

*Executive directors' fees
& remuneration -
Practices and trends*
South Africa July 2013



Introduction

- ***NED report*** considers:
 - Risk landscape
 - The number of NEDs has risen to 2,294 (2,267)
- ***ED report*** considers:
 - Executive pay model & disclosure
 - Pay & gender gap
- Corporate governance update
- All data focuses on 373 JSE-listed companies and is based on publicly available information as at 30 November 2012 & April 2013
- Remuneration & fee analysis by reference to market capitalisation of the JSE and by four main industries – financial services, basic resources, industrial and services including AltX
- Profile of a JSE executive director

The changing landscape for non-executive directors

- Emerging risks and increased 'black swan' events
- Technological revolution
- Emergence of ESG
- Board selection increasing risks



Personal liability for non-executive directors

- New Companies Act – intention is to increase both transparency and accountability
- Breach of fiduciary responsibilities give rise to personal liability for losses caused, that may be unlimited
- NEDs personal risk management
- Risk mitigation alternatives

NED independence

South Africa

- Nothing contained in the Companies Act on director rotation
- King III & best governance suggests that after a 9-yr period, director's independence must be evaluated:
 - This should be a rigorous review of the individual's performance, and
 - The Board and/or the Committee's performance
 - Preferably done by independent party
 - Results of which should be communicated to shareholders
 - Beneficial to express results at the AGM & in the Integrated Report why a director has been requested to stay on for an extended period
 - Process should be followed every year thereafter

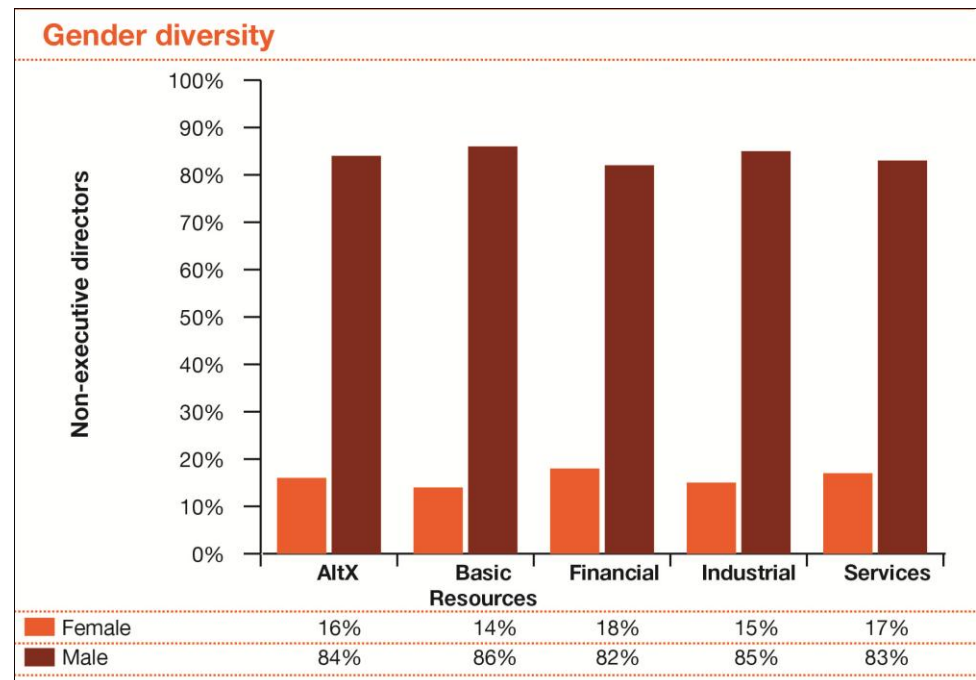
International

- 96% of FTSE 350 put all directors up for re-election every year
- Effectiveness of the board to be reviewed independently every three years

Profile of a non-executive director (1)

Gender diversity

- The % of female NEDs ranges from 14% in the case of basic resources to 18% in the case of financial services



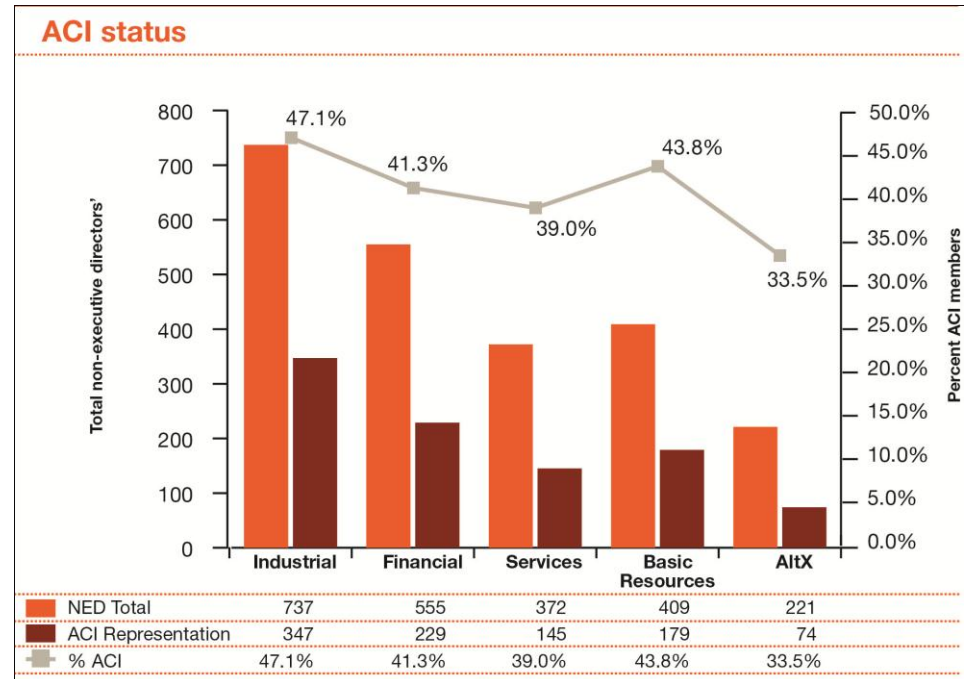
Profile of a non-executive director (2)

Age

- Median age has remained the same for chairpersons (51), while the median age for non-executive directors has increased (49 from 48)

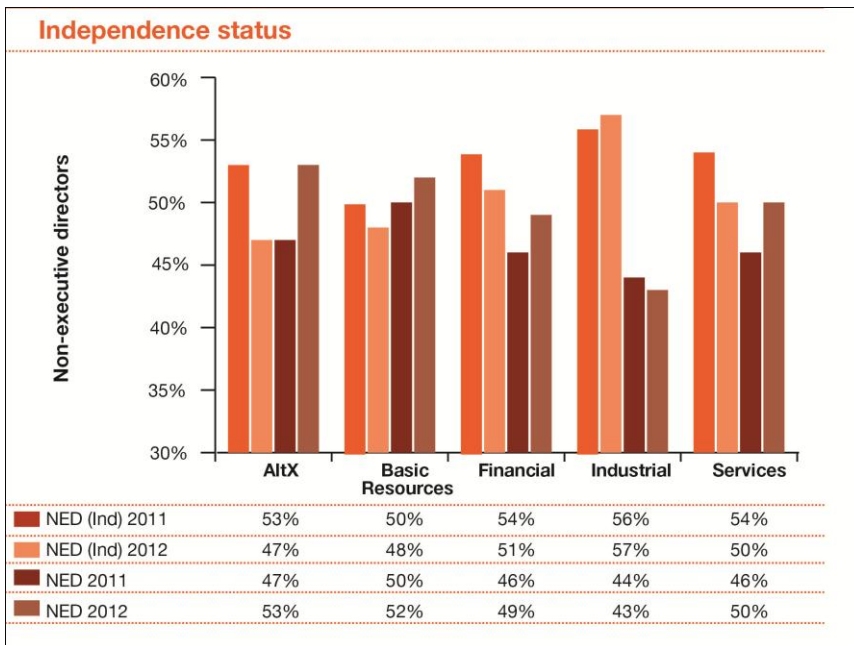
ACI status

- Further progress from 36% to 42.5%
- The highest level of ACI representation is found in industrial services

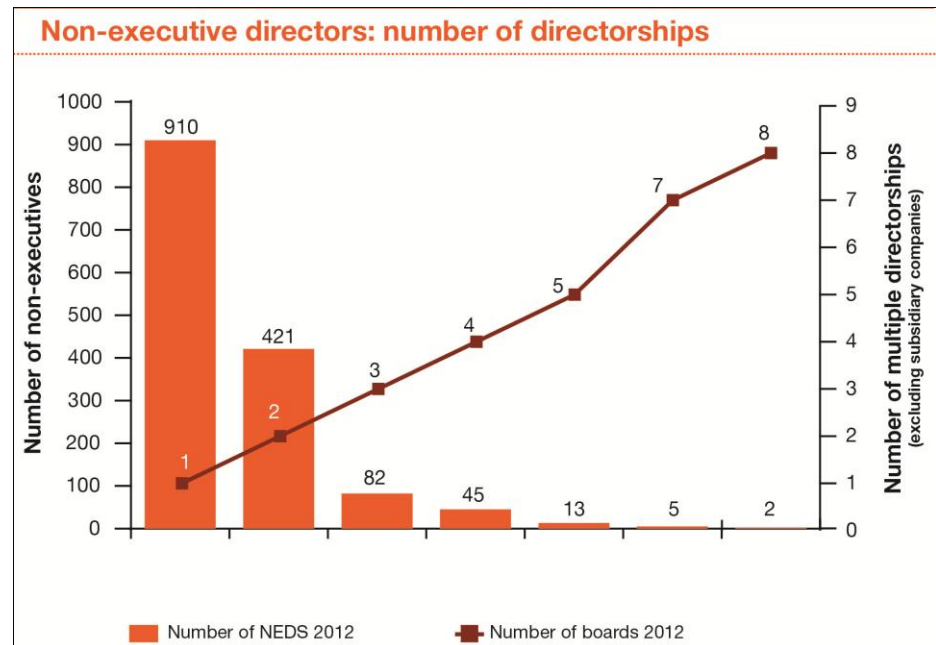


Profile of a non-executive director (3)

Independence status



Number of directorships



Profile of a non-executive director (4)

Resident status

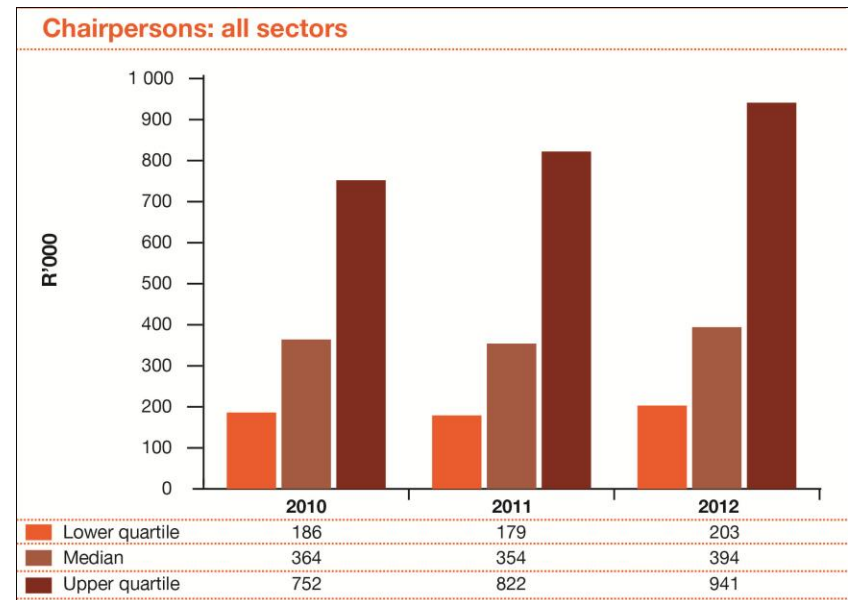
Top 5 representation

South Africa:	89.2%	↓
United Kingdom:	02.7%	↑
Australia:	02.3%	↑
United States:	01.4%	↑
Germany:	00.8%	

Chairpersons' fees

All sectors

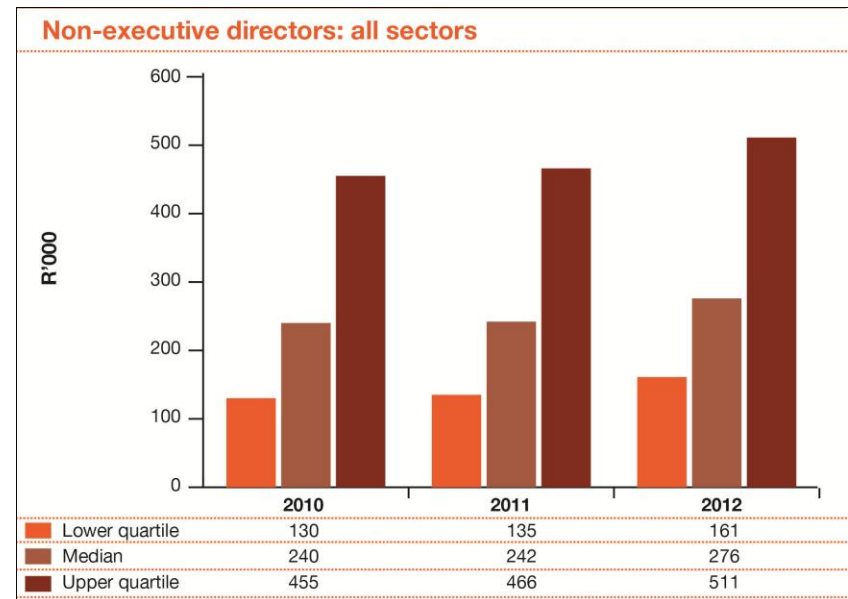
- Small increase in fees at the median to R394,000 (R354,000)
- Notable increase at the upper quartile now approaching R1m
- Large-cap industrial services showing the greatest median at R2.1m



Non-executive directors' fees

All sectors

- Notable increases at the lower, median, and upper quartile
- Median increased to R276,000 (R242,000)
- Large-cap industrial services showing the greatest median of R889,000



Remuneration trends on JSE – TGP

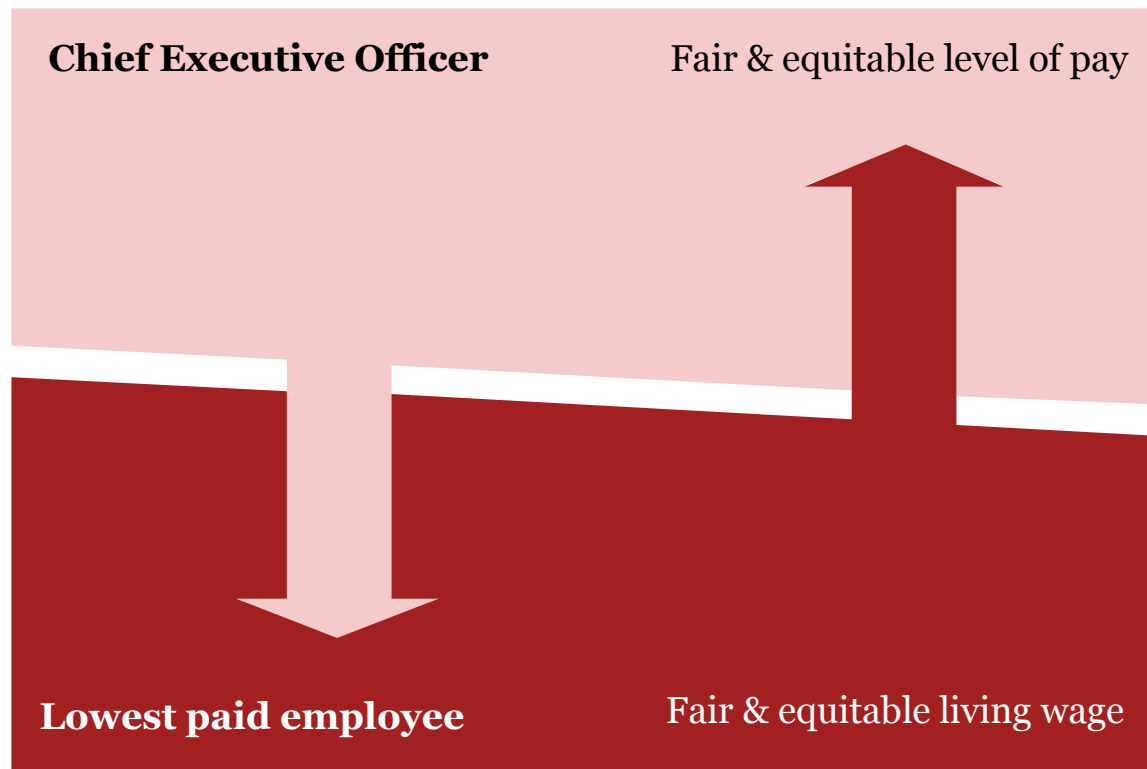
	TGP 2012 R'000	TGP 2011 R'000	TGP 2010 R'000	TGP 2012 Increase	TGP 2011 Increase
All of JSE	2,973	2,854	2,647	4%	8%
CEO All of JSE	3,758	4,314	3,468	-13%	24%
CFO All of JSE	3,066	2,554	1,801	20%	42%
ED All of JSE	2,333	2,724	2,427	-14%	12%

- Moderate increases in remuneration levels during 2012/13 reporting period – TGP - median 4% (prior period 6-8%)
- Varies considerably from industry to industry and by level
- For wider based employees – TGP increases over the same period was 6.7% - 7.2%

Pay Gap – what is it – can it be measured?

Is it a barometer of where we are?

What is pay equity?



Pay Gap - example

Pay gap ratio =

CEO's total guaranteed package / Average income of
the lowest-paid band of employees

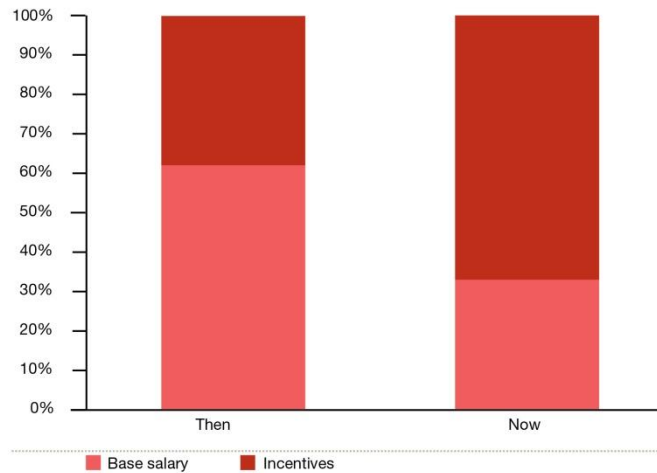
All industries	JSE-listed entities (R)	PwC REMchannel ®database (R)	SA Financial Services (R)	China (R)
CEO's total guaranteed package	3,758,000	3,160,480	4,839,000	825,100
Lowest-paid income group	70,200	70,200	69,250	40,600
Pay gap ratio	53,53	45,02	69,88	20,32

Pay Gap - stakeholders

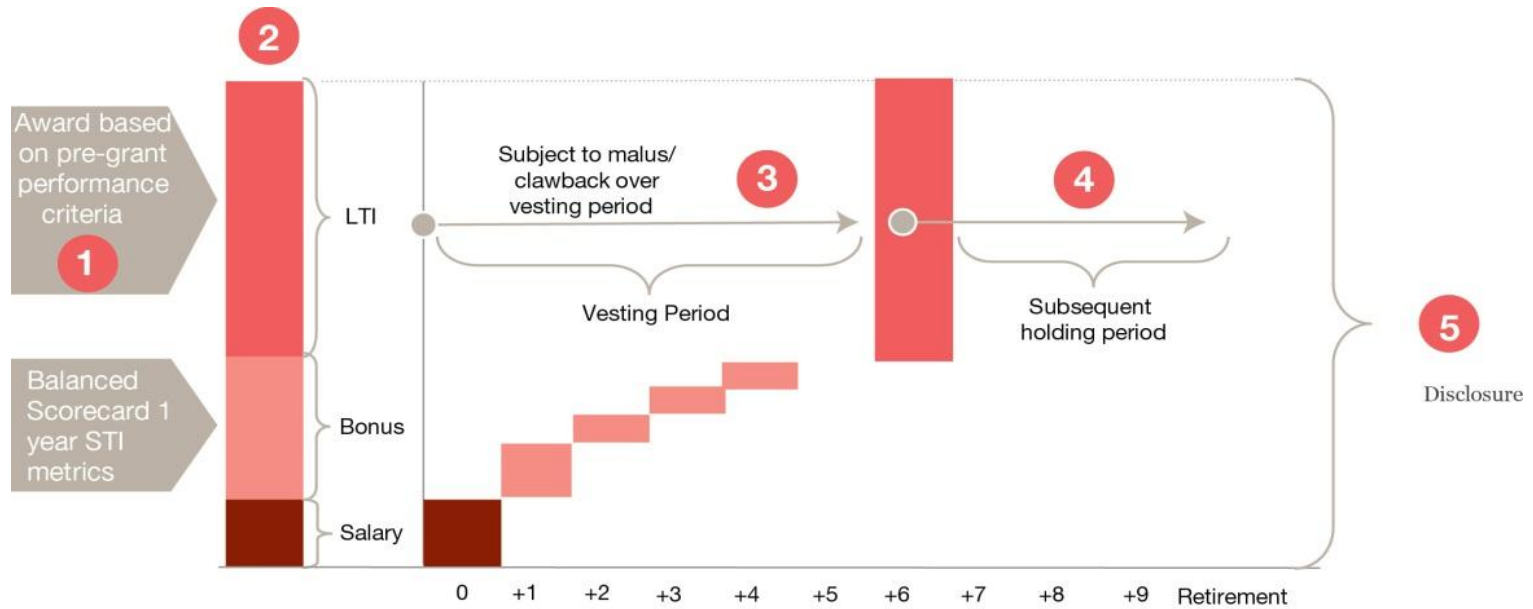
- Who is responsible?
 - Boards
 - Shareholders
 - Trade Unions
 - Economists
- Why is it important?
 - Internal equity?
 - External perceptions?
- Remedial considerations?



Executive Pay Mix



Executive Pay Model



- 1** Pre-grant allocation method
- 2** Quantum
- 3** Longer vesting period
- 4** Holding requirement
- 5** Disclosure

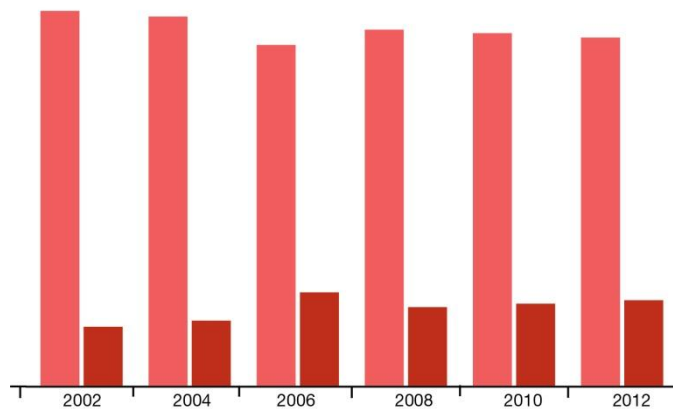
Governance update – Remuneration Report

“Two-part” remuneration report as proposed by BIS

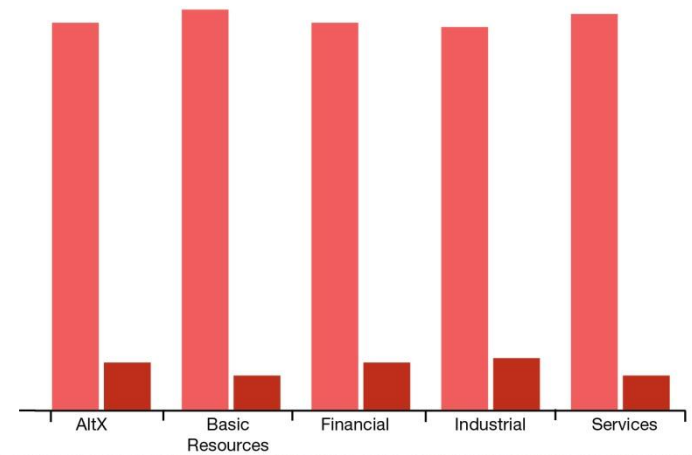
- Forward looking policy
 - Binding shareholder vote
- Historic remuneration outcomes
 - Advisory shareholder vote



Gender – the other gap

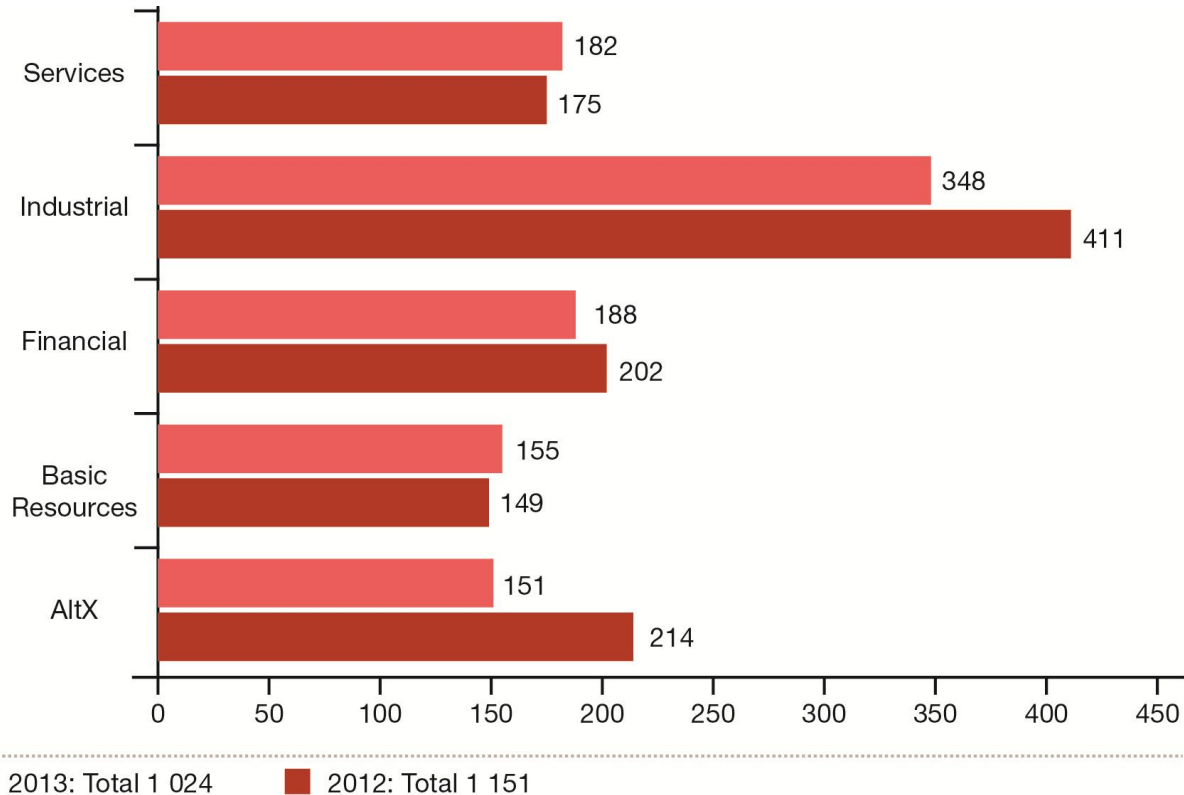


Male	86.2%	84.9%	78.4%	81.9%	81.1%	80.1%
Female	13.7%	15.1%	21.6%	18.2%	19.0%	19.8%



Male	89%	92%	89%	88%	91%
Female	11%	8%	11%	12%	8%

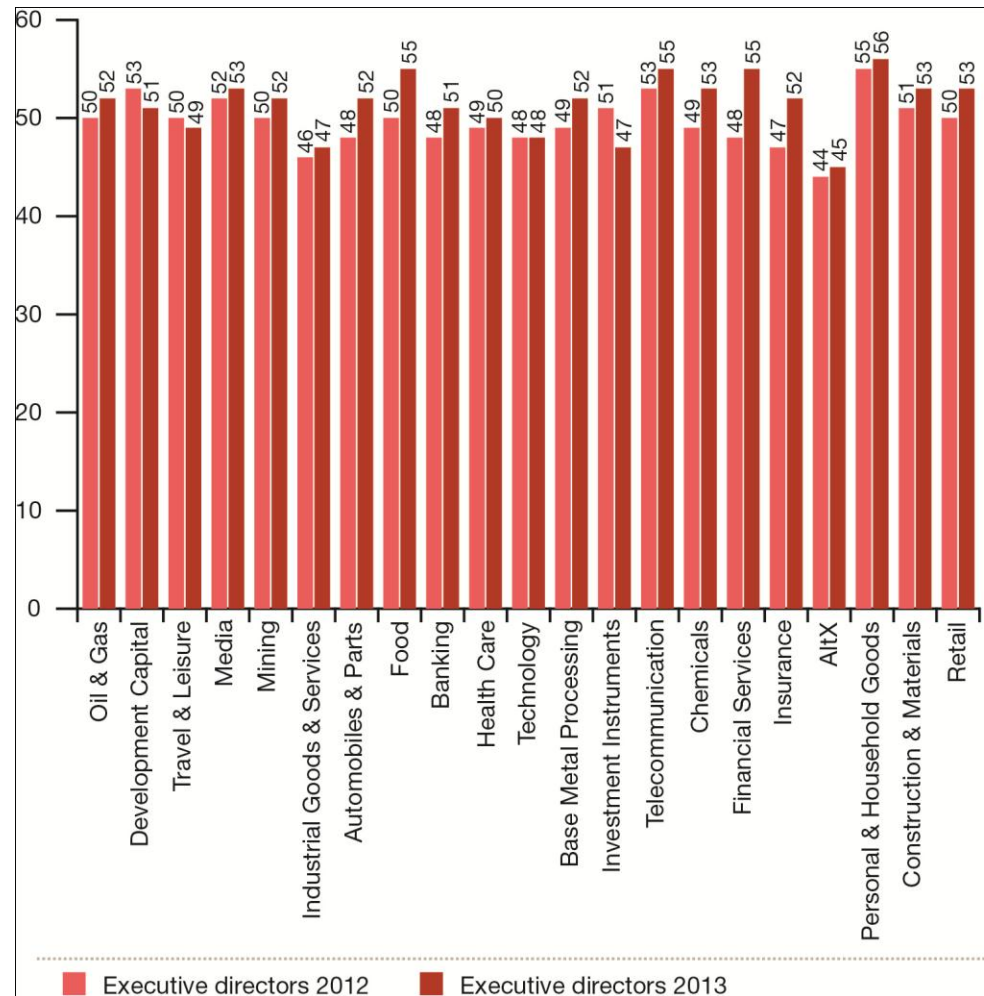
Profile of an executive director



Profile of an executive director

Age

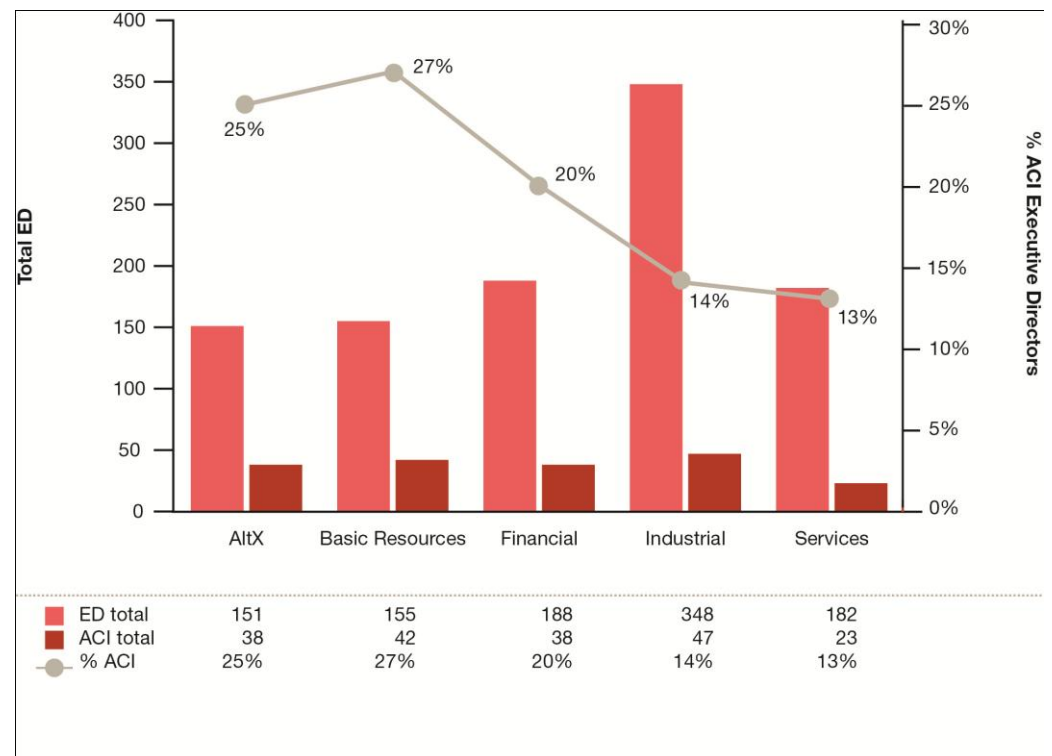
- Median age is 51
- Average overall is 54
- Compare with 49 for non-executive director



Profile of an executive director

ACI status

- 18% of executive directors are ACI (up from 16%)
- Compare with 42,5% for non-executive directors



In closing.....

- Executive remuneration levels are showing some restraint
- Regulatory changes and economic conditions continue to raise challenges
- More change is still to come :
 - Increased focus on corporate performance dictating remuneration
 - Remuneration disclosure is improving but is to be more meaningful
 - Shareholder activism is growing



Questions?

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

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Tax Services (Pty) Limited its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2013 PricewaterhouseCoopers (“PwC”). All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers Tax Services (Pty) Limited which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.