JSE top 40 receive a high measure of support from their shareholders on their remuneration policies or remuneration reports, although this is by no means decisive.

One must take into account that some top-40 companies are multinationals with secondary listings on the JSE, and are subject to different remuneration regulatory frameworks. Others have shareholders who are less concerned with the quality of the disclosure in the remuneration report.

One should also take into account that the profile of shareholders differs, with some companies having more active shareholders (individual and institutional) than others, and other companies having large shareholders.

The remuneration report voting trends by some of the largest shareholders in South African companies have been analysed for the periods 1 January to 31 December 2015 and 2016, respectively. Year on year, half of these shareholders have increased their 'no' votes and we expect this trend to continue.

Voting trends among selected institutional investors

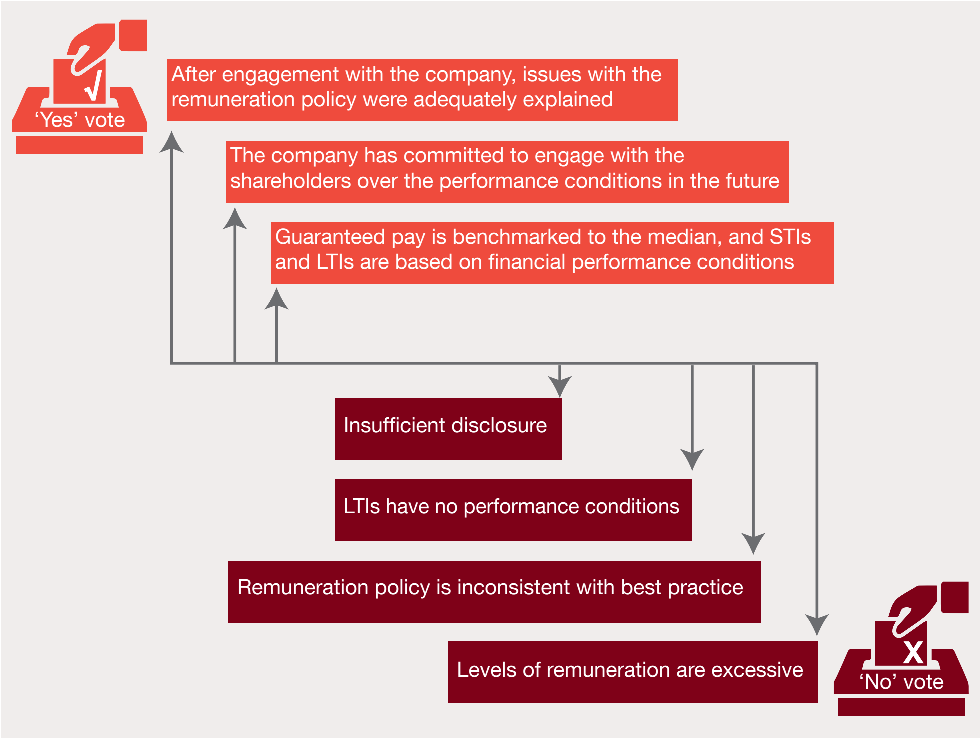
Investor	% for 2016	% for 2015
Allan Gray (Pty) Ltd	58.2%	68.5%
Coronation Fund Managers	94.3%	92.9%
Investec Asset Management	84.7%	87.8%
Stanlib Asset Management Ltd	89.7%	84.7%
Public Investment Corporation	43.4%	44.2%
Old Mutual	66.9%	68.9%

Source: Proxy Insights Limited

The accompanying graphic sets out an analysis of the most common reasons why South African investors voted in favour of, or against, remuneration policies. This is based on publically available information.

Many institutional investors do not publically disclose their reasons for voting against a remuneration policy or report (even less so their reasons for voting in favour of a remuneration policy), opting to rather engage directly with the company concerned regarding their stance on the remuneration policy.

Rationale for voting decisions



Source: PwC analysis

What is clear from this is that shareholders seek a clear link between pay and performance, and that remuneration levels (and the underlying policies) should be in line with the market.

Institutional investors are less likely to disclose their reasons for voting in favour of a remuneration policy. However, it is also clear that a company should engage with its investors in good faith and explain how its remuneration framework is linked to the company's overall business strategy.

Where a company has made a commitment to improve certain elements of its remuneration framework, or levels of disclosure, it should honour this commitment in successive years.

The voting trends outlined above should be juxtaposed with the voting policies of some of South Africa's major institutional investors, particularly around their disclosure requirements.

It is advisable to engage with shareholders in advance to gauge their expectations regarding the substantive forward-looking remuneration policy as well as the level of disclosure required from the company.

In addition, companies should understand and assess compliance against shareholder voting policies. Some of the specific issues listed by shareholders are:

- Many investors place an emphasis on benchmarking and are of the view that remuneration levels should reflect both the short- and long-term performance of the business, in isolation as well as relative to a peer group of companies facing similar economic conditions.
- Excessive pay levels, when compared to comparator companies, will not be supported.
- Guaranteed pay levels should be supported by a strong performance management system.
- Most of the major institutional investors state that increases awarded to executives should not be out of line with general increases at the company and the company should be sensitive to the internal wage gap when setting such increases.
- Bringing a remuneration policy in line with the market should not be used to justify an increase in the size of the overall package.
- Participation levels in benefits should be stated, and should not be uncapped. Pension arrangements that differ from those of general staff should be substantiated. No element of variable pay should be pensionable.
- There should be a proportionate relationship between the size of an executive's base pay and short-term incentive.

The importance of a well-designed remuneration policy that strikes a balance between the interests of shareholders and executives and the principles of good governance is of paramount importance and the disclosure thereof is bound to become more complex.

Say on pay: A global perspective

Say on pay is becoming the norm globally for shareholders to express their views on proxy filings and remuneration reports that reveal compensation paid to directors. Shareholders hold voting rights to either accept or reject the policies explained.

In this chapter we summarise how say on pay is administered in selected countries.

United States

With say on pay in its fifth season in the US, most companies have obtained high levels of shareholder support. But some enterprises that have had positive votes at levels above 90% foresee this changing in the future. Many companies have thus adopted ongoing shareholder communication programmes.

Building a close relationship between a company and its largest shareholders can help address the issues before they cause problems. Besides meeting with shareholders, companies have worked hard at enhancing the text in the compensation discussion and analysis section of their annual proxy statements to provide more explanation and rationale on pay decisions, such as pay-for-performance and pay metrics, to add more depth to their descriptions. During the current proxy season, companies have taken one or more of the following steps in response to shareholder concerns:

- Recommend that a majority of shareholders approve a 'proxy access' proposal submitted by shareholders, not by management;
- Change performance metrics in their annual and long-term performance programmes so as to employ more efficient performance metrics to not pay twice for the same metric;
- Add a 'total shareholder return' performance metric to the LTI schemes;
- Change from three one-year performance periods to one three-year performance period for a performance-based equity programme; and
- Adopt clawback mechanisms for their annual and LTI grants.

Companies are going to these lengths to make changes to their pay programmes before shareholders raise these issues in a say-on-pay vote for the following reasons:

- Over the past five years, there were low levels of shareholder approval at some large companies that were typically between 40% and 70%. Frequent changes made in reaction to low levels of support on say-on-pay votes included:
  - Adding performance share units;
  - Making changes to the LTI pay mix;
  - Adding clawback mechanisms;
  - Adopting double-trigger equity vesting;
  - Improving performance metrics;
  - Adding absolute governors on relative TSR plans;
  - Eliminating tax gross-ups; and
  - Eliminating perquisites.

In a few cases, the CEO was replaced or appointed as executive chairperson. Rather than make drastic changes, companies have gained from the experiences of other businesses that received low approval levels, and have concluded that they need to become more proactive in such situations.

US companies began casting say-on-pay and say-on-frequency votes in 2011, and the 2017 proxy season heralds the new six-year cycle where, for the second year, shareholders will be asked what the frequency of say-on-pay votes should be. The expectation is that most companies will agree to an annual say-on-pay vote.

The frequency aspect may not be the best option, since it addresses a short-term view, whereas a triennial vote would be less likely to be influenced by short-term movements in directors' remuneration.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the say-on-frequency vote is required in the first year that this applies, and then is up for revision at least once every six calendar years thereafter.

The say-on-pay frequency vote allows shareholders to indicate a preference for one-, two-, or three-year periods between say-on-pay votes.

To date, annual say-on-pay voting has been the choice of the majority of shareholders. Research among Russell 3000 Index companies suggests that this frequency be maintained:

Say-on-frequency vote results: Russell 3000 Index companies

Period average, 2011-2016

	% in favour	Number of responses
Annual vote	80.3%	2 091
Biennial vote	0.7%	17
Triennial vote	19.0%	494
Total	100%	2 602

Source: ISS Corporate Solutions Voting Analytics using Russell 3000 companies

Since the US proxy vote is now deeply embedded into shareholder culture, what shareholders decide in the US is considered the benchmark for best practice.

What happens in the US regarding SEC and stock exchange requirements is invariably followed by other countries where regulated company-shareholder communication is the norm.

United Kingdom

Executive pay absorbed more column inches in 2016 than for several years and led Theresa May to announce a crackdown in one of her first policy proposals as she launched her bid to lead the Conservative Party.

The Government is now seriously considering a range of options covering new voting powers for shareholders, better disclosure (including of pay ratios between CEOs and the wider workforce), simplified payment plans, and employee and consumer representation on company boards. More regulation seems inevitable.

But analysis of the data from PwC UK's mid-season FTSE 100 update, following the AGM season, does not suggest a system out of control. Among FTSE 100 companies, the median salary increase was 2.2%, and around one-third of CEOs had their pay frozen.

Bonus payments were up by 3%, but total compensation was down by 3%. And three-quarters of companies received votes for their remuneration reports of more than 90%.

The problem is not that executive pay has changed for the worse over the last year. On the contrary, the disclosure of bonus targets has improved, and more companies have adopted holding periods on LTIPs, taking them to a total five-year vesting period.

Instead, what we've seen is a growing impatience with the status quo. Executive pay has become a symbol of an out-of-touch elite, an issue given political urgency by the result of the Brexit referendum.

The latest AGM season and pay round were in fact much less dramatic than the headlines or political reaction in the UK suggests. But there are still lessons to be learned and own goals to be avoided for the future. All of which will be essential on the long hard road to rebuilding trust in executive pay.

The looming reality for 2017 reflects a different mood from shareholders. Executive directors' pay is clearly under a much brighter spotlight, and investors predict a very rough AGM season in 2017.

Listed companies in the FTSE 100 are clearly running scared, with some of them proposing to freeze CEO remuneration for three years. These are early blows by investors before the 2017 AGM season gets well underway. Leading the revolt are UK pension funds and other institutional investors.

The BEIS[20] tabled a Green Paper in November 2016; which states:

The aim of this Green paper is to consider what changes might be appropriate in the corporate governance regime to help ensure that we have an economy that works for everyone.[21]

[20] BEIS: The Department for Business, Energy and Industrial Strategy is a UK government department which was created by Theresa May on 14 July 2016 following her appointment as Prime Minister, as a result of a merger between the Department of Energy and Climate Change and the Department for Business, Innovation and Skills.

[21] BEIS Corporate Governance Reform: Green Paper (2016), available at *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584013/corporate-governance-reform-green-paper.pdf,* accessed on 04 June 2017.

There are 14 Green Paper questions, with six relating to executive pay. The details of the proposals are set out on page 8.

Some of the UK's largest investors have revealed support for government proposals designed to curb high executive pay in the latest pushback against the widening income gap between bosses and workers.

Old Mutual Global Investors; Fidelity International; the Pensions and Lifetime Savings Association, which has a membership of over 1 300 pension schemes; and the Confederation of British Industry have unilaterally indicated broad support, while other areas mentioned included more robust consequences for companies whose directors' remuneration is not approved by shareholders and also implementing an annual binding vote on pay.

The High Pay Centre, an independent non-party think tank focused on pay at the top of the income scale, collaborated with the Chartered Institute of Personnel and Development (CIPD) to submit a joint response to the Green Paper consultation, marking the commencement of a formal relationship between the two bodies, to "advocate fairer and more ethical approaches to pay and reward".[22]

Their recommendations include:

- All publicly listed companies should be required to publish the ratio between the pay of their CEO and median pay in their organisation;
- All publicly listed companies should be required to have at least one employee representative on their remuneration committee;
- All publicly listed companies should be required to establish a stand-alone human capital development subcommittee chaired by the HR director, with the same standing as all board subcommittees; and
- The Government should set voluntary human capital (workforce) reporting standards to encourage all publicly listed organisations to provide better information on how they invest in, lead, and manage their workforce for the long term.

This obvious backlash spurs blue-chip companies to rethink their pay plans in the UK.

[22] http://highpaycentre.org/files/CIPD_and_HPC_response_to_BEIS_Green_Paper_on_Corporate_Governance_%281%29.pdf

Australia

In Australia, the 'two-strike' law is designed to hold directors accountable for executive salaries and bonuses. The entire company board can face re-election if 25% or more of shareholders disagree with how much executives are being paid.

The law is an amendment to the Corporations Act, which came into effect in July 2011. The 'first strike' occurs when the company's remuneration report receives a 'no' vote of 25% or more at the AGM. This is recorded.

The 'second strike' comes into play when the company's subsequent published remuneration report also receives a 'no' vote of 25% or more.

When both strikes have taken place, shareholders all vote at the same AGM to determine whether all the directors need to stand for re-election. This determination is known as a 'spill' resolution if passed with 50% or more eligible votes cast. Within 90 days a 'spill meeting' must take place where all directors involved will be required to stand for re-election, except the CEO, who is permitted to continue to run the company. This reform is intended to provide an additional level of accountability for directors, with increased transparency.[23]

The Australian AGM season in 2016 saw an increased number of companies receiving strikes against remuneration reports. In many cases, there was just cause against practices and decisions elsewhere in the company, and the vote may have been used to express broader dissatisfaction with company performance. Here, just as in many other parts of the world, shareholders are objecting to rewarding directors for failure.

Australia: The number of strikes is increasing

		2015	2016
ASX 100	% receiving a strike	4%	8%
	Average % vote against the remuneration report	7%	8%
ASX 200	% receiving a strike	5%	8%
	Average % vote against the remuneration report	6%	7%

Source: PwC Australia "10 minutes on…2016 Annual General Meeting season – in whom do we trust?" December 2016

[23] Source: Federal Government of Australia.

Belgium

Listed companies in Belgium must deal with an ever-increasing number of rules and regulations. These regulations are either legislative initiatives taken at the European or national level or circulars issued by the regulatory authorities.

The Belgian legal rules relating to compensation are straightforward. The company's articles of association (or, if they are silent, the general meeting of shareholders) determine both whether the directors shall be remunerated[24] and if they are to be paid the remuneration package for their services as a board member.[25]

Alternatively, shareholders at the general meeting can indirectly decide to pay the directors by approving the company's accounts in which the remuneration is included (as a cost).[26]

[24] The Belgian director can be remunerated, but does not have to be. Code des Societes [C.SOC] [Companies Code] art. 517 (Belg.).

[25] D. Willermain, Le statut de l'administrateur de sociétés anonymes: principes, questions et réflexions, 2008 Revue des Sociétés 207, 236.

[26] Id. at 236 n.95.

The general meeting of shareholders' decision about the remuneration of the directors only relates to the total amount granted to the board of directors. The board of directors decides how this total compensation package will be divided between the directors.[27]

The Belgian companies code now also requires shareholder approval, or a facilitating article of association, to deviate from a minimum vesting period for shares and share-based remuneration.

Shares must not be vested earlier than three years after they are granted, while share options or other share-based benefits must not be exercisable earlier than three years after they are granted.[28]

The new Belgian Corporate Governance code, with both a mandatory 'comply or explain' requirement and a mandatory requirement to provide a remuneration report, greatly increases the amount of information disclosed concerning the remuneration of directors and executives as well as corporate remuneration practices.

[27] Id. at 237.

[28] C.Soc art. 520ter (Belg.). This provision is not applicable if the variable part of the remuneration is less than 25% of total remuneration.

Previously, most corporate boards did little to ensure that shareholders had much say on executive remuneration policies. For example, in 2011, the last year before the new say-on-pay law came into operation, only 40% of companies had the total gross remuneration package of the board of directors, or of the newly elected directors, explicitly approved by the general shareholders meeting.

Once the new say-on-pay law went into effect, over 90% of the companies put the remuneration report on the agenda of the general meeting of shareholders.[29]

Remuneration reports received high approval ratings from shareholders with a mean approval rating of 90.6%.

The larger Belgian companies listed on Euronext showed an even higher approval rate of 95.3%. In both instances, the median approval rates were even higher.[30]

[29] The other companies did not comply with the law (Christoph Van der Elst, Shareholders as Stewards: Evidence from Belgian General Meetings 16 (Fin. Law Inst., Univ. of Ghent, Working Paper No. 2013-05, 2013)), available at *http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2270938.*

[30] PwC research, 2012-2016

France

Like many other countries, France has a mandatory 'comply or explain' corporate governance code, called the AFEP-Medef corporate governance code for listed companies.

Companies are free to adopt this code and its principles, but are not required to do so if they explain why they do not comply[31]. The code emphasises the importance of full disclosure of the remuneration packages of executive offices and board members.

The introduction of a 'comply or explain' requirement in AFEP-Medef has temporarily avoided the introduction of French statutory say-on-pay requirements. Reuters reports that the Government supports the 'comply or explain' rule.[32]

[31] Gerard Charreaux & Peter Wirtz, Corporate Governance in France 3 (Université de Bourgogne Working Paper no. 1070201, 2007), available at *http://www.virtusinterpress.org/additional_files/book_corp_govern/sample_chapter04.pdf*.

[32] Leila Abboud, Ad Agency Publicis Brings Say on Pay to France, REUTERS, (May 29, 2013, 2:08 AM) http://uk.reuters.com/article/2013/05/29/publicis-pay-idUKL5N0EA2AG20130529?feed Type=RSS &feedName=rbssFinancialServicesAndRealEstateNews. We presume that the new edition of the French corporate governance code with "say on pay" convinced the French Government that—at the moment—no legislative action is required and that the mandatory Comply or Explain regime of the code with respect to say on pay of individual director's remuneration is sufficient.

As a side issue, the French Government has introduced a new tax regime for the rich, indirectly addressing what are considered excessive remuneration packages.[33] In a controversial move, for state-controlled enterprises, including large listed companies like EDF and Aeroports de Paris, limits on the remuneration of members of the board have been introduced—currently €450 000.[34]

An analysis of minutes from their general meetings found that 53% of CAC-40 companies sought shareholders' approval of directors' remuneration every third year.[35] In the remaining companies, the frequency of rulings was indeterminable. There does not appear to be any significant opposition to the remuneration paid to French board members.

[33] French law now imposes a tax of 75% that companies have to pay for remuneration packages surpassing €1 million. Loi 2013-1278 du 29 décembre 2013 de finances pour 2014 [Law 2013-1278 of December 29, 2013 on the financing of 2014], J.O., Dec. 30, 2013, p. 21829 available at *http://www.legifrance.gouv.fr.*

[34] Loi 2012-915 du 26 juillet 2012 relatif au contrôle de l'Etat sur les rémunérations des dirigeants d'entreprises publiques [Decree 2012-915 of July 26, 2012 on the Government Control of Washington University the Remuneration of the Directors of Government Controlled Companies], J.O., July 27, 2012, p.12283.

[35] 37 large companies are in the sample. One company is registered in Belgium, the other in the Netherlands. Those three companies were excluded from the list.

Germany

As early as 1937, the German Stock Corporation Act required the supervisory board to ensure that the compensation of the management was reasonable, and reflected both the duties of the management board as well as the financial condition of the company. This was applied rigorously.[36]

Today, the development of the remuneration package of German management is relatively well mapped. German executive compensation packages have grown, especially among the 30 largest German public companies listed on the DAX, which more than doubled from an average of less than €1.2 million in 2007 to more than €3.3 million in 2015. There was a slight downswing in 2008-2009.

Executive salaries are now more closely tied to company success, mainly linking increases to share price and other factors, especially product environmental risk. The Merkel Government has made it known that excessive executive pay will be high on the agenda leading up to the September general elections.

Regarding say on pay, while not mandatory, all DAX companies have had their management board remuneration system approved at least once at the AGM since 2010, and many of these companies have an annual approval on the agenda.

German shareholders are generally very conservative in their approach to directors' remuneration, and the latest figures available show an approval level of more than 95% among company shareholders.[37]

Visible influence of German shareholders' votes on management remuneration appears to be modest. As mentioned, say on pay is optional, but widely practised. In the event that shareholder opposition to remuneration was the result of a shareholder vote, and reviewing year-on-year financial reports, companies do not reflect a change in the remuneration policies.

In fact, there have been more medium- and long-term incentive schemes.[38] A 2011 OECD study found that German executive packages have a higher level of variable remuneration than those in the United Kingdom.[39] This has resulted in more generous remuneration packages, which are viewed to be less transparent than previously.

The financial press in Germany has reported that the low level of shareholder opposition is the result of private consultation between executive directors and institutional investors.[40]

36 Brigitte Haar, Executive Compensation under German Corporate Law: Reasonableness, Managerial Incentives and Sustainability in Order to Enhance Optimal Contracting and to Limit Managerial Power, in Research Handbook on Executive Pay, supra note 2, at 486, 490.

37 This data is based on calculations of reported approval rates in DSW, Studie zur Vergütung der Vorstände in den DAX- und MDAX-Unternehmen im Geschäftsjahr 2015

38 AktG, Sept. 6, 1965, BGBL I, as amended 2016, § 87, para. 1.

39 OECD (2011), Board Practices: Incentives and Governing Risks, Corporate Governance, OECD Publishing. http://dx.doi.org/10.1787/9789264113534-en

40 Peter Wilke & Katrin Schmid, Entwicklung der Vorstandsvergütung 2011 in den DAX-30-Unternehmen 46 (Hans Böckler Stiftung Working Paper No. 269, 2012).

Sweden

Unlike France and Belgium, Swedish companies' say on pay is determined for each individual director (including the supervisory board) at the AGM of shareholders.

Traditionally, this is done to ensure that individual directors' remuneration is similar, and to avoid wide disparities within the company.

In Sweden, say-on-pay votes at the shareholders' AGM is a binding vote for or against the board of directors' proposed remuneration, including that of the CEO. Shareholders at the AGM must vote annually on guidelines to be applied in the accounting period for directors' remuneration.

The Swedish guidelines are laid out in the Swedish Companies Act. The guidelines must be forward-looking, but limited to the period until the next AGM. Salary and all other types of compensation must be equally addressed, including granting and vesting of options and any future payments in equity.

In the event that the exact amount cannot be aggregated, there must be guidelines that contain information on the nature of the remuneration as well as the estimated cost to the company.

In the company's annual report, disclosure is necessary on the information that has been approved by the board, but is not yet payable. There are individual and specific circumstances in terms of the Swedish Companies Act.

The Netherlands

In the Netherlands, the AGM of the shareholders must approve the company remuneration policy, and any amendments to this policy since the last meeting.[41]

This has been the case since 2005, and using this method of voting, shareholders are able to exert substantial influence on a listed company's remuneration policy.

The minutes of the meetings of listed companies reveal that corporate remuneration policies, as well as remuneration of individual directors, are regularly and heavily debated. Actual rejections, however, appear to be rare.

[41] Corporate Governance Code Monitoring Comm., supra note 289, at II.2.10

Are the days of long-term incentives numbered?

The UK Government is currently focused on strengthening public trust in UK businesses. In April 2017, in the wake of recent corporate governance scandals, including those at BHS and Sports Direct, the Business, Innovation and Skills Parliamentary Select Committee (now the Business Energy and Industrial Strategy Parliamentary Select Committee) published the results of an inquiry into corporate governance, with a focus on, inter alia, executive pay and worker representation.

In addition to this inquiry, in November 2016, the Department for Business, Energy & Industrial Strategy (BEIS) published a Green Paper intended to encourage debate and discussion on corporate governance reform to allow the Government to efficiently consider whether any changes are necessary. It is currently unclear what recommendations will be adopted by the UK Government. The Green Paper is discussed in the Global Regulatory Update chapter.

In this chapter we examine the impact these developments may have on incentive design in South Africa.

The Committee's conclusion regarding long-term incentive plans (LTIPs) in their current form (i.e. performance-based LTIs which vest after a three-year performance- period) is that they should be phased out.

However, the Committee maintains the view that best practice is that pay incentives should continue to focus on the long term, with incentive-related pay being valued by investors as a meaningful method of promoting long-term decision-making.

The Committee stated a preference for this link to be provided simply, through a portion of total remuneration being delivered in shares, which are restricted—meaning they can only be sold after certain periods of time.

The number of shares vesting would be determined as a portion of the total remuneration package, with the ultimate value being determined according to share price at the time of vesting. In the South African market, these awards are termed 'restricted shares', and can be delivered through a conditional share plan or forfeitable share plan.

Further, the Committee recommends that vesting of such restricted awards be over a longer term of five or more years, and that the use of such awards be combined with a decrease in use of short-term performance-related cash bonuses, with such bonuses being aligned, where possible, to 'wider company objectives or corporate governance responsibilities'.

In terms of short-term incentives, the Committee stated a preference for clear criteria and genuine stretch, resulting in bonuses operating as actual incentives.

While it remains to be seen which of the Committee's recommendations will be enacted into legislation in the UK, South Africa can take heed of the extensive research and evidence produced by the inquiry.

It should not be necessary to legislate, but rather executives should be encouraged to hold their shares earned through these plans. There is sufficient evidence in the market that confirms that there is a direct correlation between successful companies and executives holding shares in the company.

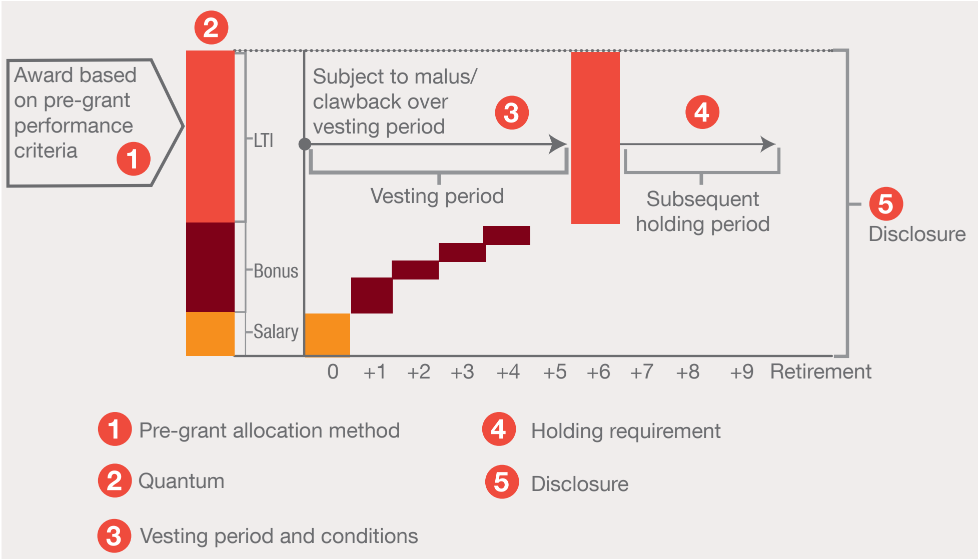
The purpose of an LTIP should be revisited and possibly one could conclude that if the objective is not to deliver shares to the executives to hold post vesting, there should not be an LTIP at all. In support of this objective, we take a look at an alternative model that could be considered.

An alternative long-term incentive model

In our 2013 edition of the *Executive directors' remuneration practices and trends* report, we discussed an alternative model for LTIs, which was based on a pre-grant allocation methodology.

The greater simplicity of this alternative model, combined with the transparency of its value, means that the irrational discount often applied by executives to deferred long-term incentive awards (which can be a discount of two- to three-thirds) falls away.

Performance on grant LTI: Key design decisions



1. The pre-grant allocation method

Three main approaches are being considered by companies for deciding the size of the LTI to be awarded:

- Performance scorecard;
- Fixed grant value; and
- Fixed grant number.

Some organisations have already been exploring the idea for some time with the performance linkage for the most senior people being derived purely through the share price.

Under this model, a share award is set at a level to deliver an appropriate competitive package, which then adjusts up or down over time with performance as the shares (which are subject to deferral and holding requirements) move in value.

A further performance ratchet can be introduced by awarding a fixed number of shares, set for perhaps three to five years, so that the grant value moves in line with the share price. So a fall in share price automatically scales back future compensation as well as awards already made.

2. Quantum

The clear expectation from investors is that a move to a model based on pre-grant performance criteria should result in a lower maximum quantum. In exchange for greater certainty, executives should be prepared to accept less reward. As supported by our research on the psychology of incentives, we also find this to be the case in practice.

The trade-off in each case will depend upon the plan design, but a discount of 25% to 33% in face value may be appropriate. If no performance conditions are applied to the stock award on grant, then the discount might be 50% or more.

3. Longer vesting period

There is an increasing consensus among investors that three years is not long enough for the consequences of senior management decisions to play out fully and that some form of performance accountability should be retained for a five-year period.

Although this may not necessarily mean five-year performance periods, it does mean that exposure to share price, and possibly clawback, should extend for five years.

4. *Holding requirements*

The objective of this model is to create large shareholdings, held for an appropriate period of accountability. This is the basis of alignment with performance and with shareholders.

'Hold-to-retirement' has become a popular way of referring to this. Under this model, all vested shares, or a portion thereof, have to be held until the individual leaves the business. However, this approach has some noted disadvantages.

We believe that an appropriate way to encourage shareholding, which is gaining increasing support in South Africa, is the adoption of a strictly enforced shareholding requirement.

Under this regime, the executive would not be allowed to sell any shares until the shareholding requirement has been met, and the requirement would be substantially higher than is currently typical—perhaps four to six times the base salary.

5. *Disclosure*

One concern of shareholders is that the performance-on-grant model places significant discretion in the hands of remuneration committees.

Shareholders continue to feel that discretion has not always been exercised appropriately. As a result, investors continue to demand a high degree of disclosure surrounding discretion—and this will particularly be the case where LTIs are moved to a performance-on-grant model. These disclosures should be tied in with the higher standard of disclosure introduced with King IV™.

With this degree of disclosure, the alternative model may actually facilitate a very open dialogue with shareholders about how the remuneration committee has assessed performance. This can result in sufficiently transparent disclosure about the link between pay and performance.

However, remuneration committees will need to earn the necessary trust before adopting a model that gives them more control.

Extending the model

For executive directors, it could be argued that there is no need for both bonuses and LTIs under the new model, particularly if the LTI is measured on an annual scorecard.

One radical approach is to remove the bonus component entirely and award all incentives through the new LTI structure. Alternatively, executive performance bonuses could be replaced by a fixed award of shares vesting over five years, so that the share award has both fixed and performance-on-grant components.

In summary

When this model was first put forward, there was a clear expectation from investors that a move to a model based on pre-grant performance criteria should result in a lower maximum quantum.

This is aligned with the spirit of the UK's findings in terms of long-term incentives, where concern about overall levels of executive pay have driven a move away from traditional pay-for-performance LTIs.

This aligns with our observation in the 2013 report that investors regard a reduction in overall quantum as an important part of the trade for greater simplicity and certainty for executives.

There has been historical resistance by institutional investors to awards without prospective conditions and, accordingly, any changes to traditional models should be undertaken only in the context of extensive shareholder engagement and dialogue.

However, where proposed changes take into account all relevant factors that may influence design, including the historical success of pay-for-performance incentives, shareholders should be supportive of the new regime.

Case study

A major theme emerging from the UK inquiry into corporate governance is that LTIs are not 'one-size-fits-all'.

LTIs should be simple and transparent in their design, incentivise over the long term, and not cause excessive shareholder dilution. Appropriate governance mechanisms, which are a fit for the particular company, should be incorporated and other factors unique to each company and its shareholders should be given due consideration.

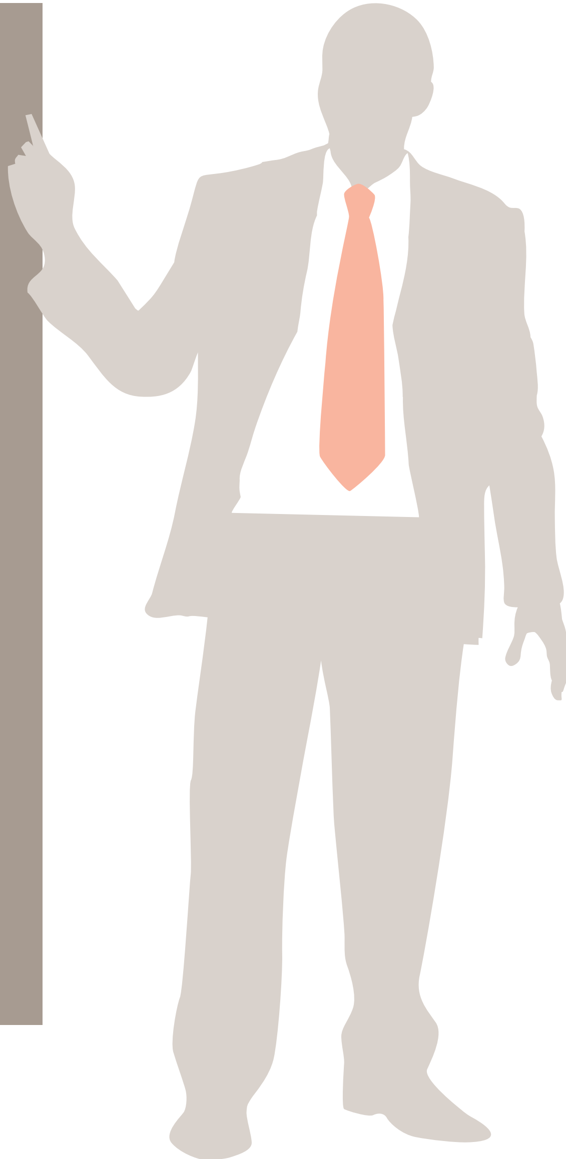
A mining company recently sought, after thorough engagement with its shareholders, to introduce a unique deferred share plan, which incorporates many of the recommendations set out in the Committee's findings. This was received positively by shareholders, and approved with a 97% vote.

Key features of the plan

- It is a simplified plan that replaces all current short- and long-term components with a single structure.
- It provides a single performance scorecard embracing both short- (annual) and longer-term objectives. Performance measures are based on the current year and trailing three-year periods.
- Payment is made through a combination of annual cash bonuses and deferred share grants vesting over five years.
- A portion of the incentive under the new proposed plan will be payable in cash, with the cash-settled portion lower in value than the share-settled portion. The balance of the incentive will be awarded as deferred shares (conditional shares with dividend equivalents) vesting equally over five years for participating executives.

Unique features:

- Reduced participation in the share incentive, with consequently less dilution.
- Introduction of clawback on vested awards.
- Minimum shareholding requirements for executives are applied.
- The plan will reduce the impact of uncontrollable factors such as the commodity price and currency fluctuations.



CEO succession in a digital world

Leaders have an essential role to play in ensuring an organisation's success and productivity and the performance of its employees. In the digital model of the Fourth Industrial Revolution (4IR), leaders increasingly need to be technocrats who understand the new business models and leadership qualities needed to flourish in a dynamic digital environment.

Contrary to the previous industrial revolutions, this one is evolving at an exponential rather than linear pace. New technology begets new and ever more capable technology. It involves the transformation of entire systems, across and within countries, companies, industrial sectors and society as a whole.

The next wave of economic dislocation will come from the relentless pace of automation that makes many good lower- and middle-class jobs obsolete.

The digital age thus demands a new business model and equally a commensurate new remuneration model.

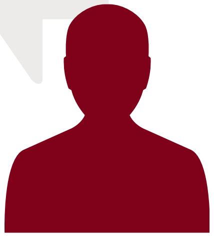
Digitization has changed all sectors of the economy, albeit in different ways.

Since 2007, our Digital IQ research has examined how far organisations have come and what's needed to unlock value from the next generation of digital technologies. The purpose of the survey has been to determine how organisations can maximise and profit from technology investment.

The world was a simpler place when PwC first set out to measure Digital IQ a decade ago. 'Digital' was just another name for 'IT'. The CIO was not generally regarded as a strategic leader, and putting new technologies to work was a relatively straightforward job.

52%
of the 2 216 executives in 32 countries surveyed rated their organisations as having a strong Digital IQ.

82%
of top performing companies, 62% with revenues of $1 billion or greater, pay attention to the human experience surrounding digital tech.



Today, the scope and scale of digital-driven change have grown immensely, and organisations have invested a lot of time and money to keep up.

Yet company leaders are no better equipped to handle the changes coming their way than they were in 2007. Organisations aren't so much falling behind as struggling to keep up with accelerating standards.

How, then, can you consistently unlock value from digital investments in a rapidly advancing world? The answer is at once simple and infinitely complex: Focus on the human experience. Rethink how you define and deliver digital initiatives, consider employee and customer interactions at every step of the way, invest in training and culture, and much more.

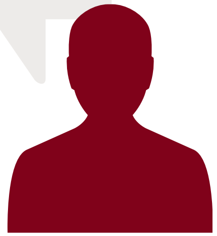
Digitisation today touches almost every aspect of human endeavour. City traffic, transportation, security, production machinery, farming … to mention a few, are all digitised to a lesser or greater extent.

This paradigm shift in how businesses will operate in the future will clearly change the strategic management ability of future CEOs.

Today's business environment cannot settle for incremental improvement. Change has already happened and instead of periodically reviewing performance in line with previous dispensations, the bar has been raised and CEOs are required to have the knowledge necessary to tackle the challenges of today. For example, King IV™ requires that the governing body of an organisation should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The standard questions posed when deciding on the succession of the CEO have undergone a paradigm shift to match those of the 4IR.

42%
of executives see the Internet of Things as disruptive to the business model.



CEOs in the digital world

Make digital transformation meaningful.

Effective CEOs will go to extraordinary lengths for causes they believe in to shape a powerful transformation story so as to create and reinforce their commitment to digital change. The ultimate impact of the story depends on the CEO's ability to calm the threat of the 4IR, to engage technology openly, and to reward successes as they emerge.

Recalibrate desired mindsets and behaviour.

Successful CEOs typically embark on their transformation journey with the weapon of digital technical knowledge. Their know-how encourages employees to support and engage in change.

Build robust knowledge-based top teams.

Harness the transformative power of new technology. The CEOs must make strategic decisions about who has the ability and motivation to accept the challenges and drive change.

Relentlessly pursue digital impact.

There is no substitute for the CEO who gets personally involved when significant financial and symbolic value is threatened by technological risk.

Source: http://archive.constantcontact.com/fs004/1101121492994/archive/1101554243444.html/Gov.com EPIC Change: How to Lead Change in the Global Age by Timothy R. Clark ISBN 978-0-470-18255-0: https://www.loc.gov/Accessed 1 June 2017: Chart PwC in Microsoft SmartArt™

Rethinking the business model is a challenge of note for CEOs

We have all become accustomed to disruption. In industry after industry, we see that those who cling to old business models lose ground. The 4IR will accelerate this sequence, especially in manufacturing, by reducing costs and improving efficiency on a broad scale. If a company is falling into the trap of thinking that it can be profitable following its traditional business model, it risks losing out to more flexible competitors.

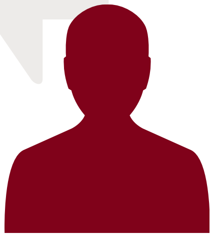
CEOs are not in the same industry that they were in before; soon, their industry may not even exist. Their path to profitability is different. Their opportunities for raising capital have changed. Their circumstances are probably different from those of any other company, so they need to look at them afresh, without relying on an industry playbook, and rethink their business models accordingly.

Finally, in a world of robotics and automation, it's important not to fall into the trap of putting machines before people. If people are shut out—of jobs, creative opportunities, income, and customer satisfaction—then embracing technology will backfire.

As the next revolution advances, it is imperative to keep working on the understanding of how people are interacting not just with the technology but also with its consequences, such as the issues of transparency, trust and privacy.

Business, in particular, will thrive in this new world only if its leaders understand the place of human values. So, enterprises need to be set up to foster better connections among people, to encourage humane behaviour, and to build the capabilities that overcome technological isolation.

39%
of CEOs use data analytics to find, develop and keep people.



A guide to leading the next Industrial Revolution

Source: Strategy&, 10 Principles for Leading the Next Industrial Revolution, https://www.strategy-business.com/article/10-Principles-for-Leading-the-Next-Industrial-Revolution

Digitisation and reward

PwC's 20th CEO Survey[42] found that 77% of CEOs are concerned that key skills shortages could impair their company's growth. That said, the percentage of CEOs who agree that their companies use technology to hire, train and retain people, or who are exploring the future impact of technology on their people or on the HR function itself, is fairly low.

It remains to be seen how, and the extent to which, digitisation will disrupt the composition of traditional financial performance metrics that drive the behaviours and competencies of CEOs; as well as its impact on short- and long-term incentive structures (which, as we have already explored in this publication, are already changing rapidly).

Currently, shareholders still favour predominantly financial performance metrics, with a gradual increase in demands for sustainability and fairness to permeate through a company's overall remuneration framework. More detail around shareholder sentiments concerning executive pay is set out in the King IV™-related chapter above.

In time, however, we anticipate that CEOs will (in addition to these considerations) also be selected and measured on their ability to navigate their companies through a rapidly changing global technological environment; and this will include developing appropriate incentivisation and retention strategies for their key talent pool.

[42] Available at *www.ceosurvey.pwc* , accessed on 15 June 2017.

The economics and ethics of pay

Since the introduction of this topic in the 2014 edition of this publication, the issue has gained significant momentum in the popular discourse, with politicians, economists and regulators getting increasingly involved locally and globally.

There is a significant consensus that inequality, unemployment and poverty should be national priorities, although the means of addressing these challenges remains under intense debate.

In this edition we provide an update of the new King IV™ requirements on fair pay, trends in executive remuneration, the latest estimate of the Gini co-efficient of the employed and the pay ratio, and discuss how companies are addressing the plight of their most junior workers. We also introduce the PwC global *Ethics of Incentives* survey, whose results will be released soon.

King IV™ and fair pay

The King IV™[43] Report issued in late 2016 provides clear guidance to the boards of companies to focus and report on the issue of fair and responsible remuneration.

Principle 14 of King IV™ states that the governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.[44]

Principle 3 (14) states that the governing body should oversee and monitor, on an ongoing basis, the management of an ethical workplace, including employment equity and fair remuneration.

[43] The King IV™ Report on Corporate Governance for South Africa 2016, The Institute of Directors of Southern Africa.

[44] King IV™ is a trademark of the Institute of Directors.

Fairness is defined in King IV™ as:

> *… the equitable and reasonable treatment of the sources of value creation, including relationship capital, as portrayed by the legitimate and reasonable needs, interests and expectations of material stakeholders of the organisation.*

It was noted at the World Economic Forum[45] in March 2017 that "Millions have been lifted out of poverty, yet rising inequality is feeding a growing disillusionment with globalisation".

The IoDSA Remuneration Committee Forum's recent paper on fair and responsible remuneration[46] discusses the burning question of "how much is enough?" when considering executive pay, concluding that the answer to this question lies between the extremes of "not less than the market" and "not more than the organisation can afford".

[45] World Economic Forum Meeting, March 2017, "Responsive and Responsible Leadership".

[46] Remuneration Committee Forum, Position paper 6, March 2017, Fair and Responsible Remuneration, Institute of Directors for Southern Africa.

The Forum notes, however, that perceptions of fairness by external stakeholders are driven by the absolute levels of pay and not by their relativity to peers. It also stresses that "remuneration decisions are responsible when funded [by] and linked to the creation of value over the long term". This resonates with our understanding of the position of most institutional investors, who are more focused on the alignment of pay with performance.

In our paper in the 2017 edition of the African Journal of Reward, we noted the progress on establishing a minimum wage in South Africa and discussed approaches to quantifying the wage gap and the basis for establishing an ethical framework for remuneration by the remuneration committee in consultation with the social and ethics committee for consideration and adoption by the board.[47]

[47] Finding the Balance – Towards an Ethical Framework for Remuneration (Hopkins, Crous, Botha), April 2017 in the African Journal of Reward, Ed. 2.

The Global PwC and London School of Economics survey on the ethics of incentives

This survey is part of a research project that is being conducted by Professor Alexander Pepper and Dr Susanne Burri of the London School of Economics in conjunction with PwC. The survey is currently in progress, with results expected later in the year.

A large number of stakeholders are responding to a set of questions which gauges their views on 'distributive justice' with respect to distribution of the profits of companies by means of remuneration.

The questions explore a range of paradigms, ranging from a Marxist approach on the one hand, to unfettered free market principles on the other.

An analysis of the PwC REMChannel® survey indicates that the most junior workers in the survey (at Paterson grade A1 level) received increases of ***16%*** *during the past year.*

Source: PwC analysis

Executive pay trends

Large listed companies continue to exercise caution when considering the pay levels of their CEO and executive committee members.

While the average levels of pay remain high relative to workers, and are viewed as excessive by institutional investors, shareholders, trade unions and the general public, increases in guaranteed pay have generally remained subdued and are below those granted to workers.

The PwC REMChannel® survey found that the most junior workers in the survey (at Paterson grade A1 level) received increases of **16%** during the past year.

Structurally, the trend towards less volatile and geared LTIs (share awards) remains in place,[48] with share options and share appreciation rights being replaced by restricted shares, bonus shares and performance shares, which provide better alignment with shareholder interests and are more likely to avoid extreme payouts. We explore the future of LTI structures in the chapter where we discuss a new model for executive pay.

In the UK and the EU, the regulatory changes (CRD IV) in the financial services sector, which cap the absolute level of variable pay to 100% of fixed pay (up to 200% with shareholder approval), have also decreased the volatility and maximum earning potential of banking executives.

We are seeing the impact of these regulations in South Africa among UK- and European- headquartered banks such as Barclays Africa, Investec and Mercantile Bank.

In addition, malus and clawback provisions—which require forfeiture, and in some cases repayment, of cash and share-based incentives in the event of material misstatement of financial results, or major reputational or economic disaster—have added to the governance measures related to executive remuneration.

Institutional investors are also requiring executives to build up their own shareholding in the company to target levels that are generally expressed as multiples of their own guaranteed package. These are known as minimum shareholding requirements (MSRs).

The variable pay cap in terms of CRD IV has ***decreased the volatility and maximum earning potential*** *of banking executives in the UK and other European countries..*

[48] PwC Long-Term Incentive Survey, 2016.

The Gini coefficient of the employed and the pay ratio

In the 2014 edition, we calculated the Gini coefficient of the employed in South Africa on the basis of all employees' data in the PwC RemChannel® salary survey, as 0.44.

This was much lower than the national figure for all South Africans of 0.65 quoted by the World Bank. The primary reason for the difference between that national figure and our estimate of the Gini coefficient of the employed is the high rate of unemployment in South Africa.

The official rate of unemployment in South Africa as at Q1 2017 was **27.7%** with the extended definition of unemployment, which includes discouraged work-seekers, rising to **36.4%.**[49]

[49] Quarterly Labour Force Survey, Q1 2017, Statistics South Africa.

We have updated the calculation of the Gini coefficient of the employed in South Africa, based on the salary data in the PwC RemChannel® salary survey database at May 2017. The figure for this year remains stable at **0.43** compared to **0.43** in 2015 and 2016 and **0.44** in 2014.

The pay ratio for a company, which is the ratio between the total remuneration of the CEO and the average or median of the total remuneration of all other employees of the company, ranges from **12.8** to **61.8** on the basis of our 2017 data, compared to a comparable range of **12.7** to **64.8** in 2016.

Essential benefits and sufficient pay for junior workers

In the year since we first discussed an appropriate focus on the financial wellness of junior workers and on ways to sustainably increase the pay levels of junior workers, many South African companies have been working on practical measures to address these issues.

The concept of 'essential benefits', where companies explore the use of their buying power to procure essential goods and services for their more junior employees, is gaining traction. The concept of a living wage, and the consideration of an appropriate mechanism to establish the principles and practice of determination of this pay level, is also emerging as a compelling solution to address junior worker pay.

A dialogue has commenced with the UK Living Wage Foundation regarding how their methodology and approach could be adopted in South Africa. However, the most profound challenge is to gather support and consensus from a diverse range of interests to yield a credible approach and result.

These approaches may well offer ethical and economically successful companies a viable method of determining an appropriate minimum level of payment for junior workers and provide a mechanism for resolving toxic and unproductive disputes over pay between business and labour.

Conclusion

It is clear that discussions about the contribution of pay fairness to addressing the issues of inequality, unemployment and poverty are gaining momentum.

The global discussions on the matter at Davos, the new King IV™ requirement to consider fair and responsible remuneration in the context of the overall remuneration of the organisation, and the almost daily mention of this matter in the national and global discourse are evidence of this.

Our annual analysis of pay statistics indicates the Gini coefficient of the employed has remained steady at **0.43**, but that there is evidence of companies attending to the plight of the most poorly paid employees, with an average annual salary increase of **16%** at this level.

The upper end of the pay ratio decreased somewhat from a range of **12.8** to **61.8** on the basis of our 2017 data, compared to a comparable range of **12.7** to **64.8** in 2016.

The results of the London School of Economics and PwC survey on the ethics of incentives, which will be released soon, should also provide a useful moral compass to assist remuneration committees and boards in setting their own ethical framework.

Focus remains on executive pay, with generally subdued increases in executive pay compared to lower-level staff, despite a few egregious examples of inappropriate lump sum payments in the past year. South African companies are now adopting the global trend of imposing malus and clawback conditions on executive incentives, and requiring the adoption of MSRs.

Our opinion remains that focusing on the financial wellness of junior workers, exploring essential benefits and aspiring to pay at least a living wage is a sound strategy. In addition, investing in education and skills development provides a longer-term solution to addressing inequality and achieving economically sustainable prosperity.

Gender parity: The hidden value

Forty percent of today's global workforce is female, yet women hold just 5% of global CEO positions. The need to address the gender imbalance becomes more evident when analysing the statistics.

The statistics

The annual *Strategy& CEO success study*[50] highlights the incoming class of CEOs at the world's 2 500 largest public companies. Globally, companies appointed 12 women CEOs in 2016—3.6% of new CEOs. This marks a return to the slow trend towards greater diversity that has been in place over the last several years, and marks a recovery from the recent low point of 2.8% seen in 2015.

50 https://www.strategyand.pwc.com/

Furthermore, in PwC's *The female millennial: A new era of talent*[51] study, in which nearly 10 000 female millennials were surveyed across all industries, 43% indicated an ongoing employer bias favouring men when it comes to promotions and 30% identified a bias favouring men around career development.

The majority (71%) also agreed that while organisations talk about diversity, they do not feel opportunities are equal for all; this is up 17% since the previous survey.

In the financial services sector, PwC's *Making diversity a reality* found just 35% of female millennials believe they can rise to senior levels within their current organisation and nearly 30% don't believe there are top female role models they can look up to in their organisation.[52]

51 https://www.pwc.com/jg/en/publications/the-female-millennial-a-new-era-of-talent.html

52 https://www.pwc.com/gx/en/industries/financial-services/assets/pwc-diversity-and-inclusion-making-diversity-a-reality.pdf

While 60% of multinational organisations use global mobility to develop their future pipeline of leaders, only 16% said women are proportionately represented in their mobility programmes, and just 22% are actively trying to increase their level of female mobility.

A recent analysis of 300 US start-up investments backed by venture capitalists found that those companies with a female founder performed 63% better than those with all-male founding teams.

This is in line with findings from PwC's *18th Annual Global CEO Survey* where 85% of CEOs whose companies had a formal diversity and inclusion strategy said it had improved their bottom line, while also enhancing innovation, collaboration, customer satisfaction and talent attraction.[53]

53 https://www.pwc.com/gx/en/ceo-survey/2015/assets/pwc-18th-annual-global-ceo-survey-jan-2015.pdf

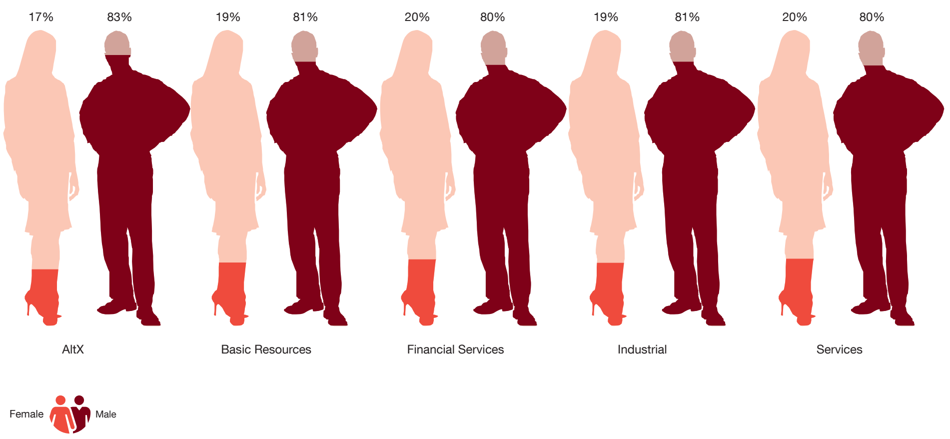
Lehigh University's recent study, *Women on boards and firm financial performance: A meta-analysis* tells a similar story.[54] It looked at more than 90 000 companies in 35 countries and found a clear link between the level of female board representation and market performance, though this occurs where women have a strong presence across all sectors of leadership.

In Africa only 5% of CEOs are women.[55] This falls far short of the desired target of 50% to achieve gender equality. In South Africa, JSE-listed companies have a long way to go in achieving the target for female CEO. There is only one female CEO in the top 40 JSE listed companies. The sparseness in medium and small cap companies are too few to warrant calculating a percentage.

54 http://amj.aom.org/content/58/5/1546.abstract

55 Women Matter Africa – making gender diversity a reality: McKinsey & Company August 2016

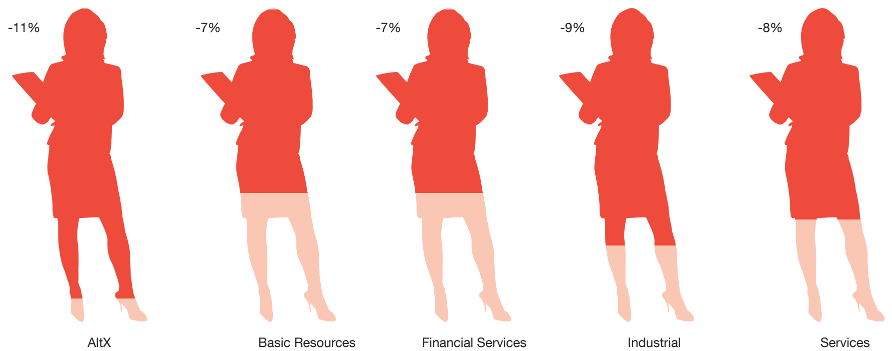
Fig. 1 Gender pay gap: JSE-listed companies, 2016



Total guaranteed pay for women is still below the level paid to their male counterparts, where equal pay for equal work should be the rule. It is encouraging to see that this too is improving.

Fig. 2 Gender median pay gap: JSE-listed company executives, female vs male (TGP)

Source: PwC analysis



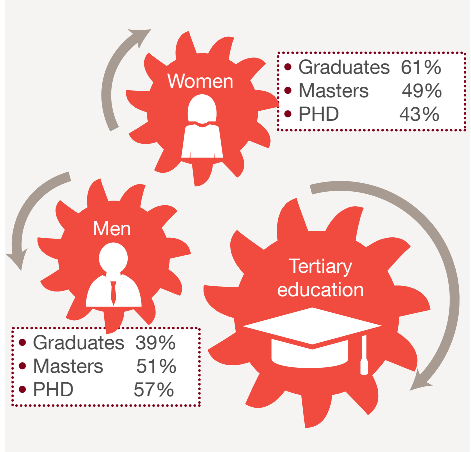
South Africa offers equal opportunity education to both sexes with nearly full enrolment in primary and secondary education. Between the ages of 7 and 15 years, 98.6% of girls are enrolled, and 98.3% of boys.

As in most OECD[56] and partner countries, women in South Africa are more likely than men to study education and health at the tertiary level. Women also tend to be under-represented in traditionally male-dominated fields such as engineering, manufacturing and construction.[57]

[56] The Organisation for Economic Co-operation and Development (OECD) is a group of 35 member countries that discuss and develop economic and social policy.

[57] Education at a Glance: OECD Indicators 2016

Tertiary education: Executive directors of JSE-listed companies



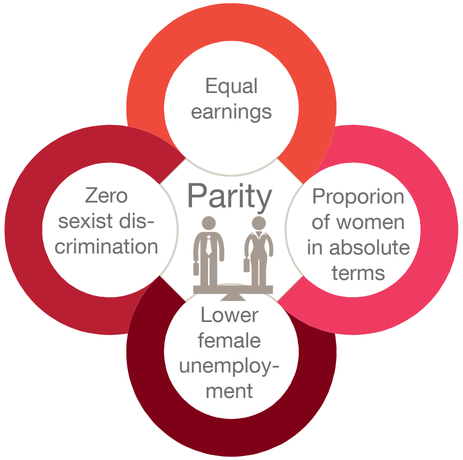
Source: PwC analysis

Women in South Africa are almost as highly educated, and in some instances more so, than their male counterparts. More than 60% of graduates from bachelor's, or equivalent, programmes were women, which is higher than the G20 average of 55% and the OECD average of 58%. At master's and doctoral level in South Africa, women represent 49% and 43% of graduates respectively.

How can gender parity be rectified?

OECD researchers have compiled an index that combines five key indicators of female economic empowerment. The Nordic countries, notably Iceland, Sweden and Norway, continue to occupy the top positions.

Factors essential to achieving gender parity more quickly



The JSE introduced listing requirements in 2015 that require listed companies to have a policy for the promotion of gender diversity at board level and disclose their performance against it.

The provisions were effective from January 2017, and the JSE will report progress made by listed companies in this regard.

Gender pay gap

The critical area to achieving gender parity is still the gender pay gap. A simple extrapolation of historical trends suggests that the gender pay gap across the OECD might not close fully for almost a century, with some countries achieving parity earlier than others. To underline this disparity the table below suggests that in the developing countries achievement of this goal remains a long way off.

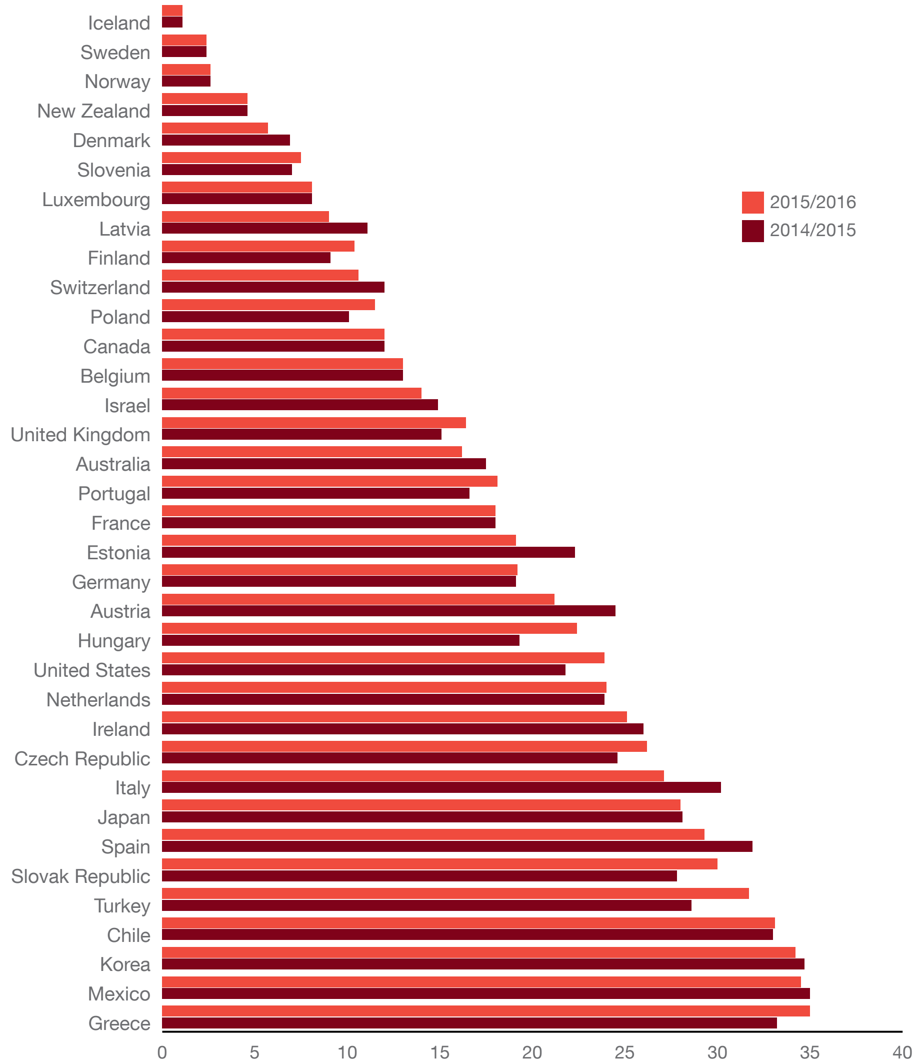
Within 20 years		*Within 50 years*		*Within 100 years*		*Within 300 years*	
Poland	2021	United Kingdom	2041	United States	2070	Korea	2118
Luxembourg	2022	Sweden	2043	Finland	2071	Spain	2230
Belgium	2028	Israel	2046	Norway	2073	Germany	2297
Ireland	2032	Iceland	2051	France	2084		
Greece	2033	Netherlands	2052	Hungary	2102		
		Slovak Republic	2053	Denmark	2108		
		New Zealand	2056	Mexico	2115		
		Japan	2058				
		Austria	2058				
		Canada	2062				
		Czech Republic	2065				

Source: OECD and Eurostat data

What are the causes of the pay gap? Although direct discrimination (women getting paid less than men for the same work) is a factor, it does not fully explain the global gender pay gap. Research shows that once the unadjusted pay gap, which averages 10-20% in advanced economies, is controlled for occupation, education, experience, location and company, the resulting adjusted pay gap falls to less than 10%.

Although direct discrimination is nevertheless an important factor driving the pay gap, other factors are also at work, namely the lack of female representation in higher-paying jobs and industries.

Fig. 3 OECD countries' gender pay-gap ranking (%)



Source: OECD and Eurostat data

Policies that directly address these factors can, therefore, have a substantial impact on the gender pay gap. For example, increasing the availability of affordable childcare can help narrow the gap by enabling greater female participation in the workforce.

The high-performing countries have lower costs of childcare. Encouraging greater sharing of caring responsibilities, such as shared parental leave, can also help more women return to work earlier following the birth or adoption of a child.

Countries like Sweden have also taken it a step further by introducing use-it-or-lose-it entitlements, which have significantly increased take-up by the fathers.

Creating flexible working opportunities and making them more widely available can enable employees to manage their family commitments around work. Empathy here can also open up channels for female career progression where, traditionally, performance is measured based on inputs such as working hours rather than outcomes.

Many studies have highlighted the benefits of increasing diversity in leadership positions. Substantial economic gains are possible by closing the global gender gap. Pay parity across the OECD would increase female pay by almost US$2 trillion dollars. Multiplier effects from this additional spending could generate an even larger boost to GDP. Not only would this be the ethical thing to do, but it would also be profitable to companies and the countries in which they operate.[58]

PwC analysis shows that there are significant economic benefits in the long term from increasing the female employment rate to match that of Sweden; the GDP gains across the OECD could be around US$6 trillion.

Source: PwC Women in Work Index

[58] *http://pwc.blogs.com/psm_globally/2017/04/women-in-work-the-potential-2-trillion-prize-from-closing-the-gender-pay-gap-.html*

UK gender pay reporting disclosure[59]

The UK has joined a growing number of countries, including the US, Australia, Sweden and Denmark, which require companies to publish gender pay data.

PwC UK[60] undertook a survey of 130 companies across all sectors to gauge their approach to managing these new reporting requirements. We take a closer look at the legislation and the findings of this survey and consider its possible impact for South Africa.

If your company compares unfavourably to the organisations you compete with for talent, the scrutiny could prove costly. It could deter the best candidates from joining your business and may influence existing staff who do not see a future in your organisation.

Beyond the talent considerations, bad publicity about diversity and inclusion could put off customers, impair your ability to tender for business or lead to an increased risk of equal pay or discrimination claims.

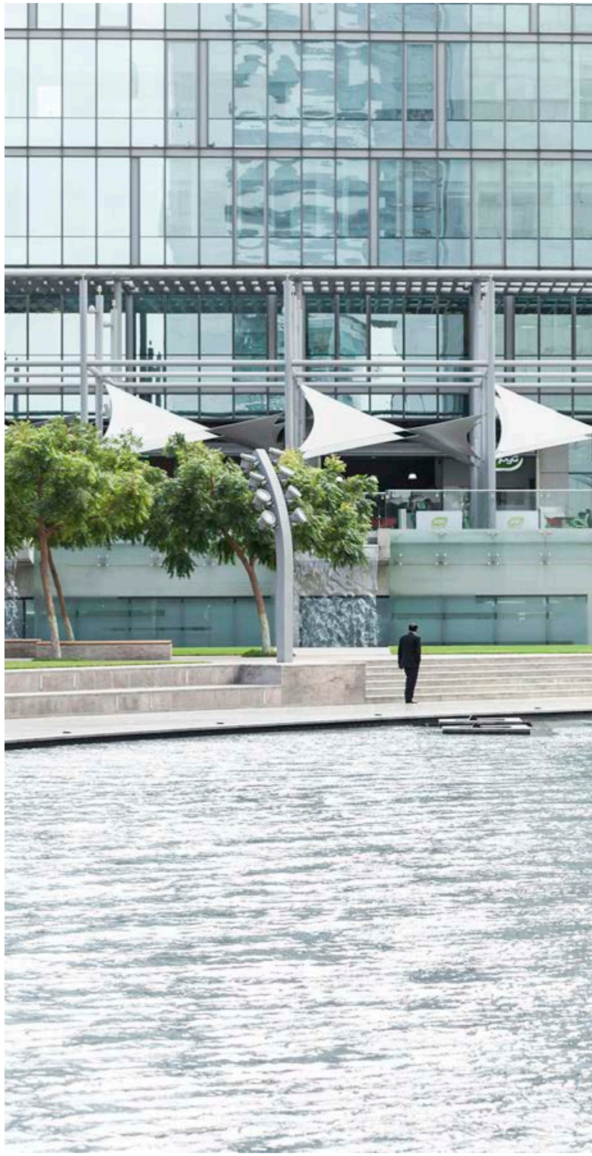
At a time when fairness and the role of business in society is under the spotlight, gender pay reporting will be a new metric on which organisations will be appraised.

While it is important to run the numbers and look closely at how each organisation will come across under these new disclosure requirements and reporting demands, it is more important to understand how they will prepare their approach to dealing with the inequalities within their organisation.

This may be the catalyst for organisations to manage potentially unfavourable perceptions, and acknowledge that there are issues that need to be addressed and demonstrate a commitment to resolving them.

For example, a renewed focus may be put on how to build diversity and inclusion into a more compelling employee value proposition in areas ranging from talent development and succession planning to flexible working and work-life balance.

Closing the gender pay gap will not only make an organisation more attractive to talent of both sexes, but will also make it more productive and favourably perceived within the marketplace.



59 *Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require employers with more than 250 employees to publish information about their gender pay gap results.*

60 *http://pwc.blogs.com/press_room/2017/04/pwc-experts-comment-on-gender-pay-gap-reporting.html*

Gender pay reporting: Deadlines and mandatory requirements

UK employers were required to take a first data snapshot on 5 April 2017, to be analysed and published on a date of their choosing, but no later than 4 April 2018. The gender pay gap information needs to be published on the employer's website (and signed off by a senior executive to validate the accuracy of the information). The figures also need to be published on a Government-sponsored website.

According to the regulations, companies will be expected to set out data on the differences between their male and female employees, including:

- The difference in the mean hourly pay of male full-pay relevant employees and female full-pay relevant employees, expressed as a proportion of the male figure;
- The difference in the median hourly pay between male full-pay relevant employees and female full-pay relevant employees, expressed as a proportion of the male figure;
- The difference in the mean bonus pay between male and female employees, expressed as a proportion of the male figure;
- The difference in the median bonus pay between male and female employees, expressed as a proportion of the male figure;
- The number of male and female relevant employees in each quartile of the overall pay range; and
- The proportion of male and female employees who received a bonus in the year.

In addition to this information, employers can provide contextual narrative explaining any pay gaps and setting out what remedial action they intend to take in line with the guidance published alongside the regulations.

While there are currently no civil penalties for non-compliance, the Government is keeping this under review. The broader challenges for companies are the potential negative publicity, the impact on the company's reputation and employee relations, and the potential risk of equal pay claims.

The intention of the legislation isn't to name and shame (although this will inevitably happen), but rather to accelerate progress on gender equality by closing pay gaps and bringing more women into senior positions.

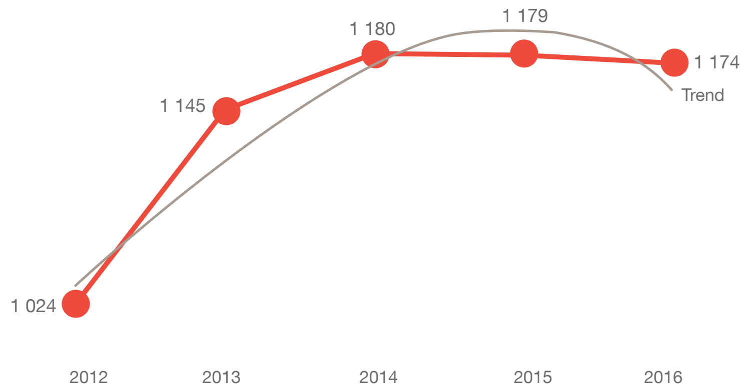
Gender pay forms part of the growing focus on fairness and inclusion within our society, which are increasingly important elements of how businesses are expected to operate and how they are judged.

Profile of an executive director

Executive directors are responsible for the successful leadership and management of the organisation according to the strategic direction set by the board of directors. Mandatory appointments are CEO and CFO.

The cut-off date to view published accounts for listed companies was 28 April 2017. At this date, there were 1 174 (2015: 1 179) executive directors appointed to active JSE-listed companies. There were 355 CEOs (2015: 338), 310 CFOs (2015: 304) and 509 executive directors (2015: 537) in office at that date.

Fig. 1 Executive directors JSE headcount, 2012-2016



Source: PwC analysis

The number of executive directors has levelled out over the past few years. During the 2016 reporting period, fifteen new companies listed on the JSE, 23 companies delisted and 13 companies changed their names.

Headcount across sectors is also similar to that reported during past periods.

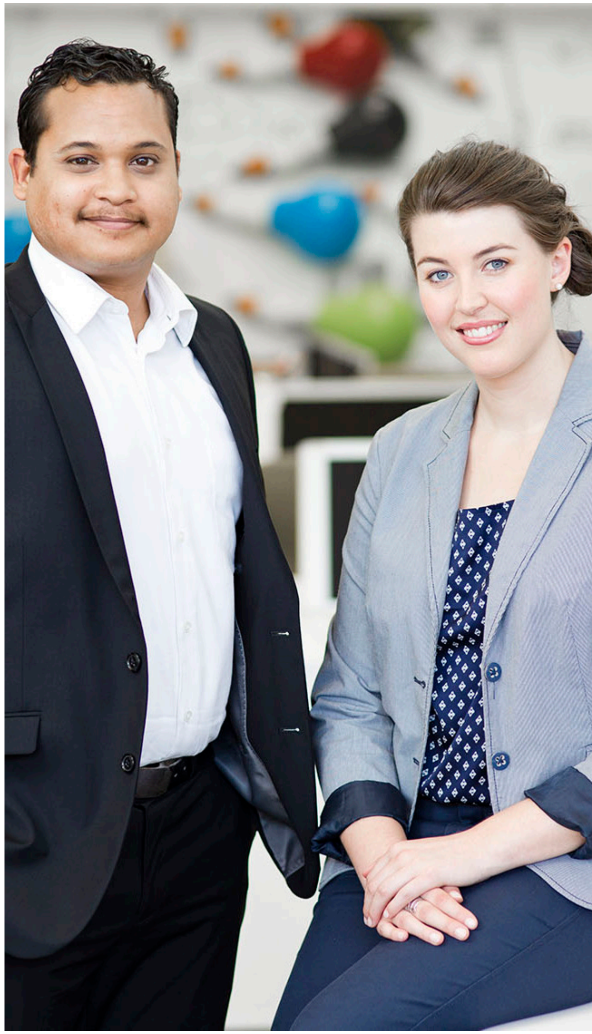
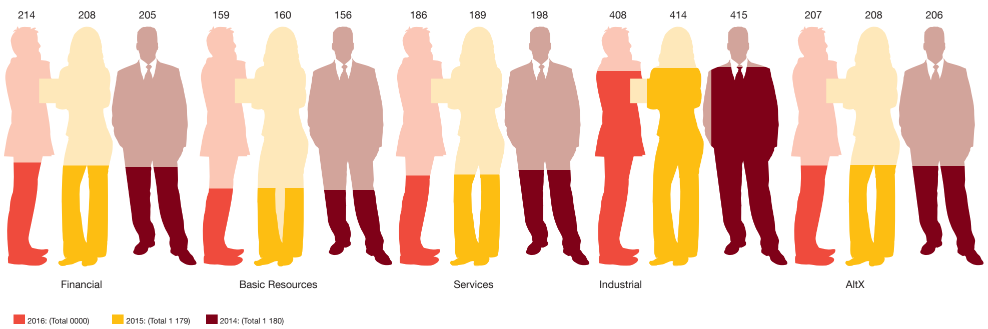


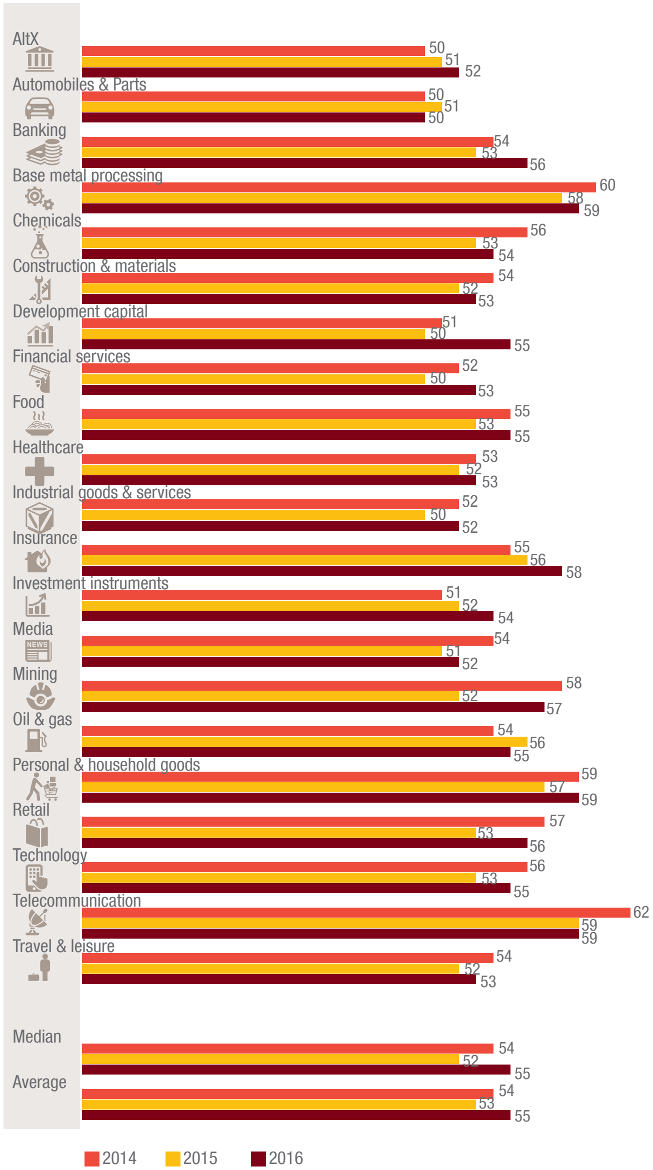
Fig. 1 *Number of executive directors of JSE companies by sector*



Source: PwC analysis

There has been a slight downward trend across industry subsectors in the median and average age of executive directors to 52 and 53 respectively.

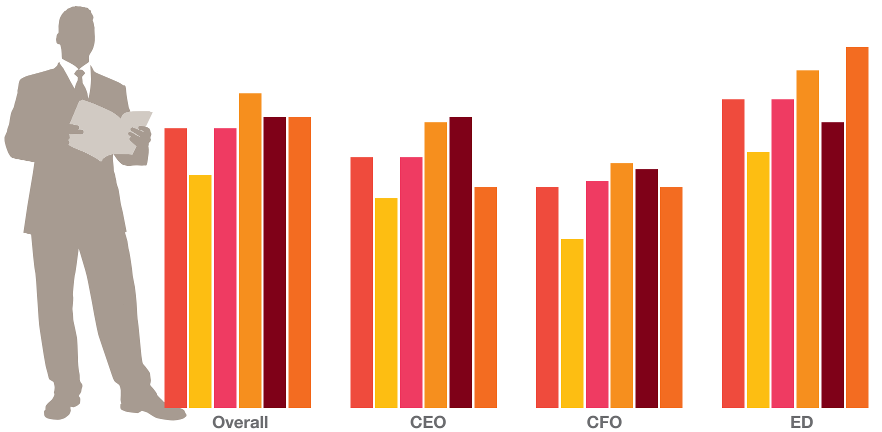
Fig. 2 *Average age of executive directors by subsector*



Source: PwC analysis

Board tenure for executive directors on the JSE for reporting periods 1994 to 2016 is 4.8 years. The longest tenure is for EDs, followed by the CEO and the CFO, trailing somewhat at 3.8 years.

Fig. 3 Executive directors' average board tenure, 1994-2016



	Overall	CEO	CFO	ED
Average tenure	4.8	4.3	3.8	5.3
AltX	4.0	3.6	2.9	4.4
Basic resources	4.8	4.3	3.9	5.3
Financial services	5.4	4.9	4.2	5.8
Industrial	5.0	5.0	4.1	4.9
Services	5.0	3.8	3.8	6.2

Source: PwC analysis

Executive directors' remuneration: JSE trends

Total guaranteed package

Total guaranteed package (TGP) is that portion of remuneration that is paid regardless of company or employee performance and is a fixed cost made up of salary plus stated benefits. Here we review the TGP over a three-year timescale.

LTIs are excluded since this is not only complicated to define but difficult to report on given the different schemes companies have implemented over the years.

When directors are paid in foreign currency and the amounts are converted into rands, fluctuations in the exchange rate may result in substantial increases or decreases in the value of their remuneration. On the JSE, 153 (2015: 140) executive directors were paid in foreign currency during the period under review.

Rand exchange rate against major currencies

Since April 2016 to the current cut-off date, the principal currencies in which some executives receive their remuneration have appreciated quite substantially.

Currency	29 April 2016	28 April 2017	Rand appreciation
Australian dollar	10.846	10.025	7.6%
Euro	16.181	14.569	10.0%
UK pound	20.774	17.277	16.8%
US dollar	14.218	13.376	5.9%

Source: Oanda.com

Summary: Total guaranteed package

For ease of reference, the following summary draws together two years of data showing TGP levels and increases given to all positions: CEOs, CFOs and executive directors. The average inflation in South Africa for the 2016 reporting period was 6.6% (2015: 6.2%).

Total guaranteed package

	2015 R'000s	% Increase/ Decrease	2016 R'000s	% Increase/ Decrease
All of JSE				
Upper quartile	6 040	8.7%	6 339	4.9%
Median	3 694	12.0%	3 906	5.7%
Lower quartile	2 147	3.2%	2 275	6.0%
CEOs				
Upper quartile	7 697	7.9%	7 891	2.5%
Median	4 572	10.7%	4 846	6.0%
Lower quartile	3 134	2.3%	3 332	6.3%
CFOs				
Upper quartile	4 649	11.0%	4 888	5.1%
Median	3 213	-12.1%	3 398	5.8%
Lower quartile	1 901	-3.4%	2 021	6.3%
EDs				
Upper quartile	4 229	14.2%	4 382	3.6%
Median	2 805	9.0%	2 975	6.1%
Lower quartile	1 985	-1.3%	2 149	8.3%

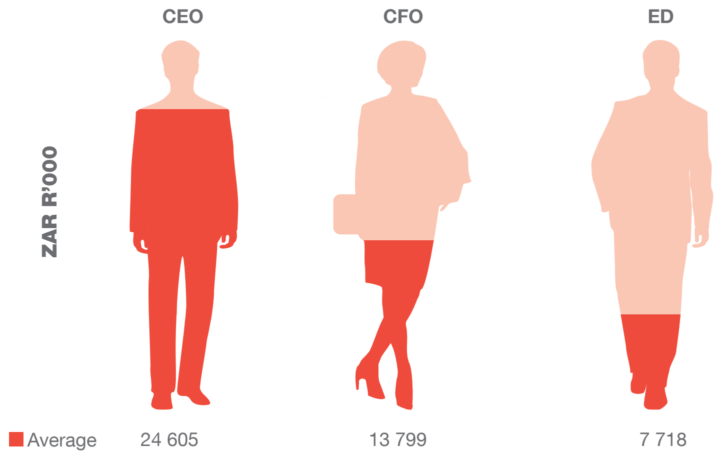
Source: PwC analysis

Published accounts are not coterminous since companies have different financial year ends. The comparator years are the latest accounts available during the reporting period. This methodology is consistent for remuneration trends in all editions of this publication.

Top 10

The top-10 listed companies on the JSE account for 60% (R8.4 trillion) of the market capital invested. For the first time, we analyse the total guaranteed packages paid to the executive directors of these companies (regardless of industry sector). Since the sample is not sufficiently large to calculate quartiles, only the average has been used.

Fig. 1 TGP paid to executives of JSE top-10 companies



Source: PwC analysis

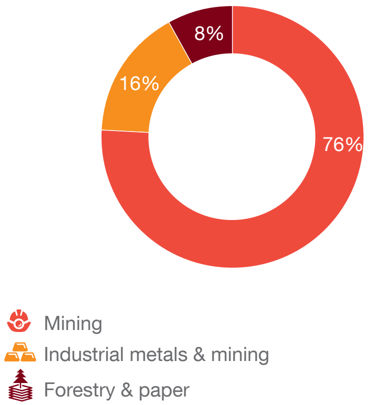
Basic resources

There are 53 active companies included in this sector, with only eight still being listed among the large-cap companies on the JSE. Most of these large-cap companies have global operations, with their headquarters and primary listings outside of South Africa. The remuneration levels within these large-cap companies are either in the upper quartile or are outliers.

The main component of this sector is mining companies. Since the 1990s, the biggest influence on the global mining sector has been growth in the Chinese economy. Between 2002 and 2012, the country experienced average annual GDP growth of 10.4%.

The Chinese growth cycle has since decelerated significantly. In 2015 it grew at 6.9% and in 2016 at 6.7%, according to official data released in Beijing. The impact of weak global demand for raw materials has negatively affected the basic resources sector since 2008 and accordingly we have seen only modest increases in directors' remuneration across this sector.

Fig. 2 Basic resources: Market capitalisation by subsector



Source: PwC analysis

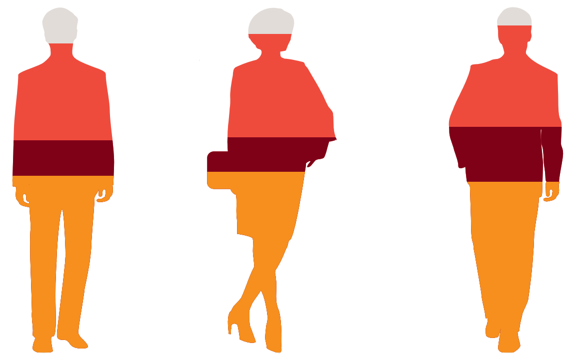
Basic resources: Large caps

Median increases awarded in 2015/2016

	2015	2016
CEO	1.3%	4.8%
CFO	-3.5%	6.1%
ED	1.5%	6.6%

Source: PwC analysis

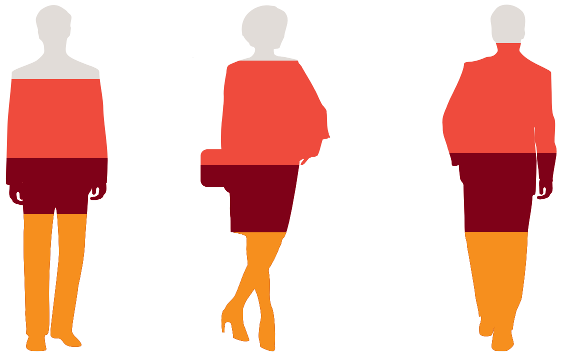
Fig. 3 Large-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	31 585	32 597	33 442
TGP – median	21 670	21 959	23 002
TGP – lower quartile	18 061	18 344	17 433

Source: PwC analysis

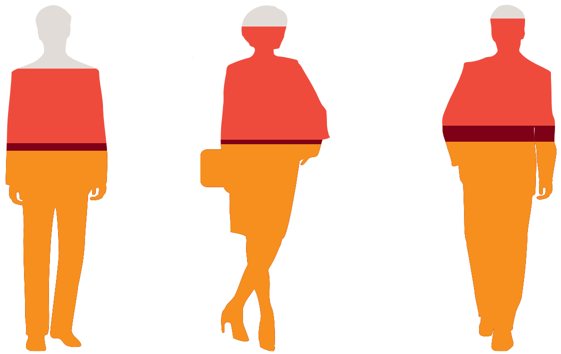
Fig. 4 Large-cap CFO (R’000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	15 809	16 917	17 913
TGP – median	11 189	10 792	11 447
TGP – lower quartile	7 932	6 860	6 890

Source: PwC analysis

Fig. 5 Large-cap ED (R’000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	20 549	23 637	24 222
TGP – median	15 112	15 334	16 351
TGP – lower quartile	14 549	15 011	15 221

Source: PwC analysis

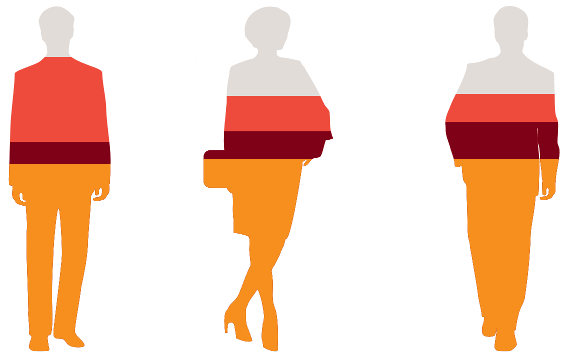
Basic resources: Medium caps

Median increases awarded in 2015/2016

	2015	2016
CEO	4.6%	4.4%
CFO	2.0%	3.9%
ED	6.0%	6.4%

Source: PwC analysis

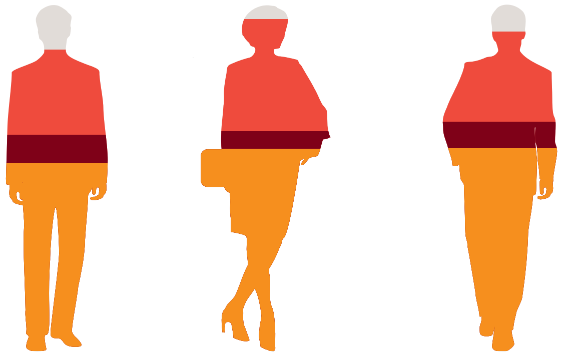
Fig. 6 Medium-cap CEO (R’000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	10 297	8 913	9 001
TGP – median	7 332	7 669	8 007
TGP – lower quartile	6 548	6 696	6 712

Source: PwC analysis

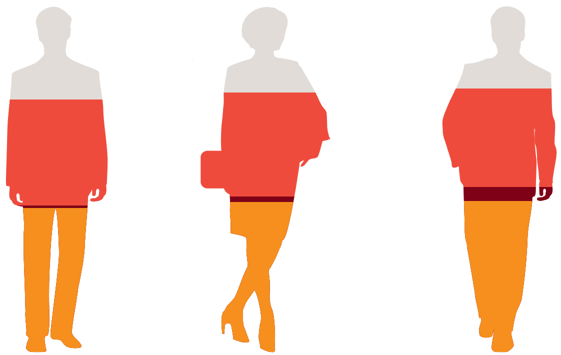
Fig. 7 *Medium-cap CFO (R'000s)*



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	7 029	7 737	7 433
TGP – median	5 018	5 119	5 321
TGP – lower quartile	4 362	4 706	4 712

Source: PwC analysis

Fig. 8 *Medium-cap ED (R'000s)*



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	5 884	6 044	6 130
TGP – median	3 390	3 592	3 822
TGP – lower quartile	3 352	3 491	3 500

Source: PwC analysis

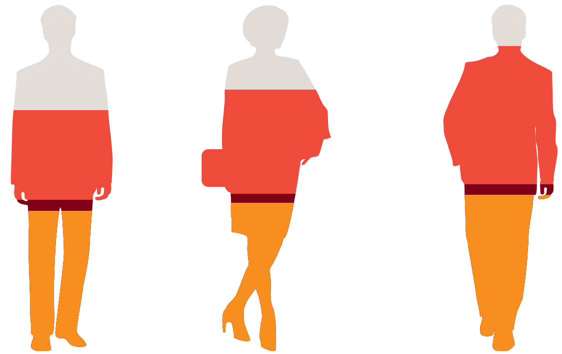
Basic resources: Small caps

Median increases awarded in 2015/2016

	2015	2016
CEO	4.0%	5.9%
CFO	8.0%	8.6%
ED	4.0%	5.4%

Source: PwC analysis

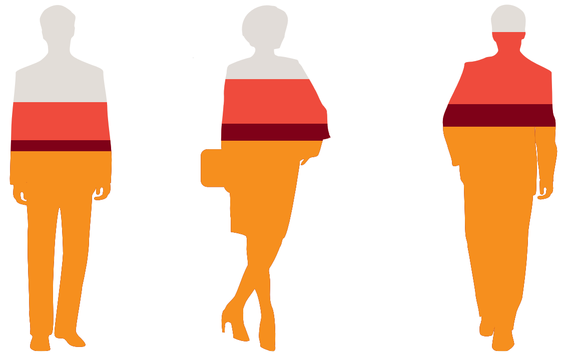
Fig. 9 *Small-cap CEO (R'000s)*



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 449	2 664	3 103
TGP – median	1 533	1 594	1 688
TGP – lower quartile	1 425	1 495	1 580

Source: PwC analysis

Fig. 10 Small-cap CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	1 811	1 977	2 324
TGP – median	1 530	1 652	1 794
TGP – lower quartile	1 450	1 529	1 633

Source: PwC analysis

Fig. 11 Small-cap ED (R'000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	1 969	2 004	2 181
TGP – median	1 828	1 901	2 003
TGP – lower quartile	1 329	1 225	1 447

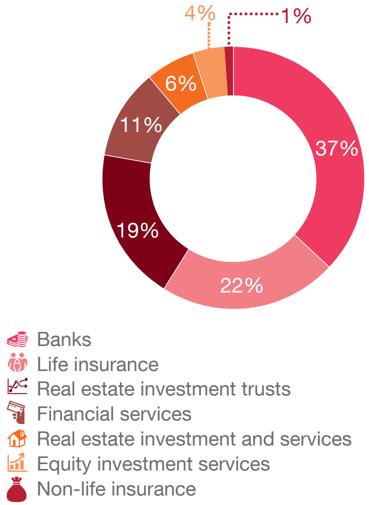
Source: PwC analysis

Financial services

There are 95 companies included in this sector. They are spread over seven subsectors.

Facing an environment of low economic growth and high unemployment, the squeeze on consumer spending has been tightening over a number of years. This has had a significant impact on financial services companies, which have increasingly turned to cost reduction and expanding their businesses beyond South Africa in order to bolster returns. These initiatives have had mixed results and the performance of executive directors is being keenly observed by shareholders.

Fig. 12 Financial services: Market capitalisation by subsector



Source: PwC analysis

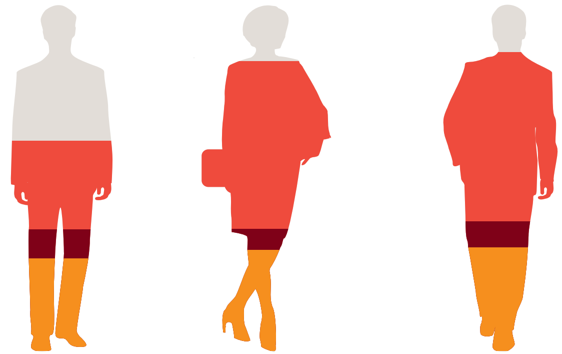
Financial services: Large caps

Median increases awarded in 2015/2016

	2015	2016
CEO	0.6%	6.3%
CFO	7.0%	6.9%
ED	5.0%	7.0%

Source: PwC analysis

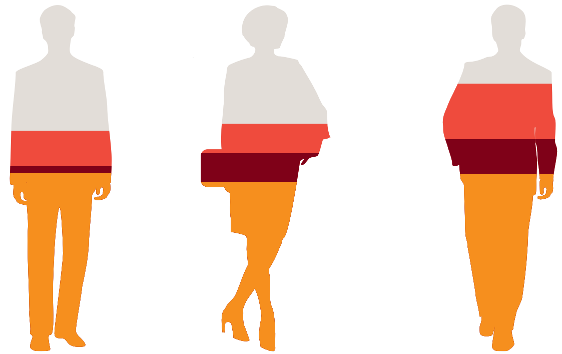
Fig. 13 Large-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	12 234	16 864	17 385
TGP – median	7 006	7 050	7 494
TGP – lower quartile	5 352	5 816	6 000

Source: PwC analysis

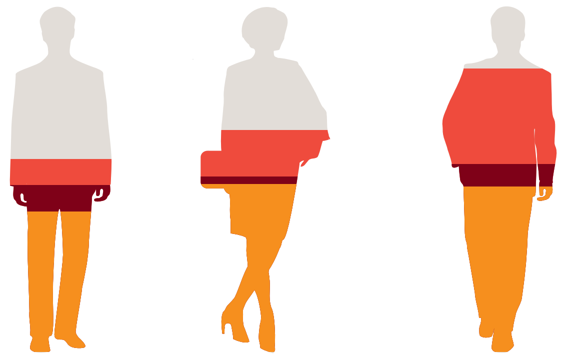
Fig. 14 Large-cap CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	5 119	5 290	6 225
TGP – median	4 292	4 592	4 908
TGP – lower quartile	4 122	3 924	4 111

Source: PwC analysis

Fig. 15 Large-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 480	5 156	6 609
TGP – median	3 882	4 076	4 362
TGP – lower quartile	3 251	3 901	3 829

Source: PwC analysis

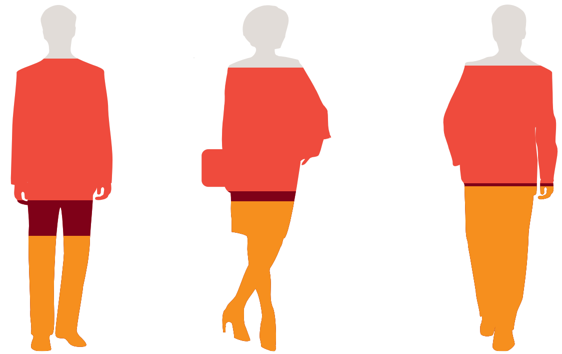
Financial services: Medium caps

Median increases awarded in 2015/2016

	2015	2016
CEO	6.0%	5.3%
CFO	6.4%	9.4%
ED	8.0%	3.3%

Source: PwC analysis

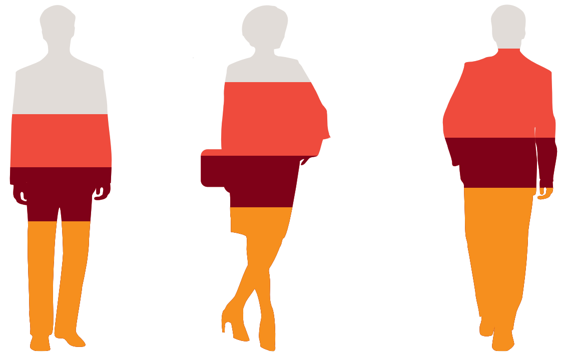
Fig. 16 Medium-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	6 798	6 599	6 646
TGP – median	3 483	3 692	3 887
TGP – lower quartile	2 650	3 479	3 819

Source: PwC analysis

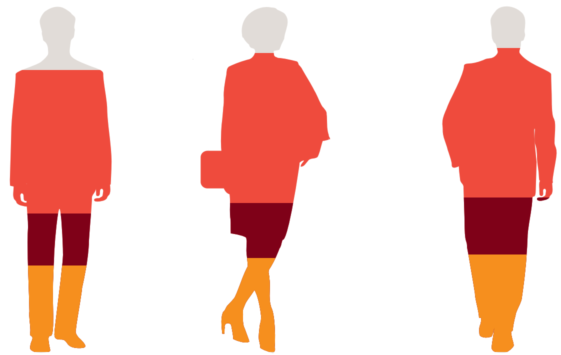
Fig. 17 Medium-cap CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 745	3 120	3 524
TGP – median	2 129	2 266	2 480
TGP – lower quartile	1 503	1 660	1 896

Source: PwC analysis

Fig. 18 Medium-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 926	5 234	5 311
TGP – median	2 401	2 593	2 678
TGP – lower quartile	1 487	1 629	1 682

Source: PwC analysis

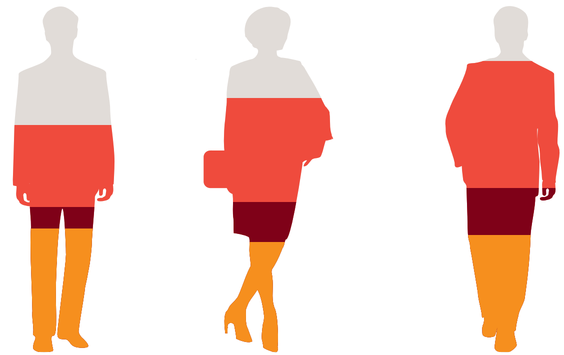
Financial services: Small caps

Median increases awarded in 2015/2016

	2015	2016
CEO	3.5%	9.3%
CFO	7.1%	6.5%
ED	5.0%	5.8%

Source: PwC analysis

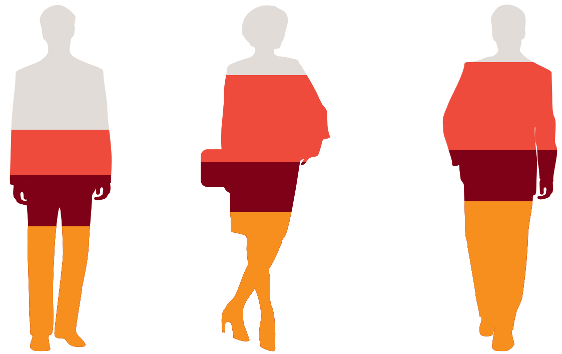
Fig. 19 Small-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	3 300	3 695	4 239
TGP – median	2 100	2 174	2 377
TGP – lower quartile	1 786	1 589	1 687

Source: PwC analysis

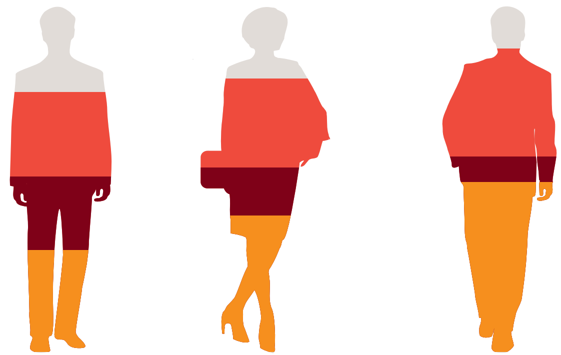
Fig. 20 Small-cap CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	1 925	2 409	2 519
TGP – median	1 533	1 642	1 749
TGP – lower quartile	1 082	1 208	1 297

Source: PwC analysis

Fig. 21 Small-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 275	2 391	2 655
TGP – median	1 530	1 607	1 701
TGP – lower quartile	881	1 188	1 485

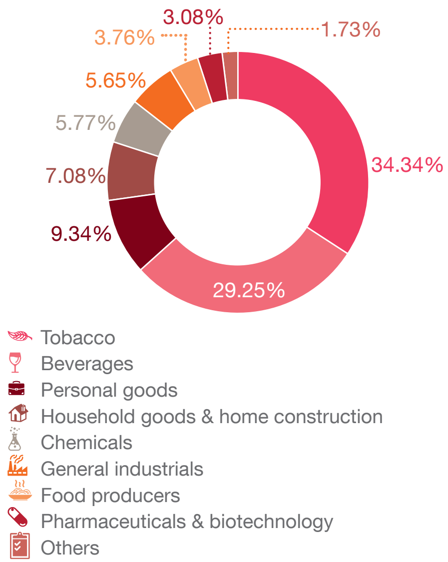
Source: PwC analysis

Industrials

There are 113 companies included in this sector. They are spread over nine subsectors.

With the pressure on the basic resources sector, focus has moved onto the industrial sector to grow South Africa's GDP. The recent downgrade of South Africa's sovereign debt rating will only add to the pressure on industrial companies, which are already contending with high energy and other input costs; the negative impact of a strong rand on exports; labour problems; low productivity; lack of meaningful innovation; and a range of other challenges.

Fig. 22 Industrials: Market capitalisation by subsector (%)



Source: PwC analysis

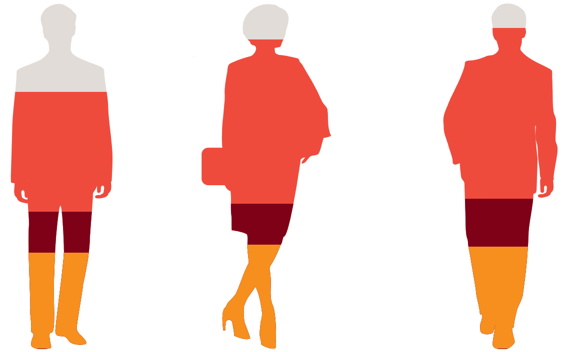
Industrials: Large caps

Median increases awarded in 2015/2016

	2015	2016
CEO	6.0%	3.3%
CFO	10.0%	2.2%
ED	22.2%	6.3%

Source: PwC analysis

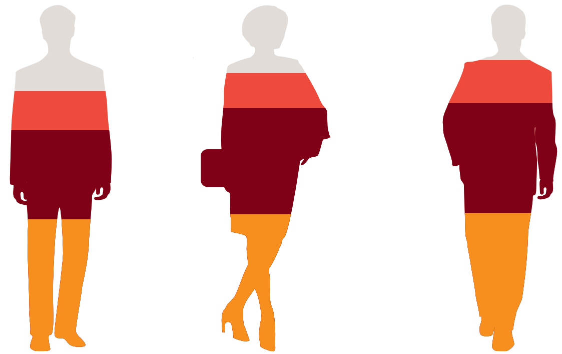
Fig. 23 Large-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	26 175	31 572	32 750
TGP – median	13 924	14 759	15 241
TGP – lower quartile	9 684	10 481	10 300

Source: PwC analysis

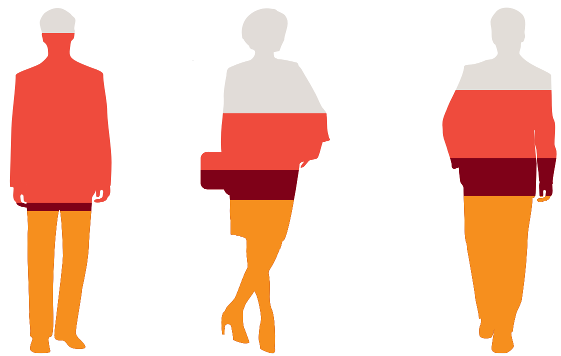
Fig. 24 Large-cap CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	7 553	8 085	8 455
TGP – median	6 419	7 061	7 216
TGP – lower quartile	3 810	3 955	4 008

Source: PwC analysis

Fig. 25 Large-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	9 355	6 983	7 664
TGP – median	4 357	5 326	5 661
TGP – lower quartile	4 110	4 449	4 555

Source: PwC analysis

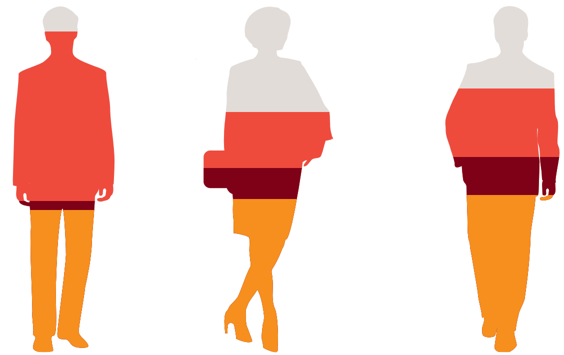
Industrials: Medium caps

Median increases awarded in 2015/2016

	2015	2016
CEO	4.0%	6.7%
CFO	3.9%	6.8%
ED	3.0%	4.7%

Source: PwC analysis

Fig. 26 Medium-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	8 711	7 406	8 866
TGP – median	5 741	5 969	6 369
TGP – lower quartile	4 770	5 772	5 801

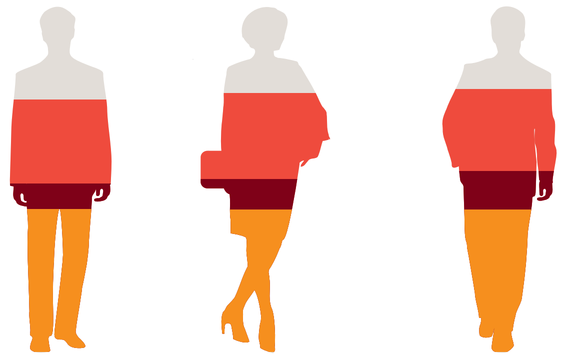
Source: PwC analysis

Fig. 27 Medium-cap CFO (R'000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 141	4 548	4 688
TGP – median	3 632	3 775	4 030
TGP – lower quartile	2 889	3 257	3 322

Source: PwC analysis

Fig. 28 Medium-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	5 882	6 040	6 140
TGP – median	3 901	4 018	4 208
TGP – lower quartile	3 307	3 306	3 309

Source: PwC analysis

Industrials: Small caps

Median increases awarded in 2015/2016

	2015	2016
CEO	4.9%	6.0%
CFO	17.5%	6.5%
ED	7.0%	8.2%

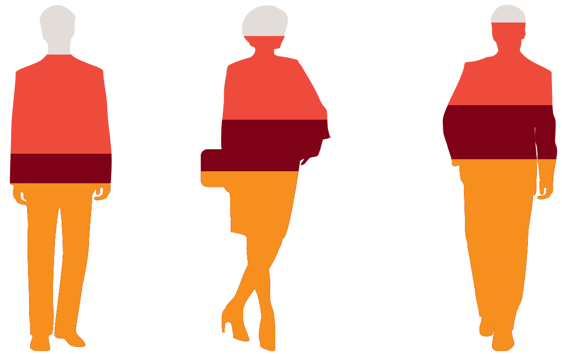
Source: PwC analysis

Fig. 29 Small-cap CEO (R'000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 392	4 608	4 897
TGP – median	3 345	3 510	3 720
TGP – lower quartile	2716	2 547	2 995

Source: PwC analysis

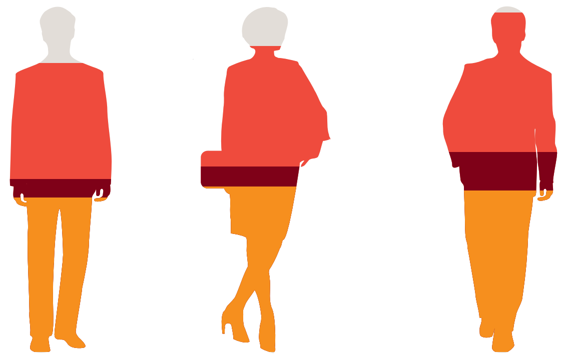
Fig. 30 *Small-cap CFO (R'000s)*



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	3 017	3 213	3 348
TGP – median	2 002	2 352	2 505
TGP – lower quartile	1 702	1 825	1 950

Source: PwC analysis

Fig. 31 *Small-cap ED (R'000s)*



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	3 368	3 569	3 964
TGP – median	2 007	2 147	2 322
TGP – lower quartile	1 793	1 920	1 876

Source: PwC analysis

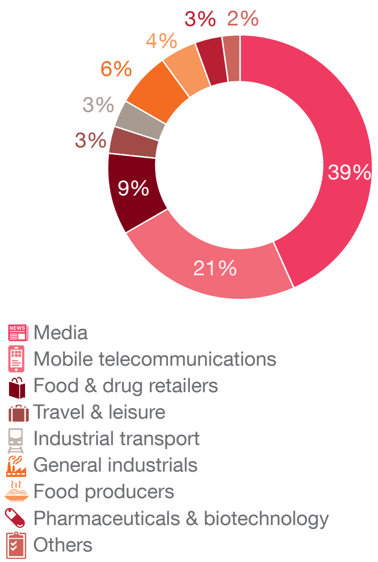
Services

There are 53 companies in this sector. They are spread over ten subsectors.

The services sector is facing the challenges of embracing the digital revolution, competing with innovative new entrants to their markets and rapidly changing customer expectations and behaviour.

These changes are happening rapidly and executive directors in the sector will be challenged to ensure their businesses come out on top.

Fig. 32 Services: Market capitalisation by subsector (%)



Source: PwC analysis

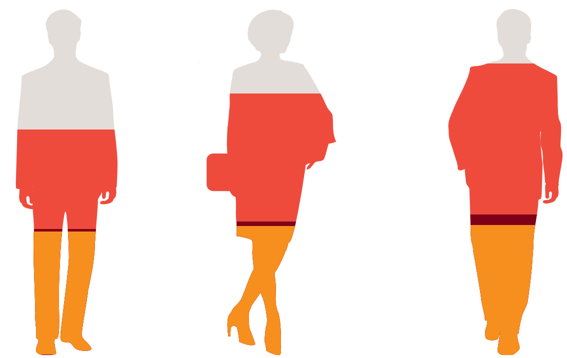
Services: Large caps

Median increases awarded in 2015/2016

	2015	2016
CEO	6.0%	4.8%
CFO	9.0%	8.1%
ED	10.0%	7.7%

Source: PwC analysis

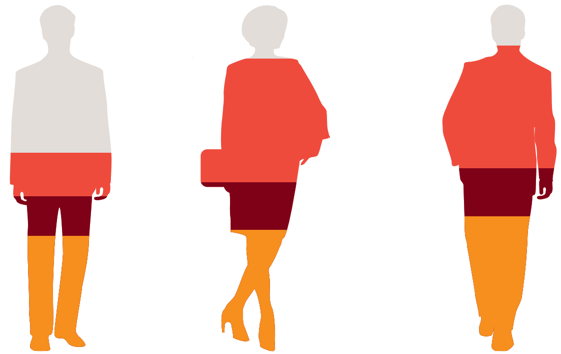
Fig. 33 Large-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	13 115	15 224	16 977
TGP – median	7 287	7 724	8 091
TGP – lower quartile	7 141	7 485	7 522

Source: PwC analysis

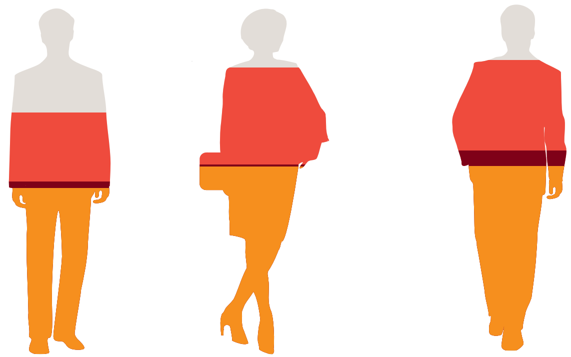
Fig. 34 Large-cap CFO (R’000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 597	6 805	7 102
TGP – median	3 590	3 913	4 229
TGP – lower quartile	2 666	2 790	3 126

Source: PwC analysis

Fig. 35 Large-cap ED (R’000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 221	5 008	5 140
TGP – median	3 001	3 301	3 555
TGP – lower quartile	2 887	3 273	3 275

Source: PwC analysis

Services: Medium caps

Median increases awarded in 2015/2016

	2015	2016
CEO	8.0%	15.1%
CFO	4.0%	1.6%
ED	11.0%	8.1%

Source: PwC analysis

Fig. 36 Medium-cap CEO (R’000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	6 468	7 409	8 082
TGP – median	4 601	4 969	5 718
TGP – lower quartile	4 533	4 653	4 659

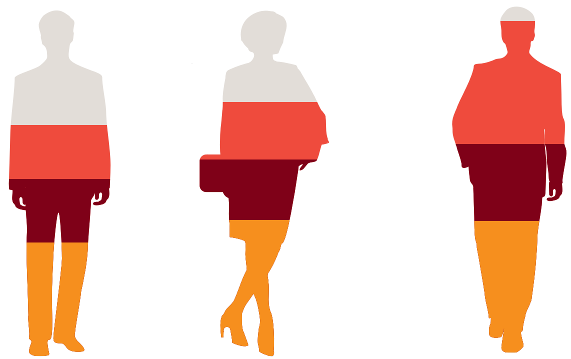
Source: PwC analysis

Fig. 37 Medium-cap CFO (R'000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	3 951	4 470	4 808
TGP – median	3 844	3 998	4 061
TGP – lower quartile	1 968	2 303	2 408

Source: PwC analysis

Fig. 38 Medium-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	3 357	3 694	4 888
TGP – median	2 567	2 849	3 079
TGP – lower quartile	1 634	1 966	1 948

Source: PwC analysis

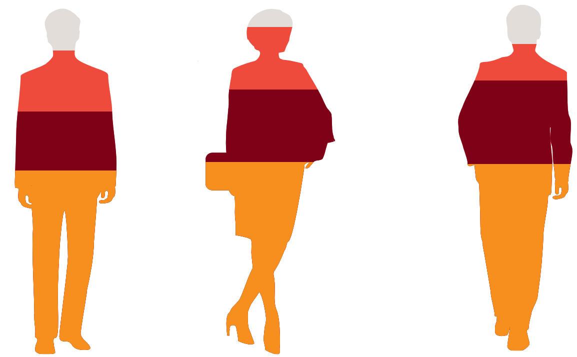
Services: Small caps

Median increases awarded in 2015/2016

	2015	2016
CEO	9.0%	3.2%
CFO	5.0%	6.9%
ED	4.0%	7.8%

Source: PwC analysis

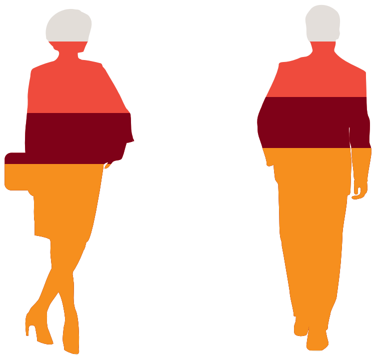
Fig. 39 Small-cap CEO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	4 420	4 771	4 512
TGP – median	3 534	3 852	3 975
TGP – lower quartile	2 666	2 790	2 765

Source: PwC analysis

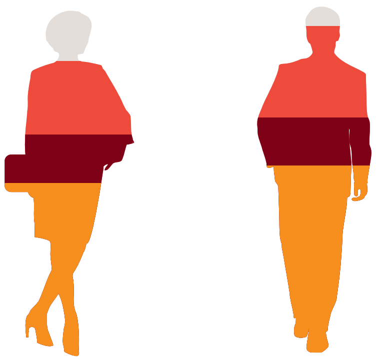
Fig. 40 Small-cap CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 751	2 731	2 733
TGP – median	1 997	2 097	2 242
TGP – lower quartile	1 494	1 657	1 803

Source: PwC analysis

Fig. 41 Small-cap ED (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 626	3 005	3 367
TGP – median	2 167	2 254	2 430
TGP – lower quartile	1 587	1 760	1 940

Source: PwC analysis

AltX

There were 46 actively trading companies listed on the AltX at our cut-off date.

The AltX is the JSE's board for small and medium-sized high-growth companies. The AltX provides smaller companies with access to capital, while providing investors with exposure to fast-growing smaller companies in a regulated environment.

Median increases awarded in 2015/2016

	2015	2016
CEO	7.0%	8.6%
CFO	4.0%	6.7%
ED	6.0%	6.7%

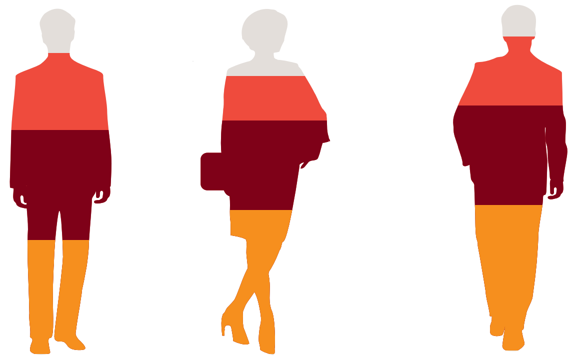
Source: PwC analysis

Fig. 42 AltX CEO (R'000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 136	2 268	2 497
TGP – median	1 805	1 931	2 098
TGP – lower quartile	1 267	1 314	1 326

Source: PwC analysis

Fig. 43 AltX CFO (R'000s)



	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	1 753	1 620	1 849
TGP – median	1 304	1 356	1 447
TGP – lower quartile	659	834	861

Source: PwC analysis

Fig. 44 AltX ED (R'000s)

	2014 TGP	2015 TGP	2016 TGP
TGP – upper quartile	2 296	2 058	2 139
TGP – median	1 600	1 696	1 809
TGP – lower quartile	998	1 076	1 078

Short-term incentives

Short-term incentives (STIs) are annual incentives intended to compensate executives for achieving the company's short-term business strategy based on the achievement of goals set by the board's compensation or remuneration committee.

Short-term incentives evolve around stated strategies and are typically financial in nature—these are easily calculated from achieved financial results.

But we are also seeing greater focus being placed on non-financial metrics. These are more complex and are based on intrinsic key performance indicators (KPIs) that reach beyond the balance sheet and can be measured against sustainable development goals (SDGs).

These cover a number of targets, including but certainly not limited to, ethics, the environment and outcomes such as reducing the company's carbon footprint.

There are many methods of calculating STIs, which are normally expressed as a percentage of the executive's salary or TGP. Plans are constructed to provide threshold, target and maximum levels of performance which, subject to actual performance, can generate different levels of STI payments. Performance below threshold should result in no award and performance above the maximum level may be capped at the maximum payout tier to mitigate risk taking.

The figures that follow depict current STI trends for executives in all sectors of the JSE.

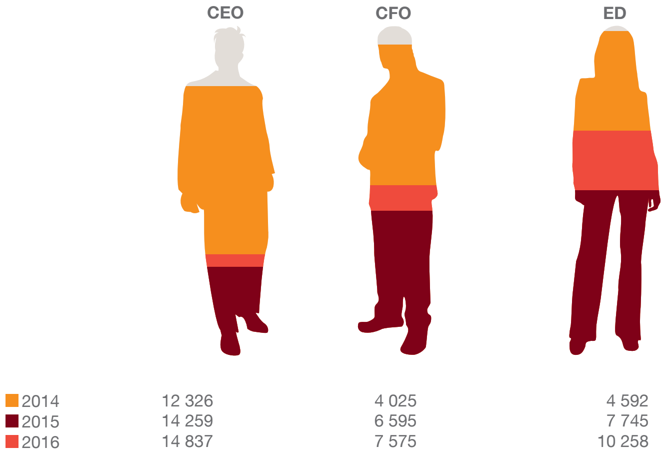
All industries: Large caps

Median increases awarded in 2015/2016

	2015	2016
CEO	16.%	4%
CFO	64%	15%
ED	69%	32%

Source: PwC analysis

Fig. 45 Large-cap STIs (R'000s)



Source: PwC analysis

All industries: Medium caps

Median increases awarded in 2015/2016

	2015	2016
CEO	46%	-6%
CFO	6%	25%
ED	182%	2%

Source: PwC analysis

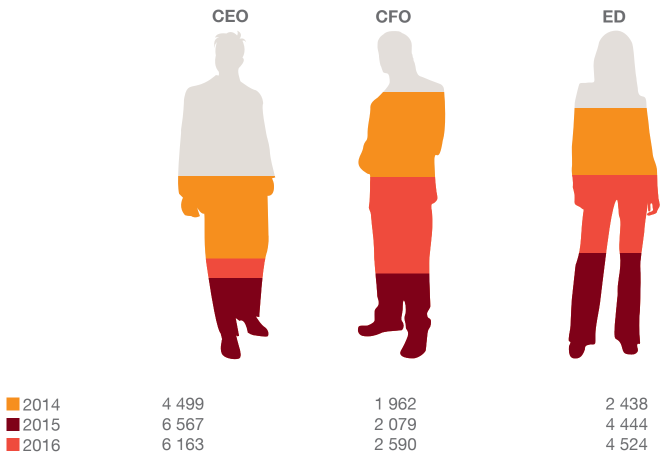
All industries: Small caps

Median increases awarded in 2015/2016

	2015	2016
CEO	-14%	35%
CFO	2%	18%
ED	-3%	31%

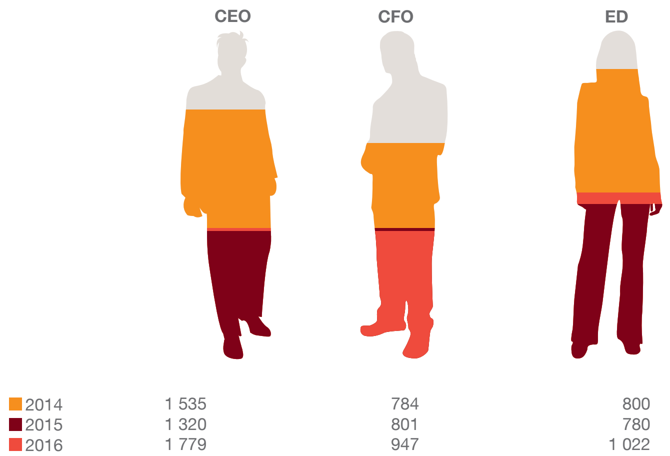
Source: PwC analysis

Fig. 46 Medium-cap STIs (R'000s)



Source: PwC analysis

Fig. 47 Small-cap STIs (R'000s)



Source: PwC analysis

FTSE 100 executive director remuneration trends

At 28 April 2017, there were 2 036 (2015: 2 324) companies listed on the London Stock Exchange (LSE), of which the FTSE 100 represented 45% (2015: 44%) of total market capitalisation.

Fig. 1 Market capitalisation: FTSE vs LSE

Source: PwC analysis

FTSE 100 companies are not ranked on market capitalisation alone. As at 28 April 2017, FTSE 100 companies are included in the top 148 (2015: 166) companies by market capitalisation.

FTSE 100: Single-figure remuneration reporting

In the United Kingdom, all listed companies, except for small businesses that are exempt, are required, with effect from 1 January 2016, to disclose an aggregate remuneration for each director when preparing the remuneration report.

The definition of a listed company in section 385 of the UK Companies Act 2006 is a corporation whose quoted share capital is listed in the UK or another EEA state[60],or is listed to trade on the New York Stock Exchange or NASDAQ. AIM businesses[61] and corporations that have only debt or non-equity share capital registered do not fall within the scope of the requirement to prepare a directors' remuneration report.

60 European Economic Area: the member states of the European Union are: Austria, Belgium, Bulgaria, Croatia, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, United Kingdom, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia and Romania.

61 AIM (formerly the Alternative Investment Market) is a sub-market of the London Stock Exchange that was launched in 1995. It allows smaller companies to float shares with a more flexible regulatory system than is applicable to the main market.

The directors' remuneration report for a quoted company is different from the old-style rendition. A key aspect of this is the 'single figure' approach for the compensation of each director that includes a value placed on share-based payments and pension benefits using calculations prescribed in the regulations.

The aggregation is the sum of:

- Salary;
- Stated benefits;
- Pension;
- Annual bonus;
- Deferred bonus; and
- Long-term incentives.

The observations made in this section of the report are limited to what is considered total annual guaranteed pay, including pensions but excluding all variable pay.

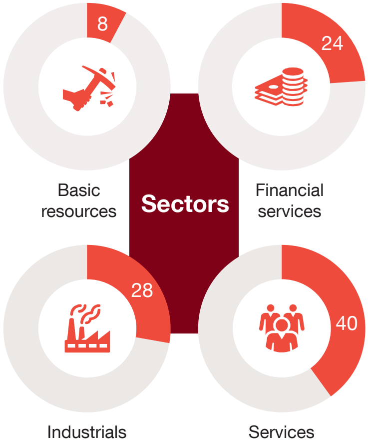
For purposes of this report, to have relevance to the total guaranteed pay data reported for JSE-listed companies, we have included only the base pay and stated benefits paid to directors serving on the boards of FTSE 100 companies.

The trends reflected are extracted from the annual reports of the most recent FTSE 100 participants falling within our reporting period ended 28 April 2017. One-year historical data has now been included since this is a trends report of remuneration paid, and although the companies included in the FTSE 100 selection change slightly on a quarterly basis, we have tracked the trends around remuneration actually paid.

The trends reflected are extracted from the annual reports of the most recent FTSE 100 participants. These are presented as follows:

- All sectors;
- Basic resources;
- Financial services;
- Industrials; and
- Services sector.

Fig. 2 **FTSE 100 sector profile**



Source: PwC analysis

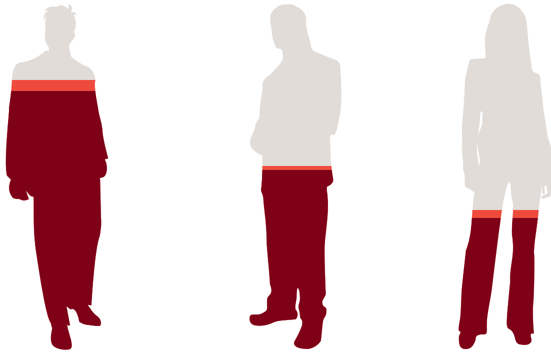
Under each sector further granularity is drawn to reflect the remuneration for the following positions:

- CEO;
- CFO; and
- ED.

The values extracted are converted to US dollars and presented as upper quartile, median and lower quartile.

All sectors

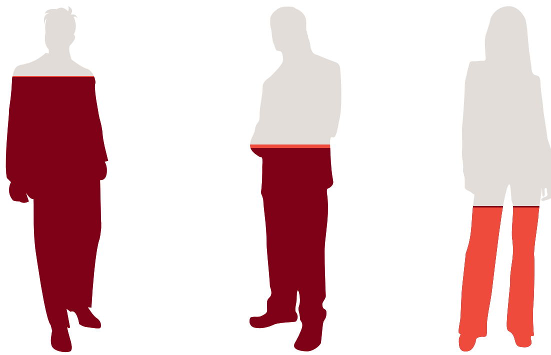
Fig. 3 **All positions: Base pay and stated benefits (US$'000s)**



	Upper quartile	Median	Lower quartile
2015	$1 501	$1 037	$759
2016	$1 566	$1 060	$804

Source: PwC analysis

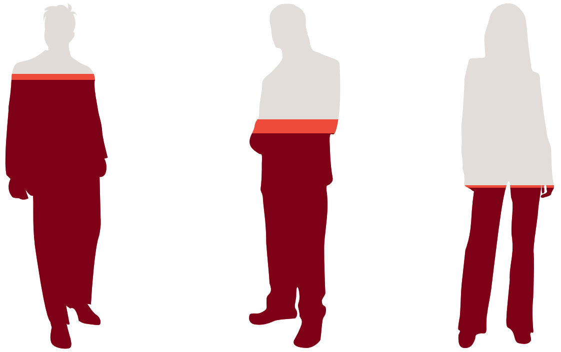
Fig. 4 **CEO: Base pay and stated benefits (US$'000s)**



	Upper quartile	Median	Lower quartile
2015	$1 995	$1 476	$1 049
2016	$2 003	$1 498	$1 040

Source: PwC analysis

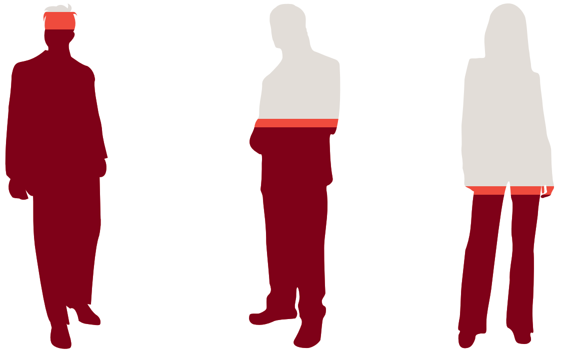
Fig. 5 CFO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 172	$938	$696
2016	$1 201	$998	$709

Source: PwC analysis

Fig. 6 ED: Base pay and stated benefits (US$'000s)

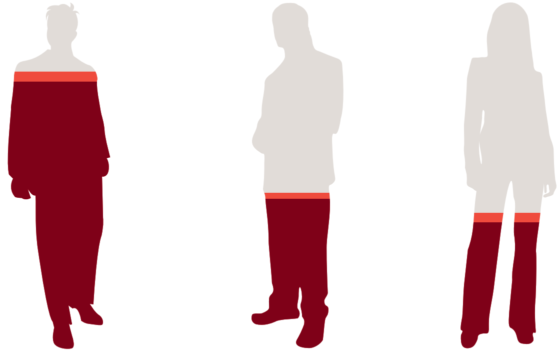


	Upper quartile	Median	Lower quartile
2015	$1 396	$ 962	$667
2016	$1 472	$1 001	$703

Source: PwC analysis

Basic resources

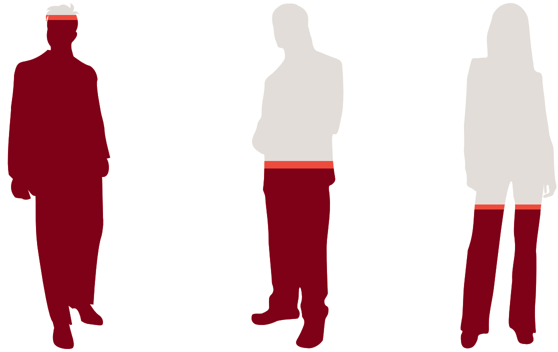
Fig. 7 All positions: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 941	$1 080	$909
2016	$2 007	$1 122	$975

Source: PwC analysis

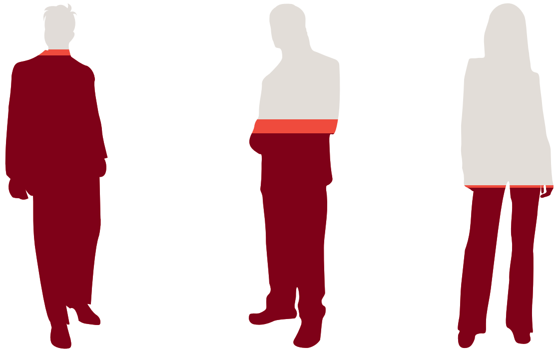
Fig. 8 CEO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$4 784	$2 613	$2 003
2016	$4 855	$2 719	$2 075

Source: PwC analysis

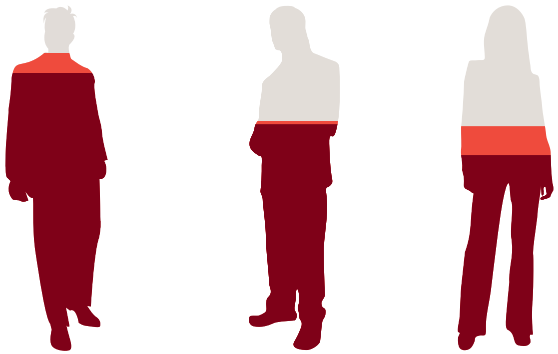
Fig. 9 CFO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$6 821	$1 292	$ 985
2016	$6 955	$1 368	$1 002

Source: PwC analysis

Fig. 10 ED: Base pay and stated benefits (US$'000s)

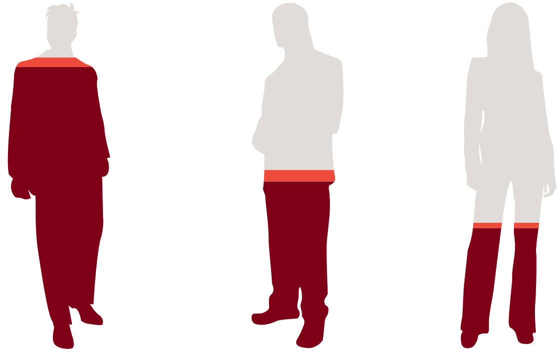


	Upper quartile	Median	Lower quartile
2015	$1 214	$ 985	$848
2016	$1 301	$1 001	$976

Source: PwC analysis

Financial services

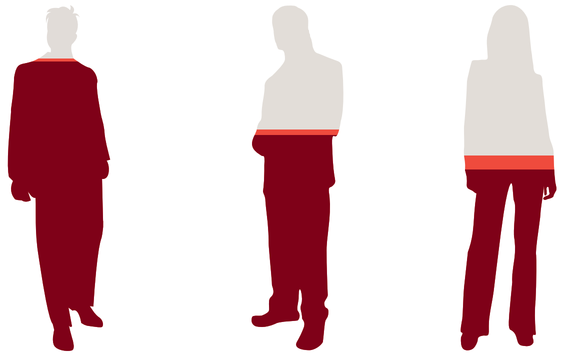
Fig. 11 All positions: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 633	$ 964	$691
2016	$1 688	$1 031	$724

Source: PwC analysis

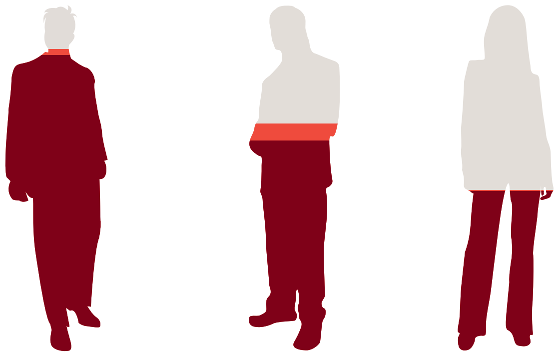
Fig. 12 CEO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$2 101	$1 565	$1 311
2016	$2 122	$1 601	$1 411

Source: PwC analysis

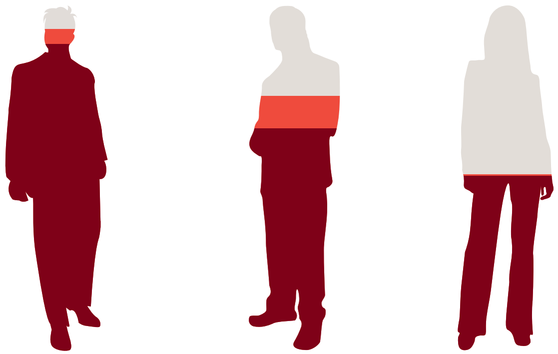
Fig. 13 CFO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 290	$913	$691
2016	$1 315	$988	$695

Source: PwC analysis

Fig. 14 ED: Base pay and stated benefits (US$'000s)

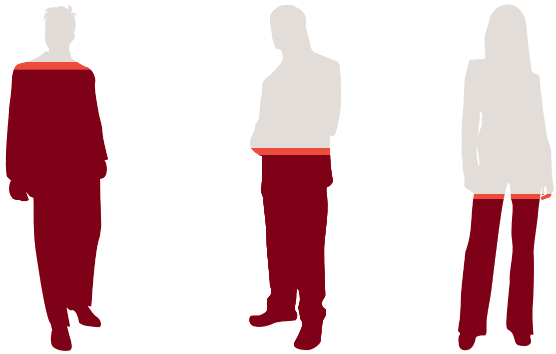


	Upper quartile	Median	Lower quartile
2015	$1 072	$774	$608
2016	$1 124	$889	$611

Source: PwC analysis

Industrials

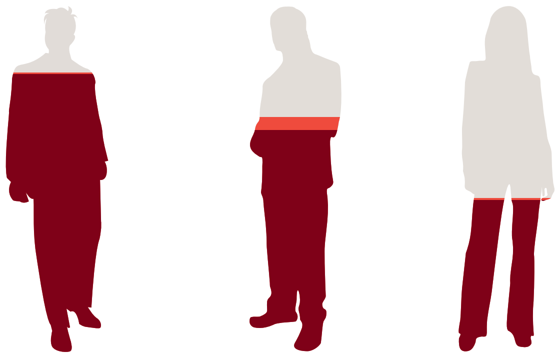
Fig. 15 All positions: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 630	$1 131	$877
2016	$1 692	$1 168	$904

Source: PwC analysis

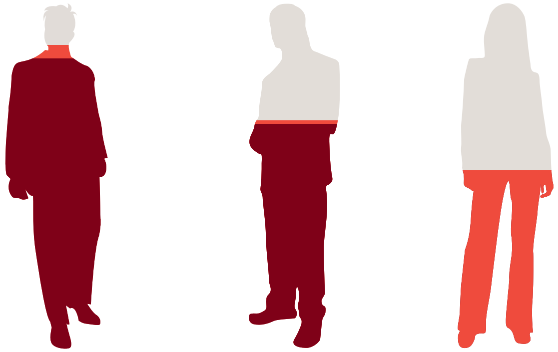
Fig. 16 CEO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$2 014	$1 607	$1 094
2016	$2 027	$1 702	$1 109

Source: PwC analysis

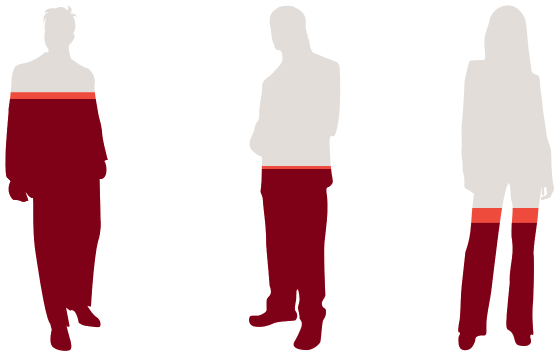
Fig. 17 CFO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 267	$977	$774
2016	$1 325	$994	$773

Source: PwC analysis

Fig. 18 ED: Base pay and stated benefits (US$'000s)

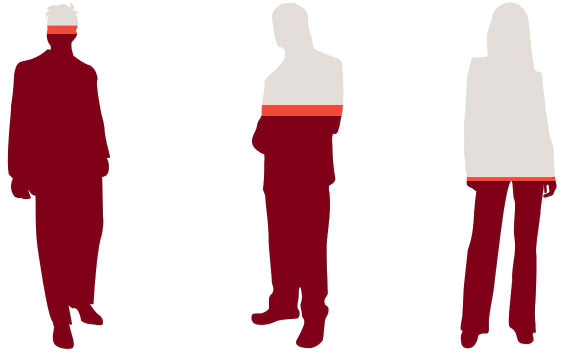


	Upper quartile	Median	Lower quartile
2015	$1 464	$1 054	$736
2016	$1 503	$1 069	$822

Source: PwC analysis

Services sector

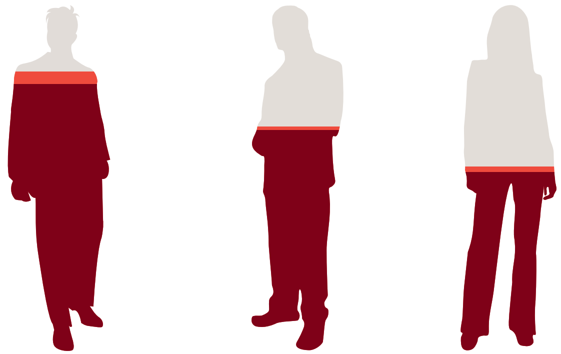
Fig. 19 All positions: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 370	$1 009	$724
2016	$1 408	$1 059	$746

Source: PwC analysis

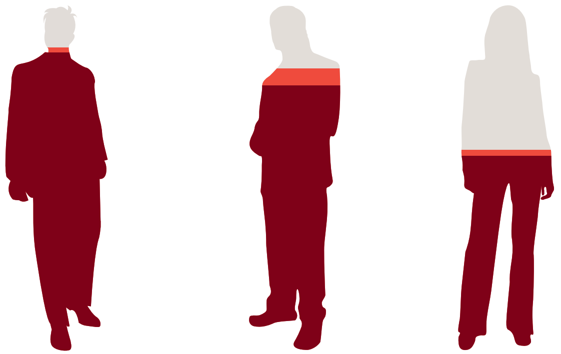
Fig. 20 CEO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 549	$1 279	$1 035
2016	$1 624	$1 299	$1 068

Source: PwC analysis

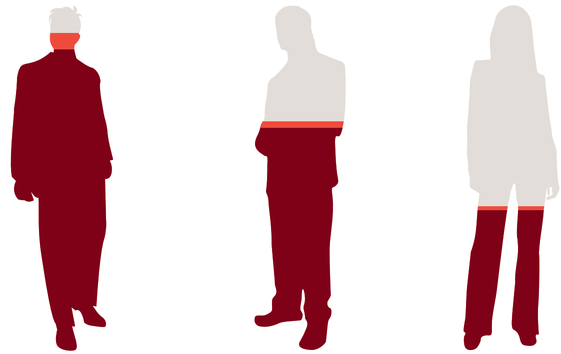
Fig. 21 CFO: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 042	$926	$677
2016	$1 059	$984	$699

Source: PwC analysis

Fig. 22 ED: Base pay and stated benefits (US$'000s)



	Upper quartile	Median	Lower quartile
2015	$1 316	$970	$606
2016	$1 387	$999	$625

Source: PwC analysis

Remuneration trends in other sub-Saharan African countries

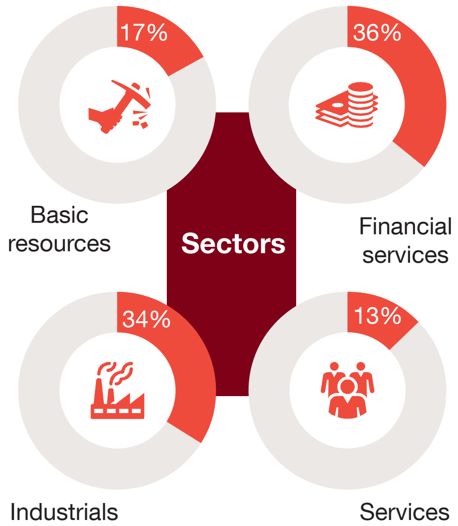
*There are **54** independent countries in Africa. Twenty-nine stock exchanges trade in Africa. Most of these are fledgling markets. Some are regional exchanges and do not represent any particular country.*

This edition marks the third year in which we analyse trends in executive directors' remuneration in sub-Saharan Africa.

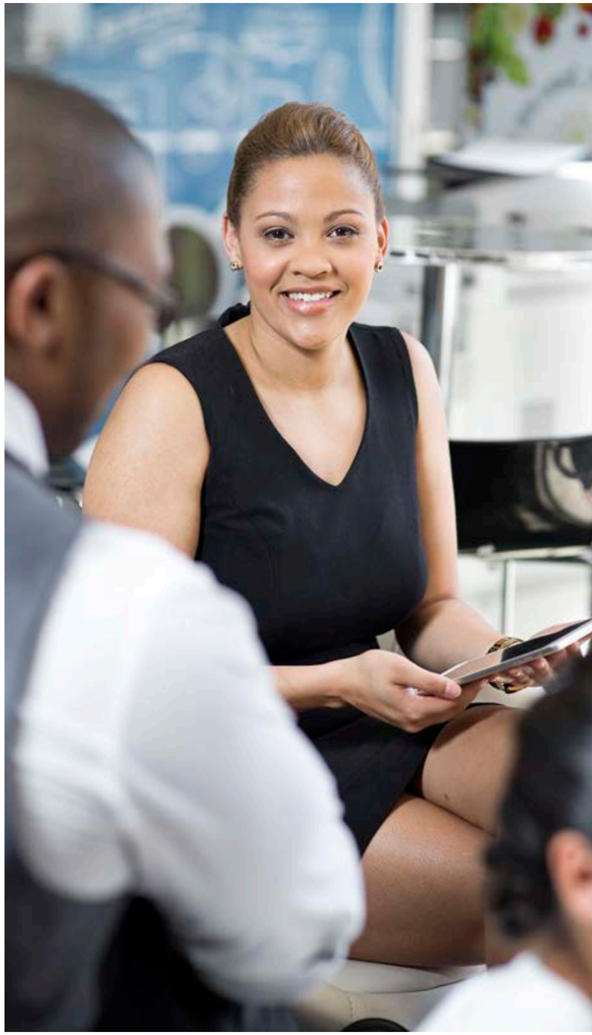
Lack of transparent reporting limits granular representation of all African-listed companies. Our analysis covers 412 companies listed on seven sub-Saharan Africa stock exchanges in the following countries:

- Botswana
- Ghana
- Kenya
- Namibia
- Nigeria
- Tanzania
- Uganda

Fig. 1 Sectoral breakdown of companies analysed



Source: PwC analysis



Sub-Saharan stock exchanges analysed

Data analysed

To maintain comparability to total guaranteed pay reported for JSE-listed companies, for purposes of this report, we view the aggregate of base pay and stated benefits paid to executive directors serving on the boards of African companies as TGP.

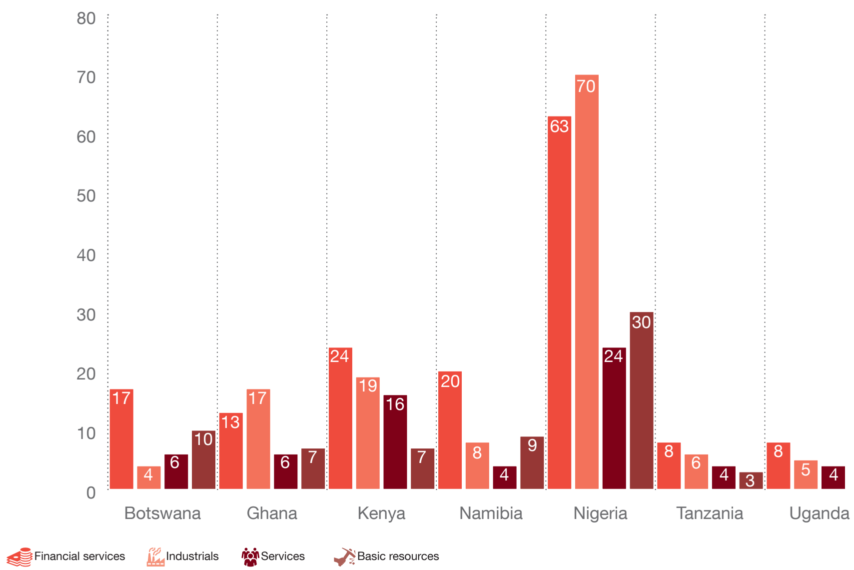
Remuneration sector analysis by country is not yet possible given the lack of information and the small number of listed entities in each sector.

For countries selected, further detail is provided by reflecting remuneration paid to the following executives:

- CEOs;
- CFOs; and
- EDs.

Values have been converted into US dollars, using the closing dollar spot rate at midnight on 28 April 2017.

Fig. 2 Selected stock exchanges: Number of companies listed by sector

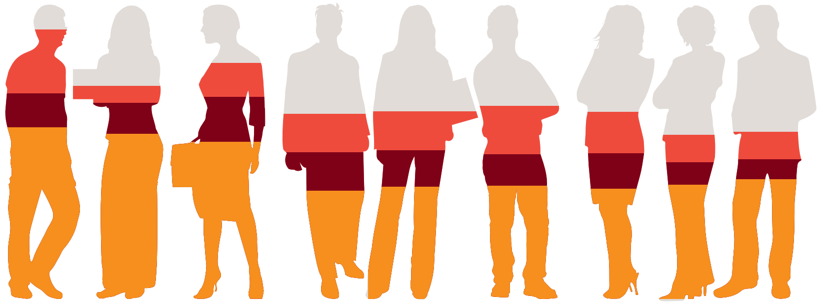


Source: PwC analysis

TGP for selected stock exchanges

TGP for the 412 companies, where good data is available, is depicted in quartiles:

Fig. 3 TGP of EDs in selected stock exchanges (USD '000s)

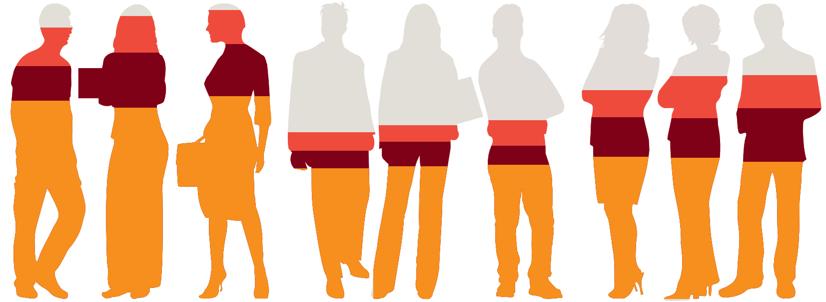


	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP'000	322	254	282	220	223	230	223	195	199
Median TGP'000	245	234	241	174	176	172	173	162	166
Lower quartile TGP'000	204	196	187	128	133	134	130	135	142

Base: 412 companies listed on seven sub-Saharan stock exchanges
Source: PwC analysis

Remuneration of executive directors by country

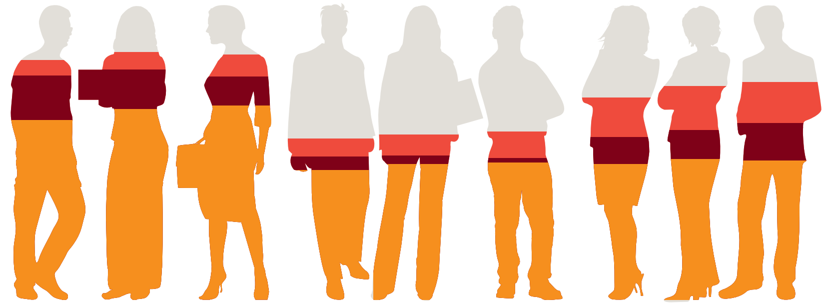
Fig. 4 Botswana: TGP (USD '000s)



	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP'000	231	241	246	141	147	151	177	189	190
Median TGP'000	198	209	217	125	133	129	154	153	162
Lower quartile TGP'000	168	162	172	110	112	113	120	119	116

Base: 37 companies listed on the Botswana Stock Exchange
Source: PwC analysis

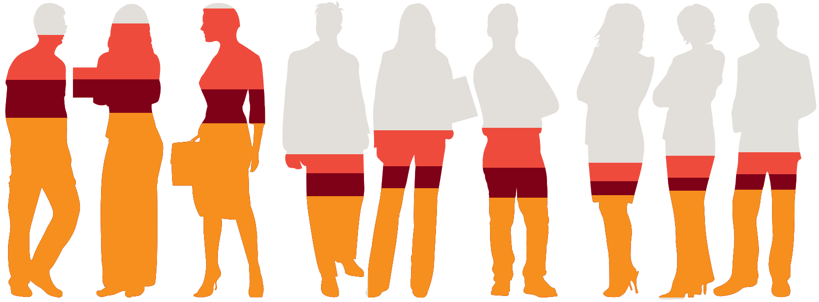
Fig. 5 Ghana: TGP (USD '000s)



	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP'000	204	211	209	137	140	143	172	182	185
Median TGP'000	191	196	190	121	122	120	138	144	150
Lower quartile TGP'000	153	162	165	110	115	116	115	119	118

Base: 43 companies listed on the Ghana Stock Exchange
Source: PwC analysis

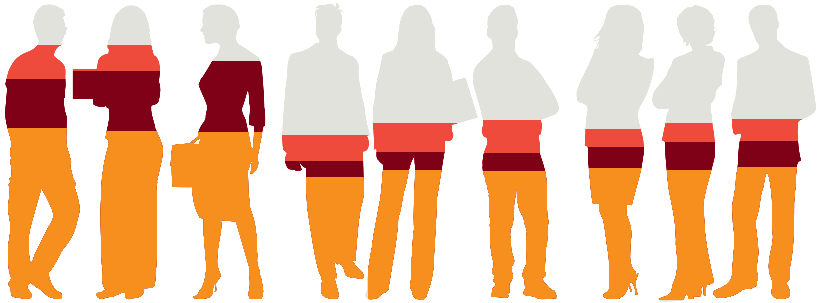
Fig. 6 Kenya: TGP (USD ’000s)



	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP’000	224	234	247	121	142	144	114	120	123
Median TGP’000	185	186	177	105	111	110	98	101	104
Lower quartile TGP’000	153	157	148	85	92	84	86	90	91

Base: 66 companies listed on the Kenya Stock Exchange
Source: PwC analysis

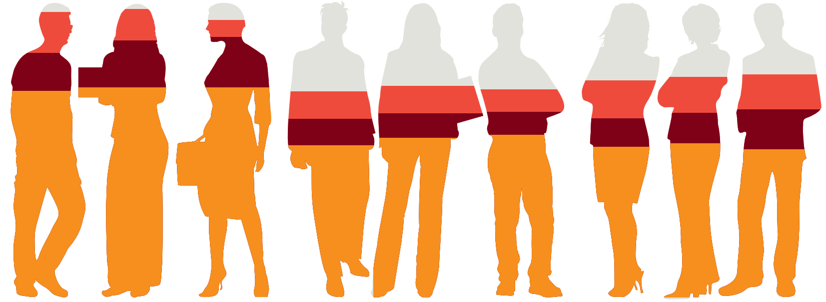
Fig. 7 Namibia: TGP (USD ’000s)



	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP’000	303	304	319	195	209	213	203	209	214
Median TGP’000	262	272	284	164	175	174	180	187	188
Lower quartile TGP’000	203	200	199	145	153	152	156	153	156

Base: 41 companies listed on the Namibian Stock Exchange
Source: PwC analysis

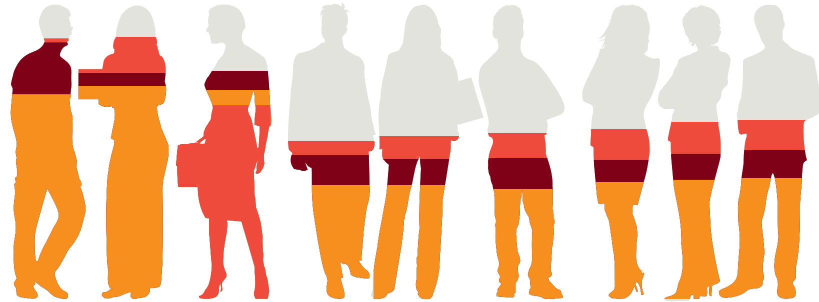
Fig. 8 Nigeria: TGP (USD ’000s)



	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP’000	341	345	332	246	252	248	259	263	266
Median TGP’000	292	307	311	213	219	221	213	220	224
Lower quartile TGP’000	246	250	251	181	190	193	179	183	176

Base:187 companies listed on the Nigerian Stock Exchange
Source: PwC analysis

Fig. 9 Tanzania: TGP (USD ’000s)



	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP’000	356	357	311	214	221	225	230	241	244
Median TGP’000	350	308	285	195	190	191	189	197	202
Lower quartile TGP’000	279	290	263	153	154	148	158	161	163

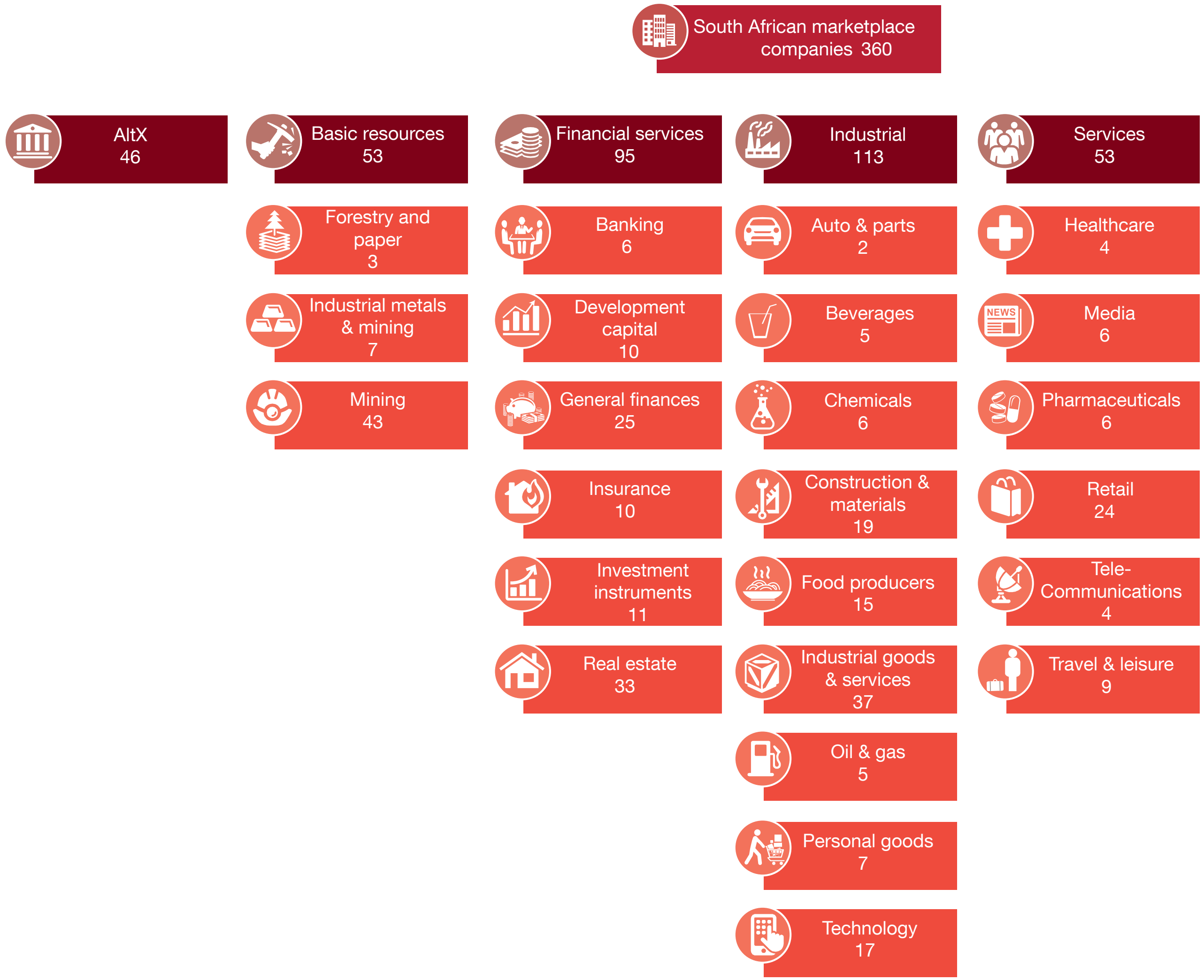
Base:21 companies listed on the Dar es Salaam Stock Exchange
Source: PwC analysis

Fig. 10 Uganda: TGP (USD '000s)

	CEO 2014	CEO 2015	CEO 2016	CFO 2014	CFO 2015	CFO 2016	ED 2014	ED 2015	ED 2016
Upper quartile TGP'000	176	185	187	146	148	151	159	162	167
Median TGP'000	152	157	159	127	129	128	136	135	139
Lower quartile TGP'000	141	150	144	108	119	110	110	119	106

Base: 17 companies listed on the Uganda Stock Exchange
Source: PwC analysis

The South African marketplace



The FTSE 100 marketplace 2017

The FTSE100 marketplace 2017

- Basic resources 8
  - Oil & gas 3
  - Mining 4
  - Forestry and paper 1
- Financial services 24
  - Banking 5
  - Financial services 6
  - Insurance 9
  - Real estate & investment 4
- Industrial 28
  - Aerospace & defence 3
  - Auto & parts 1
  - Beverages 4
  - Construction & materials 1
  - Food producers 2
  - General industrial 2
  - Healthcare goods 1
  - Household goods 5
  - Pharmaceuticals & biotechnology 6
  - Technology hardware & equipment 1
  - Tobacco 2
- Services 40
  - Tele-Communications 3
  - Retail 9
  - Transportation 1
  - Media 5
  - Travel & leisure 9
  - Support services 8
  - Software 1
  - Utilities 5

The African marketplace 2017 (seven countries, excluding South Africa)

African stock exchanges
412 companies

	Botswana 37	Ghana 43	Kenya 66	Namibia 41	Nigeria 187	Tanzania 21	Uganda 17
Financial services	18	15	23	20	60	7	8
Industrials	2	16	24	7	71	7	4
Services	6	5	12	5	28	4	4
Basic resources	11	7	7	9	28	3	1

About PwC

At PwC we apply our industry knowledge and professional expertise to identify, report, protect, realise and create value for our clients and their stakeholders.

The strength of this value proposition is based on the breadth and depth of the firm's client relationships. Networks are built around clients to provide them with our collective knowledge and resources. Our international network, experience, industry knowledge and business understanding are used to build trust and create value for clients.

We are committed to making PwC distinctive through consistent behaviours that enable the success of our clients and people. We call this the PwC Experience and it shapes the way in which we interact with clients, with one another and with the communities in which we operate. This, along with our core values of Teamwork, Leadership and Excellence – and our strong Code of Conduct – guides us in all that we do.

Acknowledgements

We would like to thank the following for their valuable contribution to this report:

- Gerald Seegers
- Martin Hopkins
- Karen Crous
- Leila Ebrahimi
- Anelisa Keke
- Dave Yzelle – Independent project researcher
- PwC Australia
- PwC UK
- PwC US

Contacts

For more information about the issues raised in this report, please contact:

Gerald Seegers
+27 11 797 4560
gerald.seegers@pwc.com

Martin Hopkins
+27 11 797 5535
martin.e.hopkins@pwc.com

Karen Crous
karen.crous@pwc.com

Julia Fourie
+27 21 529 2170
julia.fourie@pwc.com

Anelisa Keke
+27 21 529 2000
anelisa.keke@pwc.com

Leila Ebrahimi
+27 11 7970887
leila.ebrahimi@pwc.com

For media enquiries, please contact:

Sonja Nel
+27 11 797 4207
sonja.nel@pwc.com