

RemCo Roundtable event



The work of the Remuneration Committee (Remco) is integral, and resource-intensive, requiring input from many different facets of an organisation, including HR, Finance, Legal, Investor Relations and PR, shareholders, and often, external consultants. The considerable volume of information the Remuneration Committee is expected to sift through and decipher, together with the increased number of so-called corporate governance failures places an incredible responsibility on the shoulders of Remco members. Important issues such as shareholder engagement, the introduction of minimum shareholding requirements, and malus and clawback, complicate discussions even further.

Within this context, PwC hosted a roundtable event in August for remuneration committee members, to enable committee members to share experiences and discuss current and topical issues faced by remuneration committees in South Africa today.

The roundtables are intended to raise awareness of and provide thought leadership on important matters relating to the ever-increasing duties and responsibilities of remuneration committees, and to encourage a knowledge-sharing community of individuals serving on various remuneration committees in the private and public sphere. In addition to the remuneration roundtable committee event, PwC also hosts audit committee chair roundtable events and a social and ethics committee event, with similar aims.

At this latest event we explored the themes of the recently-released 2019 Executive directors: practices and remuneration trends report, with input from a PwC psychometrist and a partner from our Legal practice. The following key themes arose from the discussions, some of which will be explored in more detail in upcoming roundtables:

- Aim for increased transparency, but don't spend disproportionate amounts of RemCo time on compliance at the expense of strategy. RemCo time is limited and must be wisely spent.
- Remuneration committees need to be equipped with the correct information to make decisions effectively and efficiently, but also need to ensure that they constantly upskill themselves. Ongoing general and organisation-specific training is important, and it is each member's responsibility to ensure that they keep up-to-date with topical issues and latest trends, and have the necessary skills to discharge their duties.
- A committee will not always know when it is in 'groupthink', and should be attuned to picking up the warning signs. Some of the typical signs to look out for include:
 - "Illusions of invulnerability" within the committee, which may be linked to over-optimism.
 - Pressure to conform, or a sense that some members of the group may be hiding their doubts or misgivings.
 - Members who challenge or oppose the group's ideas treated or viewed in a negative way.
- The committee should be on the lookout for signs of direct or indirect manipulation, or particularly strong relationships between committee members, particularly where executives are included. On the other hand, there is a need for strong trust relationships between non-executives and executives. It was also emphasised that the remuneration committee should not be re-performing work already done by executives, linking again to the importance of how a RemCo spends its time.