Non-executive directors

Practices and fees trends report

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Foreword

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Editor

Our unfortunate reality is that South Africa's economy today is characterised by low growth, high levels of unemployment, and persistent inequality. We need growth reforms that promote economic transformation, support labour-intensive growth, and create a globally competitive economy.[1] The good news is that we have the collective power to make a difference, but this will require deliberate, concerted effort on the part of all stakeholders to embark once more on a solid growth trajectory.

In this NED report we set out some thinking around what boards should be focusing their energy and attention on in order to play their part in this transformation. The private sector has an important role to play, together with government and the public sector, to inspire the productivity and innovation which we need to build the globally competitive economy which we aspire to. But growth must be inclusive — within our country, high income inequality continues to pose a risk to economic growth.[2] It is evident that there is a greater awareness of this issue, and a move to action – take the anticipated proposed amendments to the Companies Act, which introduce a mandatory disclosure of the wage gap, as a good example of this.

[1] National Treasury, Republic of South Africa. Economic transformation, inclusive growth, and competitiveness: Towards an Economic Strategy for South Africa. 2019. *http://www.treasury.gov.za/comm_media/press/2019/Towards%20an%20Economic%20Strategy%20for%20SA.pdf).*

[2] Putnam, R. (2007). "E Pluribus Unum: Diversity and Community in the Twenty-first Century". The 2006 Johan Skytte Prize Lecture. Scandinavian Political Studies, 30(2): 137–74.

The private sector must play its part to ensure that South Africans are able to live productive, prosperous and dignified lives. With this in mind, the debate rages on: should the focus be on the creation of more jobs, at a minimum wage, or should there be a commitment to a living wage for all employees? Research in other jurisdictions suggests that raising wages has been an effective way to increase productivity.[3] We should monitor closely the results of exercises such as the current UK review of minimum wages currently underway.[4] Where we achieve inclusive growth, we create opportunities for the economy to be transformed through increased consumer spending, and participation in the economy.

Understanding the need for growth to be inclusive, and the role that boards of private and public sector organisations play in creating this inclusivity, we must not become myopic, or 'short-termist'. Rapid or greater growth should not be at the expense of long-term sustainability.[5]

[3] Riley, Rebecca & Bondibene, Chiara. (2016). "Raising the standard: Minimum wages and firm productivity." Labour Economics. 44. *http://dx.doi.org/10.1016/j.labeco.2016.11.010*

[4] HM Treasury, United Kingdom. Review of the international evidence on the impacts of minimum wages: terms of reference. 2019 *https://www.gov.uk/government/publications/review-of-the-international-evidence-on-the-impacts-of-minimum-wages/review-of-the-international-evidence-on-the-impacts-of-minimum-wages-terms-of-reference*

[5] Edmans, Alex, "Blockholder Trading, Market Efficiency, and Managerial Myopia" (August 4, 2011). Journal of Finance, Vol. 64, No. 6, pp. 2481-2513; U of Penn, Inst for Law & Econ Research Paper No. 08-08. *https://ssrn.com/abstract=946669*

It has been argued that a number of characterising factors of today's business world can cause or reward such short-termism, including "short-term executive contracts, excessive disclosure requirements, the stock market ignoring intangibles, and investors owning too small stakes".[6] As part of this consideration, we need to ask whether the prevailing global economic model incentivise "the liquidation of natural capital for profit", and if so, is this due to a seemingly excessive focus on investors, an overdue focus on short-term profit, or both?[7] The recent increase in shareholder activism at South African AGMs around environment, sustainability and governance issues talks to this fear, and is a development we have been expecting for years. See our chapter on responding to climate change for more on this particular topic.

Short-termism is a common criticism levelled against many organisations, and we believe that it is causing damage, which boards need to take immediate and active steps to mitigate against. The focus on short-term profits, leading to under-investment in innovation and research and development, has also been symptomised by a disregard for so-called 'long emergencies' such as climate change and rising levels of inequality.

Executive and other remuneration structures play an important role here, both through the 'pay for performance' link that has become so entrenched in South Africa and other jurisdictions, and through their very design. The rise in the use of minimum shareholding requirements (globally, and in South Africa), or post-vesting holding periods for shares (more prominently overseas) also has roots in attempts to mitigate against short-termism. The use of complex long-term incentives with three-year vesting periods has also been linked to earnings manipulation, and short-termism. Thus, we stress that it is important that the board should satisfy itself that it is not creating additional motivation (through the design of variable incentives, or otherwise), for the promotion of short-term profits at the expense of longer-term growth. This requires careful introspection and a renewed vigour regarding existing structures, and analysis of the performance conditions used.

6 "Is Short Termism Really A Problem?" Alex Edmans. *http://alexedmans.com/is-short-termism-really-a-problem/*

7 Winston, Andrew. "Is the Business Roundtable Statement Just Empty Rhetoric?" Harvard Business Review. 2019. *https://www.google.com/url?q=https://hbr.org/2019/08/is-the-business-roundtable-statement-just-empty-hetoric*

We are, more than ever, in need of strong, effective boards and remuneration committees with diverse experiences and viewpoints, comprised of members who are free of fear and favour, and who have the requisite knowledge and experience. To quote a 2019 *Financial Mail* article:

> "
>
> How, then, do you reconcile a situation where a CEO has been there forever, but a nonexecutive director meant to oversee him inevitably has far less experience? This is by necessity, since any nonexecutive who has been at a company longer than nine years wouldn't qualify to be an "independent" director, under the King 4 governance rules.
>
> Well, first, nonexecutive directors must be more assertive and vigilant. They must have the courage to confront their CEOs when they need to do so. And they need to understand the essence of the businesses better: flipping through a board pack in the Slow Lounge won't cut it anymore.[8]

This has prompted our chapters on effective, well-functioning committees, and boardroom culture. Meanwhile globally, a necessary shift in corporate thinking seems to finally be arriving. The dominant global economic model remains underpinned by shareholder primacy in a free market, but we are now seeing the potential for a meaningful departure from this thinking, and what could be seen as a true intention to commit to long-term value.[9]

8 Rob Rose. "Beware the c-suite don." Financial Mail. *https://www.businesslive.co.za/fm/opinion/editors-note/2019-06-06-rob-rose-beware-the-c-suite-don/*

9 'Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans.' Business Roundtable *https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans*

At the end of last year, America's influential Business Roundtable, which is an association of the chief executive officers of 181 of America's most prominent companies, released a new statement on the Purpose of a Corporation reflecting a commitment to **all** stakeholders, and a marked departure from shareholder primacy.

Globally, pressure from various sources has contributed to this movement, as has a growing understanding that businesses can no longer justifiably focus on one stakeholder to the exclusion of others. The rise of the idea of the 'purposeful organisation', fuelled by generational shifts and increased awareness surrounding climate change and other important sustainability issues, has led business leaders to start rethinking the role of business in society.

50% of current work activities are technically automatable by adapting currently demonstrated technologies

The role of the board continues to become more complex, as we become more digitally inclined. PwC has been doing a lot of research about the ways in which automation and other emerging technologies will impact the workforce of the future. Our research suggests that 50% of current work activities are technically automatable by adapting currently demonstrated technologies.

This will have a profound impact on the labour market and will require a 'future-proof skills strategy', significant cultural shifts within organisations and hard work to be done in identifying skills gaps within the current workforce.

In this context, we understand the international emergence of the "people, remuneration and culture committee" to replace our current remuneration committees. This also follows from greater collaboration between the existing remuneration committees and the social and ethics committee; a collaboration which is moving gradually out of 'best practice' into practical reality.

One thing is crystal clear to us: it is no longer enough to focus on remuneration issues in isolation. This reinforces the need for upskilling: not just in historical areas of expertise, but far wider than that. Possibly also connected to these issues is an emerging trend we have noted in South African boards seeking wider, more internationally diverse experience, prompting our opinion piece on foreign NED fees.

We challenge you, as directors, to think about how your business impacts the 'five fundamental building blocks of long-run sustainable growth', as set out by National Treasury's 2019 paper on economic policy.[10] We challenge you to prioritise these building blocks and ensure that your organisation is equipped with the right policies and practices to create long-term value. We hope that this publication continues to be valuable to you in this journey, and that together we can be the catalyst for an improved South African economic trajectory.

10 National Treasury

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Information used in this report

This publication focuses primarily on the JSE and includes analyses of the FTSE 100 and FTSE 250 as well as seven African stock exchanges. Data set out here is drawn from information publicly available on 30 November 2019 (the cut-off date) and is valid for the period from 1 December 2018 to 30 November 2019 (the 2019 reporting period).

Information has been extracted from PwC's internal database and the 313 (2018: 325) active companies listed on the Main Board of the JSE. The total market capitalisation of these companies on the cut-off date was R14.70 trillion (2018: R12.95 trillion).

This trend analysis excludes preference shares, special-purpose listings and suspended companies.

Directors' fees

Directors' fees rarely follow a standard distribution curve. For this reason we have used a quartile/percentile range rather than averages and standard deviations that assume normality. We include averages as a point of interest or where there are not enough data points to perform quartile analysis.

This year, we have slightly changed our methodology to reflect medians on a non-adjusted basis, as we believe this provides a more accurate analysis. For this reason, we have not shown comparator figures in this year's report.

Quartile/percentile ranges used in our analyses:

- **LQ – Lower quartile (25th percentile)**

  75% of the sample earns more and 25% earn less than this fee level.

- **M – Median (50th percentile)**

  50% of the sample earns more and 50% of the sample earns less than this fee level.

- **UQ – Upper quartile (75th percentile)**

  25% of the sample earns more and 75% earn less than this fee level.

- **Average**

  Calculated by dividing the sum of the values in the set by the number of data points in that set.

Company size

In our experience there is no definitive correlation between market capitalisation and the remuneration of directors. However, we have found that market capitalisation is a good proxy for size and complexity. It is also an appropriate metric to use when identifying comparator groups for benchmarking purposes. It is in this context that data for companies listed on the JSE's Main Board is analysed in terms of:

- **Super-cap**

  The top 10 JSE-listed companies valued by market capitalisation.

- **Large-cap**

  11 to 40 JSE-listed companies valued by market capitalisation.

- **Medium-cap**

  41 to 100 of the JSE-listed companies, valued by market capitalisation.

- **Small-cap**

  101 to 313 of the JSE-listed companies, valued by market capitalisation.

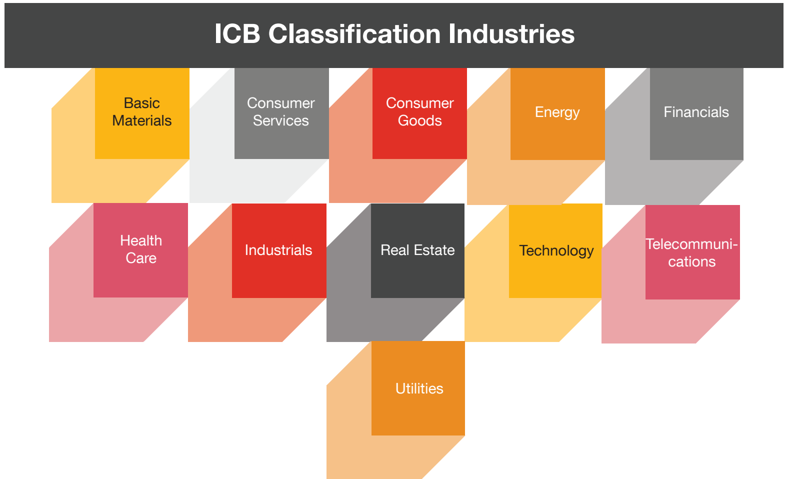
AltX

AltX is an alternative public equity exchange for small and medium-sized companies and is operated by the JSE in parallel with the Main Board. Our AltX analysis as a stand-alone group refers to 32 (2018: 34) active trading companies with a total market capitalisation of R14.388 billion (2018: R19.109 billion).
The reduction in market capitalisation in this group is a result of tough economic trading conditions certain AltX companies delisting or being suspended.

Industry classification

In this report we apply the Industry Classification Benchmark (ICB), as applied by the JSE.[1] Fees paid to chairpersons and non-executive directors appointed to JSE-listed company boards have accordingly been analysed according to ICB industry classification.

ICB industries



[1] The Global Industry Classification Standard (GICS) and the Industrial Classification Benchmark are two competing schemes for classifying stocks into sectors and industries worldwide. Differences between the two are minor and they each have an industry and sector framework for investment research, portfolio management and asset allocation.

3 Effective, well-functioning committees

A “cheat sheet” for assessing how effective your committees are

The effectiveness and capabilities of board members and committees, particularly remuneration committees, have become an increasing topic of discussion among stakeholders.

There is also an increased awareness of the need for soft-skills training, and an understanding of boardroom dynamics. Even with the most skilled people in the room, there is a real risk of groupthink, unhealthy boardroom culture, and in some instances, incidents of manipulation and conflicts of interest.

For the remuneration committee, the size of an organisation and the complexity at hand usually dictates the time and resources required to adequately deal with remuneration matters. This could result in corporate governance standards being applied differently. Is this justified — or is a one-size-fits-all approach feasible?

Below we explore some of the questions that can assist in pinpointing areas for improvement for a well-functioning board or committee, as well as some starting points to finding solutions for improvement, where required.

Questions to ask when identifying areas for improvement

Primary question	Questions to ask when considering a solution
Is your board and subcommittees fully functioning and equipped to deal with the challenges of today?	Do you frequently conduct committee effectiveness assessments to evaluate their competency? Do you find that members are well prepared for meetings, and if not, have you investigated what the reason is? Do committee members fully understand their mandate? Does the committee consist of the minimum number of independent members and are they led by an effective chair? Does your chair understand their role, and perform this effectively? Alongside accountability measures, is your succession plan credible and actionable? **Action: Conduct board/committee effectiveness assessments.**

Primary question	Questions to ask when considering a solution
Is there ample time in board meetings to ventilate issues or are meetings always rushed?	Are your meetings long enough, structured enough and do they happen often enough? Do you make use of technology to be smarter about the convening of meetings, and minimise travel costs? How do you ensure that the groundwork performed by management is accurate and useful to allow for meaningful discussions at meetings?
Are the right people in the room?	Do you actively consider diversity and is the board sufficiently diverse to allow for healthy debate from varying perspectives? Is there an appropriate rotation policy and schedule for NEDs and is it properly implemented to ensure independence and diversity? Are you actively pursuing self-reflection and awareness, upskilling on the concept of groupthink and how to avoid narrow thinking and lack of professional diversity? Do you consider the appropriateness and benefit of including other attendees in the meetings, such as an employee representative? Have you considered forming a 'people and culture committee'[1] and placing more emphasis on people management and employment culture? **Action: Conduct board/committee skills assessment.**

Primary question	Questions to ask when considering a solution
Is there a reminder of the relevant mandate and/or principles at the beginning of meetings to give context to the meetings?	Is a slot set aside before starting meetings to reiterate the expectations based on the relevant mandate, as well as the vision and mission statement of the organisation? Do you have alternate ways of reiterating your purpose and what is expected of NEDs of a specific company? Do you have a code of conduct with well-defined guiding principles and values within which to make decisions?
What is the level of interaction or engagement with other stakeholders?	Have you considered the appropriateness and possible benefits of the inclusion of an employee representative in the meetings? Do you have well-rounded stakeholder engagement processes and record-keeping in place? Do you have a working relationship with your shareholders that involves frequent and active interaction, and are you keeping abreast with what their views and interests are in the organisation? Have you considered the stewardship role of institutional investors and how their changing investment tendencies may impact your organisation?
Is your organisation-specific knowledge base sound?	Is adequate tailor-made training provided to members of the board? Are induction packs and orientation for new members provided, are they digestible and effective? Alongside the induction packs and orientation, does the organisation provide a summary guide to key policies and practices, which are updated as necessary? **Actions: Arrange annual trends updates in relevant areas, organisation-specific training, and up-to-date reference packs for each committee.**

[1] RemCo Reform: Governing successfull organisations that benefit everyone." Chartered Institute of Personnel and Development, United Kingdom. 2019. *https://www.cipd.co.uk/Images/2019-remco-reform-report_tcm18-52535.pdf*

Primary question	Questions to ask when considering a solution
Do board members feel adequately compensated for their efforts?	Do you properly compensate your NEDs for their service? Do you have a robust NED fee policy in place? How frequently is it reviewed and updated? How often do you perform and consider your benchmarking practices? **Action: Conduct NED fee benchmarking, ensure there is an NED fee policy in place, where appropriate, have an ad-hoc meeting fee approved.**
Are all board members actively contributing and does each member have an equal opportunity to raise his/her voice?	What steps do you take to ensure that introverted/reserved board members find their voice and speak up? What steps do you take to minimise and eradicate issues such as bias and bullying, in any form, among members? Is there a framework in place for interaction between board members as well as for interaction between the board and the other committees? **Action: Conduct appropriate soft-skills training.**
Are proper governance structures and processes observed?	Whose responsibility is it to ensure that the board and subcommittees are operating effectively, and are these responsibilities clearly defined? Do you have policies that make provision for consequence management/mechanisms to hold directors accountable when the need arises and are these mechanisms actually being implemented to serve its purpose in times of true poor performance?
Is a greater or wider skill set/ level of experience required?	Do you frequently conduct a board skills assessment to evaluate the competency levels and gaps of board members? Have you considered whether there are skills required beyond the board, such as management competency?

Primary question	Questions to ask when considering a solution
Are there 'darker forces' such as executive bullying and groupthink at play, and what soft-skills training might be needed to counter this?	What soft skills (e.g. bias, anti-bullying, active listening) training programmes do you have in place and how are board members encouraged to partake in them?
Are remuneration structures understood?	The ongoing debate regarding complexity indicates that perhaps remuneration structures are not fully understood or are becoming more complex. Is the solution the simplification of incentives or is there more to it? Are you satisfied with the remuneration levels within the whole organisation and are you truly convinced that the remuneration levels are fair and responsible?

The job of boards today is complex, and requires good peripheral awareness. It is vital that boards and committees function optimally, and are able to effectively discharge their responsibilities. At times, this requires a challenge of the status quo, and deliberate steps to be taken to counteract any identified weaknesses.

In terms of remuneration, it is generally thought that final responsibility for remuneration-related decisions lies with the remuneration committee, as the board makes its determinations based on its recommendations. Remuneration is an organic, living topic, often shrouded in great complexity. It is also a very personal and emotive topic, which makes the job of a remuneration committee even more challenging.

Ultimately, what it comes down to is ensuring and maintaining effective controls within organisations and consequently our society. This may require strengthening the attitude of shared responsibility among all stakeholders to change the way things have been done.

Reporting on the internal pay ratio: Regulators step in

The inclusion of fair, responsible and transparent remuneration principles as set out in the King IV™ Report on Corporate Governance for South Africa[1], 2016 (King IV™) remains a key focus in South Africa and many companies have taken steps to regulate their adherence to it. Lawmakers, through recent amendments to the Employment Equity Act[2] Regulations[3] and Employment Equity Act form (EEA4 form) have also introduced more stringent reporting requirements.

1 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 2 November 2016

2 Employment Equity Act, No. 55 of 1998

3 EEA4 form, Employment Equity Regulations, GN R1057 GG 42627, 08 August 2019.

Since September 2019, designated employers[4] are required to submit an updated EEA4 form (Statement of Income Differentials in terms of section 27 of the Act) to the Department of Labour. The main purpose of the EEA4 form is to collect information for the establishment of norms and benchmarks to reduce the remuneration gap between the highest-paid and lowest-paid employees.

The reasoning behind the amended form is to address current illegal employment practices in which individuals are remunerated differently based on unjustifiable grounds such as (but not limited to) their population group and/or gender, including where employers do not have a workplace policy in place to address such anomalies.

The previous EEA4 form

The previous version of the EEA4 form[5] only required disclosure of total remuneration in terms of population group and gender for employees at different occupational levels. The disclosure included cash payments, housing or accommodation allowances or subsidies, car allowances, employer contributions to medical aids, etc. **It expressly excluded share incentive schemes or discretionary payments**.

4 Designated employers are employers who employ 50 or more employees or have a total annual turnover that exceeds the annual turnover of a small business as prescribed. Designated employers can include listed and unlisted companies as well as state-owned enterprises, the government, and non-profit organisations that fall within the definition.

5 EEA4 form, Employment Equity Regulations, GN R10127 GG 27338, 28 February 2014

Key elements of the amended EEA4 form

The objective of the amended EEA4 form is to collect information for the assessment of the remuneration gap between the highest-paid and lowest-paid employees and at the same time, assess inequalities in remuneration in relation to population group and gender at various occupational levels. With this in mind, the amended form requires additional disclosure:

- All employees, including foreign nationals and temporary employees, must be included when completing the form.
- The form defines remuneration as any payment in money and/or in-kind and includes fixed and variable remuneration. The calculation must be spread over 12 months and reflect the same reporting period as the EEA2 form (the report to the Director-General in terms of section 21 of the Employment Equity Act). Where an employee has not worked for a full 12-month period, the amount must be annualised.
- Fixed or guaranteed remuneration includes, inter alia, salaries or wages, travel allowances, housing or accommodation subsidies, employer contributions to medical aid, pension, and guaranteed bonuses or 13th cheques. Variable remuneration includes short-term incentives (including deferrals and commissions), discretionary payments that are not related to an employee's hours of work or performance, long-term incentives which have a vesting period of longer than one year (irrespective of whether they are retention or performance based), the taxable portion of bursaries and scholarships provided to an employee, and dividends to the extent that the latter are included as remuneration in the Fourth Schedule of the Income Tax Act[6]. **When it comes to long-term incentives, the words 'paid out' in paragraph 6 of section B of the EEA4 form seem to suggest that the amount to be included would be long-term incentives that were settled during the reporting period, and not the value of unvested awards — however, it is unclear whether the Department of Labour will interpret this provision in the same way.**
- There are certain exclusions, such as gratuities and non-employment related lump sums such as severance pay.

Remuneration information is required for the lowest-paid individual at the lowest occupational level and the remuneration of the highest-paid individual for each of the occupational levels within the organisation in terms of the population group and gender.

What should be disclosed?

In addition to the tables recording the number of employees and income differentials at each occupational level in terms of population group and gender, designated employers must indicate the following:

- The average annual remuneration of the top 10% of top earners;
- The average annual remuneration for the bottom 10% of bottom earners; and
- The median earner in the organisation's remuneration.

> Organisations will be required to indicate whether or not they have a policy in place to address and close the vertical gap between the highest and lowest paid employees in their workforce.

Against this backdrop, organisations are required to:

- Disclose the vertical gap between the highest and lowest paid workers in the organisation in terms of the policy, expressed as a multiple; and confirm whether or not the remuneration gap between the highest and lowest paid employees in the organisation is aligned to the policy to address that vertical gap.
- Indicate whether AA (affirmative action) measures to address the remuneration gap are included in the organisation's EE (employment equity) plan.
- Select a key reason for the income differentials. This can include, inter alia, seniority/length of service, qualifications, performance, demotion, experiential training, shortage of skills, or transfer of business.

The form must be signed by the Chief Executive Officer or Accounting Officer.

6 Act 58 of 1962 as amended.

Must this information be publicly disclosed?

According to section 10 of the Employment Equity Regulations, an Employment Equity Report is a public document, but the Income Differential Statement reflected in the EEA4 form is expressly excluded from this rule.

What do you need to do to do?

Based on the information that must be disclosed, there are several implications for designated employers:

- Where there is an income differential identified through this reporting process, it must be justifiable. Proper job profiling and job grading, which encompasses the key principle of equal pay for work of equal value as well as the factors set out in section 6 of the Employment Equity Regulations, can assist with this process and help organisations identify unjustifiable differentials in pay.
- Organisations will need to consider the adoption of an internal fair pay charter or framework and determine what their internal income differentials are, both horizontally and vertically.

The organisation's fair pay charter should set out an organisation's philosophy towards fair and responsible remuneration, monitoring the organisation's fair pay statistics, and identifying how the organisation can sustainably address its internal income differentials.

While listed companies have taken it upon themselves to actively analyse their internal pay ratios and develop policies addressing this, unlisted companies should also take action by identifying their internal pay differentials, develop a policy framework around fair pay, and put plans in place to eliminate unjustifiable differentials in pay.

Remuneration committees should work closely with their colleagues in the social and ethics committee and actively identify and understand how income is distributed throughout their organisations.

How can I identify my internal level of pay equity?

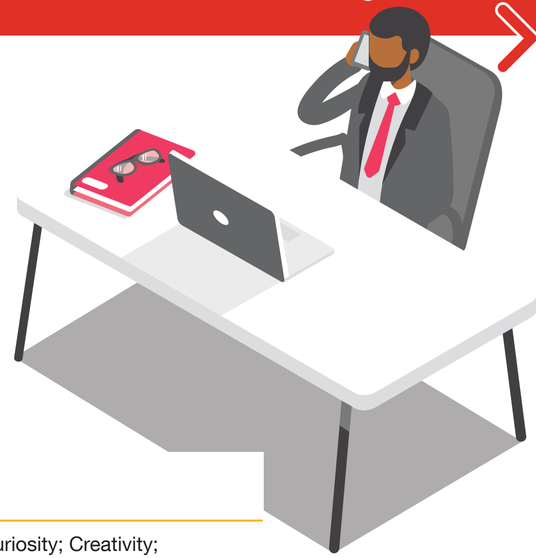
There are many tools companies can use to assess their internal level of equity of pay. These include, for example, determining their internal Gini coefficient or Palma ratio, or for a deeper analysis, performing a detailed grade-based fair-pay analysis, revealing areas where race or gender-based factors appear to be influencing pay disparities. These tools can provide guidance to a company as to whether further and deeper analysis on their internal level of equity is required.

Conclusion

As fair and responsible pay remains a focal area, a company's internal level of pay equity is likely to play a greater role in its reporting requirements and be subject to public scrutiny. Companies should ensure that they are properly equipped and aware of where they stand from a fair and responsible pay perspective, so they are not caught off guard and can address any identified anomalies should public disclosure become mandatory. We only expect more focus on fair and responsible remuneration with the passage of time, and it seems inevitable that we will have legislation making the disclosure of the wage gap mandatory. Thus, organisation's should act now to be ahead of the curve, and ensure that they are prepared to justify the policies and processes that they have in place when the time comes.

5

Boardroom culture and CEO personality



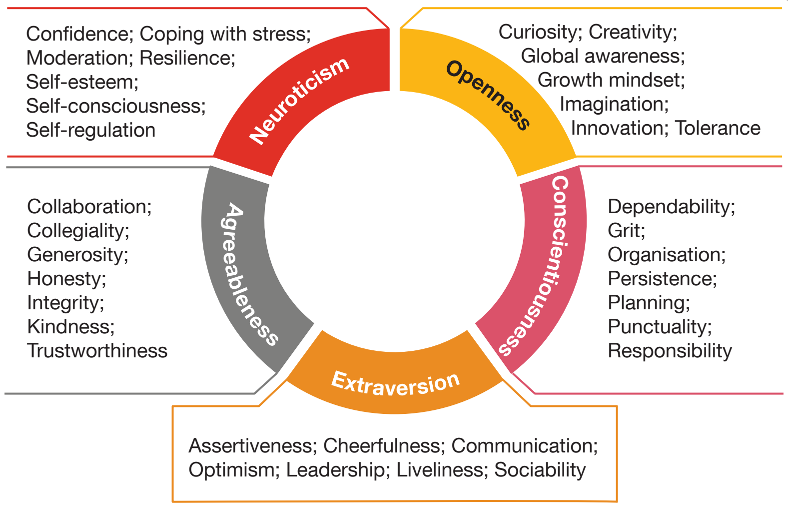
For decades, organisations have looked to personality tests to help identify suitable candidates to join their businesses. Personality tests have historically been deemed an excellent way to predict if someone has what it takes to succeed in their chosen career and whether a candidate will fit into the corporate culture of the business.

This is no different when it comes to appointing CEO. Candidates are often put through various personality tests and role-playing exercises in order to evaluate whether they are a good fit for the organisation. The success of a business is often presumed to hinge on the qualities of the CEO, who through his or her actions and behaviour guides the performance of the business.

The personality of a CEO, often regarded as a soft and inconsequential matter, is in fact a matter of paramount importance, with research demonstrating that a CEO's personality has a significant impact on the culture of a company, which, in turn, has a direct impact on the company's employees and its corresponding performance.

In a 2014 study[1] conducted among 32 high-tech companies, employees were asked to evaluate their CEOs' personalities based on the Big Five personality traits and then to rate their organisational culture in a 54-question survey.

Big Five personality traits



[1] Sage Journals – The Promise and Problems of Organizational Culture: CEO Personality, Culture, and Firm Performance, September 2014, available at *https://journals.sagepub.com/doi/full/10.1177/1059601114550713*, (accessed on 17 October 2019)

The results showed a clear link between CEO personality and organisational culture. Specifically, the research found:

- CEOs with a personality that is more open to experience have organisational cultures that emphasize adaptability;
- CEOs who are more extroverted, but less agreeable and more neurotic, have more results-oriented organisational cultures; and
- CEOs who are more conscientious have more detail-oriented organisational cultures.

While CEOs alone cannot determine the corporate culture, it is evident that their personality can have a significant positive (or negative) impact on the organisation.

Various studies have shown that CEOs are psychologically different from the average executive.[2] British psychologist Kevin Dutton has gone as far as to suggest that CEOs have the highest proportion of psychopaths of any profession.[3] It is important to note that psychopathy is a spectrum, with varying degrees of applicability, so it is interesting to observe that the very traits that CEOs are often applauded for (bold aggressiveness, seeking to dominate others, lack of empathy and uninhibited impulsiveness) are personality traits that are characteristic of the psychopathic personality.

Common 'positive' personality traits of CEOs can also be seen in another light — their persuasive behaviour can be seen to be manipulative, their quick inference and initiative can be seen as impulsiveness and similarly, their assertiveness and tendency to take the lead can be seen as aggressive and overbearing.

It is also interesting to note that psychopathic traits can give men a slight advantage over women in advancing their careers, as women exhibiting similar traits would not reap the same benefits. In a meta-analysis of psychopathy and leadership published in the Journal of Applied Psychology[4], researchers found a gender difference in that psychopathic tendencies in men were weakly positively correlated with leadership emergence and effectiveness and negatively correlated with transformational leadership, while psychopathic tendencies in women were negatively associated with effectiveness and transformational leadership, and largely unassociated with emergence. This can likely be attributed to the fact that such behaviour is prototypical behaviour for men, while it would be seen as going against gender norms for women.

The behaviours described above are often beneficial when operating in the business environment and may drive the financial performance and success of the business. Several psychopathic qualities such as charm, confidence and the ability to remain resilient amid chaos are also qualities that assist individuals to advance in their careers.

Organisations should, however, remain cautious as the business can also be negatively impacted by a CEO's personality, particularly when they have been labelled by their staff and other board members as being 'psychopathic' or ''narcissistic', as employees will likely feel alienated and disconnected from the CEO's vision and the business' success.

The board, specifically the remuneration committee and nomination committee should be on the lookout for signs of direct or indirect manipulation or behavioural hints that could forewarn that such behaviour may pose problems in the future, particularly when appointing a new CEO.

The type of behaviour would be company-specific but may include any behaviour which indicates that the individual is prone to advocating a self-serving agenda or that there is an element of 'empire building'. Empire building in a company environment can be seen when executives are overly concerned with expanding their business units and increasing their employee levels, even where this does not necessarily align with developing and creating shareholder value.

2 Inside the Mind of the Chief Executive Officer." Russell Reynolds Associates. 2016. available at *https://www.russellreynolds.com/en/Insights/thought-leadership/Documents/ITMO_CEO.pdf* (accessed 17 October 2019)

3 Kevin Dutton. *The Wisdom of Psychopaths: What Saints, Spies, and Serial Killers Can Teach Us About Success*. Scientific American; *Farrar, Straus, and Giroux* (October 16, 2012)

4 Karen Landay, PD Harms and Marcus Credé. "Shall we serve the dark lords? A meta-analytic review of psychopathy and leadership." *Journal of Applied Psychology*. available at *https://psycnet.apa.org/doiLanding?doi=10.1037%2Fapl0000357*, (accessed 5 November 2019)

How does this influence the selection of NEDs for subcommittees?

One way to mitigate and manage the personality traits identified above is to ensure that companies have a competent board and capable NEDs who can sit on its subcommittees. A strong trust relationship between NEDs and executives is essential to enable board effective and successful companies.

Such relationships are also beneficial to companies as a whole, as longer-serving CEOs generally deliver higher shareholder returns than shorter-serving CEOs and many successor CEOs significantly underperform and are more likely to be forced out of office.[5]

Although executives have an important role to play in decision making, committees should remain conscious of potential or actual conflicts of interest when considering a CEO's recommendations. They should ensure that CEOs are aware that governance processes are there to protect the company as a whole and to ensure that decisions regarding a CEO's recommendations are subject to scrutiny and proper consideration.

Various elements should be considered essential to creating an effective CEO-board relationship. On an individual level this means appointing NEDs who can do the following effectively and in a consistent manner:

- Examine in detail the recommendations provided and ask the tough questions when necessary;
- Ensure that the CEO advises and remains accountable to the board;
- Remain cognisant of the company's strategy and overarching succession plan to ensure alignment;
- Maintain independence and demonstrate a full commitment and engagement to the objectives of their terms of reference;
- Collaborate effectively with the CEO to establish expectations, agendas, processes and decision rules;
- Maintain ethical integrity in all instances;
- Proactively seek to build professional relationships with the management team; and
- Effectively communicate and facilitate both within the subcommittee and the company as a whole.

Beyond individual NEDs, inclusive diversity and board diversity should be pursued, and requisite soft-skills training be introduced, to support and challenge critical thinking in order to avoid the social psychological phenomenon of groupthink, in which the practice of thinking or making decisions as a group results in poor-quality decision making.

5 PwC's Strategy and CEO success study; 2018 CEO Success Study: Succeeding the long-serving legend in the corner office, available at accessed on *https://www.strategyand.pwc.com/gx/en/insights/ceo-success.html*, (accessed on 5 November 2019)

6

Setting fees for non-resident NEDs

Globalisation has had a profound effect on how businesses operate. Economies are becoming more and more interconnected through global trade networks, capital flows and technological advancements. Within the South African context, one sees local companies expanding their operations to include operations offshore; obtaining dual-listings; acquiring foreign entities and, at times, divesting from South Africa.

Increasing emphasis is being placed on the importance of effective boards in terms of ensuring the long-term sustainability and success of their companies.

Against this backdrop, we have observed that companies are increasingly looking to appoint non-resident NEDs to their boards as a means of obtaining diverse and foreign expertise. These companies broadly fall into two categories:

- Companies that do not have any foreign operations at this point in time, but who are looking to possibly expand their global footprint within a few years; and
- Companies that have an established global footprint with operations spanning across more than one territory.

NEDs are responsible for making critical strategic decisions, which require particular skills, knowledge, experience and business judgment for which they need to be fairly compensated. King IV™ Principle 14 Recommended Practice 34.6 notes that a differentiation may be made in the fees paid to resident versus non-resident NEDs, where the NED lives outside of South Africa. This can include differentiated fee structures in foreign currencies.

A key question boards and companies are faced with, is how to determine an appropriate fee for a non-resident NED that will ensure that the company both attracts and retains high quality and experienced NEDs.

How the determination of fees is currently approached

Only a small sample of JSE-listed companies we have analysed currently disclose a non-resident NED fee. Generally, companies do not disclose whether the disclosed fees paid to non-resident NEDs include travel allowances, and do not indicate the travel and accommodation component for non-resident NEDs (if any) separately.

Our research reveals that non-resident NEDs are typically paid a premium compared to their South African counterparts. This may be attributable to a number of factors, including:

- Cost-of-living differences between South Africa and the countries of residence;

- The opportunity cost experienced by a director who is not available to attend a meeting in his / her country of residence due to him/her attending a meeting in South Africa; and
- A premium paid due to the excessive travel burden placed upon the non-resident NEDs, and the increased time commitment involved in attending meetings outside of the NED's home jurisdiction.

These premiums are not fixed or regulated and vary across the different companies depending on each company's profile.

It is not clear from publicly disclosed data what principles are taken into account when determining the premium payable to non-resident NEDs and the rationale for paying such a premium.

It is also not clear whether there is indeed any specific philosophy behind determining the premium or whether the premium is specific to an individual and results from the negotiation processes involved in appointing him or her as a non-resident NED.

As such, one should be wary to rely on market practice as the sole basis for determining appropriate non-resident NED fees as this has the potential to push up NED fees and potentially lead to a shareholder revolt (on a binding vote).

Proposed approach to determining non-resident NED fees

In order to ensure that companies determine non-resident NED fees in a manner which is consistent and in line with the principle of fair and responsible remuneration, we propose that companies update their NED fee policies to set out the methodology to be used in the determination of non-resident NED fees.

Depending on the company's circumstances, one of two approaches would be followed. The two circumstances which are relevant are:

1. A South African company that has no current foreign exposure, but is looking to appoint a non-resident NED in anticipation of expanding its business offshore; and
2. A South African company with operations in multiple territories.

1. A South African company which has no current foreign exposure

Where a South African company has no current foreign exposure, but is looking to appoint a non-resident NED in anticipation of expanding their business to offshore countries, the company's board will initially consist of resident NEDs whose fees are typically determined through benchmarking against a comparator group of companies of a similar size, industry and performance within South Africa where the company's operations are located.

The incoming non-resident NED will be taking on the duties, responsibilities and risks of an NED in terms of South African company law.

In our view, and in line with the principle of fair and responsible remuneration, it would be suitable for such a company to determine an appropriate NED fee for foreign NEDs by determining the South African NED base fee and applying the cost of living adjustment (COLA) relevant to the country in which the non-resident NED resides. The company should clearly state in its NED fee policy that non-resident NED fees will be based on the South African NED base fee to which the appropriate COLA will be applied so as to ensure consistency.

A company should carefully consider (in conjunction with its travel allowance provisions) what its policy will be for originally South-African resident NEDs, who emigrate.

2. A South African company with operations in multiple territories

In this scenario, the company's board consists of a mix of non-resident and South African resident NEDs, as a consequence of the company's global operational footprint. Importantly, the company's benchmarking comparator group in this scenario would consist of a balanced mix of both South African and other appropriate global companies, in line with the company's global exposure and to ensure that the overall NED base fee is fair and equitable. This will typically result in a NED base fee which is at a 'premium' to the base fee that would be arrived at in the first scenario. However, this premium should be interpreted with care, as it would primarily be influenced by the relative size of the companies within the global comparator group.

The premium may also include an implicit risk premium, specifically where included territories are exposed to more risk than a purely South African company.

It is difficult to ascertain what premium, if any, should be added to the fees of NEDs in such instances. To get a better sense of what the actual premium in the market is, any identified premium should be corrected for COLA, and translated to a common currency.

In such exercises that we have performed, in many instances we have found that this results in a very negligible premium. We attribute this to the fact that many global South African companies already factor in enhanced risk based on their global exposure in their NED fees, and thus, the use of a global comparator group will, as mentioned above, already in effect contain an adjustment for the differed risk profile inherent in the role.

Naturally, as an entity's South African footprint decreases, and should the head office be relocated out of South Africa, any South African based COLA would become irrelevant.

Conclusion

In addition to the factors discussed above, it is impossible to ascertain whether, and to what extent, any identified premium is due to negotiation (i.e. supply and demand).

In determining an appropriate non-resident NED fee, companies should avoid purely looking at the premium payable by companies in their comparator group as a basis for determining their own premium, and should rather follow a principle-based approach.

The company's operating context (whether local or global) should be taken into account in establishing the appropriate course to be followed in determining a non-resident NED fee that is both reasonable and appropriate to attract an NED with the required knowledge and skill.

Where there is enhanced risk due to global operations, all NEDs (resident and non-resident) should be paid appropriately, and this can be taken into account through benchmarking to the appropriate comparator group, and adjusting for COLA and currency.

7

Disruptor versus disrupted: Responding to climate change

Environmental, social and governance (ESG) factors and their impact on both investment activities and the good governance of businesses have long been a key topic of discussion in our NED publications. We continue to uphold that ESG matters are a significant item to be included on the board agenda, the importance of which should not be underestimated.

Boards have a responsibility to shareholders to think about and work towards securing the long-term sustainability of the business and to guard against short-termism.[1] This is characterised by an excessive focus on short-term financial performance at the expense of long-term interests such as strategy, fundamentals and long-term value creation for investors.[2] For example, short-term thinking may lead companies to reduce their expenditure on research and development and/or forego investment opportunities with positive long-term potential. This in turn may negatively impact companies' development of sustainable products or investment in measures that deliver operational efficiencies, develop human capital, or effectively manage the social and environmental risks to their business, including the effective management of climate-related impacts.[3]

1 "Short-termism." CFA Institute, *https://www.cfainstitute.org/en/advocacy/issues/short-termism* (accessed 4 November 2019).

2 Ibid.

3 "Coping, Shifting, Changing 2.0: Corporate and investor strategies for managing market short-termism" PRI, 2017. *https://www.unpri.org/download?ac=4215*

Effective climate governance

Climate change is a new and complex issue for many boards and is visibly disrupting business. As with any form of disruption, climate change creates both risks and opportunities for business in a number of ways. Companies are increasingly challenged by investors, regulators and other stakeholders to take responsibility by taking an integrated, strategic approach to addressing climate change. Boards have the important duty of ensuring the long-term stewardship of the companies they oversee and to address climate change as an issue that drives the company's financial risk and opportunity.[4]

In order to govern climate risks and opportunities effectively, boards need to be equipped with the right tools to make the best possible decisions for the long-term resilience of their organisations. PwC, in collaboration with the World Economic Forum, and after consultation with more than 50 subject specialists and corporate executives, developed a guide entitled *How to Set Up Effective Climate Governance on Corporate Boards* to help corporate boards drive climate governance effectively.[5]

4 The UK Stewardship Code 2020 notes in Principle 7 that "Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues and climate change to fulfil their responsibilities." Signatories should explain, among other things, the processes which they have used to integrate stewardship and investment, including ESG issues, to align with the investment time horizons of clients.

5 "How to Set Up Effective Climate Governance on Corporate Boards." WEF, 2019. *http://www3.weforum.org/docs/WEF_Creating_effective_climate_governance_on_corporate_boards.pdf*

The guide proposes tools that can be useful for the board of directors to steer climate risks and opportunities. The governance principles are designed to increase directors' climate awareness, embed climate issues into board structures and processes and improve navigation of the risks and opportunities that climate change poses to business.

The report urges boards to pay particular attention to the following elements:[6]

- **Board accountability and incentives** — management incentives should be designed to align the interests of executive directors with the long-term health and resilience of the company. Each board should consider how climate, and other sustainability and non-financial targets can be integrated into existing incentives for executives. Companies may have to reassess current incentive schemes to ensure that incentives are not counterintuitive or carry inappropriate risks that put the future value of the company in jeopardy.
- **Command of the climate subject and board structure** — boards should have sufficient collective awareness and understanding of the potential business impact of climate change and set the tone for the company in this regard. Boards also need to determine how to effectively embed climate issues into existing board and committee structures to enable adequate oversight of the issue.
- **Assessment of material climate risks and opportunities, and strategic integration** — companies need to assess the materiality of climate-related risk and opportunities so that the board can determine whether the management team's response is adequate.
- **Reporting, disclosure and exchange** — holistic climate governance should entail adequate reporting and disclosure, including voluntary climate-related reporting. Current and emerging regulation may force companies to enhance their climate disclosures. Growing corporate and investor support for climate-related disclosure endorses the belief that material and decision-useful climate disclosure to investors and other stakeholders could help mitigate the risks of failing to report such relevant information.

[6] Ibid.

What we have seen in South Africa

In April 2019, Standard Bank tabled two shareholder resolutions on climate risk that had been proposed by the RAITH Foundation and shareholder activist Theo Botha with support from Just Share, for a vote at the company's annual general meeting. This was the first time that a South African company tabled a shareholder resolution on climate-related issues.[7]

The resolution requiring a report to shareholders on the company's assessment of greenhouse gas emissions resulting from its financing activities and exposure to climate change risks in its lending, investing and financing activities did not pass. However, 55.09%[8] of shareholders voted in favour of the company adopting and disclosing a policy on lending to coal-fired power projects and coal mining operations.

FirstRand followed in October 2019 by tabling two shareholder resolutions on climate risk proposed by the RAITH Foundation and Just Share. These resolutions would require the bank to report on its assessment of its exposure to climate-related risks and to adopt and disclosure a policy on fossil fuel lending practices. The resolution which would force FirstRand to adopt and make public a policy on fossil fuel financing passed with 99.92%. A resolution that would require FirstRand to prepare a report on its exposure to climate-related risks did not pass.

[7] "Standard Bank tables first SA shareholder resolution on climate risk, but board recommend shareholders vote against it." available at *https://justshare.org.za/media/news/standard-bank-tables-first-sa-shareholder-resolution-on-climate-risk-but-board-recommends-shareholders-vote-against-it*

[8] SENS announcement available at *https://www.sharenet.co.za/v3/sens_display.php?tdate=20190530174200&seq=68&scode=SBK*

Sasol, on the other hand, rejected a joint shareholder resolution filed by six local asset managers (Coronation Fund Managers, Old Mutual Investment Group, Sanlam Investment Managers, Abax Investments, Aeon Investment Management and Mergence Investment Managers), which asked that Sasol report on how its greenhouse gas emissions strategy aligns with the goals of the Paris Agreement, on the grounds that the company has already committed to take the necessary steps required to align to the Paris Agreement in 2020. This follows the rejection of a resolution proposed by the RAITH Foundation and Theo Botha in the prior year, which asked for more disclosure around Sasol's climate change strategy.[9]

In order to ensure that South African boards are fulfilling their duties of ensuring the long-term stewardship of the companies they oversee, climate-change risks should be a key discussion point on the board agenda, and ESG metrics a key part of any organisation's strategy to create long-term value for all stakeholders. Remuneration committees should debate whether the long-term incentives in place drive a culture that is aligned to the ESG strategy, and incorporate relevant KPIs linked to the business strategy.

We anticipate that activism in this area will only continue to grow, and that other ESG priorities such as income inequality will soon be added to the activism agenda.

[9] Cairns, P. "Sasol rejects shareholder bid", The Citizen. 27 November 2019

Regulatory update on remuneration-related matters

This section sets out a high-level summary of remuneration-related developments in South Africa and abroad.

Whilst we are aware of further possible amendments to the Companies Act which may bring about changes to the voting regime on the remuneration report, and disclosure of certain income-inequality measures, at the time of print these had not been formally gazetted for comment.

South Africa

Amendments to the JSE Listings Requirements

Draft amendments to the JSE Listings Requirements were released in July 2019 and the Financial Sector Conduct Authority recently released Board Notice 180 of 2019, stating that, as from 2 December 2019, certain approved amendments to the JSE Listings Requirements will take effect.[1] For the purpose of this report, the following two are worth highlighting:

- Disclosure of compliance with applicable laws; and
- Board diversity.

1 "Amendments to the regulation of primary and secondary listings on the JSE." *South African Tax Guide*. *https://www.sataxguide.co.za/amendments-to-the-regulation-of-primary-and-secondary-listings-on-the-jse/*

Disclosure of compliance with applicable laws

This amendment places an obligation on the social and ethics committee of a company, as well as the board of directors, to make certain affirmations in the pre-listing statement.

New affirmations in the pre-listing statement

Social and ethics committee	Board of directors
To state that the company has complied with its mandate set out in the Companies Act 71 of 2008, read with the Companies Regulations 2011. In addition, the statement should include whether there is no material non-compliance to disclose, or alternatively, should disclose any such material non-compliance.	To state that the company complies with the provisions of the Companies Act 71 of 2008, read with the Companies Regulations 2011 (or other relevant laws of its establishment) in relation to its incorporation and that it operates in conformity with its constitutional documents, and must provide a narrative statement on compliance with this provision in its annual financial statements.

Board diversity

Companies are required to encourage and promote broader diversity on the board. This includes not only gender and race as it was previously, but also culture, age, field of knowledge, skills and experience. This is to be implemented through the adoption of a diversity policy and companies are required to report annually on their actions and progress performed against the policy.

With these amendments the JSE has removed any sense of optionality in a clear effort to steer companies toward better governance practices, transparency and accountability.

JSE guidance letter on remuneration targets

There has been uncertainty in the market as to whether disclosure of remuneration targets for variable remuneration, especially STIs, in the remuneration report constitute profit forecasts or profit estimates for purposes of the JSE Listings Requirements. We have noted that companies err on the side of caution and are often hesitant to disclose remuneration targets as many consider these targets to be commercially sensitive information.

During December 2019, the JSE released a guidance letter addressed to Company Secretaries, Sponsors and Designated Advisors, which aims to provide some clarity regarding whether remuneration targets constitute profit forecasts for purposes of the JSE Listings Requirements. The JSE notes that remuneration targets disclosed as part of the remuneration report will not generally be treated as profit forecasts or estimates by the JSE. However, should a company expressly state that a target amounts to the likely level of profits or losses or provide data from which a calculation of the target for profits and losses can easily be made, such information will be treated as profit forecasts.

Amendments to Employment Equity Regulations

The Department of Labour has amended the Employment Equity Regulations to include an updated EEA4 form, with wide-reaching consequences. We discuss this in our article “Reporting on the internal pay ratio”.

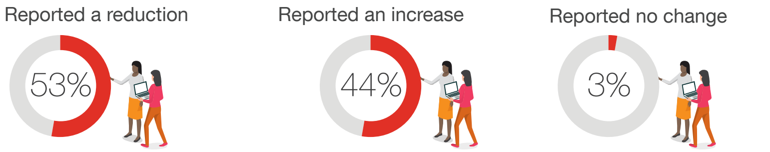
United Kingdom

Gender pay reporting is mandatory in the UK and April 2019 marked the second annual deadline for organisations to publish their results in this regard. Unfortunately, the figures do not demonstrate much of the desired progress.

Questions remain about how serious organisations are about driving meaningful long-term change and implementing proper measures, and whether it will take further efforts from regulators, such as serious sanctions, for organisations to take the required action. Alternatively, are there other issues that organisations are dealing with that are overshadowing the focus on gender pay disparities? Where lies the priority and why? During May 2019, PwC UK published a report, *Promise, progress or failure to prioritise?*, which reflects the latest figures, analysis and insights on gender pay data across UK organisations.[2]

Of organisations reporting gender pay gap data in 2019, 53% reported a reduction, 44% reported an increase and 3% reported no change. The median of all the mean pay gaps reported this year was 13.1%, as of the reporting deadline, which is marginally down from 13.3% last year.

Gender pay gap – 2019



Median pay gap

[2] *https://www.pwc.co.uk/human-resource-services/assets/pdfs/promise-progress-or-failure-to-prioritise-gender-pay-may-2019.pdf*

UK Stewardship Code 2020

The UK Stewardship Code 2020[3] (the Code), a revision to the 2012 edition of the Code, took effect from 1 January 2020. The Code sets stewardship standards for asset owners and asset managers, and for service providers that support them.

The outcomes of the key changes in the revised Code are summarised in the Financial Reporting Council's feedback statement and are set out below:[4]

- It establishes a clear benchmark for stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
- It extends the focus to include asset owners and service providers as well as asset managers. This will help align the approach of the whole investment community in the interest of end-investors and beneficiaries.
- There is now a requirement to report annually on stewardship activity and its outcomes. Signatories' reports will show what has actually been done in the previous year, and what the outcome was, including their engagement with the assets they invest in.
- Signatories are now expected to take environmental, social and governance factors, including climate change, into account and to ensure their investment decisions are aligned with the needs of their clients.
- Signatories are now expected to explain how they have exercised stewardship across asset classes beyond listed equity, such as fixed income, private equity and infrastructure, and investments outside the UK.
- Signatories are now required to explain their organisation's purpose, investment beliefs, strategy and culture. They are also expected to show how they are demonstrating this commitment through appropriate governance, resourcing and staff incentives.

[3] "UK Stewardship Code 2020". Financial Reporting Council. *https://www.frc.org.uk/document-library/corporate-governance/2019/2020-corporate-stewardship-code*

[4] Promise, Progress or Failure to Prioritize." PwC UK. 2019. *https://www.frc.org.uk/getattachment/2912476c-d183-46bd-a86e-dfb024f694ad/191023-Feedback-Statement-Consultation-on-revised-Stewardship-Code-FINAL-V1.pdf*

Australia

During July 2019, the Australian Prudential Regulation Authority (APRA) proposed a new prudential standard on remuneration (CPS 511) introducing stronger requirements relating to remuneration to enhance conduct, risk management and accountability.

The APRA is proposing the following key reforms, among others:

- Elevating the importance of managing non-financial risks, i.e. that financial performance measures must not comprise more than 50% of the performance criteria for variable remuneration outcomes;
- Introducing a minimum deferral period for variable remuneration of up to seven years for senior executives in larger, more complex entities. Boards will also have scope to recover remuneration for up to four years after it has vested (clawback); and
- Boards must approve and actively oversee remuneration policies for all employees, and regularly confirm they are being applied in practice to ensure individual and collective accountability.

PwC Australia's *10 minutes on… APRA's new standard on remuneration* report, released in August 2019, provides further insights regarding the impact of the standard, challenges and next steps.[5]

[5] "10 minutes on.. APRA's new standard on remuneration". PwC Australia 2019. *https://www.pwc.com.au/publications/10-minutes-program/10-minutes-on-apras-new-standard-remuneration-aug19.pdf*

As with the rest of the world, the APRA is trying to drive positive change by strengthening the governance standard of reward practices. This supports the adoption of remuneration practices that take into account an organisation's specific business strategy and encouraging the necessary performance culture. It is further intended to promote reward and remuneration models that are simpler and more transparent, which participants can easily understand and value, so that they actually have an impact on a participant's behaviour and performance.

United States

Council of Institutional Investors' policy on executive pay

In September 2019, the Council of Institutional Investors (CII), an influential association of US pension funds, foundations, and endowments, overhauled its policy on executive pay. There is an ongoing debate regarding the simplification of incentives and the removal of performance conditions to make way for the simple use of restricted stock.

Provision 5.5b of the CII's corporate governance policy suggests that restricted stock that vests based only on time (anything between five and ten years) may provide an appropriate balance of risk and reward, alongside the alignment of executives with shareholders.

Profile of a JSE non-executive director

Within this chapter we set out the demographics of a JSE non-executive director.

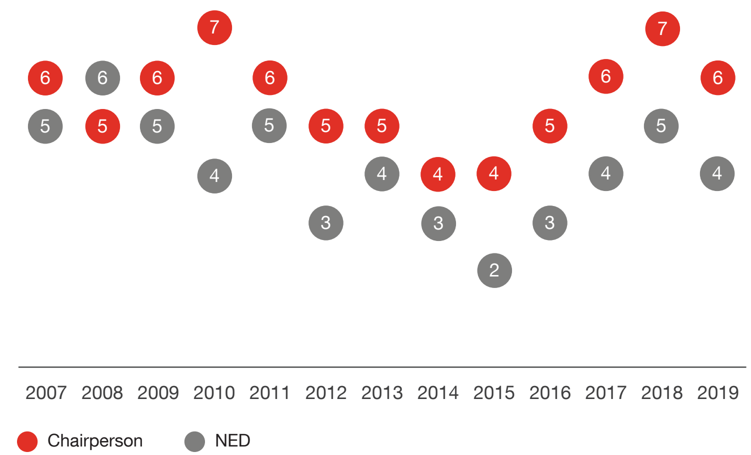
At 30 November 2019, the total number of non-executive directors serving on the boards of active companies on the JSE was 2 224, which is 178 members less than in the prior reporting period.

Board tenure

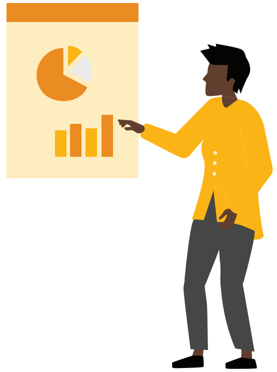
The median board tenure for chairpersons in active JSE-listed companies has dropped slightly to six years (2018: seven).

The average tenure for non-executive directors has declined to four years (2018: five). Board refreshment appears to be the main driver of this.

Figure 9.1: Median board tenure, 2007–2019



Source: PwC analysis



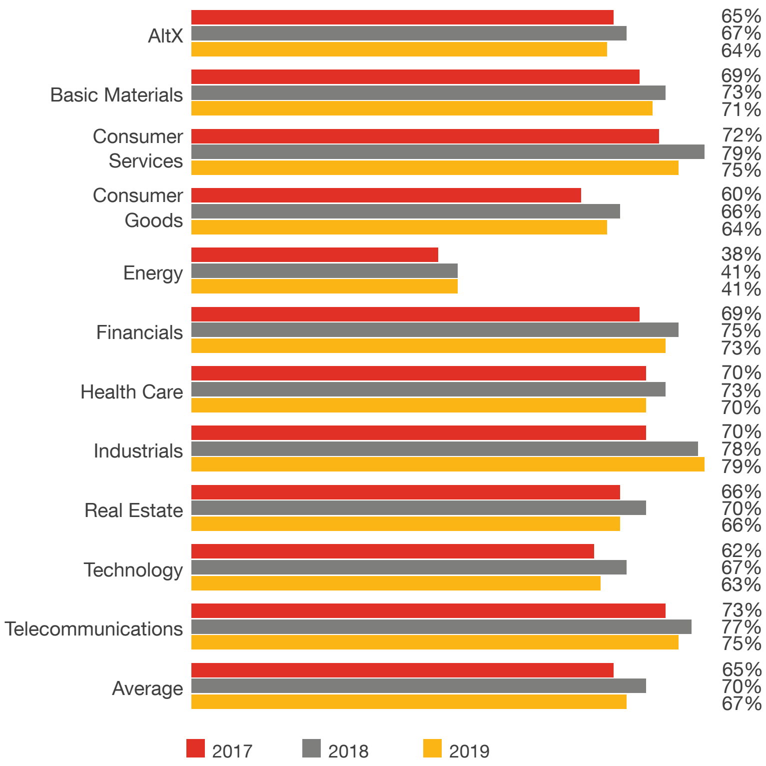
Key insights

- It is interesting to note that 27% of the 2019 data set analysed were NEDs who had served for nine years or longer, raising questions about independence and board turnover/refreshment policies.
- We note that median NED tenure remains above the four-year mark, as the data from 2012–2016 indicated a trend towards a median three-year term, which may raise concerns around NEDs having the requisite company-specific experience and insight to add true value. This should be weighed on the other hand with the need for adequate board refreshment and turnover. It is of further interest to note that median board tenure increased after the advent of King IV™ in late 2016.
- Chairpersons have consistently maintained a median tenure in excess of four years throughout the 13 years of our research. In the last three years, median chairperson tenure has been six years or above, which could be linked to greater board stability and experience in a testing market. The reason for the longer tenure for chairpersons could be associated with the fact that chairpersons may have fulfilled an executive role prior to taking on an NED position.
- Another question that the data raises is the reason for NED turnover — is this a result of shareholder activism, or is this mainly due to moves initiated by the NEDs themselves? It is also worth asking whether the median is longer than desired, taking the current economic downturn into account — is a shake-up of existing NEDs the change that our economy requires?

Independence status

Independence rules generally aim to ensure that directors avoid conflicts of interest that may impede their service to the board. Shareholders continue to place pressure on listed companies where director tenure is perceived to be excessive, or the potential for conflicts of interest exist.

Figure 9.2: Proportion of independent non-executive directors, 2017–2019



Source: PwC analysis

Key insights

- There has been consistency during the last three years of analysis, indicating (with the exception of Energy) a stable balance of majority-independent boards.
- However, independence should not be sought blindly. This consideration should be balanced by the requirements of King IV™, which make it clear that 'the overriding concern is whether the governing body is knowledgeable, skilled, experienced, diverse and independent enough to discharge fully its governance role and responsibilities'.

Age

Age diversity has not historically been a major focal area, and typically board members have tended to be older, as many boards equate age with experience. Our research shows that South African boards are made up of a good mixture of young and old NEDs. This is particularly needed to ensure diversity of thinking and approach, and to ensure that boards are able to face the challenges facing all companies in the new digital age.

Figure 9.3: Median age of board members, 2019

Source: PwC analysis

Key insights

In our analysis of the background data for the compilation of Figure 9.3, the following insights were noted:

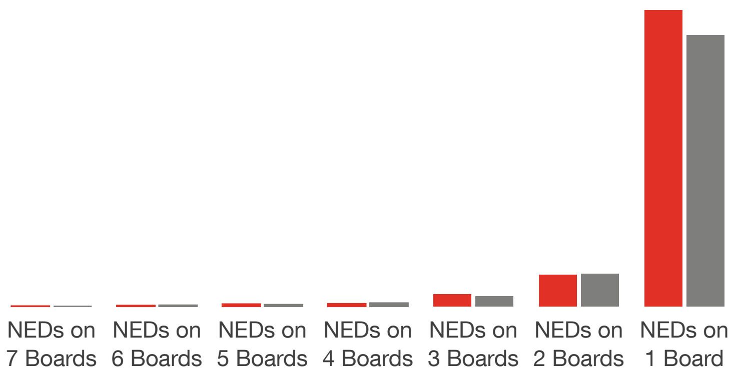
- The data shows a steady decline in the number of seniors (aged 75+) on boards, accompanied by a steady increase in millennials (25–39) throughout the 12-year period. This is to be expected, taking into account that all industries are being influenced by the Fourth Industrial Revolution, and this population group comprises digital natives.
- Baby boomers (55–75) have increased in number over the same period. Our median NED and chairperson (55 [51:2018] and 59 [55: 2018] respectively) fall within the lower end of this category.
- It is interesting to note that the median age of chairpersons and NEDs has increased slightly since last year.
- Generation X's (40–54) representation has remained fairly stable over the 12-year period.

Directorships

There should be a healthy balance between not becoming 'over boarded' i.e. serving on too many boards resulting in not having sufficient time available to fulfil board member responsibilities, and having the requisite network and invaluable exposure that serving on more than one board may afford a NED.

Market data reflects that 85% of NEDs served only on one board in 2019, one percentage point less than 2018. No NEDs served on more than six boards in 2019, which is a welcome change.

Figure 9.4: Non-executive directors' membership of multiple boards



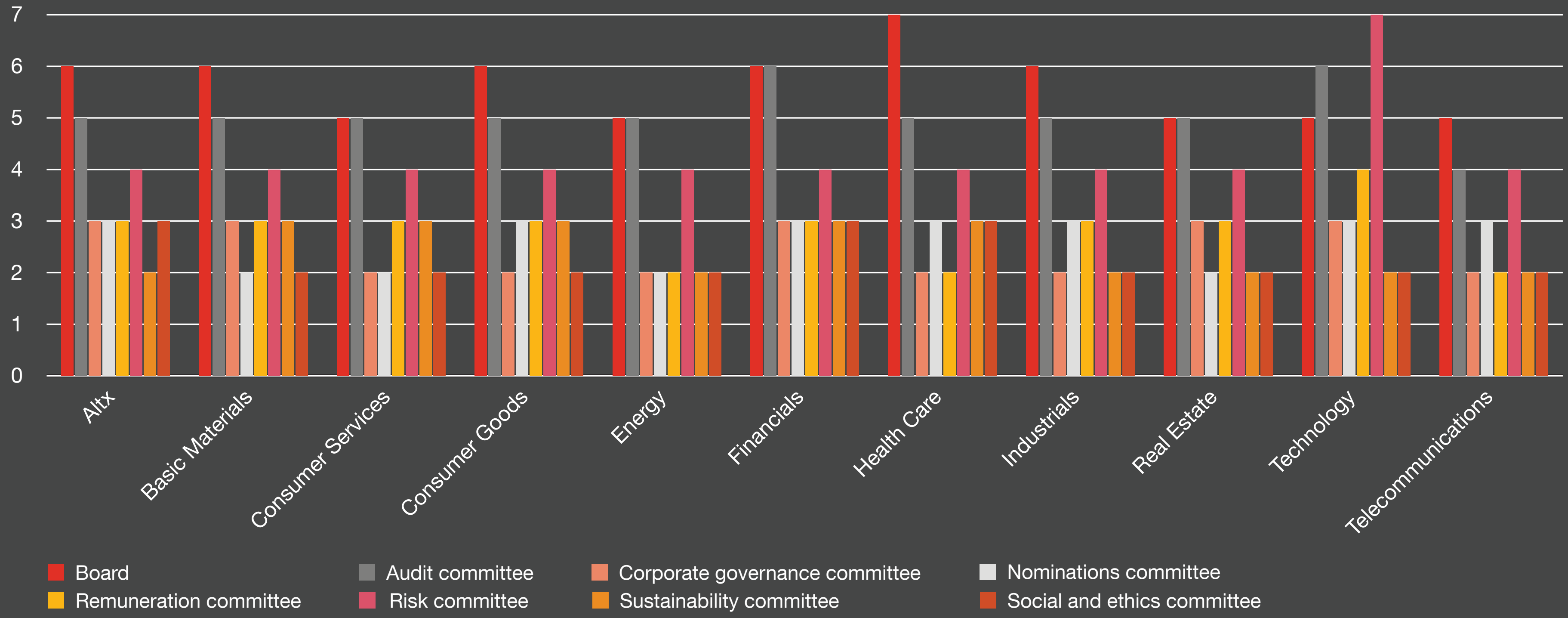
	NEDs on 7 Boards	NEDs on 6 Boards	NEDs on 5 Boards	NEDs on 4 Boards	NEDs on 3 Boards	NEDs on 2 Boards	NEDs on 1 Board
2018	2	6	16	18	84	220	2 056
2019	0	8	12	23	70	227	1 884

Source: PwC analysis

Meetings

The graph below sets out the average number of meetings held by boards and all major subcommittees for all JSE industries and AltX.

Figure 9.5: Average number of meetings held by industry, including AltX, 2019



Source: PwC analysis

Diversity

The JSE recently released amendments to its Listings Requirements that became effective on 2 December 2019, with transitional periods provided for certain provisions. With these came new regulations pertaining to board diversity. Issuers are now required to adopt a policy on the promotion of broader diversity on the board, focusing not only on gender and race (as was the case previously), but also on the promotion of other diversity attributes such as culture, age, field of knowledge, skills and experience. The company must publish its performance against the policy annually.

We have again analysed racial and gender diversity among the JSE Top 100's non-executive directors, across all industries, with the racial split classified into African, Coloured, Indian/Asian and White incumbents. We have also split our analysis into chairpersons and other non-executive directors.

Race

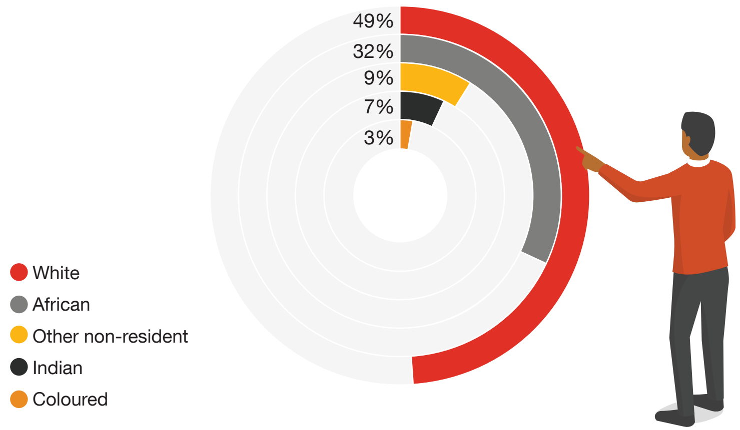
The JSE Listings Requirements regarding board ethnic diversity policies and their implementation are laid out in paragraph 3.84(i), which states:

> "the board of directors or the nomination committee, as the case may be, must have a policy on the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience. The issuer must confirm this by reporting to shareholders in its annual report on how the board of directors or the nomination committee, as the case may be, have considered and applied the policy of broad diversity in the nomination and appointment of directors. If applicable, the board of directors or the nomination committee must explain why any of the above diversity indicators have not been applied and further report progress in respect thereof on agreed voluntary targets;"[1]

[1] "JSE Listings Requirements Service Issue 27". JSE. 2020. https://www.jse.co.za/content/JSERulesPoliciesandRegulationItems/JSE%20Listings%20Requirements%20Service%20Issue%2027.pdf (accessed 30 January 2020)

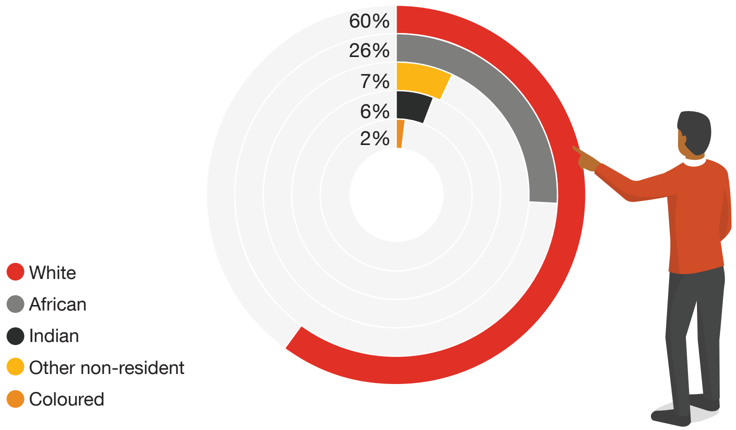
Our analysis reveals that, while racial diversity among chairpersons has remained steady since the previous year, diversity among other non-executives appears to have improved somewhat. However, this should be interpreted with caution, as we have included a new category within this year's analysis, being that of 'other non-resident directors'. Nonetheless, the analysis reveals a clearer picture of what the racial demographics of our non-executive director population looks like.

Figure 9.6: Racial diversity: Non-executive directors, 2019



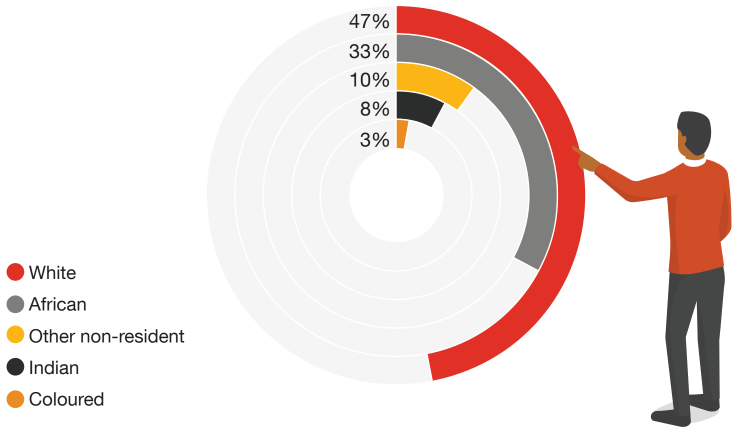
Source: PwC analysis

Figure 9.7: Racial diversity: Chairpersons, 2019



Source: PwC analysis

Figure 9.8: Racial diversity: Non-executive directors[2], 2019



Source: PwC analysis

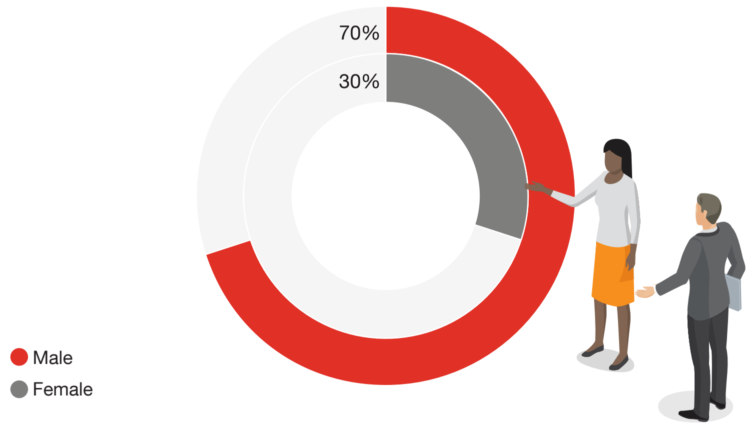
Gender

The JSE Listings Requirements are very specific regarding board gender policies and the requirement to demonstrate transparency by reporting on such policies.

[2] Excluding chairpersons

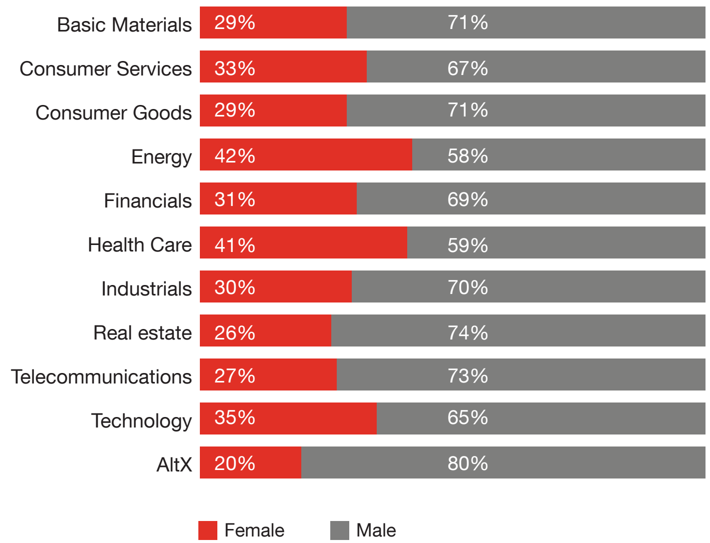
Our analysis reveals that overall, gender diversity has improved, with male representation on boards declining from 80% to 70%.

Figure 9.9: Gender diversity: Non-executive directors, 2019



Source: PwC analysis

Figure 9.10: Gender diversity by industry, including AltX, 2019



Source: PwC analysis

JSE non-executive directors' fees

Domicile of non-executive directors of JSE-listed companies

Analysis of NED domiciles shows that fewer South African NEDs are serving on the boards on JSE-listed companies.

Domicile of non-executive directors of JSE-listed companies

	2017	% of total	2018	% of total	2019	% of total
South Africa	1 941	86.0%	2 050	85.3%	1 805	81.2%
United Kingdom	88	3.9%	94	3.9%	97	4.4%
Australia	40	1.8%	45	1.9%	47	2.1%
United States	36	1.6%	42	1.7%	50	2.2%
China	49	2.2%	58	2.4%	74	3.3%
Germany	17	0.8%	17	0.7%	16	0.7%
Nigeria	18	0.8%	22	0.9%	22	1.0%
Italy	5	0.2%	5	0.2%	4	0.2%
Namibia	12	0.5%	15	0.6%	22	1.0%
Zimbabwe	3	0.1%	3	0.1%	3	0.1%
Brazil	5	0.2%	5	0.2%	7	0.3%
Canada	7	0.3%	7	0.3%	9	0.4%
France	2	0.1%	1	0.0%	11	0.5%
Botswana	17	0.8%	18	0.7%	25	1.1%
Switzerland	3	0.1%	3	0.1%	3	0.1%
Greece	1	0.0%	1	0.0%	0	0.0%
Russia	7	0.3%	8	0.3%	14	0.6%
Japan	3	0.1%	3	0.1%	6	0.3%
Netherlands	3	0.1%	4	0.2%	9	0.4%
New Zealand	0	0.0%	0	0.0%	0	0.0%
Spain	0	0.0%	1	0.0%	0	0.0%
Total	**2 257**	**100%**	**2 402**	**100%**	**2 224**	**100%**

Payment in South African rand and foreign currency

The table below sets out the number of the total NED population who are paid in foreign currency vs. ZAR.

Position	Paid in foreign currency	Paid in ZAR	Total non-executive directors
Chairperson	52	268	320
Deputy chairperson	2	16	18
Lead independent director	32	123	155
Non-executive director	287	1 444	1 731
Total	**373**	**1 851**	**2 224**
Percent	17%	83%	

Source: PwC analysis

Value of fees paid in foreign currency and South African rand

	Payments made in forex, converted to ZAR	Payments made in ZAR	Total
Total NED fees paid (R'000s)	790 047	1 360 918	2 150 965
Percent	37%	63%	

Source: PwC analysis

Remuneration: All industries and AltX

The four categories of non-executive board members examined are:

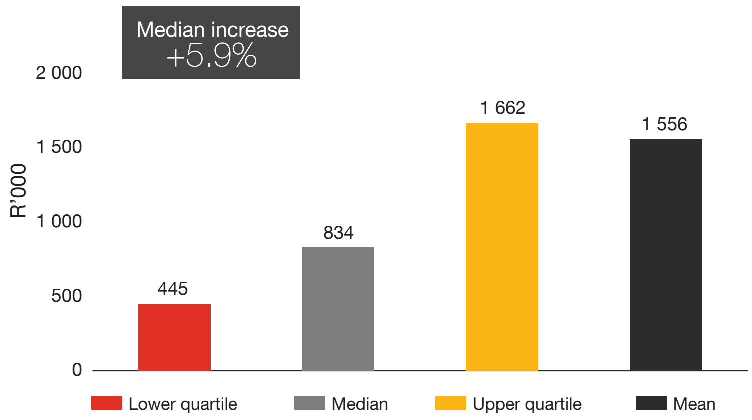
- Chairperson;
- Deputy chairperson;
- Lead independent director; and
- Non-executive director.

Chairperson

The role of a chairperson is time-consuming as it includes work carried out between scheduled meetings, representing the organisation externally, and interacting with fellow board members and employees.

Examination of all fees paid to JSE non-executive directors shows that a 5.9% (2018: 5.1%) increase was awarded to chairpersons at median level.

Figure 10.1: JSE all industries: Chairpersons, 2019



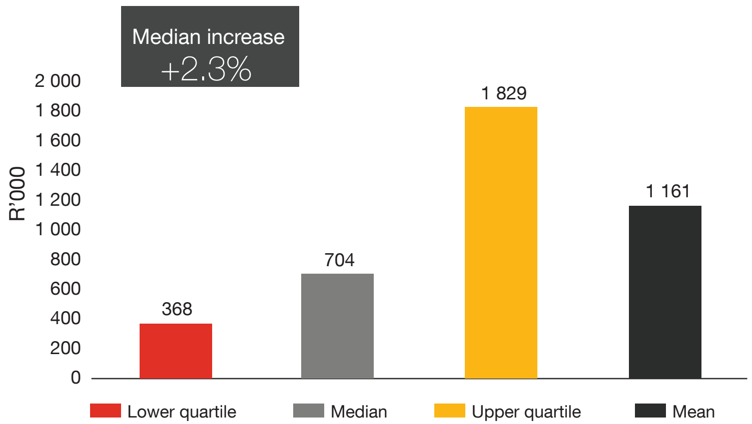
Source: PwC analysis

Deputy chairperson

Some organisations include a position of deputy chairperson. This person assists the chairperson and fills in if they are unavailable. It is essential that the chair and deputy chair have a good working relationship and understand their roles to ensure that duplication or confused direction does not occur.

Deputy chairpersons received a lower median increase than that of the chairpersons, at 2.3% (2018: 5%).

Figure 10.2: JSE all industries: Deputy chairpersons, 2019



Source: PwC analysis

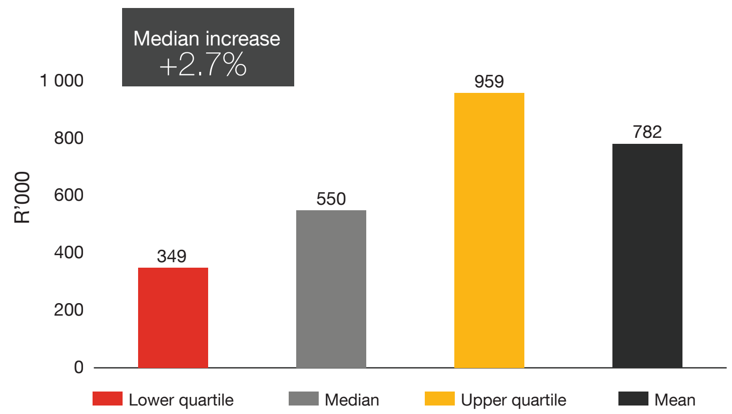
Lead independent director

The lead independent director is required to preside at all meetings of the board at which the chairperson is not present, or where the chairperson is conflicted, including any session of the independent directors.

Their duties include calling meetings of the independent directors, where necessary, and serving as principal liaison between the independent directors and the chairperson. Their responsibilities would also include liaising with major shareholders if requested by the board in circumstances in which the chairperson is conflicted.

Our analysis shows an increase of 2.7% (2018: -1.3%) at the median level.

Figure 10.3: JSE all industries: Lead independent directors, 2019

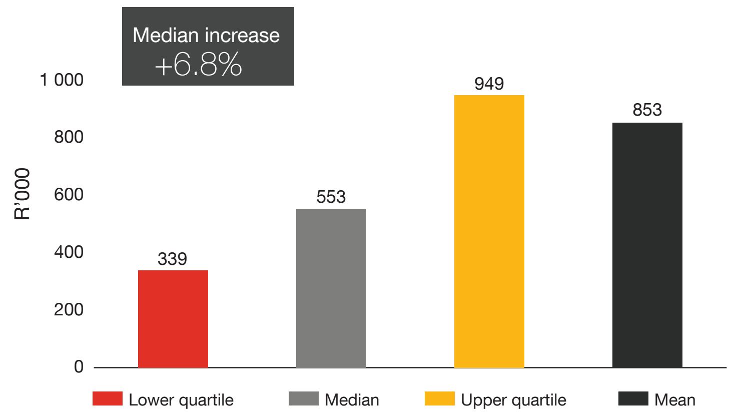


Source: PwC analysis

Non-executive directors

Non-executive directors are required to make up the majority of a board's membership, and should preferably be independent. The median increase in remuneration for non-executive directors in all sectors is again above the consumer price index (CPI) by a wide margin at 6.8% (2018: 5.3%).

Figure 10.4: JSE all industries: Non-executive directors, 2019



Source: PwC analysis

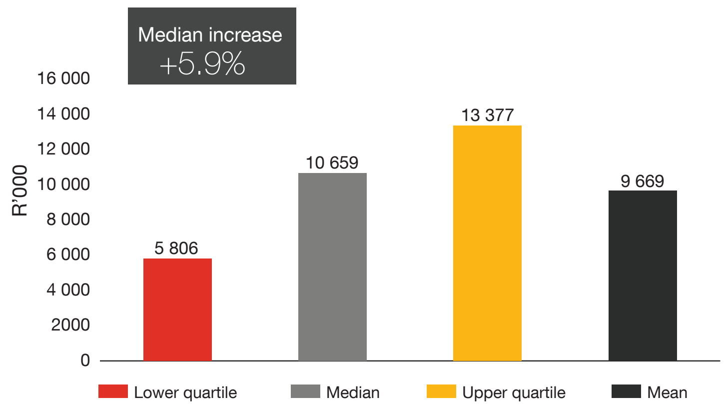
Remuneration among super-caps

Super-caps represent the top ten companies on the JSE. As with any index, movements in constituents from year-to-year are to be expected. Quartile analysis has been performed on an index basis, year-on-year.

JSE super-caps, 2019 vs 2018

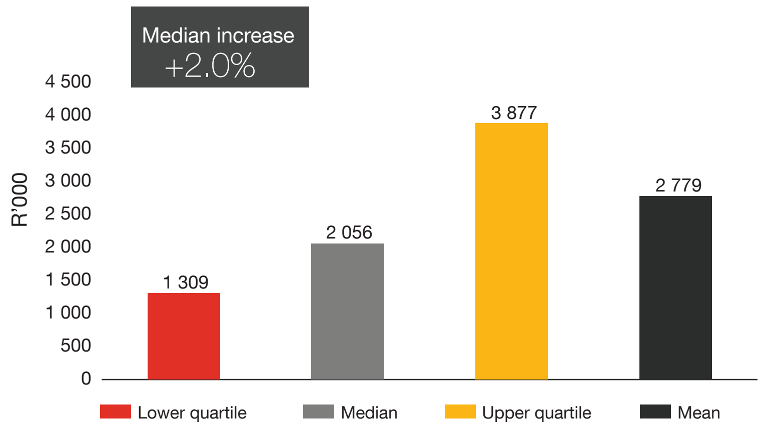
2019	2018
Anheuser-Busch InBev SA/NV	Anheuser-Busch InBev SA/NV
Prosus N.V.	British American Tobacco Plc
British American Tobacco Plc	Naspers Ltd
Naspers Ltd.	Glencore Plc
Glencore Plc	BHP Billiton Plc
BHP Billiton Plc	Compagnie Financière Richemont SA
Compagnie Financière Richemont SA	Anglo American Plc
Anglo American Plc	FirstRand Ltd
FirstRand Ltd	Sasol Ltd
Anglo American Platinum Ltd	Standard Bank Group Ltd

Figure 10.5: JSE super-cap: Chairpersons, 2019



Source: PwC analysis

Figure 10.6: JSE super-cap: Non-executive directors, 2019



Source: PwC analysis

Remuneration by industry

In the following section, we break down our analysis to show NED fees per industry.

JSE market cap composition by industry (%)

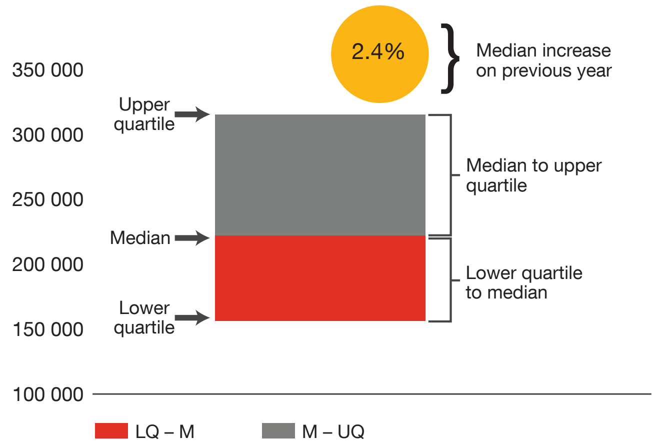
	2017	2018	2019
Basic Materials	22.1%	23.1%	26.3%
Consumer Services	15.4%	16.5%	10.4%
Consumer Goods	29.1%	29.5%	26.8%
Energy	0.1%	0.2%	0.0%
Financials	18.9%	17.2%	18.1%
Health Care	1.8%	1.7%	1.4%
Industrials	3.5%	3.0%	1.6%
Real Estate	4.9%	5.0%	4.3%
Technology	0.3%	0.3%	7.7%
Telecommunications	3.9%	3.5%	3.4%

Source: PwC analysis

We have changed the manner in which we present the quartile analysis for the various industries, as described in the graphical representation on the right. Where sufficient data points were not available, the mean has been used.

The AltX companies, and the Energy, and Technology industries do not have companies that form part of the large and medium cap categories. The Health Care industry does not have companies that form part of the large cap category.

Figure 10.7: Guide to data presentation



Source: PwC analysis

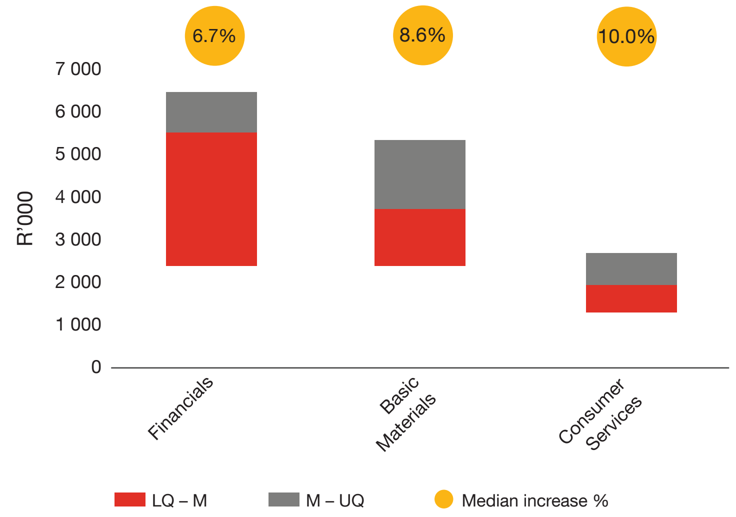
Chairpersons

Large cap

The quartile analysis for Financials, Basic Materials and Consumer Services for chairpersons in the large cap category is shown on the right.

	Lower Quartile	Median	Upper Quartile
Financials	2 397	5 528	6 471
Basic Materials	2 394	3 729	5 349
Consumer Services	1 303	1 948	2 693

Figure 10.8: Large cap chairpersons, quartiles

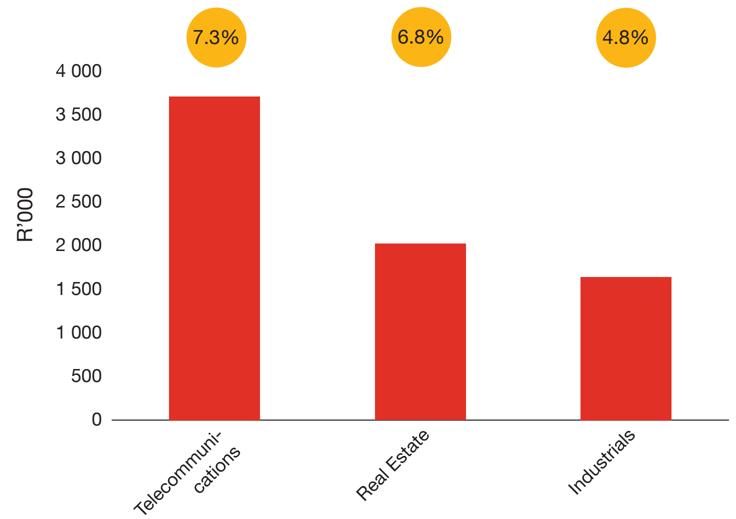


Source: PwC analysis

The mean analysis for Telecommunications, Real Estate and Industrials for chairperson in the large cap category is shown on the right.

	Telecommuni-cations	Real Estate	Industrials
Average	3 711	2 021	1 641

Figure 10.9: Large cap chairpersons, averages



Source: PwC analysis

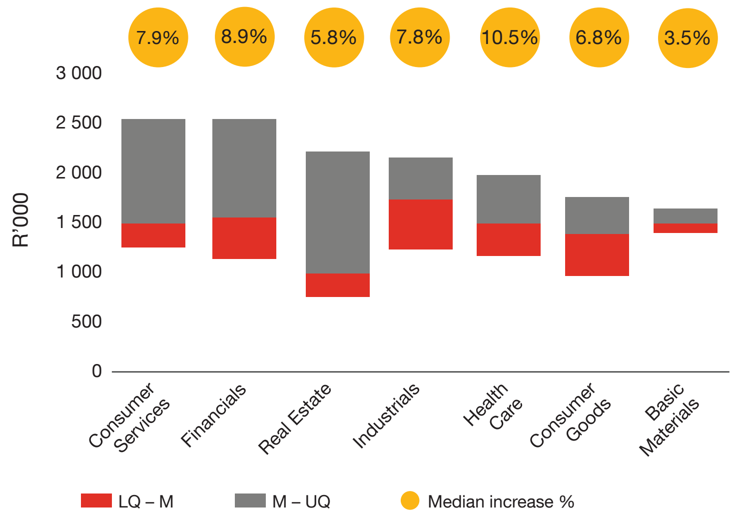
Medium cap

The quartile analysis for Consumer Services, Financials, Real Estate, Industrials, Health Care, Consumer Goods and Basic Materials for chairpersons in the medium cap category is shown on the right.

As there is only one company that falls within the medium cap sizing criteria for Telecommunications, it has been excluded from the analysis.

	Lower Quartile	Median	Upper Quartile
Consumer Services	1 251	1 492	2 546
Financials	1 137	1 553	2 545
Real Estate	758	990	2 214
Industrials	1 230	1 733	2 156
Health Care	1 166	1 491	1 982
Consumer Goods	967	1 387	1 756
Basic Materials	1 402	1 494	1 642

Figure 10.10: Medium cap chairpersons, quartiles



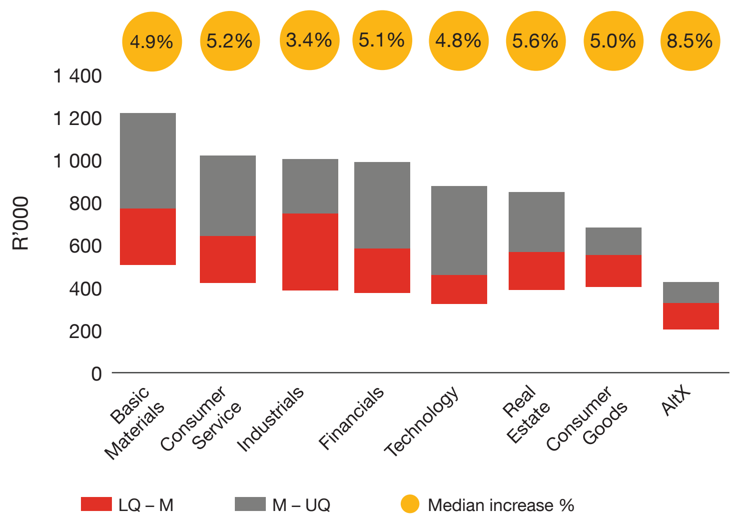
Source: PwC analysis

Small cap

The quartile analysis for Basic Materials, Consumer Services, Industrials, Financials, Technology, Real Estate, Consumer Goods and AltX for chairpersons in the small cap category is shown on the right.

	Lower Quartile	Median	Upper Quartile
Basic Materials	507	771	1 219
Consumer Services	423	642	1 020
Industrials	385	746	1 002
Financials	374	581	988
Technology	323	457	877
Real Estate	389	566	848
Consumer Goods	402	551	681
AltX	202	326	425

Figure 10.11: Small cap chairpersons, quartiles

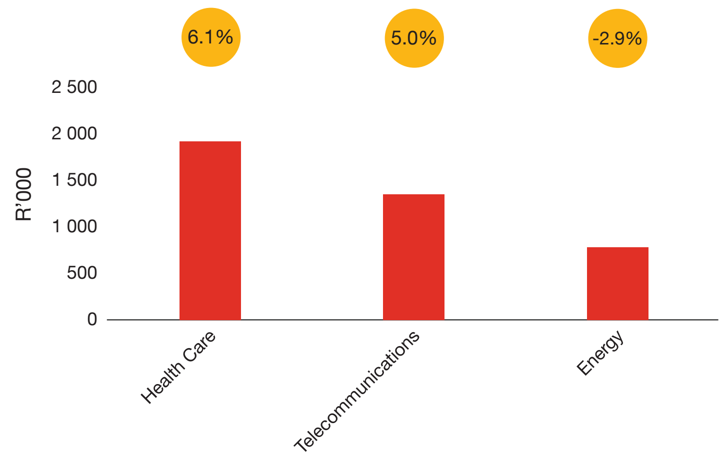


Source: PwC analysis

The mean analysis for Energy, Telecommunications, and Health Care for chairperson in the small cap category is shown on the right.

	Health Care	Telecommuni-cations	Energy
Average	1 917	1 349	782

Figure 10.12: Small cap chairpersons, averages



Source: PwC analysis

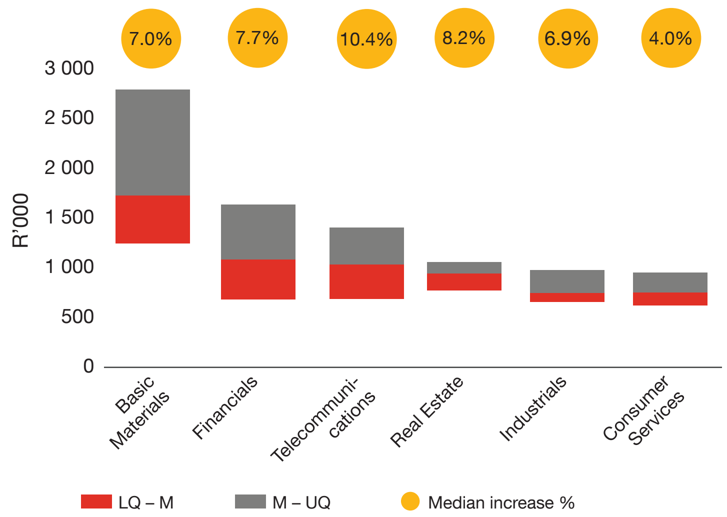
Non-executive directors, excluding chairpersons

Large cap

The quartile analysis for Basic Materials, Financials, Telecommunications, Real Estate, Industrials and Consumer Services for non-executive director in the large cap category is shown on the right.

	Lower Quartile	Median	Upper Quartile
Basic Materials	1 247	1 729	2 794
Financials	685	1 085	1 636
Telecommunications	690	1 035	1 406
Real Estate	774	942	1 059
Industrials	661	750	980
Consumer Services	623	749	954

Figure 10.13: Large cap non-executive directors



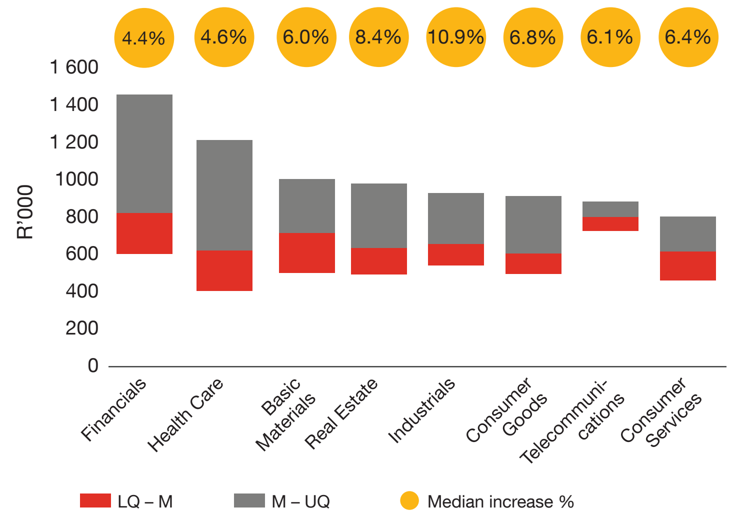
Source: PwC analysis

Medium cap

The quartile analysis for Financials, Health Care, Basic Materials, Real Estate, Industrials, Consumer Goods, Telecommunications, and Consumer Services for non-executive directors in the medium cap category is shown on the right.

	Lower Quartile	Median	Upper Quartile
Financials	607	825	1 459
Health Care	406	623	1 217
Basic Materials	504	718	1 006
Real Estate	495	637	983
Industrials	545	659	932
Consumer Goods	499	608	916
Telecommunications	730	804	887
Consumer Services	462	617	805

Figure 10.14: Medium cap non-executive directors



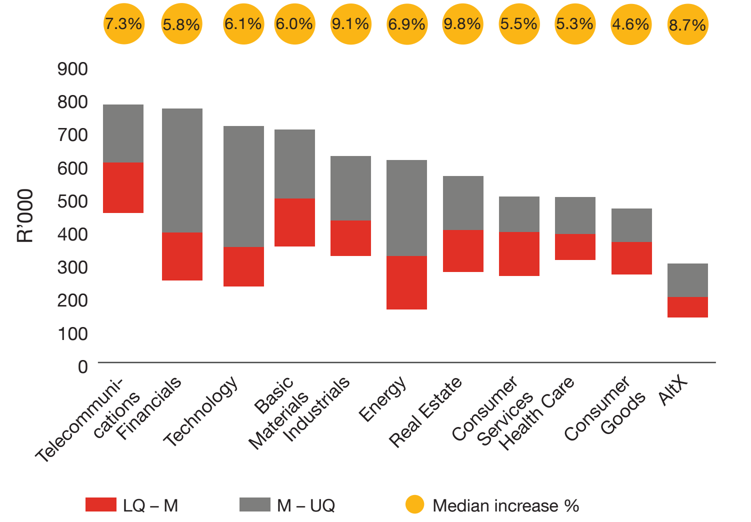
Source: PwC analysis

Small cap: All industries and AltX companies

The quartile analysis for non-executive directors for all industries in the small cap category is shown on the right.

	Lower Quartile	Median	Upper Quartile
Telecommunications	452	604	778
Financials	248	392	766
Technology	230	348	714
Basic Materials	351	495	703
Industrials	321	428	623
Energy	161	322	611
Real Estate	274	400	563
Consumer Services	262	394	501
Health Care	309	387	499
Consumer Goods	266	363	465
AltX	137	198	298

Figure 10.15: Small cap non-executive directors



Source: PwC analysis

London FTSE 100 and FTSE 250

This year, we have included a summary of the highlights of PwC UK's FTSE 100 and FTSE 250 NED fee research and analysis. This gives context to the 'bringing an international NED onto the Board' discussion, and is an interesting reference point, although not directly comparable to South African NED fees for various reasons.

Interestingly, within the UK environment, the past practice has been to award increases in an interval of two to three years, often resulting in substantial increases. There has recently been a strong move towards reviewing NED fees annually (as is common in South Africa). While in some cases this change may lead to a rise in fees, in many it does not. It is, however, notable that where increases are taking place periodically, these are not exceeding inflation or the percentage increase offered to the employee population.

An aggregate summary of FTSE 100 NED fee levels and additional fees for extra responsibilities are shown in the tables below.

FTSE 100

Committee Chairman's additional fees

Role	Lower Quartile £'000	Median £'000	Upper Quartile £'000
Chairman	310	413	620
Deputy Chairman	94	142	210
NED (base fee)	62	70	85
SID (additional fee)	11	19	29

Committee Chairman's additional fees

Role	Lower Quartile £'000	Median £'000	Upper Quartile £'000
Audit Committee Chairman	18	22	37
Remuneration Committee Chairman	15	20	30
Nomination Committee Chairman	13	17	22
Risk Committee Chairman	20	30	70
Other Committee Chairman	14	24	34

Committee Chairman's additional fees

Role	Lower Quartile £'000	Median £'000	Upper Quartile £'000
Audit Committee Member	10	16	25
Remuneration Committee Member	8	15	20
Nomination Committee Member	7	12	15
Risk Committee Member	11	20	34
Other Committee Member	12	15	30

FTSE 250

An aggregate summary of FTSE 250 NED fee levels and additional fees for extra responsibilities are shown in the tables below.

Committee Chairman's additional fees			
Role	**Lower Quartile £'000**	**Median £'000**	**Upper Quartile £'000**
Chairman	180	224	282
Deputy Chairman	62	88	139
NED (base fee)	50	55	62
SID (additional fee)	8	10	13

Committee Chairman's additional fees			
Role	**Lower Quartile £'000**	**Median £'000**	**Upper Quartile £'000**
Audit Committee Chairman	10	11	15
Remuneration Committee Chairman	10	11	15
Nomination Committee Chairman	9	10	13
Risk Committee Chairman	12	19	24
Other Committee Chairman	10	10	17

Committee Chairman's additional fees			
Role	**Lower Quartile £'000**	**Median £'000**	**Upper Quartile £'000**
Audit Committee Member	5	6	10
Remuneration Committee Member	5	5	10
Nomination Committee Member	4	5	7
Risk Committee Member	4	8	12
Other Committee Member	5	6	12

12

African stock exchanges

With a burgeoning population of 1.3 billion, Africa continues to offer exciting opportunities for business growth to both global and local companies. However, the continent's complexities present some challenges to success, and strategic resilience within business operations is vital.

With the right kind of investment, Africa could be home to many more successful enterprises that earn healthy returns for their shareholders and make a difference in millions of people's lives.

The seven African markets analysed (besides South Africa) in this report included a total of 1 975 (2018: 1 966) non-executive directors drawn from 413 (2018: 410) companies. Reported data for Africa that is available in the public domain is limited, and in many cases, fees paid to non-executives are not disclosed in line with corporate governance best practices. Stock exchange rules, where published, are yet to gain traction within published accounts. Accordingly, the trend analysis for fees paid to non-executive directors should be used for informative purposes only, and not as a direct reference point, as it may not provide an accurate benchmark.

It should be noted that in some cases, the aggregate fee analysed may include shares issued to non-executives by the company, which is not a common South African practice.

In many cases, tribal and community leaders are appointed as non-executive directors with added benefits paid that are not classified as board fees. Unless an absolute total fee value is extractable, the company is not included in our trend analysis.

Values have been converted from local sub-Saharan and other currencies into US dollars at the interbank closing rate at midnight on 30 November 2019.

The following table provides an outline of the level of usable data obtained from the companies listed on the seven African stock exchanges.

Listed company profile of selected African stock exchanges

Bourse	Companies 2019	Total non-executive directors	Chairpersons	Non-executive directors	% Available usable data
Botswana	37	184	36	148	76%
Ghana	43	244	43	201	66%
Kenya	67	372	65	307	77%
Namibia	39	184	38	146	63%
Nigeria	185	815	168	647	61%
Tanzania	26	107	18	89	55%
Uganda	16	69	11	58	41%
Total	413	1 975	379	1 596	64%

Source: PwC analysis

Non-executive directors' total fees

Although non-executive directors received reasonable increases overall, the impact of currency it should be noted that weaknesses against the US dollar has once again limited increases in US dollar terms.

As with other sections of the report, we have changed the manner in which we present the quartile analysis, as described in the graphical representation on the right.

Figure 12.1: Guide to data presentation

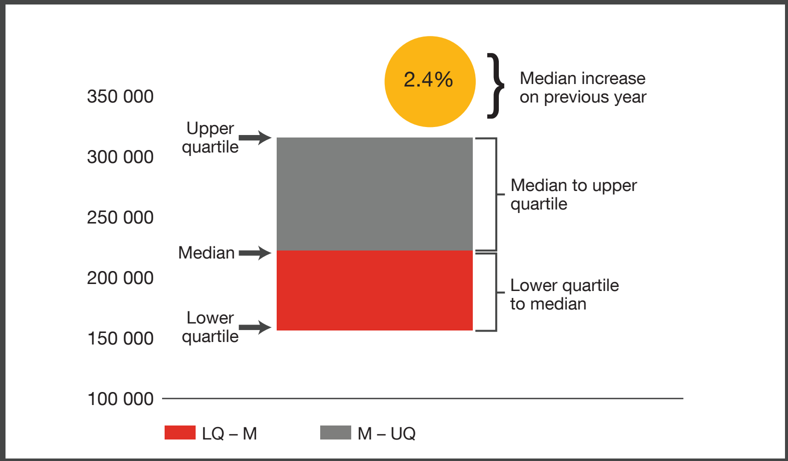
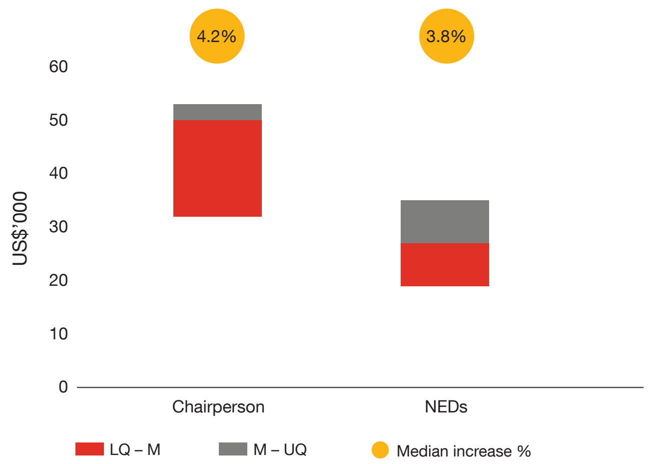


Figure 12.2: Total fees of chairpersons and non-executive directors of seven sub-Saharan African exchanges (excluding South Africa)



Source: PwC analysis

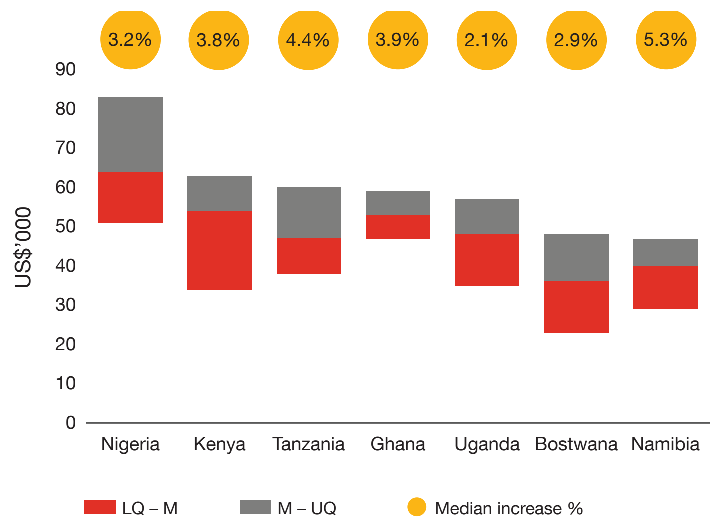
	Lower Quartile	Median	Upper Quartile
Chairperson	32	50	53
Non-executive director	19	27	35

Non-executive directors' total fees by country

Each stock exchange has also been examined separately. The trends of total non-executive directors' fees paid to non-executive chairpersons as well as other members of the board are shown in the charts that follow.

The trend analysis of total fees paid to non-executive directors of listed companies in each African country examined, shown separately for chairpersons and other non-executive directors, is shown below.

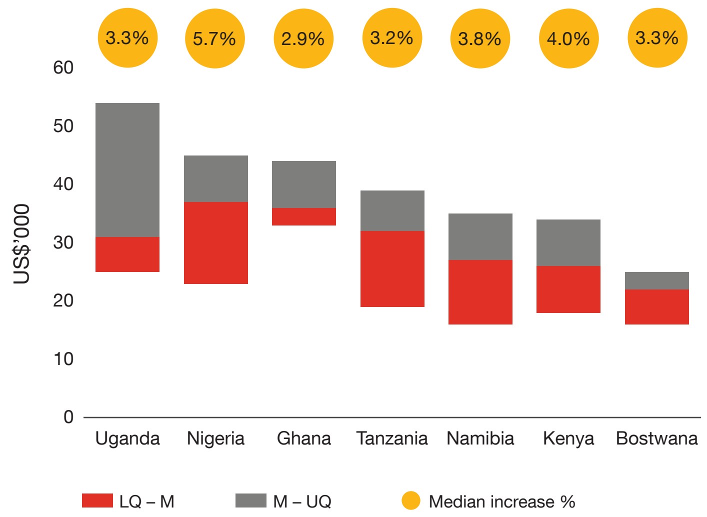
Figure 12.3: Total fees of chairpersons



Source: PwC analysis

	Lower Quartile	Median	Upper Quartile
Nigeria	51	64	83
Kenya	34	54	63
Tanzania	38	47	60
Ghana	47	53	59
Uganda	35	48	57
Bostwana	23	36	48
Namibia	29	40	47

Figure 12.4: Total fees' of non-executive directors



Source: PwC analysis

	Lower Quartile	Median	Upper Quartile
Uganda	25	31	54
Nigeria	23	37	45
Ghana	33	36	44
Tanzania	19	32	39
Namibia	16	27	35
Kenya	18	26	34
Bostwana	16	22	25

The South African marketplace ICB classification 313

AltX (32)

Basic Materials (43)

- Chemicals (6)
- Forestry and paper (3)
- Industrial metals and mining (4)
- Mining (30)

Consumer Services (44)

- Automobiles and parts (1)
- Food and drug retailers (6)
- General retailers (20)
- Household goods and home construction (1)
- Leisure goods (1)
- Media (5)
- Personal goods (1)
- Travel and leisure (9)

Consumer Goods (15)

- Beverages (2)
- Food producers (12)
- Tobacco (1)

Energy (2)

- Oil and gas producers (2)

Financials (58)

- Banks (7)
- Development capital (1)
- Equity investment instruments (11)
- Financial services (29)
- Life insurance (6)
- Non-life insurance (2)
- Non-equity investment instruments (1)
- Other securities (1)

Health Care (7)

- Healthcare equipment and service (4)
- Pharmaceuticals and biotechnology (3)

Industrials (46)

- Construction and materials (11)
- Electronic and electrical equipment (6)
- General industrials (10)
- Industrial engineering (3)
- Industrial transportation (7)
- Support services (9)

Real Estate (48)

- Real estate investment and services (14)
- Real estate investment trusts (34)

Technology (13)

- Software and computer services (11)
- Technology hardware and equipment (2)

Telecommunications (5)

- Fixed line telecommunications (1)
- Mobile telecommunications (4)

FTSE 100 marketplace

Basic Materials (6)

- Chemicals (2)
- Materials (1)
- Mining (3)

Consumer Services (29)

- Airlines (2)
- Apparel (1)
- Automotive (1)
- Beverages (1)
- Casinos (1)
- Construction (4)
- Consumer services (1)
- Education and training (1)
- Entertainment and travel (1)
- Hotels (2)
- Market research (1)
- Music (1)
- Restaurants (1)
- Retail (7)
- Tobacco (2)
- Wine and spirits (1)

Consumer Goods (4)

- Food (1)
- Household products (3)
- Food producers (3)

Energy (1)

- Oil and gas producers (1)

Financials (27)

- Banking (8)
- Investment instruments (6)
- Financial services (5)
- Insurance (8)

Health Care (5)

- Medical equipment (1)
- Pharmaceuticals (5)

Industrials (13)

- Aerospace (1)
- Business services (3)
- Defence and space (1)
- Electrical and electronic component (1)
- Engineering and design (2)
- Heavy electrical equipment (1)
- Machinery (1)
- Packaging (3)

Real Estate (5)

- Real estate (3)
- Real estate and investment (2)

Technology (3)

- Communication and ??? (1)
- Software (2)

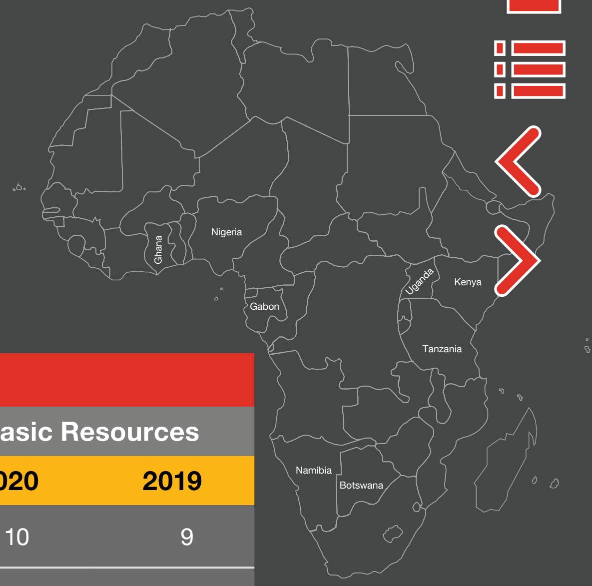
Telecommunications (2)

- Telecommunications fixed line (1)
- Telecommunications mobile (1)

Utilities (4)

- Electric utilities (3)
- Water utilities (1)

Africa marketplace



The table below sets out the number of companies analysed in each African territory (other than South Africa) and within each territory, what industry each company falls under.

Africa marketplace										
	Total		Financials		Industrials		Services		Basic Resources	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Botswana	37	33	16	15	5	3	6	6	10	9
Ghana	43	43	15	16	13	14	7	6	8	7
Kenya	67	65	24	23	20	20	17	16	6	6
Namibia	39	39	19	20	8	8	5	4	7	7
Nigeria	185	187	71	72	60	60	26	26	28	29
Tanzania	26	26	12	12	4	4	5	5	5	5
Uganda	16	17	6	7	5	5	5	5		
	413	**410**	**163**	**165**	**115**	**114**	**71**	**68**	**64**	**63**

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. We use our international network, experience, industry knowledge and business understanding 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.

About People and Organisation, Reward

The PwC Reward practice consists of 18 dynamic professionals, predominantly made up of admitted attorneys, chartered accountants and reward professionals with deep strategic remuneration advisory experience across all industries.

Our team is agile and diverse, allowing us to deliver bespoke remuneration solutions to boards, which are founded on strong governance principles and speak directly to the strategy of your business. We leverage on our established relationships, wide presence within the South African market, and on our global network to ensure that we are internationally relevant, but South Africa focused.

We believe that for inclusive growth to be achieved in South Africa, remuneration structures should reward meaningful innovation and growth delivered by executive teams, while being rooted in fairness for all employees.

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