11th edition July 2019, South Africa

Executive directors

Practices and remuneration trends report

www.pwc.co.za/executive-directors-report

Content

1 Executive summary

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

The central theme in our report this year is the role of the CEO, and we ask what factors companies should take into account when calibrating their philosophy towards CEO pay. We also explore the role of the CEO in setting the remuneration strategy of the organisation. Closely tied to the role of the CEO is the need for proper succession planning and whether CEOs are satisfied that they can build a future-fit workforce – according to PwC's Talent trends 2019: Upskilling for a Digital World, 33% of South African CEOs are 'extremely concerned' about the availability of key skills.

From our most recent discussions with institutional investors, it is clear that the depth of expertise required from remuneration committees to set and monitor performance conditions, and critically assess the suitability of variable pay structures, remains lacking. Furthermore, a CEO who claims to be worth a king's ransom must be prepared to back up that claim by accepting a suitably challenging set of key performance indicators (KPIs).

The adoption of malus and clawback is growing rapidly, and companies are now expected to demonstrate the contingency plans that they have in place to recover incentives paid to executives who have overseen massive corporate failures.

The King IV™ Report on Corporate Governance in South Africa aims to standardise remuneration disclosure and our latest research shows that 83% of the top 40 JSE-listed companies have adopted a form of 'single-figure' disclosure, which is a notable improvement on preceding years. Environmental, social and governance (ESG) matters have taken on global prominence, but despite saying the right things, companies still need to do more to set tangible KPIs related to ESG targets, and to gradually improve the link between ESG and remuneration.

Executive pay, particularly long-term incentives, has become increasingly complex as companies search for a 'winning formula' that creates value for the company, shareholders and participants alike. In this edition, we take a fresh approach to long-term incentives, and ask whether Economic Value Added™ is a more suitable primary financial performance metric. With an examination of CEOs comes an analysis of female CEOs and executives, and our data shows that only 3.31% of CEOs on the JSE during the period under review were women. Achieving pay parity as well as creating a truly diverse pool of executives and senior managers is a business imperative, but meaningful progress on this front remains elusive. In order to bring about real change, companies should not treat gender parity and diversity concerns as a means of appeasing individuals or organisations, but rather as an essential component of their long-term adaptability and success.

The South African Gini coefficient of the employed for this year is at 0.436, marking an increase of 0.011 compared to the Gini for 2018. The pay ratio of the largest South African companies now ranges from 12.77 to 66.91 (2018: 12.7 to 64.7). The plight of the 'working poor' is more pressing than ever, with employment levels steadily dropping in an already depressed economy. What is encouraging is that some companies on the JSE top 40 have begun to embrace the concept of a living wage and the provision of essential benefits as part of the employee value proposition, although more needs to be done in order to fully realise the ideals of the living-wage movement in South Africa.

At our cut-off date of 30 April 2019 there were 365 active JSE-listed companies with a combined market capitalisation of R14.1 trillion (2018: R14.5 trillion). The dominant sectors are Consumer Staples (29.36%), followed by Basic Materials (26.29%) and Consumer Discretionary (17.02%). AltX makes up just 0.15% of the market.

As disclosed in the non-executive counterpart of this report, released in January 2019, we have adapted our methodology by adopting the globally-recognised Industry Classification Benchmark (ICB) standard for categorising companies and securities. Our reporting on pay trends for executive directors has been revised to follow this classification.

At the cut-off date, the top 10 companies listed on the JSE accounted for 62% of the total JSE market cap, totalling R8.7 trillion (2018: 60%: R8.7 trillion). As we did in the ninth and tenth editions, we have examined the remuneration paid to these 'super-cap' companies separately.

We have continued our analysis of executive remuneration trends of the FTSE 100 for the reporting period under review. Base pay and stated benefits across all sectors and positions reveal that median remuneration sat at US$1.262 million compared to US$1.182 million in 2018. Turning to the analysis of the seven sub-Saharan African countries, the median total guaranteed package paid to executive directors across these jurisdictions rose to US$168 000 (2018: US$163 000).

The cut-off date applied in this report is 30 April 2019 and is the date on which key metrics (market capitalisation, director headcount etc.) was recorded. The cut-off date is referred to as such, but the reporting period is 2018 (companies reporting during the period 01 May 2018 and 30 April 2019).

What is clear is that a CEO's remuneration package cannot be determined by the Board in isolation; there are myriad factors that must be considered, including the nature of the incentive payments made to him or her, the performance conditions applicable to their short- and long-term incentives, how an unjustifiable pay package which is divorced from the concept of pay for performance can compromise the company's approach to fair and responsible remuneration, and whether they are doing enough to create an inclusive culture in their businesses that effectively embraces women and people from diverse backgrounds.

Anelisa Keke
Editor

2 Information used in this report

This publication focuses primarily on the Johannesburg Stock Exchange (JSE) and includes, as separate chapters, high-level analyses focused on the FTSE 100 and seven African stock exchanges. Data set out here is drawn from PwC's internal resource base and information publicly available on 30 April 2019 (the cut-off date) and is valid for the period 1 May 2018 to 30 April 2019.

Information was extracted from the annual reports of 365 actively trading companies listed on the JSE at the cut-off date.

Company financial year ends are not coterminous. The data analysed are as reported and published as at 30 April 2019. The cut-off for market capitalisation, director headcount and other metrics are on that date. During the 12-month period ended on 30 April 2019, 13 new listings were placed, 12 companies delisted and 23 changed their names. Thirty-five preference share and special scheme entities are registered with the JSE with reported market capitalisation. Remuneration paid to executives in these is excluded from the analysis in order to avoid double accounting.

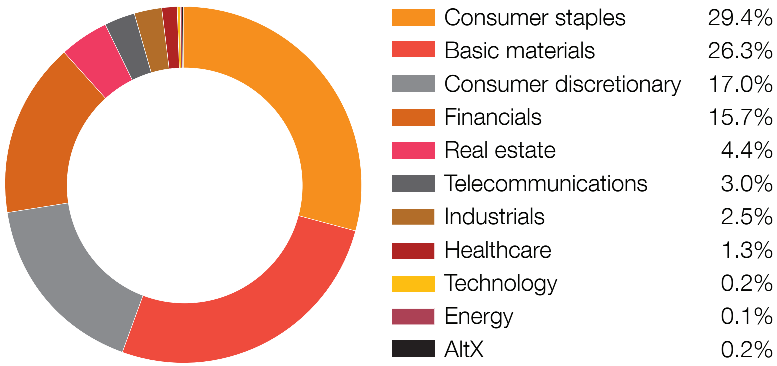
At our cut-off dates from 30 April 2015 to 30 April 2019, an analysis of the market capitalisation for five years is shown in the accompanying table.

Market capitalisation by industry sector, 30 April 2015-30 April 2019 (R'millions)

	2015	2016	2017	2018	2019
Consumer staples	2 980 881	2 658 765	3 007 590	3 609 479	4 142 341
Basic materials	1 998 085	2 612 761	5 263 842	4 681 363	3 709 709
Consumer discretionary	1 755 641	1 790 967	1 988 745	2 528 405	2 406 141
Financials	881 733	1 308 597	1 399 953	1 696 984	2 216 536
Real estate	366 226	537 917	620 496	740 574	615 012
Telecommunications	617 921	483 627	503 691	522 895	428 425
Industrials	431 782	372 217	359 711	382 254	353 725
Healthcare	302 481	356 815	414 258	308 372	180 817
Technology	34 939	49 186	40 538	39 197	28 131
Energy	15 210	6 761	7 448	7 434	8 513
AltX	4 380	10 335	16 052	15 629	20 620
Total	**9 384 899**	**10 177 613**	**13 606 272**	**14 516 958**	**14 109 971**

Source: PwC analysis

Figure 1: JSE market capitalisation by industry sector, 30 April 2019



Source: PwC analysis

As with our reporting of trends in previous publications, it is once again notable that asymmetrical distribution by market capitalisation values continues. At the cut-off date, just 30 JSE-listed companies (2018: 31) accounted for 80% of the market's capitalisation. Large-caps hold 84% (2018: 84%), medium-caps 12% (2018: 12%) and small-caps 5% (2018: 4%).

The top 100 companies, comprising large- and medium-caps, account for 96% (2018: 90%) of the total invested capital on the JSE. The top 10, however, challenges statistical analysis when seven companies account for 50% of all invested funds, mostly held by overseas investors.

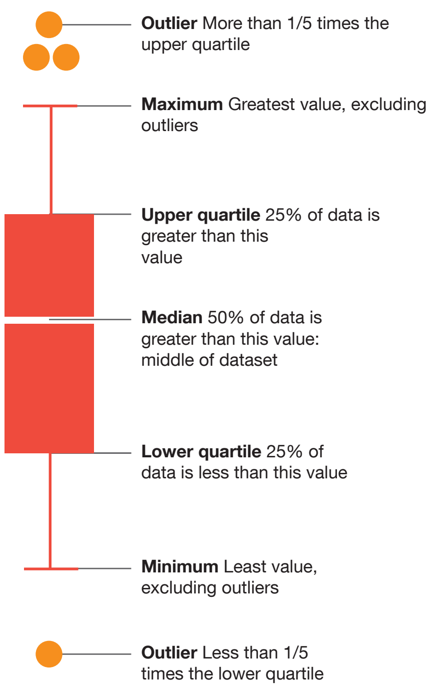
Format of information and definitions

Remuneration levels rarely follow a normal distribution curve. For this reason, we have used a quartile/percentile range rather than giving averages, except where noted in context, and standard deviations that assume normality.

The quartiles/percentiles are defined as:

- **Lower quartile (25th percentile):** 75% of the sample earn more than this level and 25% earn less.
- **Median (50th percentile):** 50% of the sample earn more than this level and 50% of the sample earn less.
- **Upper quartile (75th percentile):** 25% of the sample earn more than this level and 75% earn less.
- **Average (the mean):** The sum of the values in a series divided by their number.

Figure 2: Percentile classifications used in this report



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

The market capitalisation breakpoints are:

- Large-cap: The top-40 JSE-listed companies;
- Medium-cap: 41 to 100 of the JSE-listed companies; and
- Small-cap: 101 to 365 of the JSE-listed companies.

We have separately analysed information pertaining to the Top-10 listed companies by market capitalisation.

Terms used in this publication

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

Industry classification

In this report we have adopted the Industry Classification Benchmark (ICB) as used by the JSE and detailed in the explanatory section below. Remuneration paid to executive directors appointed to JSE-listed company boards have been analysed under the ICB classification.

The sectors are now classified under the following headings with a snapshot of prior classifications:

Industry reclassification

ICB classification	Classification used in prior editions
Basic materials	Basic resources
Consumer staples	Industrials
Consumer discretionary	Services
Energy	Basic resources (oil and gas producers)
Financials	Financials including real estate
Healthcare	Services
Industrials	Industrials
Real estate	Financials
Technology	Services and industrials
Telecommunications	Services
Utilities	None

There are no utilities listed on the JSE at this time.

Industry classification benchmark (ICB)

An industry classification system allows investors and other market participants to segment and evaluate the global economy in a systematic and holistic way. It provides a standardised framework to research individual areas of the economy, conduct peer group analysis and classify companies.

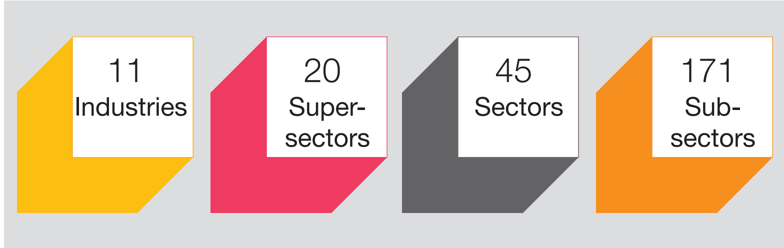
An industry classification system allows users to assign individual companies to both aggregate industry groupings and, with increasing levels of detail, to sectors and subsectors that reflect companies' specialist areas of business.

With approximately 100 000 securities classified worldwide, conformity to a definitive categorisation system for the global investment community has become a necessity.

The ICB is a globally recognised standard, operated and managed by FTSE Russell for categorising companies and securities across four levels of classification.

Each company is allocated to the subsector that most closely represents the nature of its business, which is determined by its primary source of revenue and other publicly available information.

ICB classification used in this publication

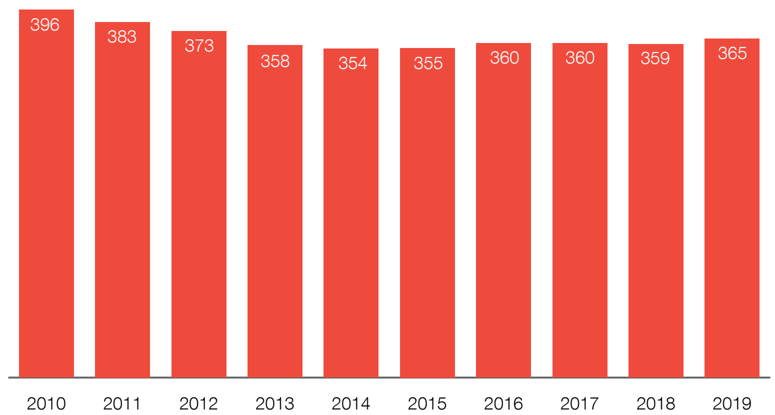


There is no like-for-like comparison in any of the new ICB classifications and previously reported data in this publication series. The granularity in the ICB classification is more significant in scope than our previous classifications.

Johannesburg Stock Exchange

The JSE is the largest stock exchange in Africa. The number of active trading companies listed at 30 April for the last ten years are shown below, including AltX companies.

Figure 3: Number of companies listed on the JSE, 2010-2019



Source: PwC analysis

JSE industry classification plus AltX

Johannesburg Stock Exchange (365)

AltX (34)

Basic materials (49)
- Chemicals (7)
- Forestry and paper (4)
- Industrial metals and mining (5)
- Mining (33)

Consumer discretionary (40)
- Food and drug retailers (6)
- General retailers (19)
- Media (5)
- Travel and leisure (10)

Consumer staples (20)
- Automobiles and parts (1)
- Beverages (2)
- Food producers (13)
- Household goods and home construction (1)
- Leisure goods (1)
- Personal goods (1)
- Tobacco (1)

Energy (2)
- Oil and gas producers (2)

Financials (54)
- Banks (7)
- Development capital (1)
- Equity investment instruments (10)
- Financial services (27)
- Life insurance (5)
- Non-equity invest-ment instruments (1)
- Nonlife insurance (2)
- Venture capital (1)

Healthcare (8)
- Healthcare equipment and service (5)
- Pharmaceuticals and biotechnology (3)

Industrials (54)
- Construction and materials (13)
- Electronic and electrical equipment (6)
- General industrials (12)
- Industrial engineering (4)
- Industrial transportation (8)
- Support services (11)

Real estate (48)
- Real estate investment and services (16)
- Real estate investment trusts (32)

Technology (11)
- Software and computer services (9)
- Technology hardware and equipment (2)

Telecommunications (5)
- Fixed line telecommunications (1)
- Mobile telecommunications (4)

Utilities (0)

Preference shares and special purpose companies (40)

3 Should all CEOs be painted with the same brush when setting pay?

> “On the one hand, businessmen are idolised out of proportion to their real achievements; on the other, they are disproportionately blamed for the failures of the companies they lead. It taps into atavistic human urges to search for strong leaders, and to conduct witch-hunts against individuals seen to embody threats to the community.
>
> – Ruth Sunderland: Superheroes and supervillains – why the cult of the CEO blinds us to reality, 13 June 2010
>
> https://www.theguardian.com/business/2010/jun/13/tony-hayward-terry-leahy-corporate-governance

Executive pay continues to be in the spotlight and everyone has an opinion on it. Seated around a table with executives, shareholders, institutional investors, employees, the media and the general public, the topic of CEO pay is guaranteed to fuel heated debate.

Being the CEO of a company is no easy task. It is a high-profile position, especially in a listed environment. One day the CEO could be praised for seemingly possessing extraordinary attributes and abilities, and the next, he or she could fall out of favour with those same admirers. Whether this is based on personal relationships (for example, a strained relationship with the Board) or warranted due to continuous disappointing financial results or performance, certain stereotypes have been formed around CEOs in general.

Even where one CEO secures a great win and things go awry for another in the same industry, the perception is that irrespective of the outcome of a business decision, both are paid well at the end of the day.

This begs the question, is there something deeply flawed with the current best practice model of executive pay, particularly as it relates to CEOs?

What if CEO pay were tailored for the different types of CEOs?

One cannot underestimate the value that an effective CEO can add to a company. Based on the principle of merit[1], proper reward and recognition is due where a CEO delivers great performance and sets the company on a trajectory for long-term sustainability and value creation. Conversely, not all contemporary executive remuneration packages necessarily relate to discernible levels of company performance.[2] Perhaps we should further investigate the possibility of a nexus between executive pay and corporate failures, and what that may mean for the determination of future remuneration packages for executives.

We tend to see a similar total reward package structure provided to most CEOs. This generally includes a guaranteed portion, a short-term bonus and a long-term incentive. Let us call it the ‘best practice reward model’. We should, however, ask ourselves whether different reward models should exist for different types of CEOs operating in different environments. Would this introduce additional complexities to a company’s reward structure or could it be considered appropriate?

1 Weir, K., Grady, J., and Dunne, S. (2017) Organization Studies of Inequality, with and beyond Piketty, 9
2 Ibid.

"High-profile leaders tend to know how to work a room, and many may have learned to like the limelight. But also, employees, the market and the media want strong leaders, and sometimes strength becomes conflated with infallibility. Star CEOs are not inherently bad for business, though they can be.

– Shelley DuBois: There are no superhero CEOs, 3 December 2012

http://fortune.com/2012/12/03/there-are-no-superhero-ceos/

The superhero CEO

The so-called superhero CEO is akin to a celebrity, but in the world of business. CEOs who could fall under this bracket include founder CEOs, CEOs whose decisions almost always deliver extraordinary returns, and CEOs who have managed to successfully turn around a failing business.

Companies usually pay these CEOs handsomely and argue that this is well-deserved or justified, based on their ability and bargaining power to negotiate their own remuneration packages.[3]

When the results of a CEO's decisions and risks that they have taken pan out, the upside can be enormous for all stakeholders involved. However, these risks do not always yield a positive outcome and can even result in the destruction of company value (sometimes on a vast scale). In order to manage the behaviour of a CEO who the market believes cannot fail, it is necessary to examine the probable outcomes his remuneration package may have on the strategy of the company before attaching more stretching targets and placing most of his or her pay at risk.

In some instances, the tenure of a superhero CEO would come to an end once significant company value has been destroyed. At this point, and if a negative trigger event occurred, the principles of malus and clawback could theoretically be applied; however we have yet to see a public example of clawback applied in South Africa under these circumstances. That said, recent events suggest that clawback and the recovery of incentives outside of clawback may be tested in the courts very soon. The following section deals with some of the other types of CEO that are found in the market, and thoughts about how they could be appropriately remunerated.

3 Weir, K., Grady, J., and Dunne, S. (2017) Organization Studies of Inequality, with and beyond Piketty, 8

"The long-serving CEOs generally deliver higher shareholder returns than shorter-serving CEOs, though their performance, on average, tends to be good rather than great."

– Per-Ola Karlsson, Martha Turne and Peter Gassman: Succeeding the long-serving legend in the corner office, 15 May 2019

https://www.strategy-business.com/article/Succeeding-the-long-serving-legend-in-the-corner-office?gko=90171

The owner CEO

The owner CEO is akin to a long-distance runner. These CEOs are personally invested in the long run and their tenure could easily span decades. The owner CEO could be referred to as a transformational leader or a visionary founder as he or she is heavily involved in growing the company from its early origins to maturity.

As with the superhero CEO, these CEOs may also receive a generous pay package. Typically, owner CEOs hold a significant interest in their companies through direct shareholding. This could potentially translate into substantial value to that CEO based solely on shareholder returns. Could an argument be made that the owner CEO is inherently motivated and incentivised to grow, or at least maintain, the value he holds through his direct shareholding?

Is it still appropriate that he or she receives a large total reward package, which includes additional incentives?

Even where the CEO's initial investment in direct shareholding was a co-investment, some may consider the additional share-based incentives as 'double pay' for achieving the same goal, as there may have been some initial assistance from the company where that CEO would not otherwise have been able to attain that direct shareholding.

Conversely, there is a risk that an overinvested owner CEO would make some decisions purely from a shareholder perspective, instead of doing so as a director who is aligned with the shareholders, but whose primary objective is to run the business. The owner CEO's direct shareholding may also not be subject to minimum shareholding requirements and his or her continued investment in the company may solely be based on loyalty to the company. A decision to sell the majority if not all of his or her direct shareholding in the company could be seen as a red flag to the market, which could send the share price plummeting.

> **Successors to long-serving CEOs, however, face a difficult path. Following a legend is not for the faint of heart. Although they often have much in common with their predecessors in terms of their backgrounds, successors turn in significantly worse financial performance, generally have shorter tenures, and are much more likely to be forced out rather than to depart via a planned succession.**
>
> – Per-Ola Karlsson, Martha Turne and Peter Gassman: Succeeding the long-serving legend in the corner office, 15 May 2019
>
> https://www.strategy-business.com/article/Succeeding-the-long-serving-legend-in-the-corner-office?gko=90171

The fixed term CEO

The fixed term CEO may not be the founder or owner of a company, but could potentially follow in the footsteps of the owner CEO. Although it may be difficult to follow in the footsteps of the owner CEO, new blood brings energy and potentially a new perspective on how to drive the business.[4]

His or her total reward package will typically consist of both guaranteed pay and variable pay, with a larger weighting placed on the variable pay portion, which in turn would be based on performance. Depending on the circumstances around their appointment and the anticipated longevity of their tenure, the total reward package of a fixed term CEO could be amplified by a sign-on incentive award (subject to minimum shareholding requirements and malus/clawback) and a profitable deferred or staggered long-term incentive.

Where the CEO is a few years away from retirement, the company could consider introducing post-retirement vesting provisions in the incentive plan rules to avoid ‘accelerated vesting’ (i.e. where a CEO receives all of his or her incentives on the date of retirement, irrespective of whether or not the performance conditions have been achieved). This would encourage the CEO to take a long-term view when making decisions, as the vesting of his or her incentives would be linked to the success of the company after his or her departure.

Conversely, fixed term CEOs with a temporary but fresh strategic outlook could be exactly what a company in a turnaround phase needs. A fixed term CEO’s ultimate metric in terms of a holistic turnaround for a struggling company could be simply to reduce and manage friction, albeit internally with employees or externally with consumers. This could lead to success stories where a fixed term CEO is best placed to significantly alter the culture within a company or align impact with effortless interaction for consumers.

Ultimately, the remuneration committee must ask itself whether the incentive structure is designed to drive the right behaviours based on the mandate of the fixed term CEO. Performance metrics that are measurable throughout the fixed term contract of the CEO, with a single bullet award, may be an option to consider.

If the fixed term CEO becomes a permanent appointee, making rolling annual long-term incentive awards would then become appropriate. Minimum shareholding requirements or an appropriate post-vesting holding period (where the performance period is shorter than the length of the fixed-term contract) may also have a part to play, to keep him or her ‘locked in’ throughout his or her tenure. That said, the interim CEO’s pay package should not have any provisions that will require the company to make a full payout if the contract is terminated prematurely – this scenario can easily become a ‘payment for failure’, particularly where the contract is terminated due to poor performance or misconduct.

[4] Per-Ola Karlsson, Martha Turne and Peter Gassman: Succeeding the long-serving legend in the corner office, 15 May 2019, https://www.strategy-business.com/article/Succeeding-the-long-serving-legend-in-the-corner-office?gko=90171

> **Maybe it's time to redirect our attention and start celebrating and learning from a different crop of CEOs."**
>
> – Shelley DuBois:
>
> There are no superhero CEOs, 3 December 2012 http://fortune.com/2012/12/03/there-are-no-superhero-ceos/

The interim CEO

The interim CEO is akin to a contractor, typically appointed internally as the company is in the process of filling the position with a permanent appointment. The need for an interim CEO may arise from foreseeable or unforeseeable circumstances, e.g. a mass exodus of talent from the company or resulting from poor succession planning where a CEO has resigned or retired. Taking on an interim post can be characterised by upheaval, and the length of his or her interim service may depend on how long it takes for the company to recruit a new CEO.

Should these internal interim CEOs be rewarded for taking on this risk? In some instances, internal interim CEOs receive acting allowances however, their total reward package remains unchanged. The same concerns are valid for an externally appointed interim CEO.

Should the interim CEO's tenure be anticipated to be less than three years, it may not be appropriate to award a traditional long-term incentive. Depending on the nature of a business, a deferred award based on short-term performance or an incentive award with longer post-vesting holding periods may be more appropriate.

Is it not time to design CEO pay that is smarter and not just higher in quantum?

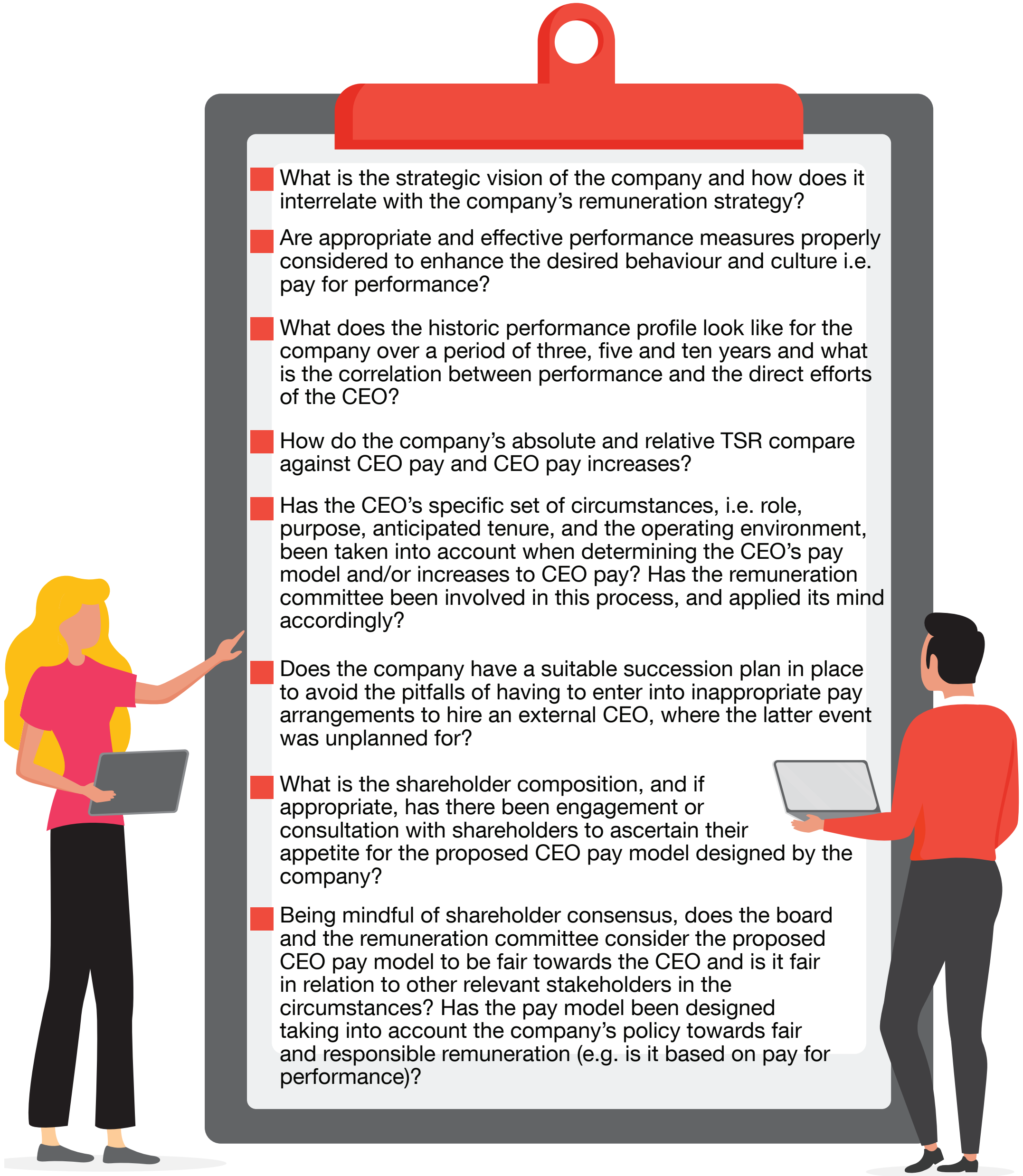
In order to design a smarter CEO pay model, it is necessary for a company to consider the following fundamentals of reward:

- What is the behaviour and culture that the company wants to drive?
- Does the pay strategy motivate the aforementioned desired behaviour and culture and does this promote value creation?
- Where value is created, does the pay strategy provide adequate and appropriate recognition for actual achievements?

With the aforementioned fundamentals in mind, perhaps could we change our perspective and approach pay as an investment. The attitude toward investments is more cautious and calculated, leaving little room for chance and discretion. Ultimately, companies should focus on improving their return on the company's pay investment.

The next layer of important factors to be considered when taking an investment approach to pay that results in a smarter CEO pay model design, are shown in the accompanying illustration.

Factors to consider in a smarter CEO pay model



- What is the strategic vision of the company and how does it interrelate with the company's remuneration strategy?
- Are appropriate and effective performance measures properly considered to enhance the desired behaviour and culture i.e. pay for performance?
- What does the historic performance profile look like for the company over a period of three, five and ten years and what is the correlation between performance and the direct efforts of the CEO?
- How do the company's absolute and relative TSR compare against CEO pay and CEO pay increases?
- Has the CEO's specific set of circumstances, i.e. role, purpose, anticipated tenure, and the operating environment, been taken into account when determining the CEO's pay model and/or increases to CEO pay? Has the remuneration committee been involved in this process, and applied its mind accordingly?
- Does the company have a suitable succession plan in place to avoid the pitfalls of having to enter into inappropriate pay arrangements to hire an external CEO, where the latter event was unplanned for?
- What is the shareholder composition, and if appropriate, has there been engagement or consultation with shareholders to ascertain their appetite for the proposed CEO pay model designed by the company?
- Being mindful of shareholder consensus, does the board and the remuneration committee consider the proposed CEO pay model to be fair towards the CEO and is it fair in relation to other relevant stakeholders in the circumstances? Has the pay model been designed taking into account the company's policy towards fair and responsible remuneration (e.g. is it based on pay for performance)?

There is no one size fits all approach – without adding unnecessary complexity to the CEO pay model, companies should try to find a balance between a simple and effective, yet fit for purpose solution. Our thoughts on a simpler model for incentives are set out in chapter four of this report. Besides the facts and figures, it may also be worth looking at the softer issues, i.e. the psychology around incentives and whether executives see them as having real value.

It is critical for the interactions between the remuneration committee and the nomination committee to be properly coordinated when determining CEO succession planning, and how this plan can influence CEO pay – an outgoing founder CEO's pay package (which may have been contractually agreed years before his or her departure) may not be appropriate for an externally appointed fixed term CEO who is set to fill the role. In practice, some nomination committees attend to the selection and appointment of the CEO without properly consulting the remuneration committee on how that CEO should be paid, and the factors that must be taken into account when determining a suitable pay package.

All things considered, it may be necessary to take collective responsibility to reach a solution that is realistic in each circumstance. Of all the stakeholders involved in taking collective responsibility, the presence of the remuneration committee implementing a strong pay strategy remains crucial.

Performance conditions and key metrics: Going beyond the financials

When it comes to TGP, the traditional approach that companies take (in most instances, at least) is to consider variable pay in the context of company performance, and to increase TGP in accordance with market benchmarks. In the eighth edition of this publication, we asked whether TGP increases for executives should be considered in the context of the value created for shareholders, and whether share price, together with other performance metrics, should be taken into account by remuneration committees when making these decisions.

The median CEO TGP for the current reporting period across all sectors has increased by 4.8% (against rebased inflation of 4.6%). The median share price for large cap companies increased by 15.30% in the reporting period, with 11.6% for medium-cap companies and 18.20% for small-cap companies – all of which exceed the median increases to CEO TGP for all sectors during the same period.

Figure 1: JSE: Median share price increases (2017-2018)

Source: PwC analysis

In chapter six, we interrogate the correlation between traditional performance conditions and executive pay, and suggest that the use of EVA™ may be a more appropriate metric to measure the creation of true shareholder value. Performance metrics for variable pay plans that are based predominantly or solely on an increase in the share price have been criticised for their potential to be manipulated; and furthermore, movements in the share price are no guarantor that the CEO has actually created long-term sustainable value for the company and the shareholders. The concept that vesting should be contingent on the creation of shareholder value is a compelling one. Another criticism of LTIs is the cost to shareholders without corresponding value creation, which do not always provide a meaningful motivation for executives to continue discharging their duties. An emerging trend is to introduce variable pay plans that require meaningful value creation for shareholders as a precondition to executives actually receiving value themselves.

We have written about the need for more meaningful 'non-financial' performance conditions to be included in executives' balanced scorecards – and as one investor pointed out to us, the distinction between financial and non-financial performance conditions is somewhat artificial, as all performance conditions have an impact on the long-term sustainability of the company.

What is striking is that, to the extent that these are disclosed, digitisation and executing a sound digitisation strategy does not often feature as a non-financial performance condition. According to PwC's 2019 Annual Global CEO Survey, 31% of CEOs in Africa strongly agree that artificial intelligence (AI) will have a larger impact on the world than the internet revolution. That said, 35% of CEOs in Africa have no plans to pursue any AI initiatives at the moment, and 46% have plans to start introducing AI initiatives in their organisations in the next three years.

The lack of strategic forethought on this topic is even more pressing when considering the potential impact of AI on the workforce of the future. According to the PwC's Talent trends 2019: Upskilling for a Digital World, 33% of South African CEOs are 'extremely concerned' about the availability of key skills – reskilling employees in the face of increased automation could be another useful non-financial metric for the future.

We anticipate that the range of non-financial metrics will start to increase. When crafting a CEO's pay, remuneration committees will need to start thinking critically about the inclusion of ESG metrics appropriate to the company's industry and sector – such as transformation-related objectives, introducing waste and energy efficiencies and developing a fully-fledged green strategy.

A step further would be to consider adding metrics that are critical to the long-term impact of the company on society, such as job creation or the creation of publicly-accessible infrastructure. These metrics must be reflective of the company's strategy; and if done properly, could reposition the role of the CEO from seen as being little more than a 'money machine' to being a leader of a truly responsible corporate citizen.

4 Is your company an active ESG warrior?

Sustainability issues have become entrenched on the corporate agenda and there is an increased focus on aligning companies' environmental, social and governance (ESG) activities with the United Nations Sustainable Development Goals[3] (SDGs).

3 The SDGs are discussed in more detail in the 2016 and 2017 Non-executive directors: Practices and remuneration trends reports.

Prominent ESG issues are increasingly being debated on a global scale. Climate change is a prime example, with countries showing their commitment to addressing this issue through signing and ratifying the Paris Agreement (convened by the United Nations Framework Convention on Climate Change).[4]

Closer to home, the recent promulgation of the Carbon Tax Act 15 of 2019 aims to reduce greenhouse gas emissions in a sustainable, cost-effective and affordable manner. The Act gives effect to the 'polluter pays' principle for large emitters of greenhouse gas and helps to ensure that organisations and consumers take the negative adverse costs into account in their future production, consumption and investment decisions. Organisations are thereby incentivised to adopt cleaner technologies over the next decade, and beyond.[5]

PwC's 2018 publication *From promise to reality: Does business really care about SDGs?*[6], emphasises just how important a role environmental and social responsibility will play in the future of all organisations. Although there appears to be a clear appetite for embracing the SDGs, organisations still lack the strategy, tools and culture required to turn commitments into tangible business goals. This causes a knock-on effect in terms of measuring and reporting on organisations' progress in meeting the SDGs, whereby organisations are unable to demonstrate to their stakeholders how and why the SDGs are improving their overall business and sustainability.[7]

In order to fully embrace the SDGs, they need to form a central part of business strategy, backed by meaningful KPIs.[8] To do that most effectively, KPIs should be rated, explained, quantitatively measured, and ideally put in monetary terms, so that the whole business and its stakeholders can understand the significance (through a consistent measure such as the monetary cost/benefit) of each goal and target and its relevance to the short and longer-term viability of the business. These KPIs are not just important from an ESG perspective, but also with regards to ensuring a sustainable investment for shareholders in the longer term.

Leadership is key in this respect and CEOs and other senior executives have an important role to play. Once leadership has embraced the importance of the SDGs to the business as a whole, the rest of the organisation will follow their lead. The question, however, is to what extent CEOs are currently acknowledging the importance of climate change and, by association, the SDGs. *PwC's 22nd Annual Global CEO Survey* released in January 2019 noted a decline in concern about climate change among business leaders, with it dropping from ninth to thirteenth among a list of threats CEOs say they are 'extremely concerned' about. The survey notes that CEOs appear less bothered by broad, existential threats (such as climate change), and are more concerned about factors which affect the ease of doing business in markets where they operate (such as regulation and skills availability).[9]

4 United Nations Framework Convention on Climate Change Available at https://unfccc.int/process-and-meetings/the-paris-agreement/what-is-the-paris-agreement (accessed 12 June 2019)

5 Republic of South Africa: National Treasury Media Statement on the Publication of the 2019 Carbon Tax Act available at http://www.treasury.gov.za/comm_media/press/2019/2019052701%20Media%20statement%20-%20Carbon%20Tax%20Act.pdf(accessed 12 June 2019)

6 PwC SDG Reporting Challenge 2018 – From promise to reality: Does business really care about the SDGs? Available at https://www.pwc.com/gx/en/sustainability/SDG/sdg-reporting-2018.pdf (accessed 20 November 2018)

7 PwC SDG Reporting Challenge 2018 (supra).

8 *PwC SDG Reporting Challenge 2018 (supra).*

9 PwC 22nd Annual Global CEO Survey p41 available at https://www.pwc.com/gx/en/ceo-survey/2019/report/pwc-22nd-annual- (accessed 12 June 2019)

Sustainable investment

Regardless of the immediate concerns of CEOs, stakeholders are increasingly considering ESG factors in evaluating a company's strategy, risk profile and its plan for creating long-term sustainable value.[10]

Private equity houses and their investors, for example, are increasingly factoring ESG considerations into their investment decisions and portfolio management strategies. ESG considerations are furthermore becoming embedded in all phases of a deal cycle, from selection to monitoring and reporting.[11]

PwC's Private Equity Responsible Investment Survey 2019[12] of 162 firms in 35 countries found that nearly 81% of respondents are reporting ESG matters to their boards at least once a year, with a third (35%) doing so more often. Almost all (91%) report having an ESG policy in place or in development, compared to 80% in 2013. Of these, 78% are using or developing KPIs to track, measure and report on progress of their responsible investment or ESG policy.

Linking ESG with remuneration: The South African context

Publicly available voting records from major South African institutional investors do not generally reveal much detail about the reasons underlying the decisions for their votes on remuneration policies and philosophies. It is also notable that these voting records do not disclose the extent to which ESG imperatives feature in engagement with remuneration committees regarding performance metrics for variable pay.[13]

That said, the Public Investment Corporation (PIC) has stated its commitment to delivering positive, sustainable returns to its clients through integrating ESG considerations among the fundamental principles of its investment processes. This is in line with the PIC's belief that a strong commitment to the highest standards of business ethics and sound corporate governance is essential to long-term value creation for clients. As part of its approach, the PIC requires all external fund managers to incorporate responsible ESG practices in their investment process following policies that align with the PIC's policies.[14]

Similarly, Old Mutual has noted in its Responsible Investment Policy[15] that the essence of the policy lies in requiring Old Mutual's asset managers to:

- Incorporate ESG factors into their investment processes;
- Be active owners through proxy voting and investment; and
- Provide public disclosure about their responsible investment policies and implementation.

In terms of this policy, asset managers are encouraged to meet regularly with company management on ESG issues. Constructive engagement is encouraged in a non-public manner. The policy also stipulates that companies should introduce performance criteria into their executive remuneration practices to incentivise management to reduce environmental harm and improve eco-efficiency, taking into account the impact that the company has on the environment and use of its natural capital.

The problem that the public and investors face is that it is more often than not unclear from the disclosure in a company's annual report what exactly an ESG measure entails, how this measure will ensure a positive outcome and how the measurement will take place.

Constructive shareholder engagement is not a new concept, but remains of great importance, both in South Africa as well as globally. The European Union's Directive 2017/828 of May of 2017 highlights the importance of ESG factors for both companies and their stakeholders.[16]

10 PwC Governance Insights Center "Investors, corporates and ESG: bridging the gap" available at www.pwc.com/us/en/governance-insights-center/ publications/esg-environmental-social-governancereporting.html (accessed October 2018)

11 PwC "Older and wiser: Is responsible investment coming of age? Private Equity Responsible Investment Survey 2019" available at https://www.pwc.com/gx/en/services/sustainability/publications/private-equity-and-the-responsible-investment-survey.html (accessed 11 July 2019).

12 Private Equity Responsible Investment Survey 2019 (supra).

13 PwC Non-executive directors: Practices and fees trends report 2018, 10.

14 A. Mathai "Environmental, Social and Governance" https://www.pic.gov.za/index.php/investments/environmental-social-and-governance/print/

15 Old Mutual Responsible Investment Policy p 01 https://www.oldmutual.co.za/docs/default-source/corporate/products-services/employee-benefits/retirement-investments/guaranteed-investments/responsible-investing/omcresponsibleinvest.pdf?sfvrsn=2 (accessed 16 June 2019).

16 Directive (EU) 2017/828 of the European Parliament of 17 May 2017 at paragraph 14.e.

The Directive states that directors' performance should be assessed using both financial and non-financial performance criteria, including, where appropriate, ESG factors.

Shareholders are further making their voices heard on our own soil. Standard Bank's most recent notice of annual general meeting included a resolution that was proposed by shareholders that would require Standard Bank to prepare a report on its exposure to climate risk in its lending, financing and investment activities. Although the resolution on disclosing the company's assessment of greenhouse gas emissions was voted down by 61.2% of the shareholders voting at the AGM, the resolution to disclose the policy on lending to coal-fired power projects and coal mining operations eceived a vote of 55.09% in favour.

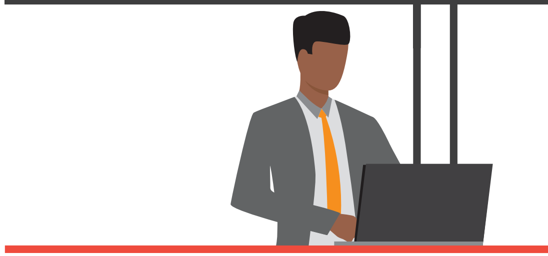
Although Standard Bank's Board recommended that shareholders vote against both resolutions, due to uncertainty as to how the group would practically comply with the proposed resolutions at this time, it recognised the rights of shareholders to table resolutions on critical issues such as climate change.

We expect to see more of these resolutions in the coming years, in light of the increasing global awareness around climate change.

Conclusion

Proper disclosure is key to enabling a company to properly tell its story. Companies should actively engage with their shareholders on ESG issues, listen to shareholder concerns and act on the feedback received. Companies should clearly explain how ESG issues could affect the company's financial performance and how these are addressed by its ESG metrics.

Companies should also provide transparency over how the targets for ESG performance are set and how performance against these targets are measured. Although South African companies are not (yet) under any binding obligation to consider ESG factors, there is pressure from both stakeholders as well as international best practice to make the consideration of ESG factors a priority.



5 Investors have their say on pay

Since the publication of our 2019 Non-executive directors: practices and fees trends report, ***we have seen encouraging signs that South African remuneration committee Chairs are coming to terms with investor expectations around shareholder engagement and regular training.***

However, we still have a long way to go before remuneration committees are fully equipped and able to execute their duties in line with King IV™ and best practice.

At our most recent institutional investor roundtable on remuneration in May 2019, we spoke to representatives from some of the largest South African institutional investors and asset management firms to understand their views on remuneration. We asked investors what they expected of remuneration policies, with a particular focus on a CEO's role in guiding the remuneration policy of a company. This is a summary of' their views.

Summary of key outcomes

- The target-setting process for performance conditions should be a collaborative process involving the CEO, the Board and the shareholders.
- Proposed adjustments to performance conditions should be reviewed by the remuneration committee Chair (with support from the audit committee Chair). Adjustments should be justifiable and disclosed wherever they were made.
- Sign-on awards should be subject to performance conditions or KPIs that are sufficiently stretching – a CEO who wants to be compensated handsomely should be prepared to deliver on their KPIs.
- A single incentive plan is palatable, but should be matched with high minimum shareholding requirements and a sufficiently long vesting period.
- Minimum shareholding requirements as a stand-alone policy was met with approval in principle, but the enforceability of these policies must still be properly addressed.
- Transaction bonuses are generally disapproved of by investors – allocating capital is a part of a CEO's job.
- Investors would be hesitant to use EVA™ as a stand-alone performance metric, as it is subject to adjustments and obfuscation.
- Investors were more positive about the state of remuneration in South Africa than they were in the previous round-table in October 2018, although the quality of some boards of listed companies, and the general lack of knowledge among remuneration committees, remains a pressing concern.

Setting remuneration: Should the CEO be kept waiting in the car?

Institutional investors acknowledge that CEOs play a critical role in setting the strategy of the business, and this flows into the remuneration strategy. The CEO is also essential to setting targets – a competent CEO is able to set targets for business performance for the next 5-10 years. However, the remuneration committee/Board should have enough knowledge to evaluate these targets critically, rather than relying solely on external consultants to do so. Ideally, the target-setting process should be a collaborative process involving the CEO, the Board and the shareholders. In turn, the LTI performance conditions should be tied to these targets.

Ideally, remuneration committees should be prepared to engage with investors during the target-setting process. Although there has been some improvement on this front recently, many remuneration committee Chairs are still reluctant to do so.

Targeting performance conditions

When it comes to setting performance conditions and targets, the target-setting process is never perfect. These should be compared to the company's historical performance and peers and be reviewed annually. Companies should avoid excessive gearing when determining performance conditions for incentives.

Where variable remuneration is based (wholly or in part) on a strategic metric or adjusted number, the process tends to go awry due to a lack of transparency around how targets are set and measured. The Remuneration committee Chair, together with the audit committee Chair, should critically assess proposed adjustments to performance measures to ensure that these are justifiable. Any adjustments to performance conditions should be audited at the end of the process, and properly disclosed in the company's implementation report (part 3 of the remuneration report). Where it is possible to reconcile the adjustments to those required in the financial statements, then this is more acceptable. The issue becomes more difficult for remuneration-related adjustments, which cannot always be correlated to the adjustments in the financial statements (and where these adjustments are sometimes based on a set of ill-defined 'extraneous circumstances').

Performance conditions based on budgeted measures are treated with caution, as there is often little transparency around how the budget was arrived at. To the extent that they are used as performance conditions, budgeted targets should be arrived at through a proper process and the margin for making any adjustments to them should be minimal.

When determining performance conditions, the focus should not be placed on generating returns in excess of cost of capital, but on absolute improvement. Investors are now wary after having seen certain CEOs take the helm of companies which had great returns, and then proceed to erode those returns.

Some investors are supportive of share price performance as a performance condition. Others are of the view that the emphasis should be placed on measures related to operational performance, as the share price will rise naturally if the operational targets are met.

Broadly, an appropriate mix of LTI performance conditions is TSR (40%), RoE (40%), HEPS (20%). An implementation report which does not fully disclose performance targets and the extent to which they were achieved, will be voted down by investors.

The role of the CEO from an investor perspective

Investors were asked about CEOs, how to treat 'superhero' CEOs, and how they should be remunerated. We also explore this theme in more detail in the second chapter of this report, which deals with the role of the CEO, and in which we encourage companies to reconsider how they approach a CEO's pay structure based on his or her tenure, profile and shareholding.

No CEO should be so powerful that it becomes justifiable to have a huge gap between the CEO's pay conditions and those of the rest of the executive committee. Where the Board places over-reliance on the CEO's stand-alone performance, it gives rise to key-man risks and the Board should firstly disclose these risks, and secondly, explain how these are being mitigated through proper succession planning. Succession planning risks should be carefully managed by the Board.

For pay packages offered to international CEO hires, a cost-of-living adjustment may be necessary. Payment in foreign currency is situation-dependent, but incoming international CEOs should have 'skin in the game' through the appropriate use of LTIs and if necessary, sign-on awards.

Any sign-on award should be tied to measurable KPIs – if an incoming CEO wants to be paid generously, the performance targets should be disclosed and sufficiently stretching to merit this. There was some acknowledgment that if an incoming CEO outperforms and successfully improves the performance of the business, investors would be prepared to compensate him or her accordingly – but this is rare. Essentially, any CEO who claims to walk on water must be prepared to back themselves to deliver on this promise through their KPIs.

Sign-on awards which are purely related to retention are disapproved of by investors. Some investors questioned the suitability of an incoming CEO candidate who insists on receiving a sign-on award without any prospective performance conditions or KPIs.

Performance-on-grant/single incentive plans

Investors were asked for their views on performance-on-grant, or single incentive plans, which have been used by some companies locally and internationally. This concept is covered in more detail in chapter six of this report.

Investors are prepared to consider proposals for the main share-based incentive of a company to essentially constitute a minimum shareholding requirement, with LTIs acting as a 'top-up'. However, this would need to be matched by a suitably high holding percentage for participating executives – the base minimum shareholding requirements in South Africa are quite low.

The employment period would need to have a 'long tail' and run for at least five years. Investors are fine with the concept of measuring performance on the way in, but the measures should be as broad as possible.

Minimum shareholding requirements are generally supported, but investors have become sceptical of whether or not they can be enforced (and they have seen instances where they have not been enforced). If a company introduces minimum shareholding requirements, they need to be paired with appropriate enforcement mechanisms.

The use of EVA™ was discussed, specifically whether it should be an input factor in variable pay rather than an output factor. Thus, a bad EVA™ should result in a smaller allocation, and the converse should apply. This could be paired with a longer holding period. We also explore this idea in more detail in chapter six, which assesses the possible role of EVA™ in simplifying LTIs and delivering real value to shareholders.

There was hesitation among some investors to rely on EVA™ as a metric as it can be adjusted and obfuscated, as it is reliant on certain subjective assumptions. The fact that it is not a governed number or audited metric, was one of the reasons caution was expressed – any EVA™-based metric would need to be disclosed transparently.

Investors have become wary of executives hedging their LTIs and shareholdings, and the disclosure of hedging by listed companies is erratic at the moment (although the amended JSE Listings Requirements will require issuers to do so in the future).

Some investors are prepared to support the use of the more common-place deferred bonus plans, in terms of which performance is measured 'on the way in' (through the short-term incentive performance conditions), but these plans should not replace or act as a substitute for the main LTI plan.

Good leaver provisions and mutual separations

In terms of LTI plan rules, a distinction is usually drawn between good leavers and bad leavers. For employees who leave under mutual separation agreements, some investors would expect pro-rata vesting of their unvested LTIs based on the employment period served as at the date of termination of employment; however, the vesting of these awards would also remain subject to the original performance period. Remuneration committees should also be stricter on which departing executives are treated as good leavers in terms of the LTI plan rules, particularly when, based on the circumstances, doing so would be inappropriate.

There should be increased disclosure around the leaver provisions in the LTI plan rules, how these have been applied and whether they have been applied consistently.

Transaction bonuses: What did you think we were paying the CEO for?

Most investors are vehemently opposed to companies paying transaction bonuses to CEOs and other executives. They insist that securing deals and allocating capital is part of the CEO's job. Furthermore, there is no account for whether the transaction has actually created any value at the time that the transaction bonus is usually awarded (usually at the conclusion of the transaction). This growing trend may have been influenced by the corporate finance sector. Some investors are comfortable with transaction bonuses, provided that these are subject to clear performance targets.

It was acknowledged that unbundling a business is sometimes necessary. However, if a Remuneration committee wants to reward executives for a specific transaction, it is a sign that the performance targets for the LTI are flawed. Effectively, transaction bonuses circumvent the LTI plan by focusing on a specific acquisition or unbundling rather than the long-term holistic performance of the company.

Closely tied to the concepts discussed above is the use of impairments, and their impact on the achievement of certain performance conditions (e.g. headline earnings). If a company wishes to make an impairment, the vesting outcomes for the incentives should be adjusted, particularly for the executives involved in the transaction that led to the impairment. The Remuneration committee should be aware of its discretion in terms of the plan rules, and exercise it where necessary (and consult their shareholders accordingly).

The state of remuneration in South Africa: Closing comments

Shareholders have noted the recent use of minority shareholder rights to introduce resolutions at annual general meetings, and will consider doing so themselves where necessary. These could address matters such as the composition of the Board, or the total remuneration of the Board. One investor remarked that they expected more activism around the pace of transformation in corporate South Africa.

Overall, investors were more positive about the state of remuneration practices in South Africa at present. In some cases, the concerns they raised in previous discussions, and in the investor roundtables, have been addressed by some listed companies. However, the quality of some boards of listed companies, and the general lack of knowledge among remuneration committees, remains a pressing concern.

6 Remuneration disclosure: Market update

The expectations around remuneration reporting have evolved significantly in the past few years, influenced by the increased complexity of variable pay and global corporate governance norms.

Historically, South African companies have simply reported on the total guaranteed pay (TGP) and STIs paid to the executive directors and prescribed officers, or all three elements of remuneration (i.e. TGP, STI and LTIs in the emoluments table included in the financial statements.

Sec 30(5) of the Companies Act states that the information to be disclosed under subsection 4 (which includes the remuneration disclosures) must satisfy the prescribed standards.[17] This has been widely interpreted as meaning that the remuneration disclosures should be disclosed in accordance with the relevant accounting standard, e.g. IFRS.[18] Due to the limited guidance provided on the manner in which the value of the LTI awards should be determined and disclosed, we have noted various interpretations such as:

- IFRS 2 amortisation expense for the year; or
- Gains realised in the applicable reporting period; or
- Fair value of the awards granted during the reporting period.

Meaningful comparisons between different companies' remuneration practices and the assessment of pay versus performance are therefore problematic, due to inconsistent approaches to disclosure and valuation methodologies. The latter is also influenced by the nature of the award, i.e. an option versus a full share-type instrument.

The LTI disclosure format recommended in the *King IV*™[19] is meant to create a more transparent way of disclosing the full view of remuneration payable to executive directors and prescribed officers in any particular financial year. It is presented in a straightforward, user-friendly format.

The JSE published amendments to its Listings Requirements in November 2016 that call on listed companies to adopt certain elements of King IV™. One of the requirements is to table the remuneration policy and implementation report (which includes the new LTI disclosure format, comprising of the single-figure reporting table and table of unvested and settled awards) every year for separate non-binding advisory votes at the annual general meeting.

After these amendments became effective from October 2017, we noted the widespread adoption of the new LTI disclosure format by companies with 2018 financial year ends.

We analysed the top 40 listed companies on the JSE in order to

17 Act 71 of 2008 (as amended).
18 International Financial Reporting Standards.

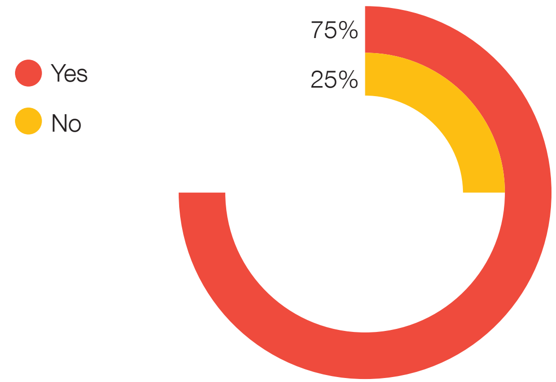
19 20170522 – Amendment Schedule – Part 1 of 2016" JSE (2017), available at https://www.jse.co.za/content/JSEAnnouncementItems/20170522-Amendment%20Schedule%20Part%201%20of%202016.pdf, accessed on 16 May 2019; and Institute of Directors Southern Africa King IV™ Report on Corporate Governance for South Africa (2016), available at https://c.ymcdn.com/sites/iodsa.site-ym.com/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf, accessed on 02 November 2016.

assess whether they had adopted the King IV™ single figure disclosure format and the extent to which they adopted the relevant principles recommended in King IV™. Our research found that 83% of the top 40 JSE-listed companies adopted a form of single-figure disclosure and, of those companies, three-quarters largely applied the principles outlined in the King IV™ practice notes. We observed that the new LTI disclosure is typically set out in two parts:

- Income statement[20] (the single, total figure of remuneration), and
- Balance sheet and cash flow statement (The table of unvested awards and cash settlement values).

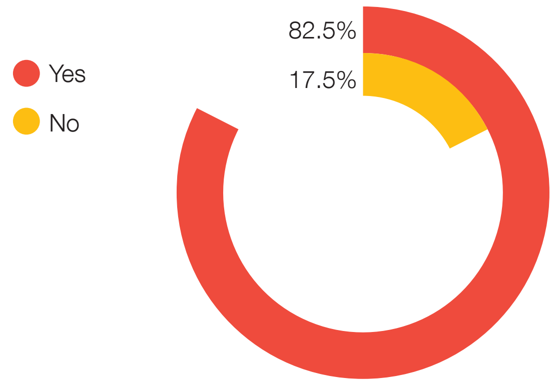
[20] Note that the reference to the various annual financial statements is a PwC reference.

Figure 1: JSE top 40: Disclosure by companies based on King IV™ principles (%)



Source: PwC analysis

Figure 2: JSE top 40: Disclosure by companies applying a single figure approach (%)



Source: PwC analysis

Unfortunately we have been unable to draw a positive correlation between the manner in which a company has disclosed the remuneration paid to its directors and the shareholder votes received by that company (in particular, on the implementation report), but we expect an increased focus from institutional investors in this regard in the next reporting cycle.

Emoluments table vs single, total figure of remuneration

Companies previously relied on King III™ and the requirements of Section 30 of the Companies Act 71 of 2008 for guidance on how to disclose the remuneration of executive directors and prescribed officers.

King IV™ provides more detailed guidance on the definitions of the various elements of remuneration, and the manner in which a company can determine the fair values to include in the single figure table. This is particularly applicable to the elements of variable remuneration (i.e. STIs and LTIs). Summarised below are the main differences between the emoluments table and the single figure table.

Differences between the emoluments table and the single figure table

Elements of remuneration	Emoluments table	Single figure table
Basic salary	All salary and fees received/receivable during the period	
Benefits	All benefits and allowances received/receivable during the reporting period.	
STIs (cash and share-based incentive)	These can be bonuses that have either been accrued or paid during the reporting period. The company should be consistent in applying its selected approach.	Accrued performance bonuses that are linked to the relevant reporting year rather than bonuses paid during the year.
LTIs (deferred element and bonus matches)	No direct guidance provided on these type of awards, as such a company would exercise its discretion in this regard.	These are included in the same year as the bonus, at the value of the match/deferral. Matches/deferrals with prospective company performance conditions should not be included in the single figure table.
LTIs (retention awards)	There is no distinction between retention and performance based LTIs. Various approaches to LTI disclosure are noted, such as: • IFRS 2 expense for the year; • Gains realised in the applicable reporting period; or • Fair value of the awards granted during the reporting period.	Retention awards should be included in the reporting year, at the award date value as they are not subject to further performance conditions but only require the participant to remain in the employment of the company.
LTIs (performance awards)		Performance awards should be included in the reporting year in which the performance period ends at the year-end volume weighted average price (VWAP), multiplied by the actual/estimated vesting percentage.
Dividends	Dividends are typically not included in the emoluments table.	Dividends received/receivable during the reporting year are included, up to and including the date the LTI is reflected in the single figure table. Thus, only dividends on performance awards are reflected in the single figure table, as retention awards are included at the award date.
Other	No direct guidance, and as such a company would exercise its discretion in this regard.	Other elements of remuneration that are appropriate to reflect separately, such as encashment of leave pay, security benefits, special once-off payments including retention and sign-on awards or termination payments.
Total	Not required in terms of Section 30, however most companies do provide this.	Represents the sum of the elements above.

Source: PwC analysis

Due to widespread adoption by large JSE listed companies, we are of the view that organisations and stakeholders now have a single point of reference where they can examine remuneration and consider how it relates to company performance. We anticipate that the adoption of the single figure approach will continue to increase in the coming year.

7 Long-term incentives: A fresh approach to measuring performance

Long-term incentives are seen as a core part of any total reward offering, considered necessary to create a long-term focus for executives, align them with shareholders, and ensure that on a total reward basis, executives and senior management are competitively paid compared to their peers.

However, the effectiveness of LTIs is under constant scrutiny, raising questions about whether they can truly incentivise CEOs. The two main questions that frequently arise in boardrooms are:

- Do employees understand (and thus, are they effectively incentivised by) LTIs, and in particular, driven to achieve the performance conditions which their awards are made subject to?
- Are LTIs as we traditionally understand them creating sustainable value for shareholders? In other words, is there demonstrated pay for performance?

We have been talking about the evolution of LTIs since our article 'Executive pay model – Sense at last' in the fifth edition of this report released in July 2013. In the UK, uptake of the new 'performance on grant' incentive model has been slow, and in South Africa, the concept has not taken root. However, a South African alternative introduced by two mining companies in 2017 was set out in the case study of our article 'A new model for executive pay' included in the ninth edition of this report. This has been well received by shareholders, despite the absence of any traditional forward-looking performance conditions. Although well supported at inception, it is yet to be seen how these share plans stand the test of time in the South African market, and whether shareholders will continue to support them in times of declining performance.

In this article, we explore a new idea for LTIs, based on the single incentive plan that has been proposed in previous editions and which involves incorporating EVA as the primary financial performance criteria. This also builds on our previous thought leadership dealing with the need for simplification of share incentive plans, and executive pay in general.

The simplification of highly complex executive pay plans, which are not well-understood, and thus not seen as holding great value for participants, aims to de-risk executive pay in exchange for reduced, but more certain, quanta. Based on research conducted by PwC UK[20], executives would be prepared to exchange higher allocations of more leveraged LTIs awards for smaller awards of restricted shares with no forward-looking performance conditions. In addition, the proposed single incentive model contemplates a longer post-vesting holding period, ensuring alignment of interests with shareholders.

However, the notion of doing away with prospective performance conditions in their entirety is a worrying concept for some shareholders, who feel that they need some 'guarantee' of performance before LTIs can 'cash out'. A question that is increasingly being asked is whether prospective performance conditions can be effectively set in an objective manner, and further, the extent to which remuneration committees are subject to executive pressure or bullying when setting performance targets. In addition, performance against specific accounting metrics (such as earnings per share (EPS) or return on equity (ROE) or share price metrics (such as relative total shareholder return [TSR]) on the one hand, and the performance of the company on the other hand, has been questioned by some commentators[21].

[20] PwC, "Making executive pay work: The psychology of incentives", 2012, available at https://www.pwc.com/gx/en/hr-management-services/publications/assets/making-executive-pay-work.pdf, accessed on 21 June 2019.

[21] Black, Wright and Davies In Search of Shareholder Value: Managing the Drivers of Performance, FT Pitman Publishing, 2001 at 10.

It is widely acknowledged that the concept of pay for performance evolved from the desire of shareholders to apply some moderation to executive pay levels. This also introduced an element of variability to annual pay, which aligned more closely to the ups and downs experienced by shareholders. However, the objective assessment of performance remains elusive, as there is no single metric that is universally accepted as a completely accurate assessment of performance.

In addition, shareholder value is volatile and subject to market sentiment. Although pay-for-performance plans are designed to link the quantum of executive pay to value created for shareholders, while aligning interests with shareholders, the practical reality is that some executives rapidly sell off the shares that they acquire through a LTIs. This practice has led to shareholders demanding that executives retain a certain shareholding in their companies (whether through minimum shareholding requirements or post-vesting holding periods).

A joint white paper released by Macquarie Group and CGI Glass Lewis in 2015 showed no correlation between relative TSR as a performance measure and share price returns among 179 companies in the S&P/ASX 200 index.[22] However, their research indicated some correlation between having absolute measures such as EPS and ROE as share plan metrics, and an increase in performance in terms of those measures. In addition, the presence of those measures as share plan metrics was correlated with share price growth.[23] Nevertheless, growth in EPS or HEPS, or growth in ROE are still not considered to be perfect measures of true economic performance[24] and thus, true shareholder value creation. Other than accounting measures, the prominent theory for a more effective assessment of value creation is EVA™.

[22] This research relates to those companies' share price and financial performance over three discrete time periods dating from 2006 to 2015.

[23] CGI Glass Lewis and Macquarie Securities release joint white paper, "Executive incentives: motivate me" (https://www.glasslewis.com/cgi-glass-lewis-macquarie-securities-release-joint-white-paper-executive-incentives-motivate/) accessed on 25 May 2019.

[24] See Black, Wright and Davies In Search of Shareholder Value: Managing the Drivers of Performance, FT Pitman Publishing, 2001 at 10. This includes a discussion of findings by economists that show little correlation between accounting returns and stock market performance.

Proponents of EVA™ argue that it creates a simpler and more factual alignment with 'real' or 'economic' value added, and is not confused by accounting technicalities. In addition, the factors influencing EVA™ are considered to be less manipulatable by 'creative accounting' and more controllable, as well as taking into account the 'psychology of pay'.

EVA™ was developed based on the recognition that shareholders need to be compensated through a return on their investment for the risk they have taken (Mäkeläinen 1998). EVA™ is recognised as a strong indicator of a company's share performance. As a result of this, companies with a high EVA™ should perform more strongly that those with a poorer EVA™, in a given period of time. If EVA™ is expected to drop, this acts as a signal to investors, as does an expected rise in EVA™, as EVA™ indicates to investors a yield above the weighted average cost of capital (WACC) (Correira, Flynn, Uliana & Wormald 2007). Hence, this will meet the requirements of both equity and debt investors.[25]

The proxy advisory firm Institutional Shareholder Services (ISS) has also recently adopted this approach, indicating that in 2019 it will begin to include EVA™ data in its proxy research reports for the United States and Canada, as a supplement to GAAP/accounting performance measures, to provide additional insight into company performance for he purpose of the ISS' pay-for-performance evaluation.[26] They do, however, indicate that this does not necessarily mean that they will include EVA™ methodology in their quantitative pay-for-performance model for 2019.

[25] H.M. van der Poll, N.J. Booyse, A.J. Pienaar, S. Büchner & J. Foot "An overview of the implementation of Economic Value Added (EVA™) performance measures in South Africa". Southern African Business Review, Volume 15 Number 3 (2011).

[26] Institutional Shareholder Services, "Executive Summary: Global Proxy Voting Guidelines Updates and Processes" (November 2018) at 8.

Looking at market developments, and taking the above into account, the potential for a new compromise arises. Rather than making a pure award of restricted or conditional shares with a reduced quantum, companies may consider a less leveraged allocation, the quantum of which would be based on a simple EVA™ metric, which is easy for executives and senior management to understand, and linked to controllable factors which motivate performance.

The LTI allocation could thus flex from no allocation (where EVA™ was poor in the preceding financial year) to a moderate quantum, which would be awarded in conditional shares which vest over the course of five years (subject to continued employment). Once vested, executives would be expected to maintain a certain shareholding for a further five years. Malus and clawback provisions would apply, in line good governance principles.

A simplified EVA™ model.

EVA™ = NOPAT* – (WACC# x invested capital)

* Net operating profit after tax
\# Weighted average cost of capital

EVA™ above an expected return would represent the value generated for shareholders, and would 'unlock' eligibility to receive restricted or conditional shares. This can be used in conjunction with appropriate non-financial performance measures.

There are some challenges to taking this approach. Deo and Mukherjee's (2009) research[27] indicates that generally identified weaknesses of EVA™ include the fact that EVA™ is not suited to all organisations, is complex to compute, is a short-term measure and is more effective when used together with other measures. Based on our preliminary discussions with some institutional investors, their concerns with the use of EVA™ as the primary performance measure are similar to those set out above.

If the computation of EVA™ is seen as being too complex, one could consider unpacking the elements of EVA™ into a balanced scorecard comprising the building blocks of EVA™. This could also be combined with other appropriate measures, such as environmental, social and governance (ESG) factors, which should always be included in any truly balanced scorecard – whether used to modify the allocation, or used as a gatekeeper. Although it is considered as being a short-term measure, using it in the single incentive plan and thus measuring it for the purpose of allocating awards, rather than as a prospective performance condition over a long-term vesting period, may alleviate this concern.

Ultimately, by focusing on factors that are seen to be more 'controllable', and more closely linked to shareholder value creation than traditional accounting measures, the potential for more incentivised CEOs and executive teams, and higher growth, is strong.

[27] "How Fortune 1000 Firms View Economic Valued Added" (EVA), Corporate Finance Review, p.9-15, Oct. 2009 Prakash Deo & Tarun K. Mukherjee, Date Written: October 1, 2009.

8 The economics and ethics of pay

Introduction

No discussion about the economics and ethics of pay in South Africa can be isolated from the context of the overwhelming level of unemployment in this country, and the pressure that this puts on the government, the economy, and the workforce.

According to Statistics South Africa, the number of employed persons decreased by 237 000 to 16.3 million in the first quarter of 2019, while the number of unemployed persons increased by 62 000 to 6.2 million.[28]

Another 15.8 million people aged 15-64 years are not economically active. This social reality further entrenches inequality in South Africa – studies show that 90% of the total wealth in South Africa is held by 10% of the population.[29] The World Bank reports that the top 10% of households account for 71% of household net wealth nationally.[30]

28 Statistics South Africa, Quarterly Labour Force Survey Quarter 1: 2019, available at http://www.statssa.gov.za/publications/P0211/P02111stQuarter2019.pdf, accessed on 10 June 2019.
29 Davis Tax Committee, Report on Feasibility of a Wealth Tax in South Africa (March 2018).
30 World Bank, Overcoming poverty and inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities (March 2018).

Against this backdrop, CEOs need to be aware that remuneration committees cannot determine executive pay packages in isolation, or subject purely to negotiation – one need look no further than the continued media coverage to see that many stakeholders see executive pay as a symbol of inequality in our society, and the remuneration committee must take cognisance of this. Remuneration should also not be so egregious that it erodes stakeholder confidence or threatens the long-term sustainability of the organisation.[31]

Although the theme of fair and responsible remuneration has made its way into the national conversation, we have not seen much movement from civil society to institute systems that actively promote this on a national scale (such as, for example, the Living Wage Foundation in the UK). That said, credit should go to the Institute of Directors of Southern Africa (IoDSA) and the South African Reward Association, who have published material and promoted this concept among South African directors and reward professionals.

In this edition we take stock of the progress made in realising the concept of fair and responsible remuneration, focusing on information disclosed by JSE-listed companies. We also highlight ways in which some companies have chosen to address fair and responsible remuneration, and alleviate the financial burden on the working poor in the private sector. This is followed by a discussion of trends in pay ratio disclosure, which has proven to be topical in many countries, including South Africa.

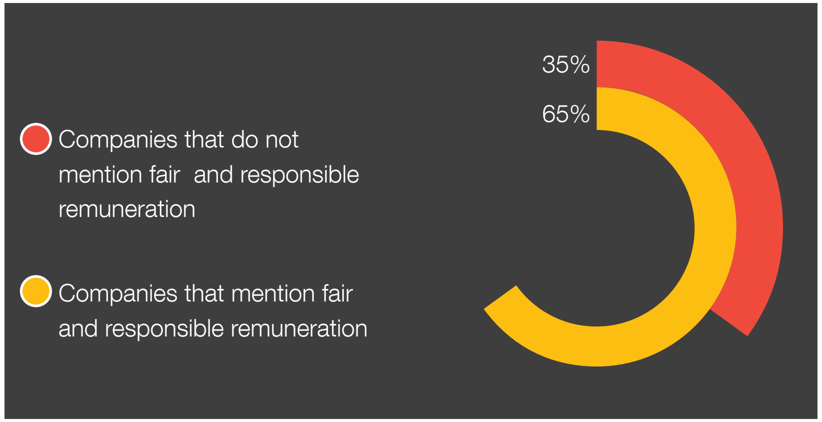
31 Institute of Directors Southern Africa, Remuneration Committee Forum Position Paper 6 – March 2017, available at https://c.ymcdn.com/sites/www.iodsa.co.za/resource/collection/57F28684-0FFA-4C46-9AD9-EBE3A3DFB101/IoDSA_Position_Paper_6-.pdf, accessed on 10 June 2019.

Trends in fair pay

The concept of fair and responsible pay has been around for a few years, and although it is inspiring in theory, the question is whether corporate South Africa actually supports it. As things stand, there is no way of knowing the full extent of its adoption in both the listed and unlisted corporate sector, short of conducting a comprehensive survey on fair-pay practices.

As a preliminary measure, we conducted an analysis of top 40 JSE-listed companies based on the integrated reports available until 30 April 2019, to assess the extent to which they had mentioned fair and responsible remuneration (as it is broadly understood in the context of King IV™) in their remuneration reports. This should not be confused with gender wage gap reporting, which is mandatory for companies whose primary listing is in the UK. This also excludes companies that disclose their CEO/executive pay ratio to that of the general in-country workforce.

Figure 1: JSE top 40: Fair and responsible remuneration



Source: PwC analysis

It is heartening that nearly two-thirds of top 40 JSE-listed companies mention fair and responsible remuneration in their remuneration reports. The results should be considered in the context of several factors, including the fact that 13 companies in the JSE top 40 are dual listed, some of which have primary listings in other jurisdictions with different sets of regulations and reporting requirements (and different socio-economic contexts). Furthermore, not all companies fully disclose the extent to which they assist their junior employees.

While some companies merely mention fair and responsible remuneration in their remuneration reports without further explanation, others have linked it to the concept of pay-for-performance in executive variable-pay structures. Many of the companies that mention fair and responsible remuneration also link it to the concept of horizontal fairness, i.e. citing the principle of equal pay for work of equal value.

Encouragingly, some companies have gone a step further and detailed the steps they have taken to improve the lives of their most junior employees. These measures are now incorporated into their total employee value propositions, and go beyond once-off grand gestures that are unsustainable in the long term. Some of the approaches to fair and responsible remuneration include:

- Paying employees a living wage. This concept was specifically referred to by several companies in different sectors, and minimum living wages were disclosed in their remuneration reports.
- Providing housing allowance benefits.
- Running in-house programmes to assist employees in managing their debts and existing garnishee orders, and educating them about financial management.
- Training programmes for incoming graduates, paired with regular salary reviews.
- Monitoring the remuneration paid by third-party service providers to outsourced staff.
- Providing bursaries and study grants, as well as in-house skills development initiatives for employees.

Discovery Limited has introduced a committee of executive management to ensure that pay is administered fairly within the organisation; this committee then reports on its findings to the remuneration committee.

It will be interesting to see how these measures have positively impacted employees, and the extent to which benefits such as financial assistance programmes have actually made a tangible impact. After all, if the benefits are not clearly and regularly communicated to the employees of an organisation, it can be difficult for the intended beneficiaries to understand their actual value.

These examples also show the beginnings of the essential benefits movement, which has been written about in previous editions of this publication. If properly coordinated, a programme of essential benefits that companies can offer their employees at a discounted rate (procured by virtue of their superior bargaining power) can potentially benefit the lower-income portion of the workforce on a significant scale. These can include, for example, discounts offered to employees on all goods purchased from a company's stores; or study grants available for employees and their children. Such benefits should not, however, be tone-deaf and should take into account the feedback from the actual employees on what benefits will actually help them improve their standard of living.

Business and organisations need to conceptualise innovative ways of realising the concept of fair and responsible remuneration. That said, companies need to understand that eroding a pay-for-performance culture and rewarding executives for failure can, in turn, damage the fairness of pay in relation to that of other employees (who may not be similarly protected in times of financial hardship or distress).

A closely related question is whether institutional investors and asset managers are placing fair pay on the agenda when discussing remuneration with listed companies. There is little evidence of this in the public domain – investor policies are often silent on this point, although some investors are passionate about pursuing this goal. More activism from institutional investors in this regard could help push the agenda on fair and responsible remuneration.

Gini coefficient

The Gini coefficient measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution. A Gini coefficient of 0 represents perfect equality, while a coefficient of 1 implies perfect inequality. A more comprehensive explanation of the methodology used in calculating the Gini is set out in the tenth edition of this report.

This year, we have refined the methodology used when calculating the South African all employed Gini coefficient, and used this to also recalculate the Gini coefficient as it stood in 2018. We have found that the 2019 Gini of the employed stands at 0.436, compared to the recalculated 2018 figure of 0.425; an increase of 0.011. This is much lower than both the national Gini of 0.67 presented in the Davis Report[32] and 0.63 quoted by the World Bank. As we have noted on previous occasions, the national Gini coefficient calculated by the World Bank includes the unemployed and discouraged work seekers – as noted above, the unemployment rate in Q1 2019 stood at 27.6% and the inclusion of the unemployed, who do not earn an income at all, has had an impact on this figure.

The pay ratio for a company, which is the ratio of the total remuneration of the CEO of a company to the average of the total remuneration of all other employees of the company, ranges from 12.77 (at the lower end of the scale) to 66.91 (at the higher end) this year compared to 12.7 to 64.7 in 2018. This is due to the human capital intensiveness of some businesses, and the range is partially attributable to the fact that some companies have a larger contingent of unskilled and low-paid workers than others.

Disclosing the pay ratio?

Pressure is mounting in some countries for companies to disclose their internal pay ratio (the ratio between the CEO's and the median employee's remuneration) for public scrutiny, and South Africa is no exception. The latest developments in this regard are summarised below.

UK

The UK has introduced regulations requiring listed companies with more than 250 employees to annually report on the ratio of their CEOs' pay to the median, lower quartile and upper quartile of their UK employees.[33] The methods of calculating the inputs for the pay ratio calculation are also set out in the regulations. Where the company is a parent company, the average number of UK employees refers to the number of UK employees within the group.[34] These regulations came into force on 1 January 2019 and companies will begin reporting this in 2020. The precise pay gap reporting method is also included in the regulations.

32 Davis Tax Committee, Report on the feasibility of a Wealth Tax in South Africa (March 2018).

33 Gov.UK, New executive pay transparency measures come into force, available at https://www.gov.uk/government/news/new-executive-pay-transparency-measures-come-into-force, accessed on 10 June 2019.

34 The Companies (Miscellaneous Reporting) Regulations 2018, No. 860 of 2018 (17 July 2018), available at http://www.legislation.gov.uk/uksi/2018/860/pdfs/uksi_20180860_en.pdf, accessed on 10 June 2019.

Australia

In Australia, the pressure is on for companies to begin grappling with the concept of fairness of executive pay and failure to do so could prompt the government to introduce regulations in this regard.[35]

South Africa

At the moment, wage gap reporting is not compulsory in South Africa. A few companies have taken it upon themselves to report on this, but the practice is not uniform; the method in which the wage gap is calculated is also not necessarily transparent. Furthermore, the IoDSA has also noted that pay ratios are influenced by the nature of the industries in which organisations operate, and whether organisations have many operations in low labour cost countries versus those who operate in high labour cost countries.[36]

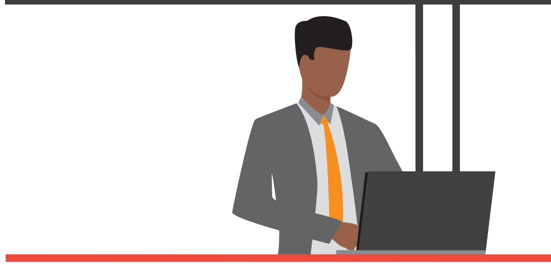
Business Unity South Africa has reached an agreement that companies will be encouraged to voluntarily disclose pay differentials, with a view to making these commitments compulsory within 12 months.[37] Information on how remuneration is calculated (including consideration for bonuses) is set to be discussed by a separate Nedlac committee.

Conclusion

In order for the concept of a living wage to truly take root in South Africa, civil society needs to mobilise. There would need to be buy-in from government and the private sector, and this would need to be informed by the needs of actual South Africans and the working poor.

The example of the UK, which provides an online tool that allows companies to check if they are paying their employees the National Minimum Wage or a Living Wage, is useful in this regard.[38] Furthermore, the living wage would need to be regularly and critically monitored to see that it is truly delivering value. We believe that fair and responsible remuneration is not an abstract, aspirational concept and needs to be treated as a national priority by all stakeholders, particularly the private sector, which is perhaps best placed to drive this change.

Not only should the CEO and executive team be aware of this context when negotiating and providing input regarding executive pay; the CEO should also show leadership in adopting the concept of fair and responsible remuneration and assist the remuneration committee in implementing fair pay initiatives within the company.



[35] PwC Australia, CEO Pay Wake-up Call, available at https://www.pwc.com.au/publications/the-press/ceo-pay-wake-up-call.html, accessed on 10 June 2019.

[36] Institute of Directors Southern Africa, Remuneration Committee Forum Position Paper 6 – March 2017, available at https://c.ymcdn.com/sites/www.iodsa.co.za/resource/collection/57F28684-0FFA-4C46-9AD9-EBE3A3DFB101/IoDSA_Position_Paper_6-.pdf, accessed on 10 June 2019.

[37] Businesstech, South African businesses may soon have to disclose the gap between their highest and lowest paid workers (08 October 2018).

[38] https://www.gov.uk/minimum-wage-calculator-employers, accessed on 10 June 2019.

9 Gender equality and inclusive diversity

Essential but still elusive

Gender equality remains a focus area for many companies worldwide, as the awareness surrounding the gender pay gap continues to gain momentum.

There is consensus regarding the need to transform boards and companies in order to bridge the identified gender gap, both from a representational perspective and in terms of pay. There is furthermore a need for diverse representation in boardrooms throughout corporate South Africa. Despite the broad acknowledgement that gender and diversity concerns should be addressed, there is a lack of clarity as to what steps should be taken to effect lasting change in this regard. We explore the progress being made based on recent reporting results on a global and local level, regulatory reform as well as an analysis of the gender and pay gap in South Africa.

WEF Global Gender gap report: Where does South Africa rank?

The World Economic Forum's (WEF) Global Gender Gap Report provides results based on its Global Gap Index, which ranks 149 countries on the gap between women and men on health, education, economic and political indicators. In its 2018 report, it ranked South Africa as 19th overall (no change since 2017) in terms of gender gap equality with a slight decline in gender wage equality, where South Africa was ranked 117th (from 114th in 2017).

It is often argued that a woman's lower level of education is the reason for lower pay and for relegation to lower-level jobs. Professor Anita Bosch who specialises in women in work at the University of Stellenbosch says that in the higher-paid fields such as commerce, science, engineering and technology, women are graduating at the same rate, or better than, men.[39] Although many South African institutional investors include diversity in their voting policies, Bosch asserts that board members and shareholders in South Africa have a responsibility and should exercise their oversight role to bring about positive influence and change and take a stand against pay discrimination.

[39] IOL, 'Job market still favours men', 28 April 2019, available at https://www.iol.co.za/mercury/news/job-market-still-favours-men-21839589, accessed on 15 May 2019.

Johannesburg Stock Exchange: Update

From a South African regulatory perspective, the JSE Listings Requirements currently require companies to adopt a policy on the promotion of gender diversity at Board level and that companies confirm that the Board or nomination committee has considered and applied the relevant policy in the nomination and appointment of directors. Where applicable, they must also report on progress in respect thereof on the voluntary targets set. The Board or nomination committee must also have a policy on the promotion of race diversity at board level. Companies are required to confirm the progress made by the Board or nomination committee in this regard, in their annual reports.

In April 2019, following the publication of its consultation paper in September 2018,[40] the JSE released proposed amendments to their Listings Requirements, which included removing the above requirement and extending the scope of 3.8.4(ii) requiring that companies must adopt 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"*. These amendments would align South Africa to the requirements in the UK Corporate Governance Code.[41] Compliance with the requirements should be monitored and would provide insight as to what steps JSE-listed companies are taking to address gender disparity and improve their diversity.

[40] JSE Consultation Paper 'Possible regulatory responses to recent events surrounding listed issuers and trading in their shares', 19 September 2018, available at https://www.jse.co.za/content/JSEAnnouncementItems/JSE%20Regulatory%20Review%20Consultation%20paper%20FINAL_19%20September.pdf (accessed on 21 June 2019).

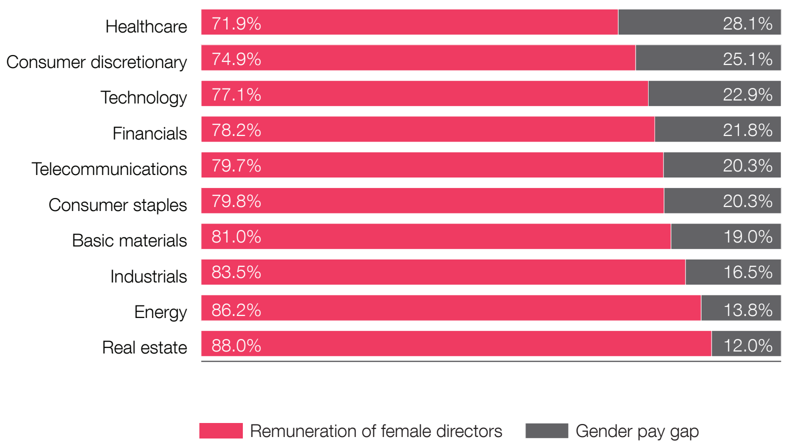
[41] Principles J, K and L of the 2018 UK Corporate Governance Code, available at https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf (accessed on 21 June 2019).

If one looks at the composition of top leadership at JSE-listed companies, the statistics paint a dim picture. Following Maria Ramos' retirement in February 2019, there were no female CEOs in the JSE top 40; however, it is encouraging to see that Phuti Mahanyele-Dabengwa has recently been appointed as the CEO of Naspers. Overall, out of the total number of listed companies on the JSE at the cut-off date, only 3.31% of CEOs were female.

Quartile analysis of pay for men and women in South Africa

The gender pay gap is the gap between what men and women are paid at TGP level. Most commonly, it refers to the median[42] annual pay of all women who work full time and year-round, compared to the pay of a similar cohort of men. The following graph shows the executive director gender pay gap, in line with the ICB classifications.

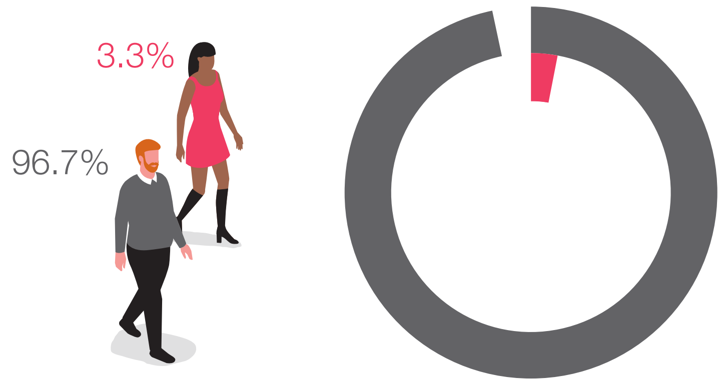
Figure 1: JSE: Executive directors' gender pay gap



Source: PwC analysis

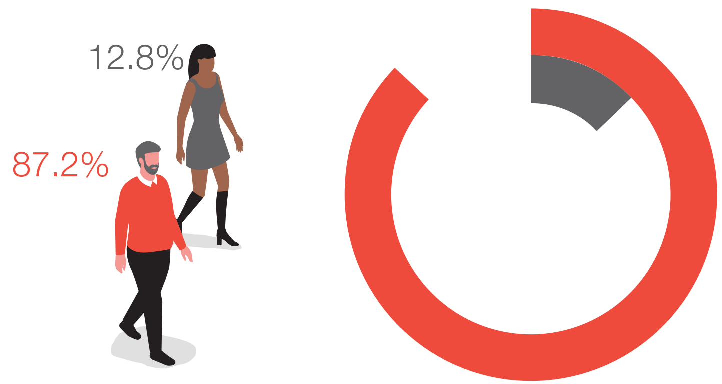
Based on the analysis, there is no sector in which, overall, female executive directors are paid more than men. The largest pay gaps are in Healthcare (28.1%), followed by Consumer Discretionary (25.1%), Technology (22.9%) and Financials (21.8%). We have also examined gender representation in listed companies on the JSE (across all sectors). The overall view of this JSE analysis paints a stark picture of the inequality in representation in companies listed on this stock exchange.

Figure 2: JSE: gender representation: CEO all industries



Source: PwC analysis

Figure 3: JSE: gender representation: CFO all industries



Source: PwC analysis

42 Denoting or relating to a value or quantity lying at the midpoint of a frequency distribution of observed values or quantities, such that there is an equal probability of falling above or below it – the midpoint.

Figure 4: JSE: gender representation: ED all industries

Source: PwC analysis

Companies should constantly keep track of internal pay disparities based on gender and race at all levels within their organisations, and actively take steps to interrogate (a) how these gaps arise and persist within their companies, and (b) actively take steps to reduce these gaps over time, in line with the principle of equal pay for work of equal value. Representation levels at senior levels should also be interrogated and transformed, as pay and representation are interlinked – as is the case in the UK where, for example, gender-based pay disparities at senior levels can be influenced by the fact that most of those positions are occupied by men.

UK gender pay gap reporting: 2019 results

Preliminary data from the April 2019 results of the UK gender pay reporting requirements show male employees continue to dominate the highest pay quartile in 17 of 21 industries by a significant margin, with results showing that the gap in respect of bonus payments has increased from 8.4% in 2018 to 15.7% in 2019.[43] Based on 10 000 submissions, 53% of organisations reported a reduction in their gender pay gap, 44% reported an increase and 3% reported no change whatsoever.

Since the introduction of the regulations, companies have pledged their commitment to bridging the pay gap and bringing about change, while acknowledging, particularly in light of the April 2019 preliminary results, in their gender pay gap reports that meaningful change takes time. Companies have cautioned that this may result in changes being introduced that may potentially increase gaps in the short term, such as employing more women at junior levels before they can rise into more senior positions. Although recruiting more women can be an important part of a long-term solution, issues must be addressed at all levels of seniority.[44]

Although disclosure of the gap appears to have made a minimal impact, results from the UK show that the reporting requirement has helped build greater awareness and understanding of the gender pay gap and encouraged organisations to incorporate diversity in their operational strategies. Many job candidates and existing employees are putting more pressure on companies to show that they are promoting diversity and gender equality and are demanding proof of what steps a company is taking to improve its diversity.

Gender diversity on boards: A US perspective

[43] Bloomberg, 'The Gender Pay Gap in Britain Gets Another Look', 8 March 2019, https://www.bloomberg.com/news/articles/2019-03-08/the-gender-pay-gap-in-britain-gets-another-look-quicktake, accessed on 17 May 2019

[44] PwC UK, 'Promise, Progress Or Failure To Prioritise Gender Gap May 2019', available at https://www.pwc.co.uk/human-resource-services/assets/pdfs/promise-progress-or-failure-to-prioritise-gender-pay-may-2019.pdf, accessed on 9 June 2019

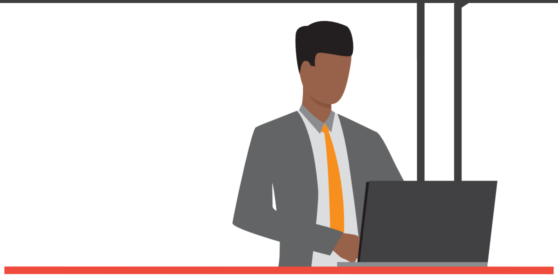
Gender diversity remains a pressing issue for investors in the US, where asset managers are increasingly holding directors accountable when a board fails to meet diversity standards. In its April 2019 publication, Proxy Insights Limited explored gender diversity on boards of companies on the S&P 500 in the United States and how this correlated with both director elections and the overall governance behaviour of a company.[45] It found that boards with at least 40% female representation faced no shareholder revolts,[46] while the percentage of rebellion from shareholders crept upwards as the percentage of female directors decreased.

45 Proxy Insights, Proxy Monthly (Volume 6 Issue 4) April 2019.
46 Revolt was defined as an opposition of 20% or more.

Concluding remarks

Bridging the gender pay gap has been slow progress and according to the WEF, it may take up to 202 years to close the gap globally. Having said that, there were improvements in 89 of the 144 countries covered in the WEF report, which illustrates that efforts are being made towards resolving gender disparity. It is difficult to assess whether current efforts will be sufficient and companies, government and regulatory bodies may need to establish organisations that can monitor and ensure that progress is being made.

While bridging the gender pay gap in South Africa remains a focal point, it is important that equal consideration be paid to the distribution of income among all demographic groups in order to drive diversity on all fronts. In order to bring about real change. To bring about real change, companies should not address gender parity and diversity concerns merely to appease individuals or organisations, but should rather treat these initiatives as being essential components in their long-term success.



10 Global regulatory update

Sound corporate governance plays a fundamental role in developing and sustaining the global corporate sector.

In recent years, poor corporate governance practices among some South African companies have resulted in a number of JSE listed entities destroying shareholder value. Developed countries which have comprehensive corporate governance frameworks and regulations have also not been spared from corporate failures. According to PwC's 2019 Annual Global CEO Survey, CEOs identified over-regulation among the biggest threats to the growth prospects of their organisations, with 35% of CEOs globally identifying this as an area about which they are 'extremely concerned' (Africa: 43%). While this question in the survey did not specifically relate to regulations regarding remuneration, we would caution that governments should take care not to introduce remuneration-related regulations that they are not necessarily equipped to monitor or administer. In this section we discuss remuneration regulatory trends, focusing on South Africa, other African countries and the rest of the world.

Corporate governance updates in South Africa

Malus and clawback: Latest developments

In almost all of our interactions with non-executives in 2019, malus and clawback remains an extremely topical issue, and it has recently become one of the leading items on the remuneration committee agenda. As was the case in previous years, there is no general law in South Africa that explicitly requires companies to adopt malus and clawback as risk adjustment mechanisms on executive pay. That said, such measures have become more prevalent among JSE-listed companies, including for those with a primary listing on the JSE. The following recent developments on the market have been noted.

Tax implications

The tax implications of clawback, particularly for incentives that fall within the ambit of section 8C of the Income Tax Act[47] , have not yet been explored. To date, the South African Revenue Service (SARS) has not released any guidance note regarding the tax treatment of incentives or equity instruments that are subject to clawback.

However, in November 2018, the South African Institute of Tax Practitioners (SAIT) made a formal submission to the National Treasury, which (inter alia) set out the unintended tax consequences associated with clawback.[48] Their submission is as follows:

> "It is proposed that section 8C be amended to clarify that a provision in a share incentive scheme entitling an employer company to claw back a cash amount equal to the value of shares on the vesting date due to the occurrence of certain trigger events is not a restriction as contemplated in subparagraph (b)(ii) of the definition of "restricted equity instrument" in section 8C(7).

[47] Act 58 of 1962 as amended.

[48] South African Institute of Tax Practitioners "Annexure C Proposals for Budget 2019: Personal Tax" (2018) available at https://cdn.ymaws.com/www.thesait.org.za/resource/resmgr/2018_submissions/2018_annex_c/SAIT_2019_Annex_C_-_Personal.pdf, accessed on 24 June 2019 at 7-8.

It is unclear at this point whether the National Treasury will address the tax implications of clawback by amending section 8C, in light of this submission from SAIT. We will keep abreast of developments in this regard. Our general view is that if the company's policy provides for the clawback of cash instead of actual shares, this clawback provision will not constitute a section 8C restriction. We are aware of certain listed companies that are in the process of implementing clawback on this basis. Please note that this approach has not yet been tested with SARS. Ultimately, the tax treatment of a particular clawback scheme will be dependent on the parameters of the clawback policy.

Market developments

The trend among institutional investors is to indicate to remuneration committees that they see malus and clawback as important risk adjustment mechanisms to executive pay. Therefore, they expect all companies in which they hold shares to adopt these measures within the next financial year and incorporate them into their remuneration policies, or face a 'no' vote against their remuneration policies (in terms of the non-binding advisory vote).

A prudent CEO should remain aware of (a) what malus and clawback is and what it is trying to achieve in terms of curbing excessively risky behaviour, and (b) how it could affect them in the event that one of the trigger events occurs. In turn, remuneration committees should be aware that if the design of an incentive scheme drives the wrong behaviours, introducing a malus and clawback policy in place will not fix this – the incentive scheme itself should be reviewed and possibly be amended.

Johannesburg Stock Exchange

In 2018, the JSE called for submissions on its Consultation Paper for the amendment of its Listings Requirements. Key stakeholders such as shareholders, consulting firms and public companies participated in this process.[49] Remuneration-related submissions included inter alia:

- that training be made compulsory for remuneration committee members; and
- the JSE should issue a practice note that offers guidance on "non-binding votes on remuneration policy and implementation reports.[50]

49 As more specifically discussed in PwC's "Non-executive directors – Practices and fees trends report" available on https://www.pwc.co.za/en/assets/pdf/2019-ned-report.pdf – accessed on 27 May 2019

50 The Companies Act, 71 of 2008

- None of the above submissions (including the JSE's initial suggestion to include a non-binding vote on the corporate governance report) were incorporated into the JSE Consultation Paper for April 2019.[51]

The Kenyan Code of Corporate Governance[52]

Kenya first introduced its Code of Corporate Governance in 2016 and the Kenyan Capital Markets Authority issues a report[53] on corporate governance in Kenya annually. The 2018 report suggests that listed entities are on average scoring 55% on compliance with the Code of Corporate Governance Practices for Issuers of Securities to the Public. Though the overall assessment outcomes suggest that listed entities are improving their corporate governance and compliance, there are still many areas for improvement. Their key recommendations were:

- **Remuneration structure**: Issuers should disclose in their annual report, the policies for remuneration, including incentives for the board and senior management.

51 Amendments to the JSE Listings Requirements – JSE Consultation paper – April 2019 // accessed from https://www.jse.co.za/content/JSEAnnouncementItems/JSE%20Consultation%20Paper/Primary%20Listings%20Explanatory%20Memorandum.pdf, accessed on 13 May 2019

52 The "Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015".

53 Report on the State of Corporate Governance of issuers of Securities to the Public in Kenya - 2018, available on https://www.cma.or.ke/index.php?option=com_phocadownload&view=category&download=481:report-on-the-state-of-corporate-governance-for-issuers-of-securities-to-the-public-in-kenya-2018&id=92:corporate-governance-for-issuers&Itemid=285, accessed on 15 May 2019

- **Establishment of independent remuneration committee:** Issuers should set up an independent remuneration committee that consists mainly of independent and non-executive directors who will be responsible for recommending to the board the remuneration of the executive and non-executive directors and the structure of their compensation packages. This mandate can also be assigned to the nomination committee (or committee which fulfils that function).[54]

European Union high earners

The European Banking Authority (EBA) is required to publish data on high earners exceeding EUR 1 million per year.[55] The information is collected from credit institutions, investment firms and the data collection is limited to employees whose activities are carried out predominantly within the EU.

The 2019 report contained information as at the end of 2017. A comparison between 2016 and 2017 revealed a slight increase (+5.69%) in the number of higher earners. In 2017, the EBA counted 4 859 high earners compared to 4 597 in 2016. Among other factors, this slight increase has been as a result of the fluctuating exchange rate between the EUR and GBP, which results in workers paid in GBP appearing to be earning slightly more when their income is expressed in EUR.

Australia: The Final Report – Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

In December 2017, Australia called for the formation of a commission that would inquire and report on misconduct taking place in the banking, superannuation and financial services industry. The Final Report was issued on 1 February 2019.[56] The Commission considered whether any conduct of the financial services entities might have amounted to misconduct and also whether any conduct, practices, behaviour or business activities by entities fell below community standards and expectations.[57]

54 See Page 45: Report on the State of Corporate Governance of issuers of Securities to the Public in Kenya -2018

55 "EBA REPORT ON HIGH EARNERS, DATA AS OF END 2017, LONDON – 11/03/2019" available on https://eba.europa.eu/documents/10180/2551996/Report+on+High+Earners+2017.pdf – accessed on 15 May 2019.

56 Final Report – Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, available on https://treasury.gov.au/sites/default/files/2019-03/fsrc-volume1.pdf accessed on 15 May 2019

57 See Page 1 of the Final Report.

PwC Australia has issued a summary of the Final Report in its publication: "10 Minutes on… Financial Services Royal Commission Final Report: Remuneration Recommendations" ("PwC Australia's summary of the Final Report").[58] The key recommendations relating to remuneration are:

- **Supervision of remuneration – principles, standards and guidance:** the Australian Prudential Regulation Authority (APRA) should give effect to the principles, standards and guidance set out in the Financial Stability Board's publications concerning sound compensation principles and practices.

- **Supervision of remuneration – aims:** APRA should have, as one of its aims, sound management by APRA-regulated institutions of not only financial risk but also misconduct, compliance and other non-financial risks.

- **Revised prudential standards and guidance:** APRA should, inter alia, require institutions to conduct regular assessments to determine the effectiveness of their remuneration system in encouraging sound management of non-financial risks and reducing the risk of misconduct. It also requires institutions to set limits on the use of financial metrics in connection with long-term variable remuneration. APRA should further require ARPA-regulated institutions to incorporate clawback provisions for awards that have vested.

- **Remuneration of front-line staff:** All financial services entities should review the design and implementation of their remuneration systems for front-line staff at least once a year.

58 See PwC Australia's summary of the Final Report, available on https://www.pwc.com.au/consulting/assets/publications/10-minutes-on-rc-final-report-feb2019.pdf , accessed on 15 May 2019.

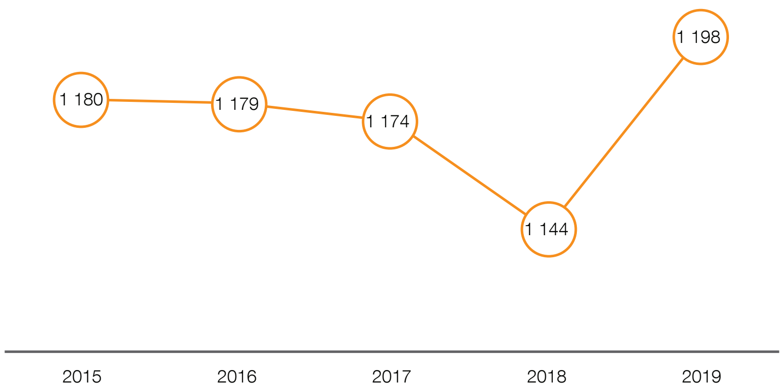
11 Profile of an executive director

Profile of an executive director

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

The cut-off date to view published accounts for listed companies was 30 April 2019. As at this date, there were 1 198 (2018: 1 144) executive directors appointed to active JSE-listed companies. There were 335 CEOs (2018: 342), 310 CFOs (2018: 325) and 435 executive directors (2018: 477) in office at that date.

Figure 1: Executive directors JSE headcount, 2015-2019

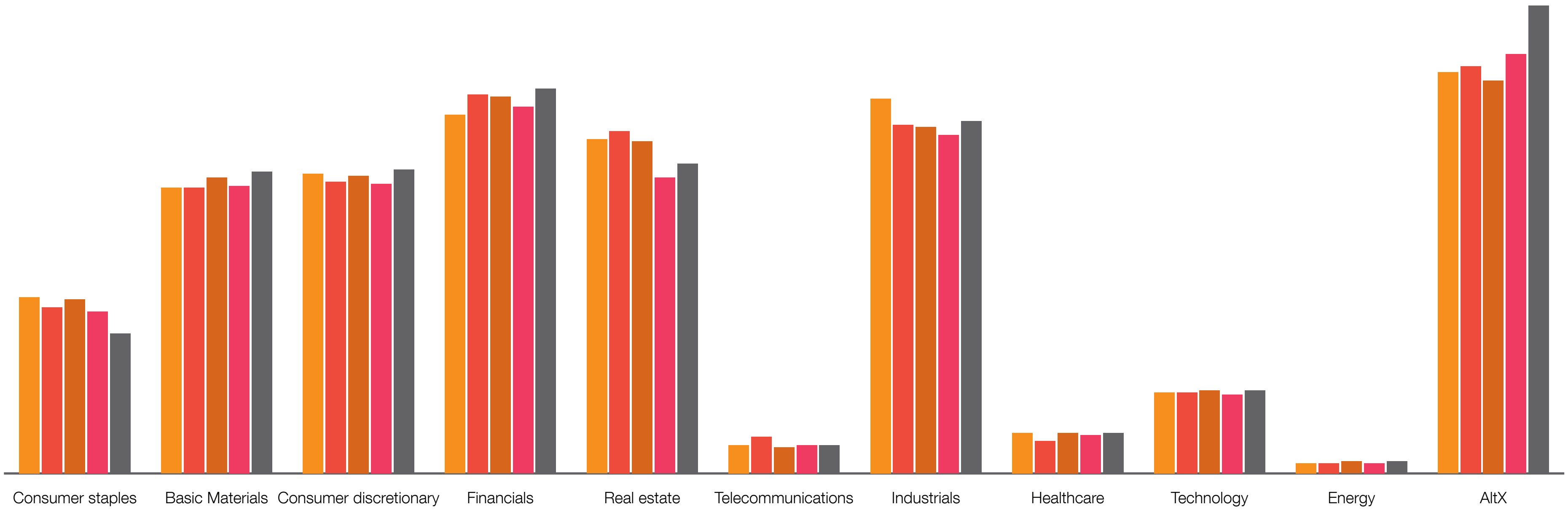


Source: PwC analysis

The number of executive directors has levelled off over the past few years. During the 12 months ended 30 April 2019, ten new companies listed on the JSE, three companies delisted and 19 companies changed their names.

The headcount across sectors is similar to that reported during past periods, but now categorised according to the ICB industry classification.

Figure 2: Number of executive directors of JSE companies



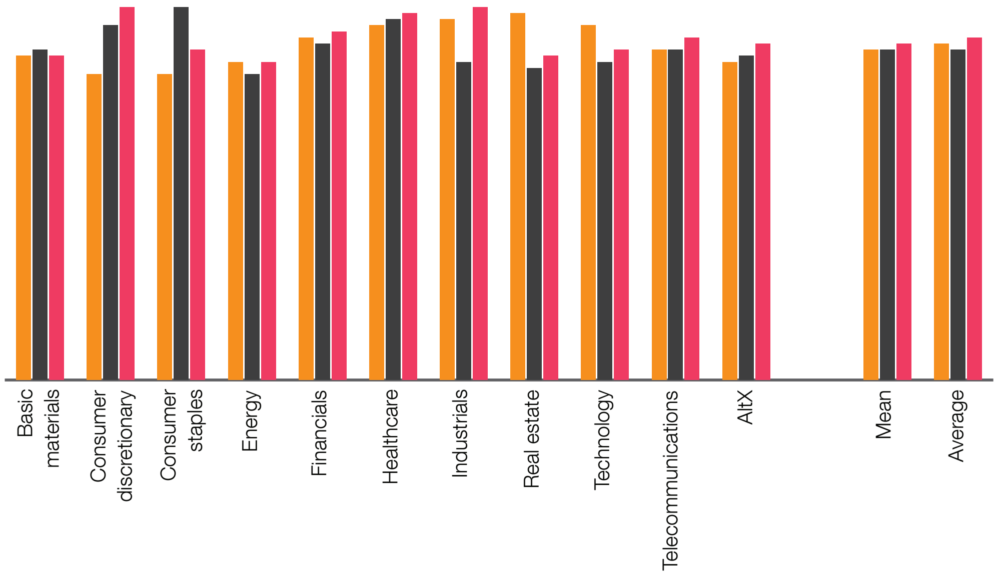
	Consumer staples	Basic Materials	Consumer discretionary	Financials	Real estate	Telecommunications	Industrials	Healthcare	Technology	Energy	AltX
2015	87	141	148	177	165	14	185	20	40	5	198
2016	82	141	144	187	169	18	172	16	40	5	201
2017	86	146	147	186	164	13	171	20	41	6	194
2018	80	142	143	181	146	14	167	19	39	5	207
2019	69	149	150	190	153	14	174	20	41	6	231

Source: PwC analysis

Average age

There is no meaningful change in the average age of executive directors at 56. The median age is 55.

Figure 3: Average age of executive directors



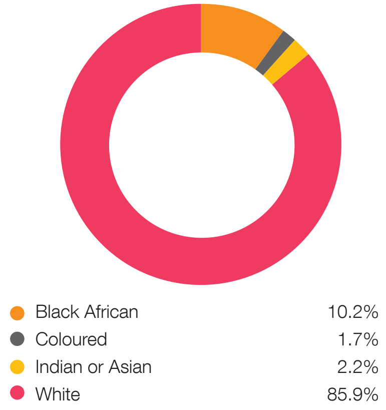
	Basic materials	Consumer discretionary	Consumer staples	Energy	Financials	Healthcare	Industrials	Real estate	Technology	Telecommunications	AltX	Mean	Average
2017	53	50	50	52	56	58	59	60	58	54	52	54	55
2018	54	58	61	50	55	59	52	51	52	54	53	54	54
2019	53	61	54	52	57	60	61	53	54	56	55	55	56

Source: PwC analysis

Race

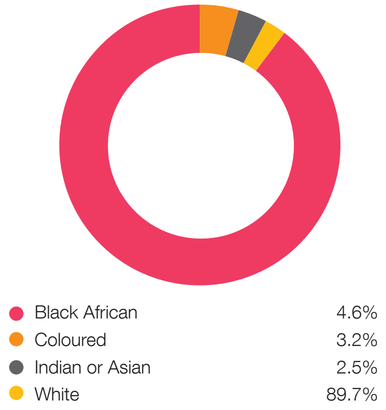
Executive director representation by race has been analysed for CEOs, CFOs and EDs in all companies listed on the JSE at the cut-off date.

Figure 4: Representation by population group: CEO, all industries



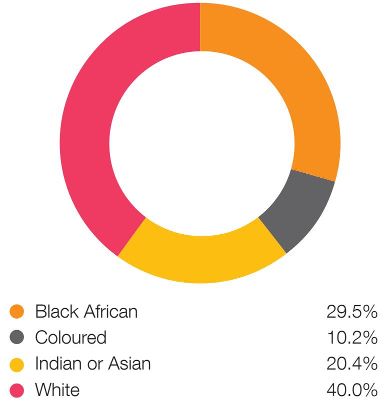
Source: PwC analysis

Figure 5: Representation by population group: CFO, all industries



Source: PwC analysis

Figure 6: Representation by population group: ED, all industries

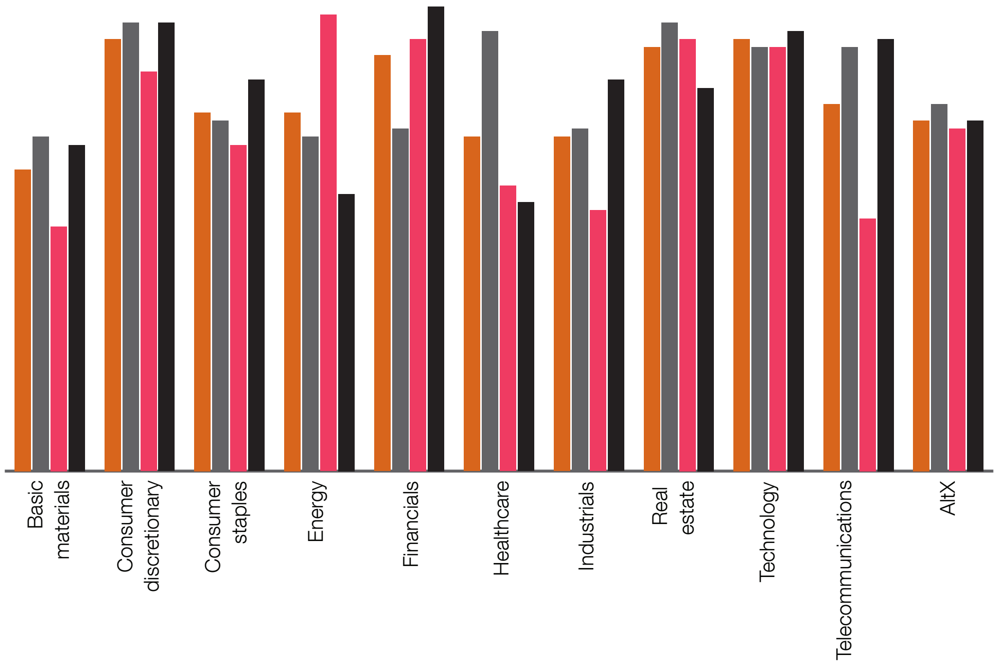


Source: PwC analysis

Board tenure

Average board tenure for executive directors on the JSE for reporting periods 1994 to 2018 is 4.5 years. The longest tenure is for EDs: 4.7 years, followed by CFOs: 4.5 years, and CEOs at 4.3 years. In all these positions, the director may have been incumbent for a longer period; the analysis is limited to the tenure in the positions quoted.

Figure 7: Average board tenure, 1994-2018



	Basic materials	Consumer discretionary	Consumer staples	Energy	Financials	Healthcare	Industrials	Real estate	Technology	Telecommunications	AltX
Overall	3.7	5.3	4.4	4.4	5.1	4.1	4.1	5.2	5.3	4.5	4.3
CEO	4.1	5.5	4.3	4.1	4.2	5.4	4.2	5.5	5.2	5.2	4.5
CFO	3.0	4.9	4.0	5.6	5.3	3.5	3.2	5.3	5.2	3.1	4.2
ED	4.0	5.5	4.8	3.4	5.7	3.3	4.8	4.7	5.4	5.3	4.3

Source: PwC analysis

Remuneration

Rand exchange rate against major currencies

Currency	30 April 2018	30 April 2019	Rand depreciation
Australian dollar	9.414	10.172	-8.1%
Euro	15.171	16.055	-5.8%
UK pound	17.357	18.598	-7.2%
US dollar	12.446	14.332	-15.2%

Source: SA Reserve Bank weighted average for 30 April 2019

Total guaranteed package

For ease of reference, the following summary draws together three years of data showing total guaranteed package (TGP) levels and increases given to CEOs, CFOs and executive directors respectively. The average inflation in South Africa for the 2017 reporting period, after consumer inflation rebasing and reweighting for the reporting period was 4.6% (2017: 5.3%).

JSE total guaranteed package, all companies

	2016 R'000s	% Increase/ Decrease	2017 R'000s	% Increase/ Decrease	2018 R'000s	% Increase/ Decrease
All of JSE						
Upper quartile	6 339	4.9%	6 551	3.3%	6 748	3.0%
Median	3 906	5.7%	4 200	7.5%	4 406	4.9%
Lower quartile	2 275	6.0%	2 496	9.7%	2 648	6.1%
CEOs						
Upper quartile	7 891	2.5%	8 750	10.9%	9 109	4.1%
Median	4 846	6.0%	5 214	7.6%	5 464	4.8%
Lower quartile	3 332	6.3%	3 577	7.4%	3 760	5.1%
CFOs						
Upper quartile	4 888	5.1%	4 998	2.3%	5 253	5.1%
Median	3 396	5.8%	3 667	8.0%	3 843	4.8%
Lower quartile	2 021	6.3%	2 358	16.7%	2 497	5.9%
EDs						
Upper quartile	4 382	3.6%	4 447	1.5%	4 687	5.4%
Median	2 975	6.1%	3 183	7.0%	3 333	4.7%
Lower quartile	2 149	8.3%	2 246	4.5%	2 356	4.9%

Source: PwC analysis

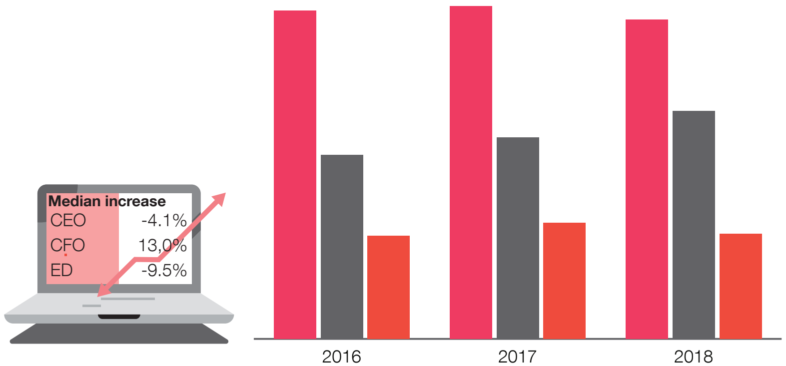
Published accounts are not coterminous since companies have different financial year ends. The comparator years are the latest accounts available during the reporting period. This methodology is consistent for remuneration trends in all editions of this publication. Please note that the information set out below is a trends analysis, and not a suitable substitute for bespoke pay benchmarking.

Top 10

At the cut-off date, the top 10 listed companies on the JSE accounted for 62% of the total market capital invested, totalling R8.7 trillion (2018 60%: R8.7 trillion). We have analysed the total guaranteed packages paid to executive directors of these companies as reported at the cut-off date.

As the sample is not large enough to calculate quartiles, only the average has been calculated. The companies listed in the top 10 were the same in 2016 and 2017, but changed for 2018. For this reason, there is no like-for-like comparison in 2018, and the analysis is for trend information only.

Figure 8: Average TGP paid to executives of JSE top 10 companies (R'000s)



	2016	2017	2018
CEO	24 605	24 942	23 927
CFO	13 799	15 105	17 068
ED	7 718	8 710	7 886

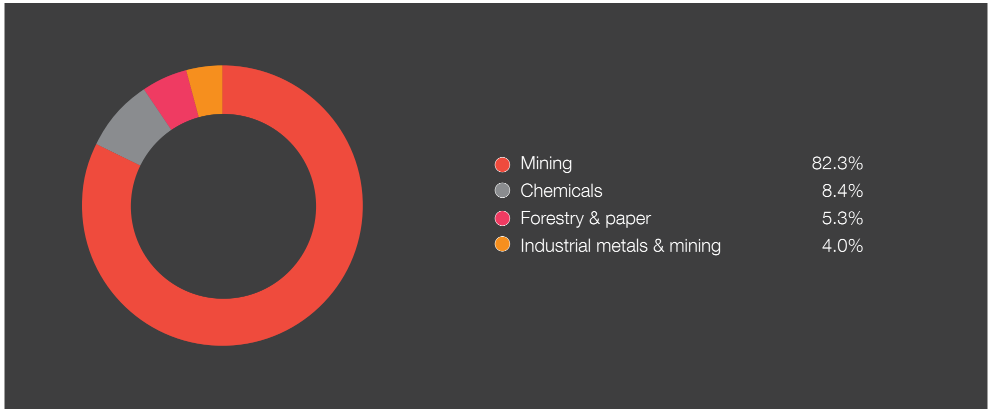
Source: PwC analysis

Basic materials

There are 49 active companies included in this sector.

At the cut-off date, basic resources accounted for 26.3% of the total JSE market capitalisation.

Figure 9: Basic materials



Source: PwC analysis

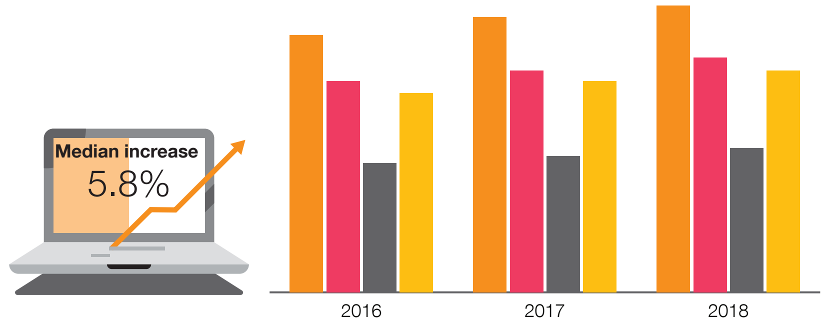
Remuneration analysis: All executive directors

Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
1 381	505	494	57	2 439	26.3%

Source: PwC analysis

A high-level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium-cap and small-cap companies.

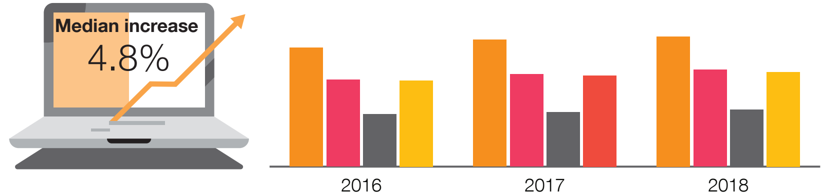
Figure 10: Basic materials: Large-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	18 474	19 769	20 588
Median	15 162	15 929	16 853
Lower quartile	9 282	9 797	10 341
Average	14 306	15 165	15 927

Source: PwC analysis

Figure 11: Basic materials: Large-cap CFO (R'000s)

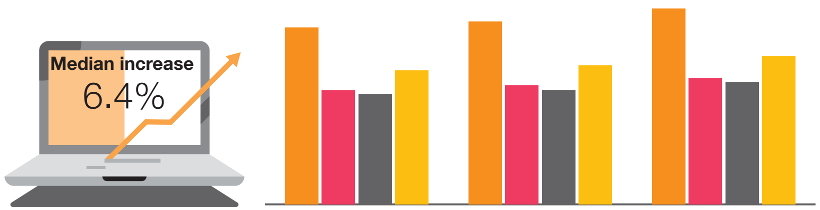


	2016	2017	2018
Upper quartile	8 532	9 105	9 346
Median	6 233	6 628	6 948
Lower quartile	3 761	3 903	4 092
Average	6 175	6 546	6 795

Source: PwC analysis

Please note that there are no executive directors reported for large-cap companies in this sector.

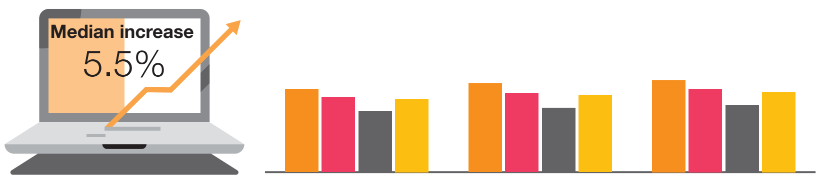
Figure 12: Basic materials: Medium-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	12 728	13 169	14 087
Median	8 194	8 570	9 117
Lower quartile	7 945	8 246	8 802
Average	9 622	9 995	10 668

Source: PwC analysis

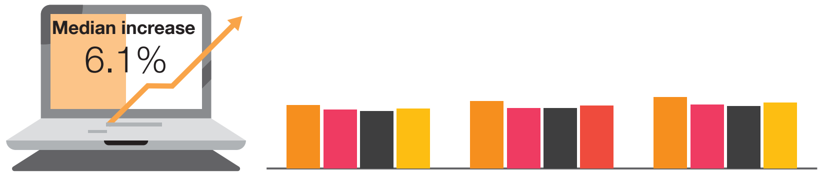
Figure 13: Basic materials: Medium-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	5 980	6 376	6 608
Median	5 373	5 662	5 971
Lower quartile	4 375	4 639	4 808
Average	5 243	5 559	5 795

Source: PwC analysis

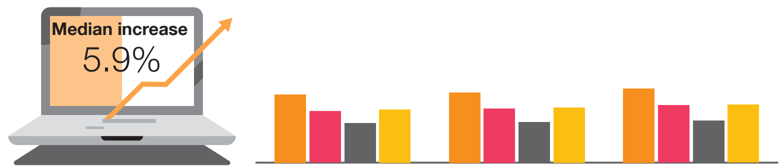
Figure 14: Basic materials: Medium-cap ED (R'000s)



	2016	2017	2018
Upper quartile	4 538	4 811	5 098
Median	4 213	4 328	4 592
Lower quartile	4 126	4 342	4 484
Average	4 292	4 494	4 725

Source: PwC analysis

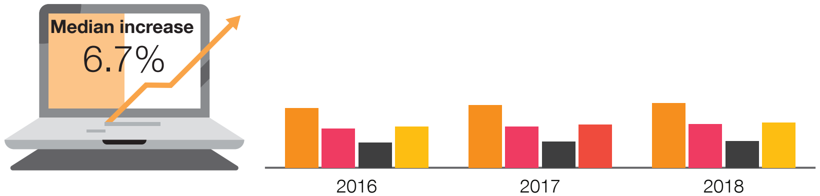
Figure 15: Basic materials: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	5 154	5 309	5 601
Median	3 892	4 095	4 336
Lower quartile	2 989	3 076	3 185
Average	4 012	4 160	4 374

Source: PwC analysis

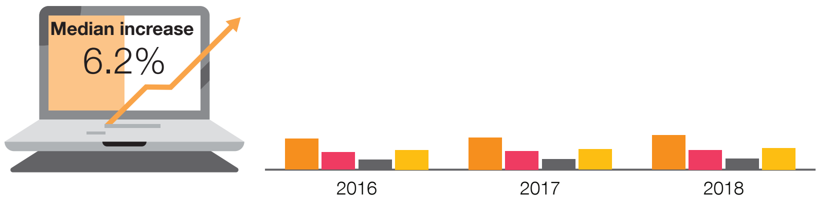
Figure 16: Basic materials: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	4 300	4 522	4 662
Median	2 811	2 960	3 158
Lower quartile	1 798	1 874	1 926
Average	2 970	3 119	3 248

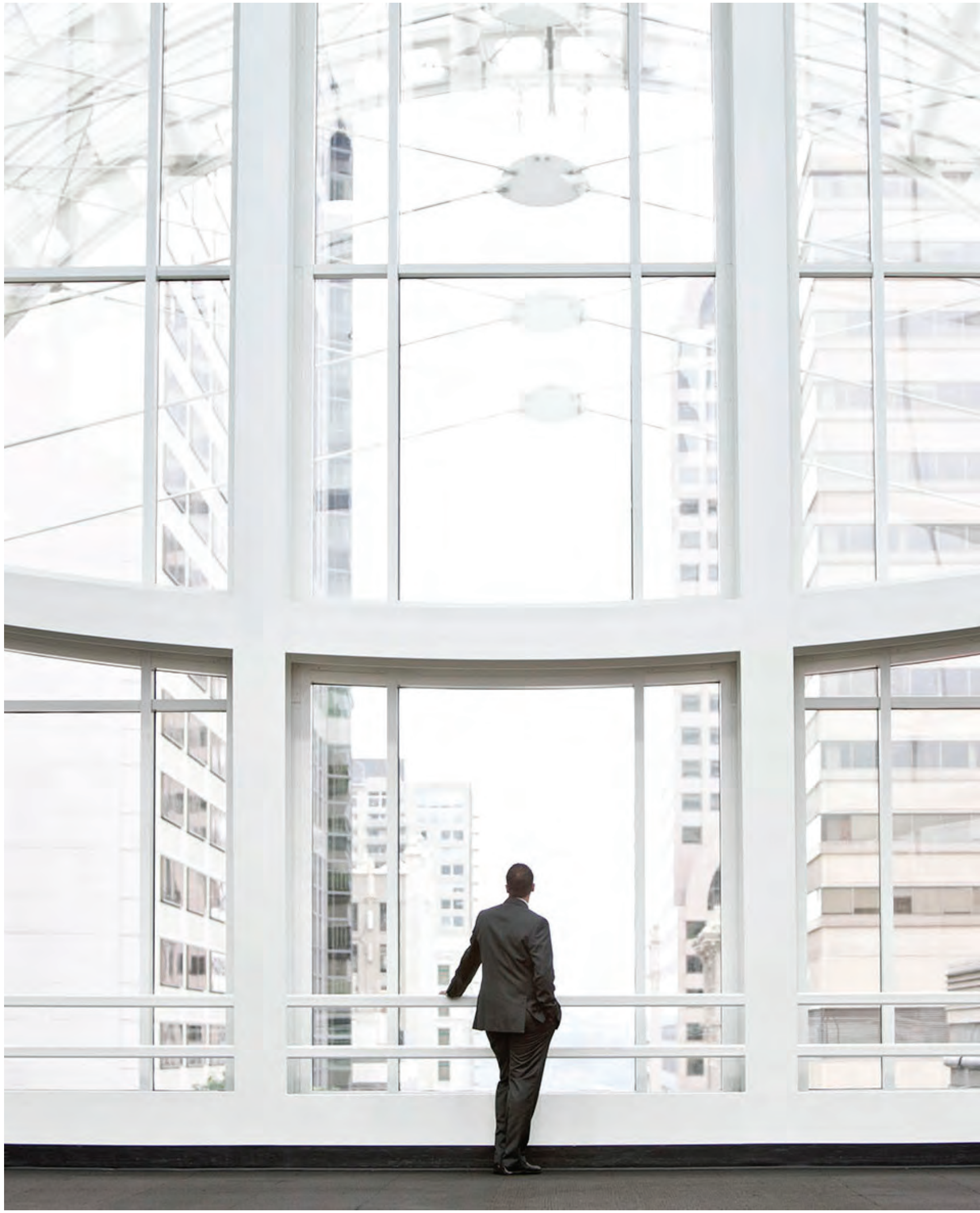
Source: PwC analysis

Figure 17: Basic materials: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	2 220	2 318	2 474
Median	1 248	1 333	1 415
Lower quartile	731	764	812
Average	1 400	1 471	1 567

Source: PwC analysis

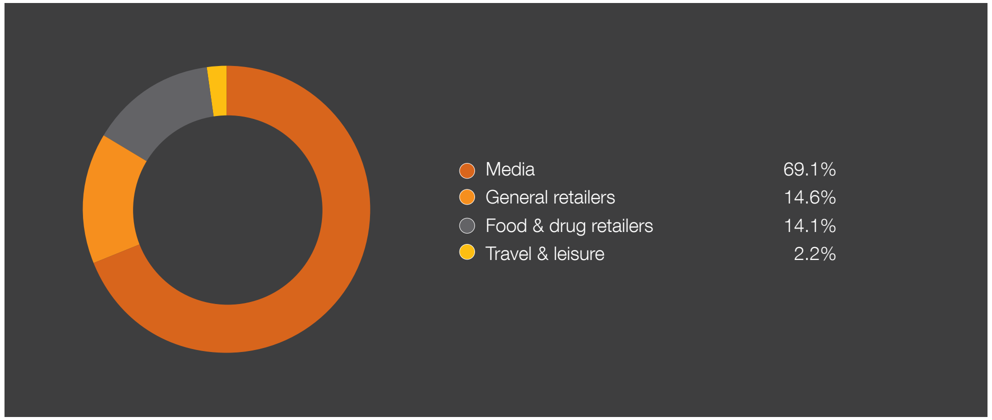


Consumer discretionary

There are 40 active companies in this sector.

At the cut-off date, the consumer discretionary industry accounted for 17.1% of total JSE market capitalisation.

Figure 18: Consumer discretionary



Source: PwC analysis

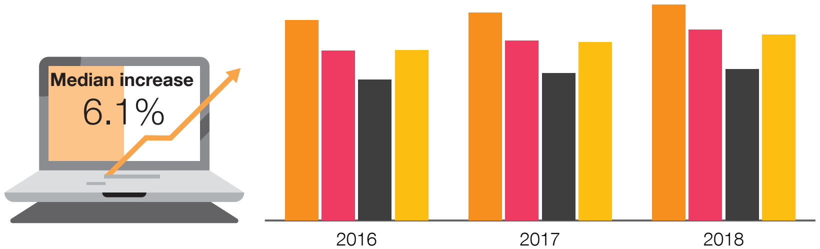
Remuneration analysis: All executive directors

Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
1 076	286	165	156	1 683	17.1%

Source: PwC analysis

A high-level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium cap and small-cap companies respectively.

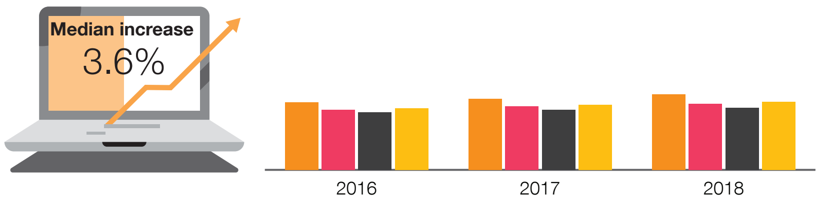
Figure 19: Consumer discretionary: Large-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	14 361	14 913	15 472
Median	12 184	12 908	13 700
Lower quartile	10 121	10 573	10 867
Average	12 222	12 798	13 346

Source: PwC analysis

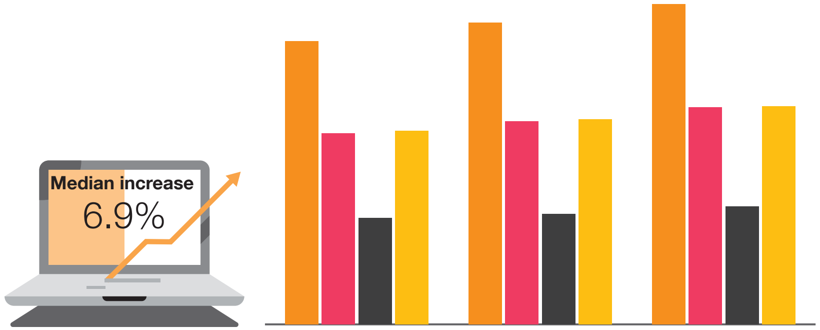
Figure 20: Consumer discretionary: Large-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	4 867	5 123	5 421
Median	4 336	4 584	4 750
Lower quartile	4 131	4 311	4 475
Average	4 445	4 673	4 882

Source: PwC analysis

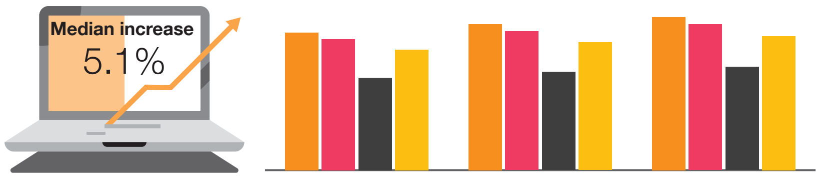
Figure 21: Consumer discretionary: Large-cap ED (R'000s)



	2016	2017	2018
Upper quartile	20 282	21 639	22 952
Median	13 693	14 541	15 550
Lower quartile	7 614	7 929	8 449
Average	13 863	14 703	15 650

Source: PwC analysis

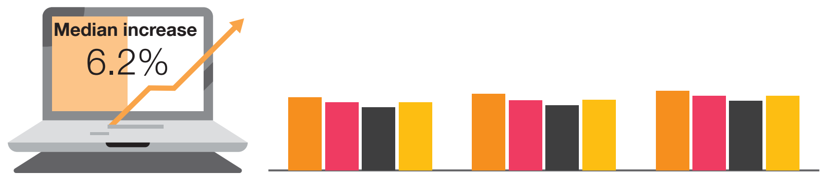
Figure 22: Consumer discretionary: Medium-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	9 848	10 463	10 960
Median	9 391	9 934	10 439
Lower quartile	6 628	7 033	7 385
Average	8 622	9 143	9 595

Source: PwC analysis

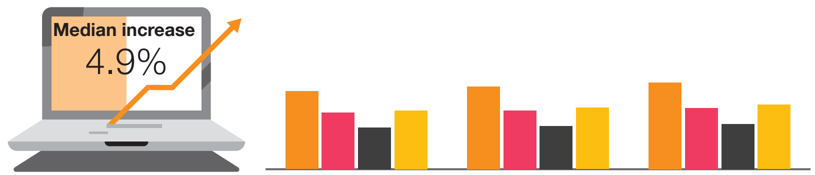
Figure 23: Consumer discretionary: Medium-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	5 267	5 513	5 733
Median	4 907	5 042	5 352
Lower quartile	4 548	4 672	5 000
Average	4 907	5 076	5 361

Source: PwC analysis

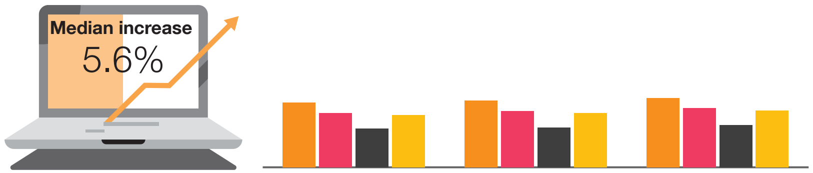
Figure 24: Consumer discretionary: Medium-cap ED (R'000s)



	2016	2017	2018
Upper quartile	5 657	5 987	6 302
Median	4 110	4 246	4 455
Lower quartile	3 033	3 144	3 272
Average	4 267	4 459	4 676

Source: PwC analysis

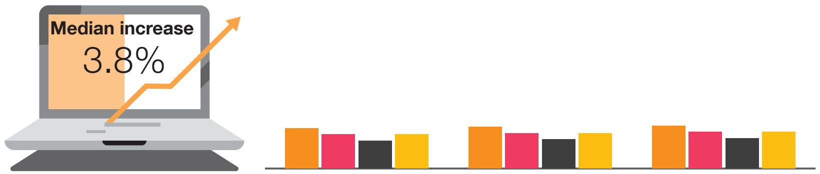
Figure 25: Consumer discretionary: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	4 698	4 849	5 000
Median	3 912	4 058	4 284
Lower quartile	2 795	2 892	3 053
Average	3 801	3 933	4 112

Source: PwC analysis

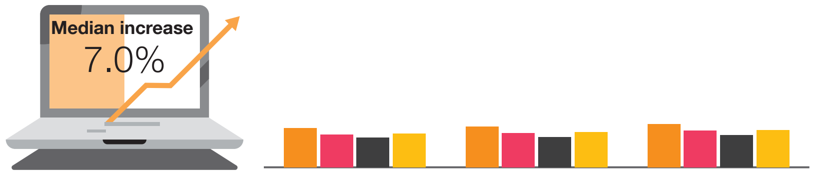
Figure 26: Consumer discretionary: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	2 895	2 982	3 060
Median	2 448	2 545	2 643
Lower quartile	2 000	2 111	2 185
Average	2 448	2 546	2 629

Source: PwC analysis

Figure 27: Consumer discretionary: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	2 854	2 958	3 140
Median	2 384	2 483	2 658
Lower quartile	2 143	2 205	2 339
Average	2 460	2 549	2 712

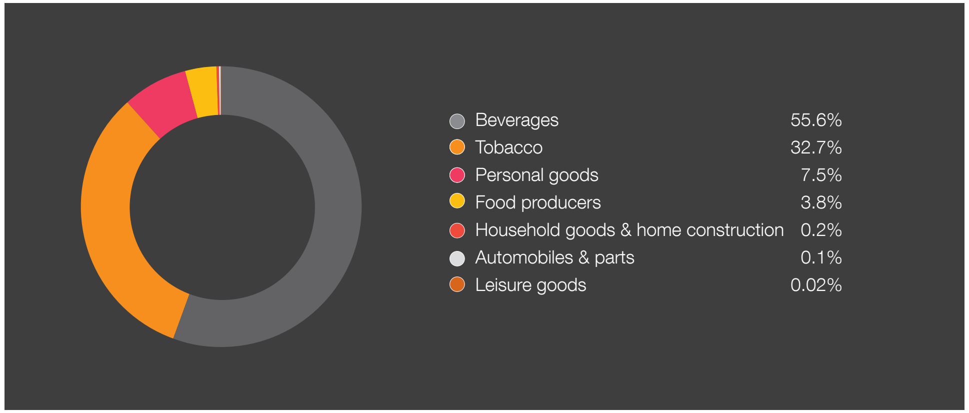
Source: PwC analysis

Consumer staples

There are 20 active companies included in this sector.

At the cut-off date, consumer staples industry accounted for 29.4% of total JSE market capitalisation.

Figure 28: Consumer staples



Source: PwC analysis

Remuneration analysis: All executive directors

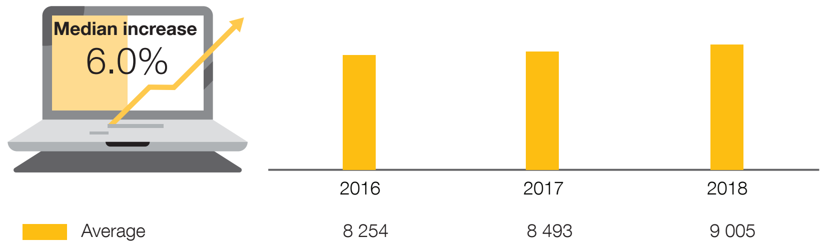
Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
827	422	345	47	1 641	29.4%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium cap and small-cap respectively.

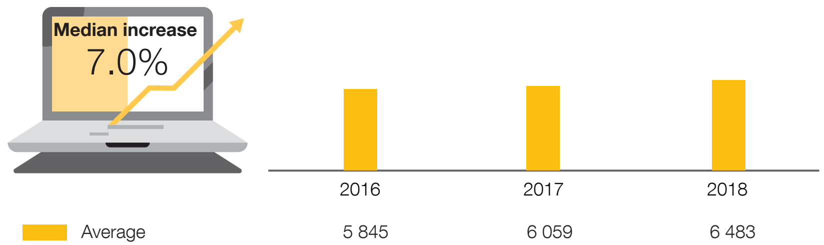
There was insufficient data available to calculate quartiles for large-cap CEOs' and CFOs'; hence, only the averages are shown in the graphs below.

Figure 29: Consumer staples: Large-cap CEO (R'000s)



Source: PwC analysis

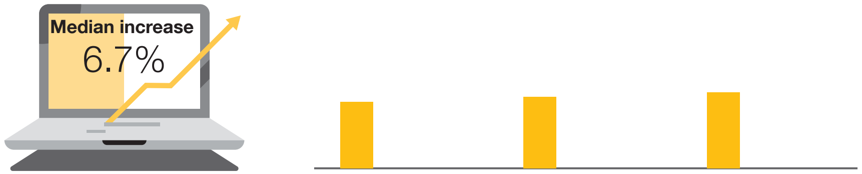
Figure 30: Consumer staples: Large-cap CFO (R'000s)



Source: PwC analysis

There was insufficient data available to calculate quartiles for large-cap EDs; hence, only the average is shown in the graph below.

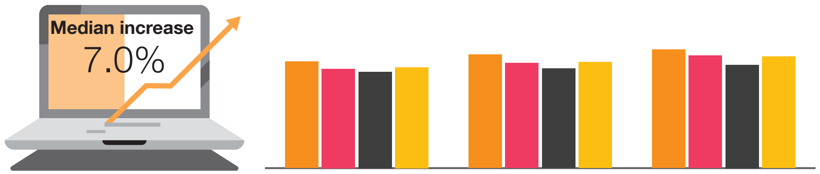
Figure 31: Consumer staples: Large-cap ED (R'000s)



	2016	2017	2018
Average	4 765	5 099	5 440

Source: PwC analysis

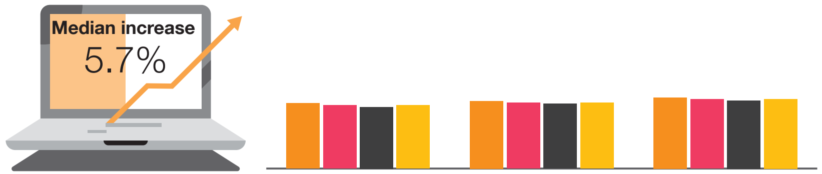
Figure 32: Consumer staples: Medium-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	7 668	8 168	8 528
Median	7 160	7 568	8 098
Lower quartile	6 945	7 167	7 445
Average	7 258	7 635	8 024

Source: PwC analysis

Figure 33: Consumer staples: Medium-cap CFO (R'000s)

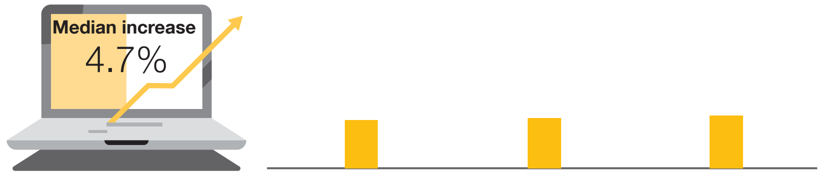


	2016	2017	2018
Upper quartile	4 687	4 847	5 099
Median	4 541	4 715	4 984
Lower quartile	4 418	4 652	4 887
Average	4 549	4 738	4 990

Source: PwC analysis

There was insufficient data available to calculate quartiles for medium-cap EDs; hence, only the average is shown in the graph below.

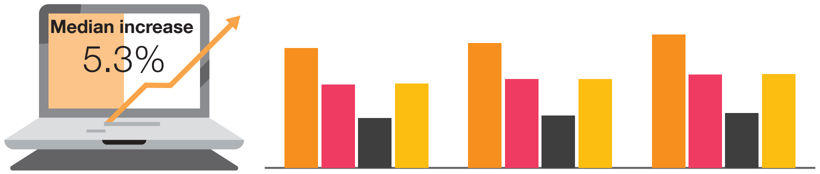
Figure 34: Consumer staples: Medium-cap ED (R'000s)



	2016	2017	2018
Average	3 467	3 612	3 780

Source: PwC analysis

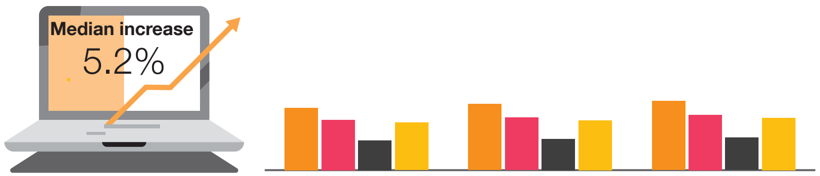
Figure 35: Consumer staples: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	8 603	8 963	9 554
Median	5 971	6 367	6 706
Lower quartile	3 570	3 738	3 943
Average	6 048	6 356	6 734

Source: PwC analysis

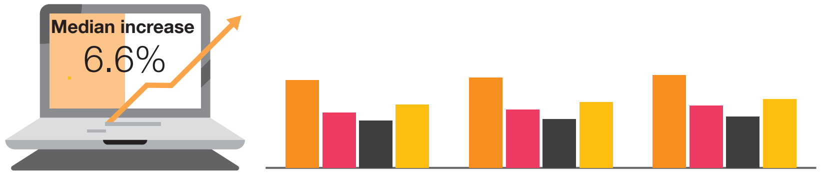
Figure 36: Consumer staples: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	4 465	4 734	4 950
Median	3 614	3 759	3 955
Lower quartile	2 121	2 239	2 328
Average	3 400	3 577	3 744

Source: PwC analysis

Figure 37: Consumer staples: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	6 306	6 486	6 664
Median	3 955	4 195	4 473
Lower quartile	3 377	3 499	3 685
Average	4 546	4 727	4 940

Source: PwC analysis

Energy

There are two active companies included in this sector.

At the cut-off date, energy industry accounts for 0.06% of total JSE market capitalisation.

Remuneration analysis: All executive directors

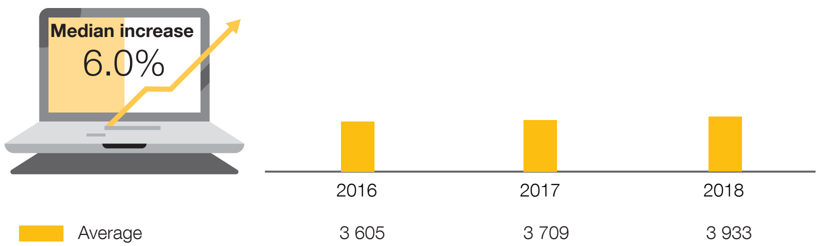
Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
12	0.48	0	0	12	0.06%

Source: PwC analysis

A high-level TGP trend analysis during the reporting period is reflected in the charts for CEO and CFO, and is limited to small-cap companies.

There was insufficient data available to calculate quartiles for small-cap CEOs; hence, only the average is shown in the graph below.

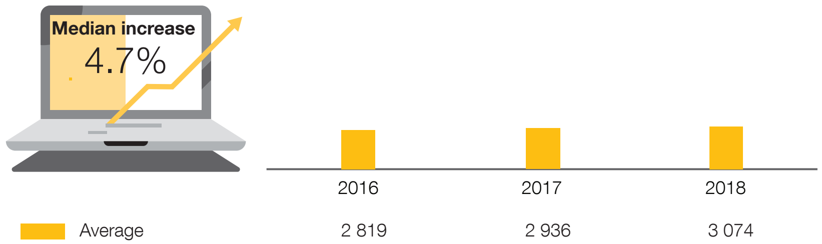
Figure 38: Energy: Small-cap CEO (R'000s)



Source: PwC analysis

There was insufficient data available to calculate quartiles for small-cap CFOs; hence, only the average is shown in the graph below.

Figure 39: Energy: Small-cap CFO (R'000s)



There were no small-cap executive directors reported for the energy companies in the reporting period.

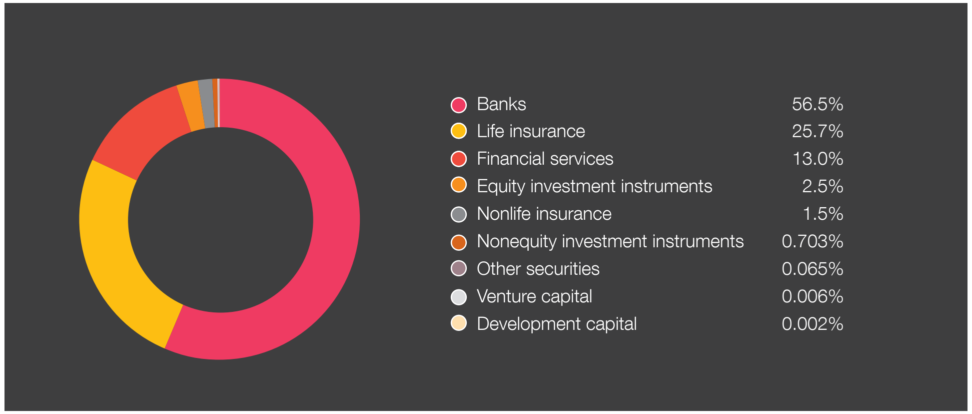
Source: PwC analysis

Financials

There are 54 active companies included in this sector.

At cut-off date, the financial industry accounted for 15.71% of total JSE market capitalisation.

Figure 40: Financials



Source: PwC analysis

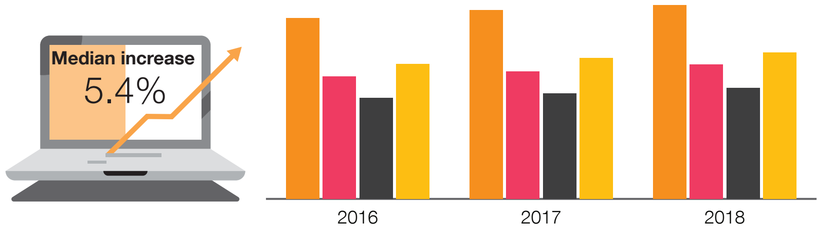
Remuneration analysis: All executive directors

Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
1 292	1 001	452	131	2 876	15.7%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium cap and small-cap respectively.

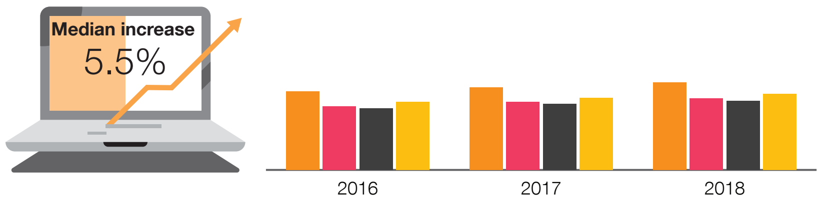
Figure 41: Financials: Large-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	13 014	13 586	13 958
Median	8 805	9 186	9 685
Lower quartile	7 260	7 600	7 971
Average	9 693	10 124	10 538

Source: PwC analysis

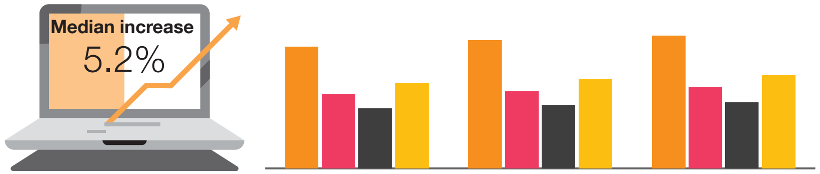
Figure 42: Financials: Large-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	5 659	5 930	6 315
Median	4 568	4 884	5 155
Lower quartile	4 447	4 746	4 974
Average	4 891	5 187	5 481

Source: PwC analysis

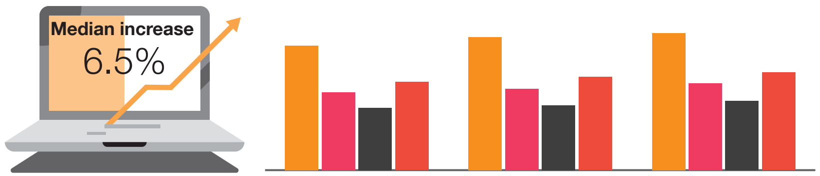
Figure 43: Financials: Large-cap ED (R'000s)



	2016	2017	2018
Upper quartile	8 710	9 180	9 499
Median	5 346	5 498	5 785
Lower quartile	4 287	4 541	4 712
Average	6 114	6 406	6 665

Source: PwC analysis

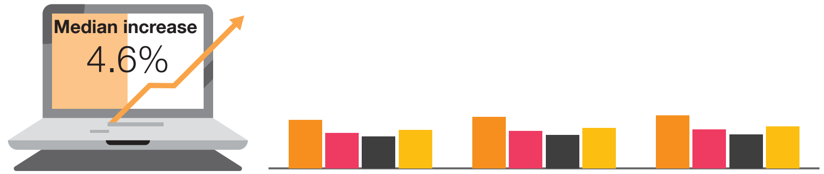
Figure 44: Financials: Medium-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	8 909	9 522	9 803
Median	5 576	5 838	6 218
Lower quartile	4 453	4 642	4 969
Average	6 312	6 667	6 996

Source: PwC analysis

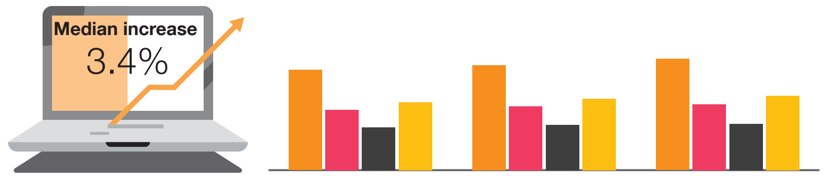
Figure 45: Financials: Medium-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	3 450	3 669	3 790
Median	2 531	2 672	2 796
Lower quartile	2 295	2 372	2 435
Average	2 759	2 905	3 007

Source: PwC analysis

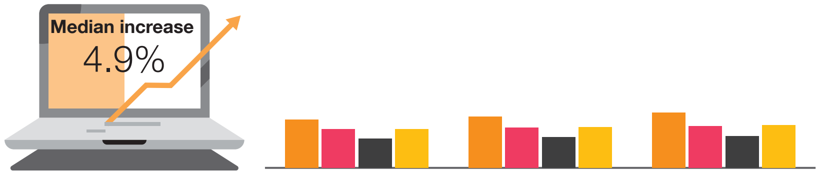
Figure 46: Financials: Medium-cap ED (R'000s)



	2016	2017	2018
Upper quartile	7 178	7 513	7 959
Median	4 330	4 568	4 722
Lower quartile	3 061	3 235	3 323
Average	4 856	5 105	5 335

Source: PwC analysis

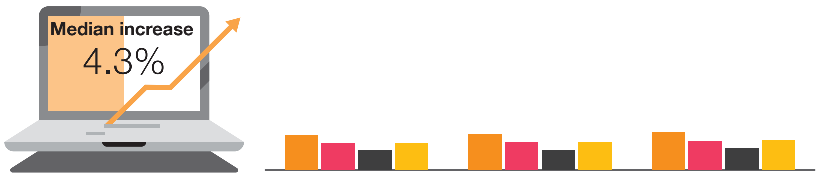
Figure 47: Financials: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	3 479	3 692	3 950
Median	2 792	2 874	3 015
Lower quartile	2 090	2 214	2 294
Average	2 787	2 926	3 086

Source: PwC analysis

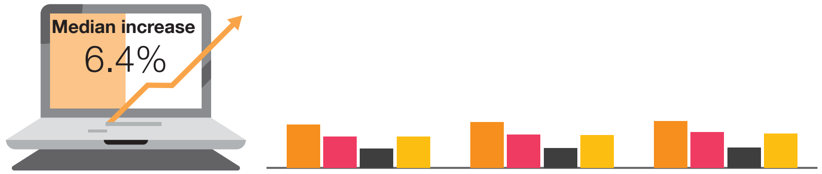
Figure 48: Financials: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	2 498	2 569	2 683
Median	1 954	2 007	2 093
Lower quartile	1 400	1 455	1 546
Average	1 951	2 010	2 107

Source: PwC analysis

Figure 49: Financials: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	3 109	3 270	3 356
Median	2 255	2 404	2 559
Lower quartile	1 371	1 411	1 464
Average	2 245	2 361	2 459

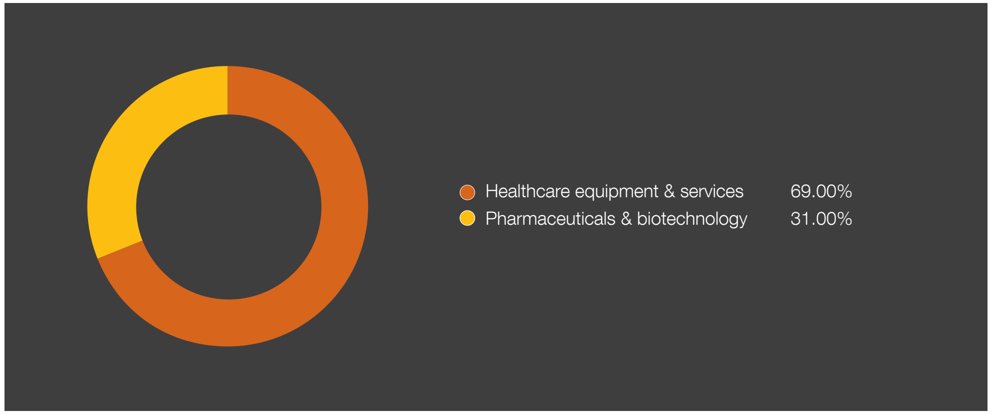
Source: PwC analysis

Healthcare

There are eight active companies included in this sector.

At cut-off date, healthcare industry accounted for 1.3% of total JSE market capitalisation.

Figure 50: Healthcare



Source: PwC analysis

Remuneration analysis: All executive directors

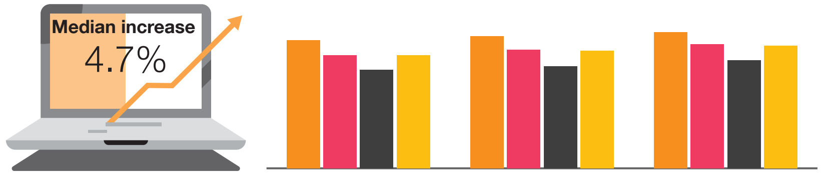
Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
153	54	7	17	231	1.3%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for medium cap and small-cap respectively. There are no large-cap companies in this industry sector.

There was insufficient data available to calculate quartiles; hence, only averages are shown in the graphs below.

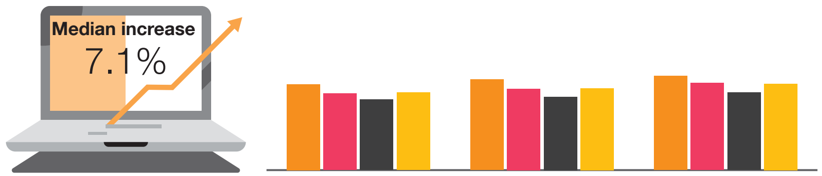
Figure 51: Healthcare: Medium-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	9 177	9 475	9 756
Median	8 095	8 497	8 900
Lower quartile	7 055	7 312	7 722
Average	8 109	8 428	8 792

Source: PwC analysis

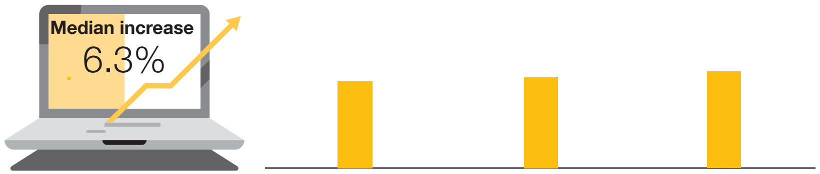
Figure 52: Healthcare: Medium-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	6 145	6 487	6 748
Median	5 488	5 823	6 234
Lower quartile	5 048	5 247	5 555
Average	5 560	5 852	6 179

Source: PwC analysis

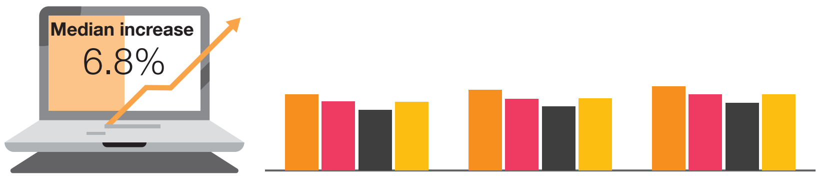
Figure 53: Healthcare: Medium-cap ED (R'000s)



	2016	2017	2018
Average	6 251	6 541	6 952

Source: PwC analysis

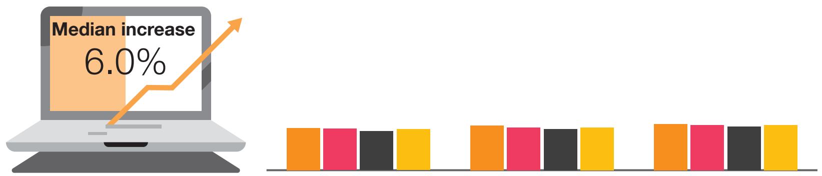
Figure 54: Healthcare: Small-cap CEO (R'000s)



Upper quartile	5 434	5 758	6 017
Median	4 934	5 099	5 447
Lower quartile	4 334	4 574	4 835
Average	4 901	5 143	5 433

Source: PwC analysis

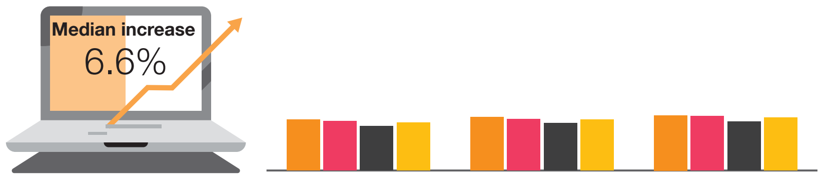
Figure 55: Healthcare: Small-cap CFO (R'000s)



Upper quartile	3 039	3 204	3 314
Median	2 976	3 058	3 242
Lower quartile	2 798	2 962	3 145
Average	2 938	3 075	3 234

Source: PwC analysis

Figure 56: Healthcare: Small-cap ED (R'000s)



Upper quartile	3 633	3 823	3 949
Median	3 525	3 670	3 910
Lower quartile	3 175	3 391	3 489
Average	3 444	3 628	3 783

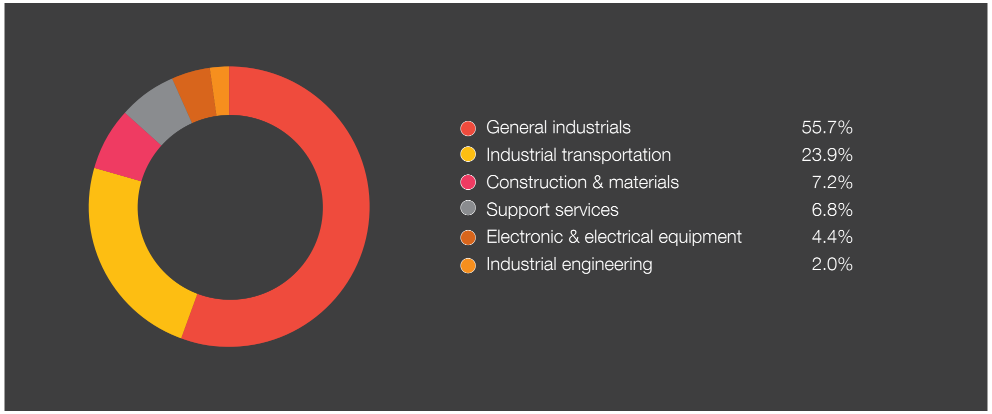
Source: PwC analysis

Industrials

There are 54 active companies included in this sector.

At cut-off date, industrials accounted for 2.5% of total JSE market capitalisation.

Figure 57: Industrials



Source: PwC analysis

Remuneration analysis: All executive directors

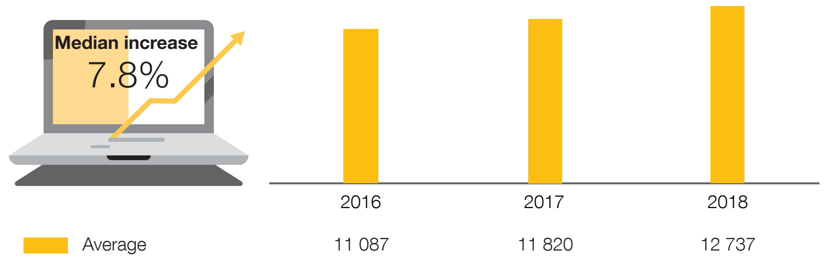
Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
864	299	131	70	1 364	2.5%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium cap and small-cap respectively.

There was insufficient data available to calculate quartiles for large-cap CEOs; hence, only the average is shown in the graph below.

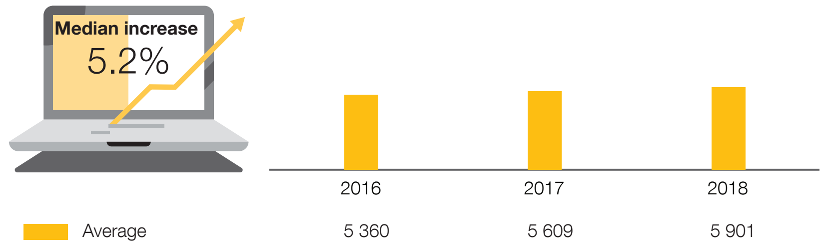
Figure 58: Industrials: Large-cap CEO (R'000s)



Source: PwC analysis

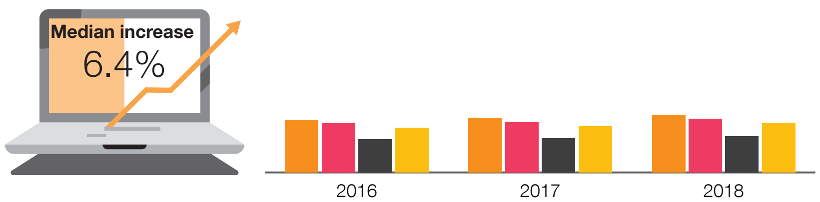
There was insufficient data available to calculate quartiles for large-cap CFOs; hence, only the average is shown in the graph below.

Figure 59: Industrials: Large-cap CFO (R'000s)



Source: PwC analysis

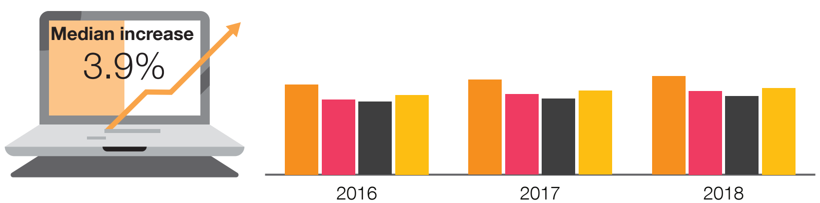
Figure 60: Industrials: Large-cap ED (R’000s)



	2016	2017	2018
Upper quartile	3 762	3 935	4 127
Median	3 518	3 611	3 842
Lower quartile	2 378	2 449	2 587
Average	3 219	3 332	3 519

Source: PwC analysis

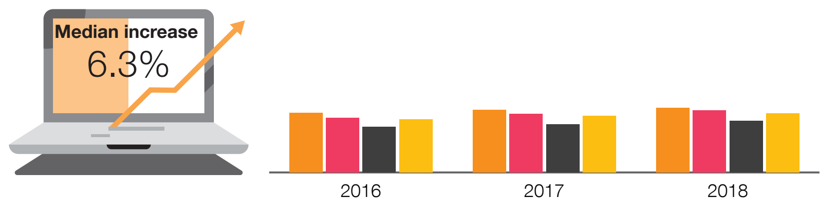
Figure 61: Industrials: Medium-cap CEO (R’000s)



	2016	2017	2018
Upper quartile	6 481	6 817	7 067
Median	5 409	5 775	6 000
Lower quartile	5 232	5 468	5 632
Average	5 708	6 020	6 233

Source: PwC analysis

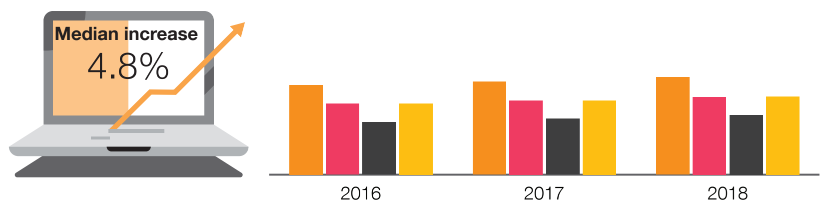
Figure 62: Industrials: Medium-cap CFO (R’000s)



	2016	2017	2018
Upper quartile	4 274	4 511	4 633
Median	3 929	4 202	4 469
Lower quartile	3 278	3 457	3 700
Average	3 827	4 057	4 267

Source: PwC analysis

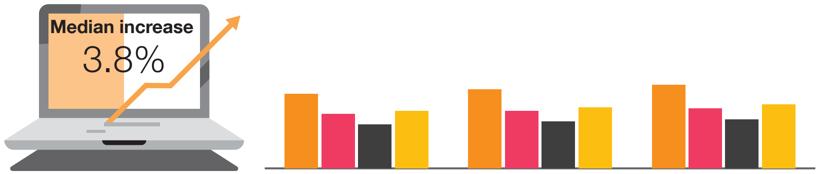
Figure 63: Industrials: Medium-cap ED (R’000s)



	2016	2017	2018
Upper quartile	6 449	6 667	6 996
Median	5 086	5 319	5 575
Lower quartile	3 763	4 010	4 278
Average	5 099	5 332	5 616

Source: PwC analysis

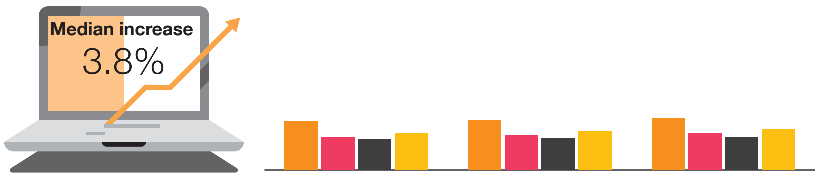
Figure 64: Industrials: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	5 328	5 644	5 990
Median	3 890	4 097	4 295
Lower quartile	3 146	3 360	3 486
Average	4 121	4 367	4 590

Source: PwC analysis

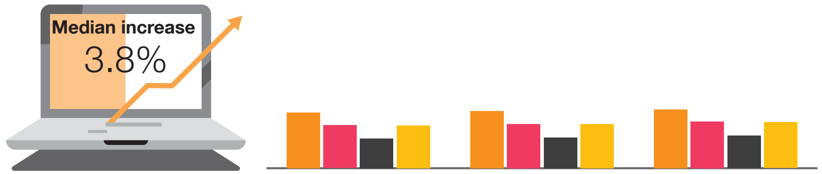
Figure 65: Industrials: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	3 486	3 613	3 720
Median	2 361	2 493	2 667
Lower quartile	2 182	2 302	2 389
Average	2 676	2 803	2 925

Source: PwC analysis

Figure 66: Industrials: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	3 996	4 103	4 210
Median	3 085	3 175	3 351
Lower quartile	2 123	2 219	2 331
Average	3 068	3 166	3 297

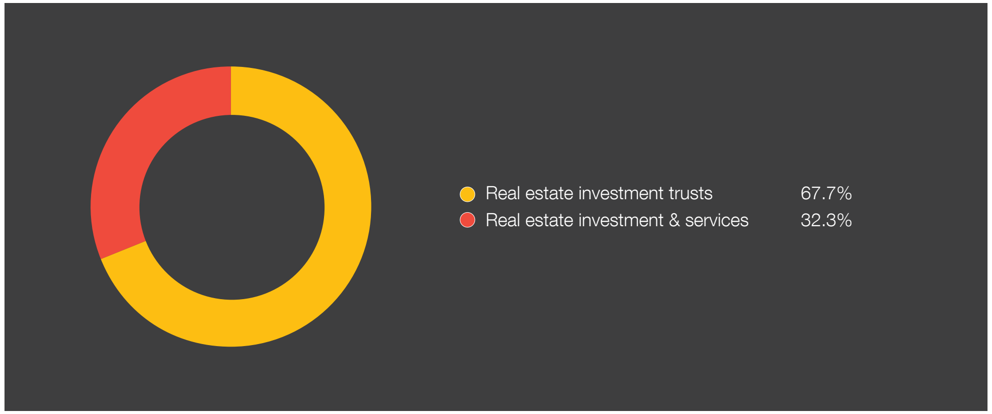
Source: PwC analysis

Real estate

There are 48 active companies in this sector.

At cut-off date, the real estate industry accounted for 4.4% of total JSE market capitalisation.

Figure 67: Real estate



Source: PwC analysis

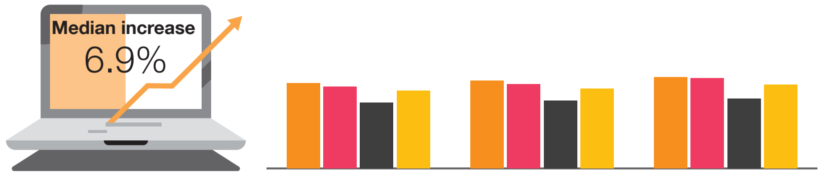
Remuneration analysis: All executive directors

Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
684	214	18	39	955	4.4%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium cap and small-cap respectively.

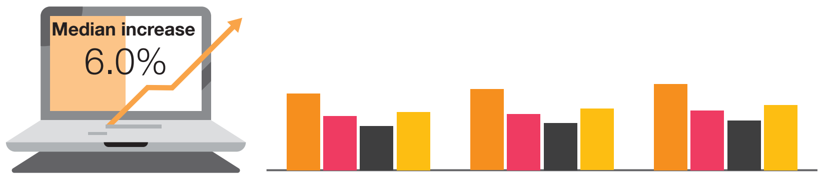
Figure 68: Real estate: Large-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	6 133	6 303	6 560
Median	5 852	6 056	6 476
Lower quartile	4 724	4 856	5 018
Average	5 569	5 738	6 018

Source: PwC analysis

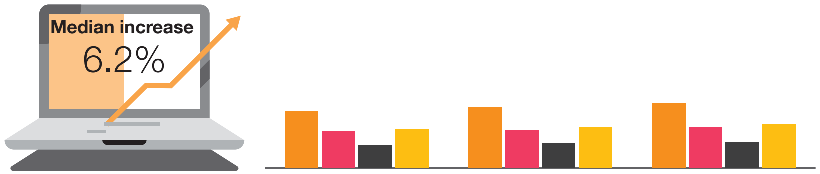
Figure 69: Real estate: Large-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	5 518	5 811	6 205
Median	3 892	4 041	4 282
Lower quartile	3 172	3 394	3 569
Average	4 194	4 415	4 685

Source: PwC analysis

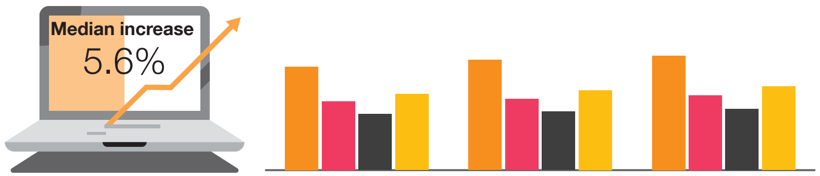
Figure 70: Real estate: Large-cap ED (R'000s)



	2016	2017	2018
Upper quartile	4 121	4 409	4 673
Median	2 659	2 746	2 917
Lower quartile	1 659	1 773	1 878
Average	2 813	2 976	3 156

Source: PwC analysis

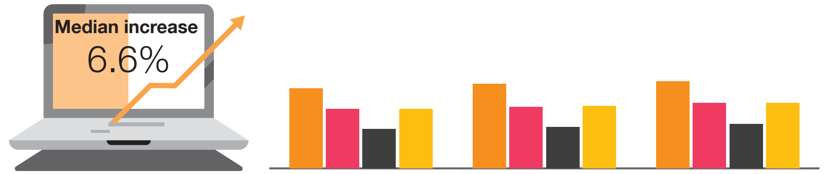
Figure 71: Real estate: Medium-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	7 415	7 891	8 185
Median	4 934	5 086	5 372
Lower quartile	4 020	4 194	4 404
Average	5 456	5 724	5 987

Source: PwC analysis

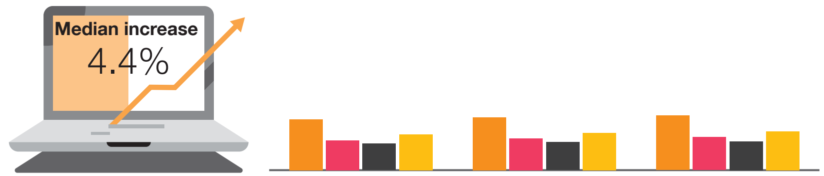
Figure 72: Real estate: Medium-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	5 737	6 060	6 237
Median	4 239	4 410	4 700
Lower quartile	2 832	2 967	3 171
Average	4 269	4 479	4 702

Source: PwC analysis

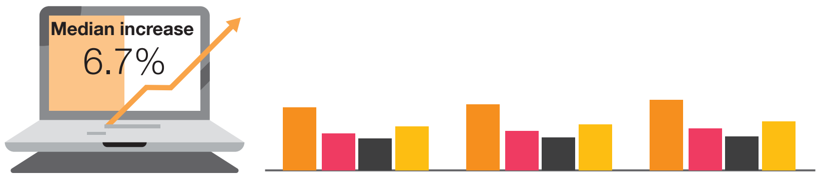
Figure 73: Real estate: Medium-cap ED (R'000s)



	2016	2017	2018
Upper quartile	3 629	3 776	3 911
Median	2 138	2 263	2 362
Lower quartile	1 901	2 004	2 055
Average	2 556	2 681	2 776

Source: PwC analysis

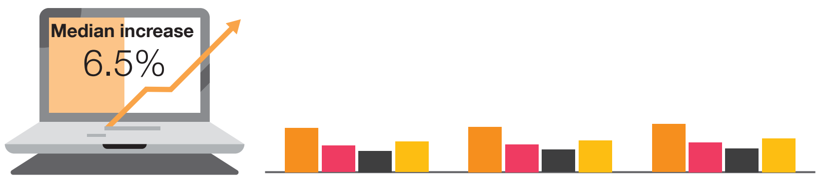
Figure 74: Real estate: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	4 489	4 733	5 040
Median	2 645	2 808	2 997
Lower quartile	2 278	2 362	2 427
Average	3 138	3 301	3 488

Source: PwC analysis

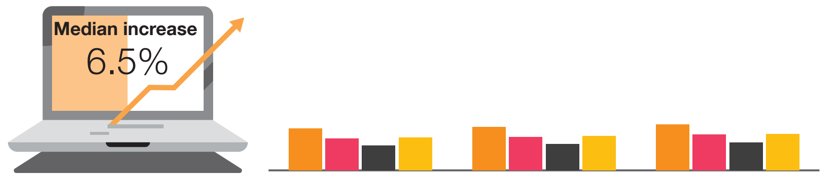
Figure 75: Real estate: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	3 160	3 253	3 443
Median	1 897	1 995	2 125
Lower quartile	1 509	1 605	1 688
Average	2 189	2 285	2 419

Source: PwC analysis

Figure 76: Real estate: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	3 010	3 099	3 280
Median	2 287	2 405	2 562
Lower quartile	1 767	1 880	1 977
Average	2 355	2 461	2 606

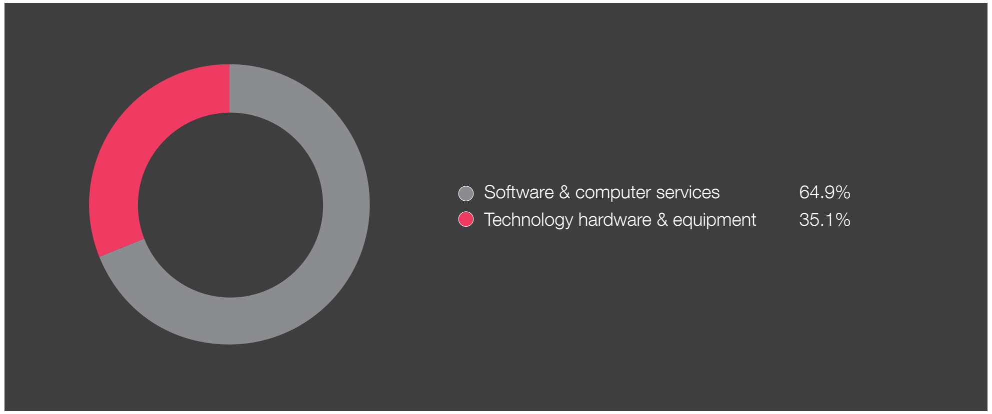
Source: PwC analysis

Technology

There are 11 active companies in this sector.

At cut-off date, technology industry accounted for 0.20% of total JSE market capitalisation.

Figure 77: Technology



Source: PwC analysis

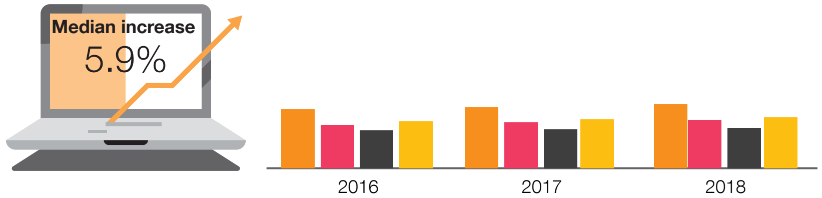
Remuneration analysis: All executive directors

Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
161	129	4	3	297	0.20%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for small-cap. All companies in this sector are small-cap.

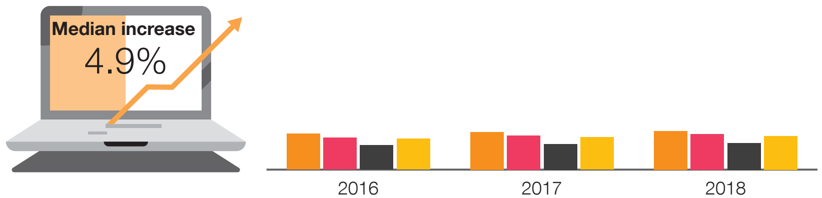
Figure 78: Technology: Small-cap CEO (R'000s)



	2016	2017	2018
Upper quartile	4 228	4 373	4 559
Median	3 094	3 287	3 481
Lower quartile	2 711	2 799	2 899
Average	3 344	3 486	3 646

Source: PwC analysis

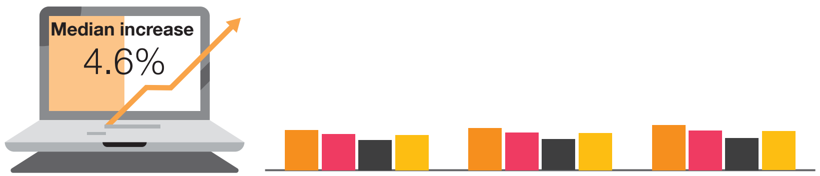
Figure 79: Technology: Small-cap CFO (R'000s)



	2016	2017	2018
Upper quartile	2 579	2 696	2 765
Median	2 293	2 441	2 560
Lower quartile	1 755	1 836	1 920
Average	2 209	2 325	2 415

Source: PwC analysis

Figure 80: Technology: Small-cap ED (R'000s)



	2016	2017	2018
Upper quartile	2 881	3 044	3 234
Median	2 590	2 716	2 840
Lower quartile	2 157	2 221	2 320
Average	2 542	2 660	2 798

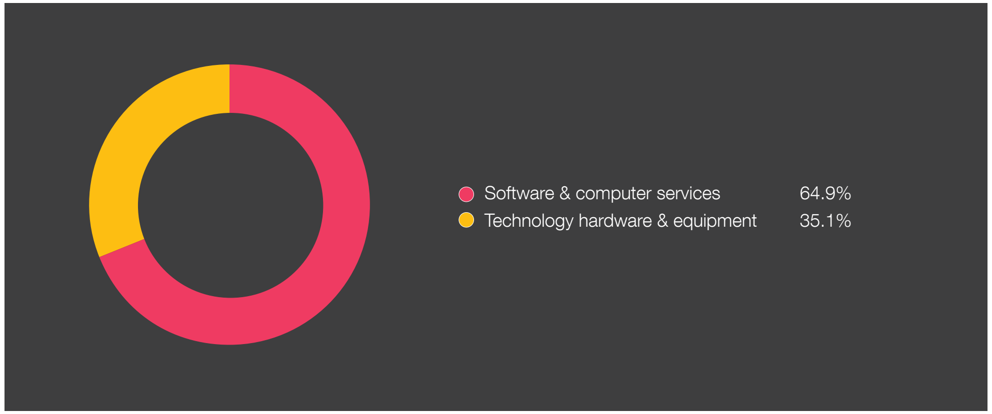
Source: PwC analysis

Telecommunications

There are five active companies in this sector.

At cut-off date, the telecommunication industry accounted for 3.0% of total JSE market capitalisation.

Figure 81: Telecommunications



Source: PwC analysis

Remuneration analysis: All executive directors

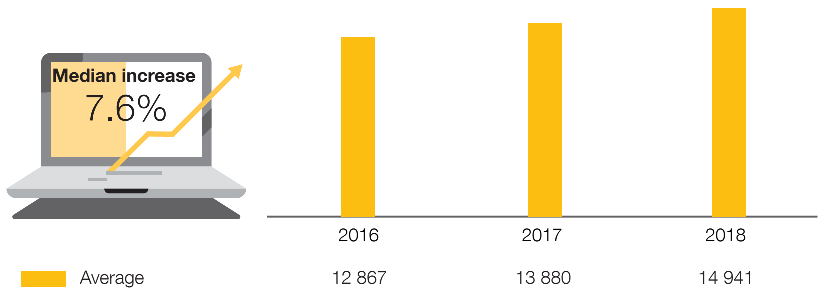
Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
1 381	505	494	57	2 439	3.0%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs for large-cap, medium cap and small-cap respectively.

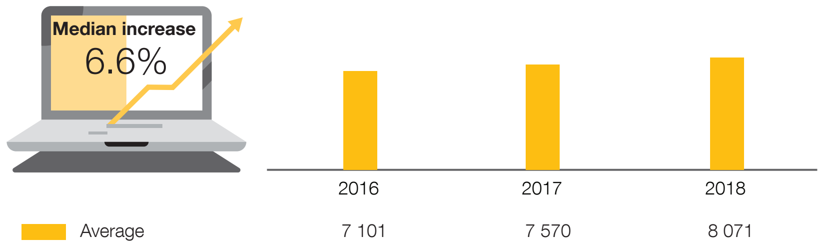
There was insufficient data available to calculate quartiles for the remuneration payable to the incumbents; hence, only the averages are shown in the graphs below.

Figure 82: Telecommunications: Large-cap CEO (R'000s)



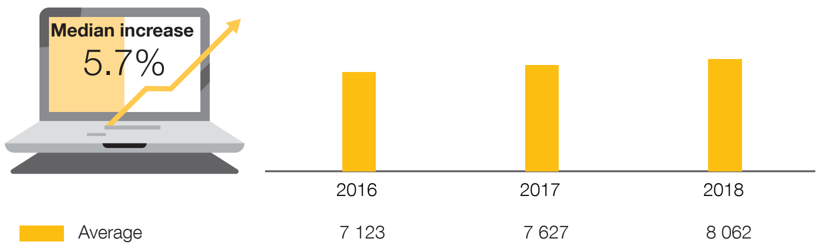
Source: PwC analysis

Figure 83: Telecommunications: Large-cap CFO (R'000s)



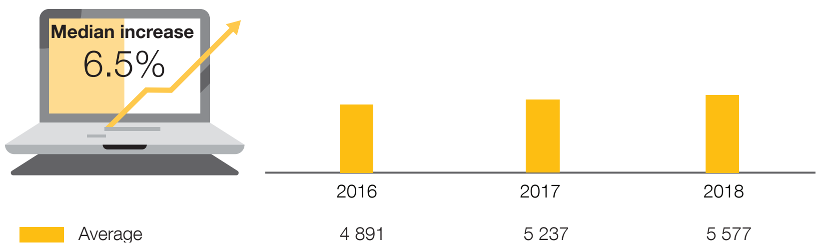
Source: PwC analysis

Figure 84: Telecommunications: Medium-cap CEO (R'000s)



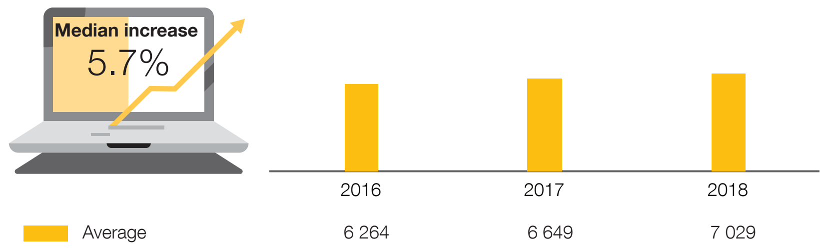
Source: PwC analysis

Figure 85: Telecommunications: Medium-cap CFO (R'000s)



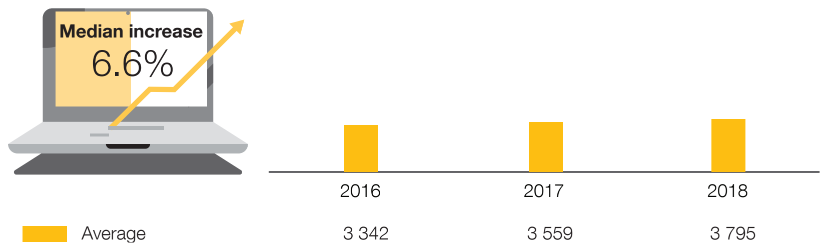
Source: PwC analysis

Figure 86: Telecommunications: Small-cap CEO (R'000s)



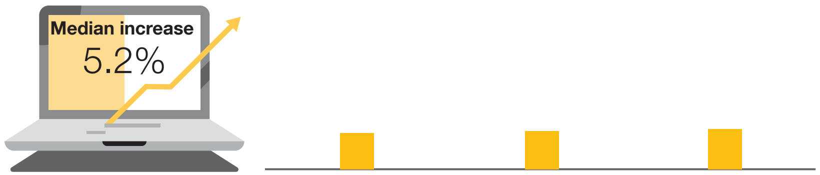
Source: PwC analysis

Figure 87: Telecommunications: Small-cap CFO (R'000s)



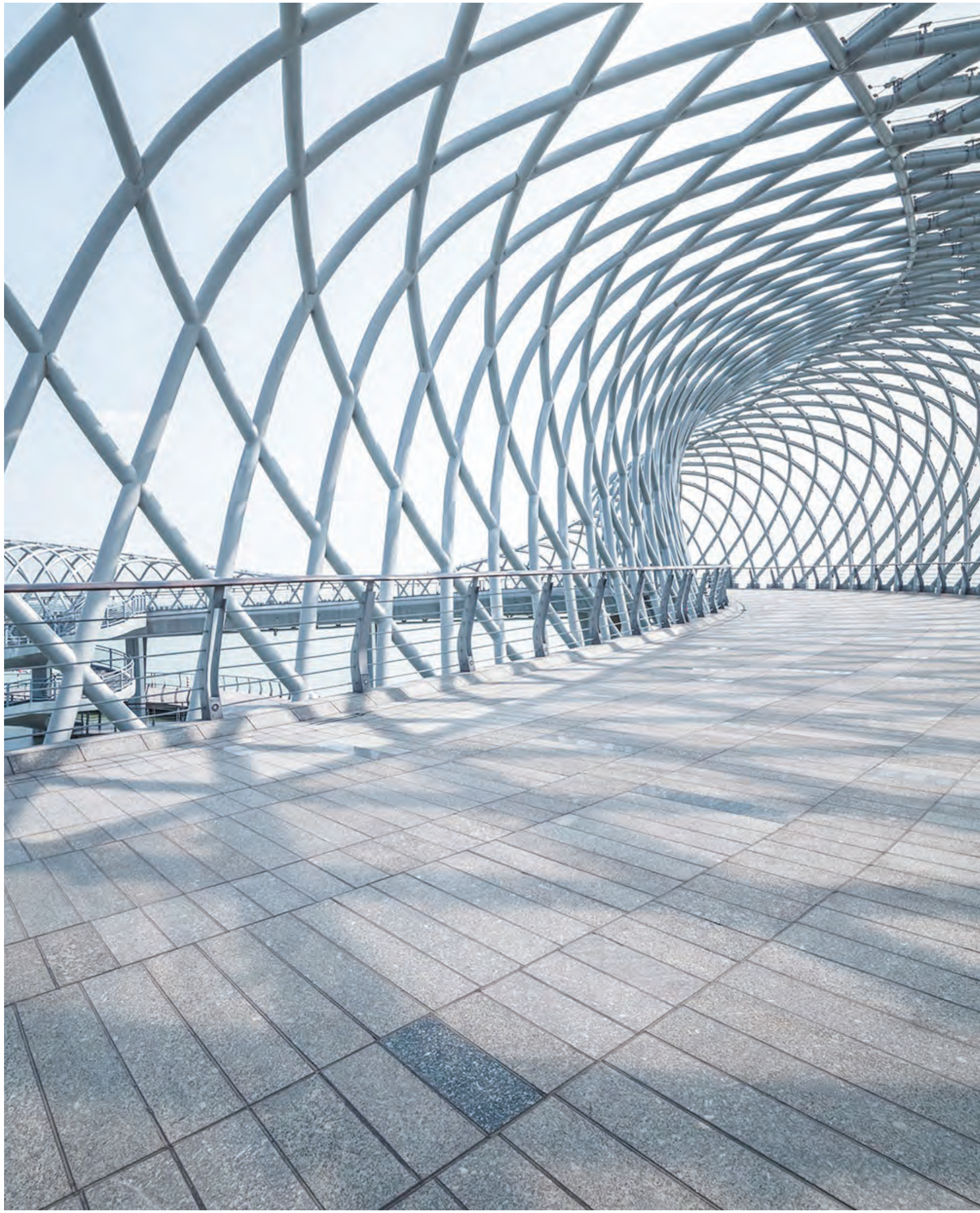
Source: PwC analysis

Figure 88: Telecommunications: Small-cap ED (R'000s)



	2016	2017	2018
Average	2 607	2 738	2 879

Source: PwC analysis



AltX

AltX is an alternative public equity exchange for small and medium-sized companies in South Africa operated in parallel with and wholly-owned by the JSE.

At the cut-off date the shares of 34 actively trading companies were listed on AltX with a combined market capitalisation of R20.6 billion, 0.15% of the total JSE market capitalisation.

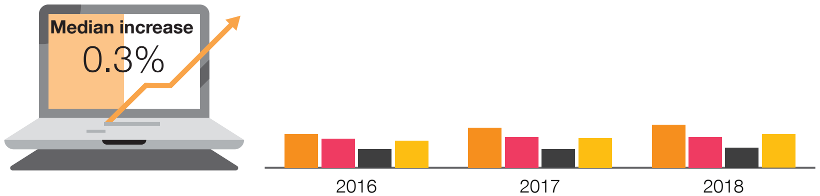
Remuneration analysis: All executive directors

Total TGP R'millions	Total STI R'millions	Total cash value shares sold R'millions	Total other payments R'millions	Total cash compensation R'millions	Percentage of total JSE market capitalisation
1 381	505	494	57	2 439	0.15%

Source: PwC analysis

A high level TGP trend analysis during the reporting period is reflected in the charts for CEO, CFO and EDs.

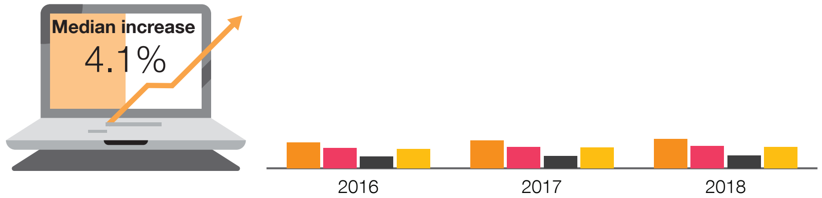
Figure 89: AltX: CEO (R'000s)



	2016	2017	2018
Upper quartile	2 407	2 876	3 104
Median	2 098	2 198	2 205
Lower quartile	1 326	1 326	1 455
Average	1 943	2 133	2 405

Source: PwC analysis

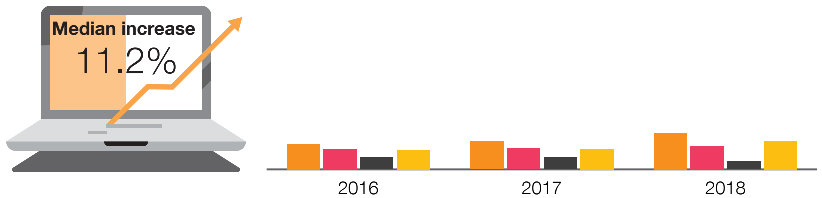
Figure 90: AltX: CFO (R'000s)



	2016	2017	2018
Upper quartile	1 849	1 999	2 091
Median	1 447	1 539	1 602
Lower quartile	861	896	933
Average	1 386	1 478	1 525

Source: PwC analysis

Figure 91: AltX: ED (R'000s)



	2016	2017	2018
Upper quartile	1 849	1 999	2 591
Median	1 447	1 539	1 711
Lower quartile	861	896	600
Average	1 386	1 478	2 053

Source: PwC analysis

Short-term incentives

Short-term incentives (STI), also often referred to as annual incentives, are intended to compensate executives for achieving the company's near-term business goals. These vary depending on the benchmarks set for executives. Company strategy, market conditions and other factors support the parameters that set the targets.

STI metrics are typically financial; however, many companies have begun to include non-financial metrics based on ESG measures that are consistent with company strategies.

Annual incentive opportunity is usually calculated as a percentage of the executive's base salary or alternatively, TGP. STI plans are generally constructed to provide threshold, target and maximum levels of performance generating corresponding threshold, target and maximum levels of incentive bonuses.

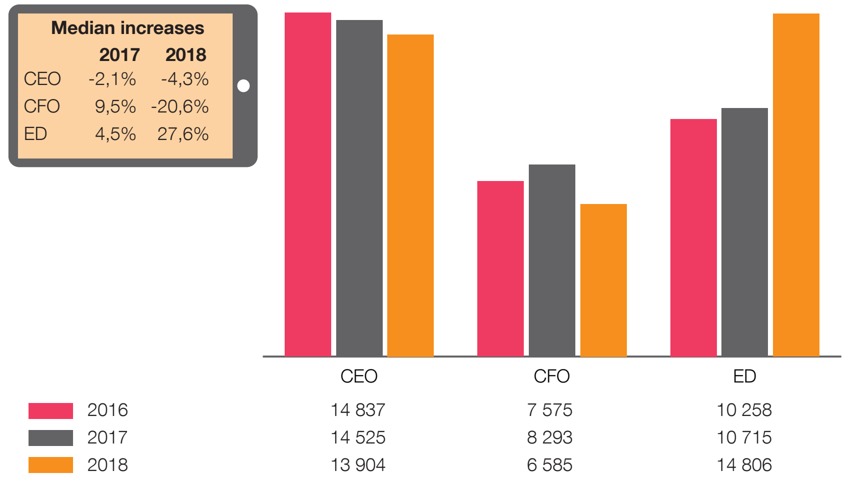
Performance below the threshold level will usually result in no bonus. The earning potential for achievement of performance targets above the maximum set level may be capped. The maximum pay-out tier (often 200% of target) is aimed to mitigate excessive risk-taking.

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

Large caps

Market capitalisation, a barometer of shareholder value, increased by 9.09% during the year under review, which bodes well for performance bonuses across the market. Significant increases, however, were not the norm for the large-cap CEOs or CFOs, though EDs benefitted.

Figure 92: Large-cap STIs (R'000s)



Source: PwC analysis

Median increases, 2017-2018

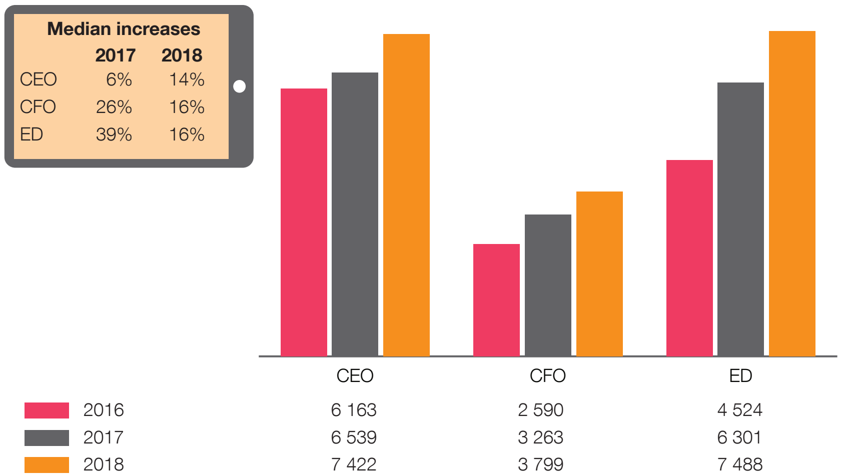
	2017	2018
CEO	-2.1%	-4.3%
CFO	9.5%	-20.6%
ED	4.5%	27.6%

Source: PwC analysis

Medium caps

Notwithstanding the challenging socio-economic environment in South Africa, and the effect that this had on the achievement of STI performance conditions, medium-cap company directors received substantially higher bonuses in 2018.

Figure 93: Medium-cap STIs (R'000s)



Source: PwC analysis

Median increases, 2017-2018

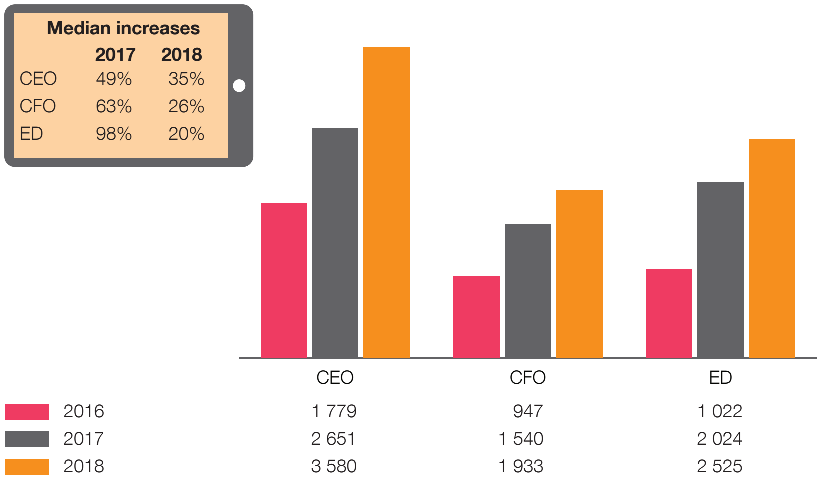
	2017	2018
CEO	6%	14%
CFO	26%	16%
ED	39%	16%

Source: PwC analysis

Small caps

Small-cap companies listed on the JSE are by far in the majority compared to large and medium-cap entities. The median increases in STIs have escalated both in 2017 and 2018. Our research suggests that this may be at least partially attributable to the perceived shortage of suitable executive directors in the South African market, which may lead some companies to reward incumbents with premium bonuses. These increases, though high in percentage terms, are calculated from a relatively low base.

Figure 94: Small-cap STIs (R'000s)



Source: PwC analysis

Median increases, 2017-2018

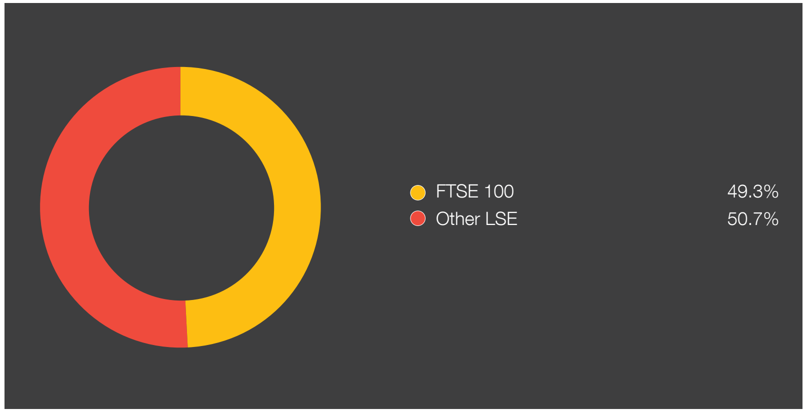
	2017	2018
CEO	49%	35%
CFO	63%	26%
ED	98%	20%

Source: PwC analysis

12 FTSE 100 executive remuneration trends

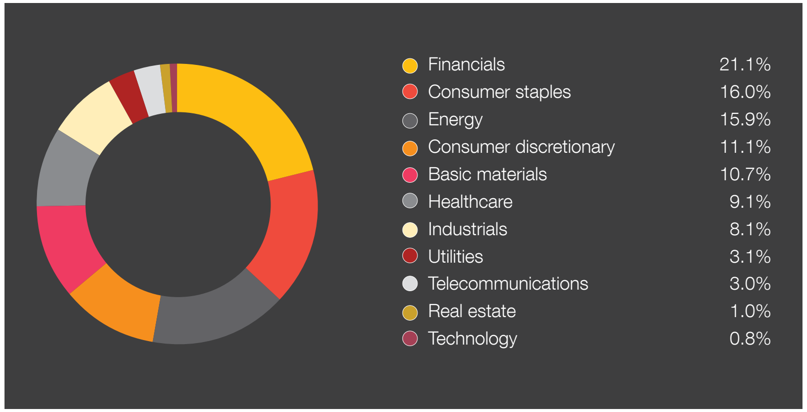
At the cut-off date there were 2 125 (2018: 2 028) active companies listed on the London Stock Exchange (LSE) with a market capitalisation of GBP 3 869 trillion (2018: 3 949 trillion). We have applied the ICB industry classification to this year's analysis of FTSE 100 data.

Figure 1: Market capitalisation: FTSE 100 and LSE



Source: PwC analysis

Figure 2: FTSE 100 sector profile



Source: PwC analysis

The FTSE 100 marketplace: Sectors and subsctors 2019

Basic materials (5)
- Chemicals (1)
- Materials (1)
- Mining (3)

Consumer discretionary (30)
- Airlines (2)
- Apparel (1)
- Automotive (1)
- Beverages (1)
- Broadcasting (1)
- Casinos (2)
- 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 staples (4)
- Food (1)
- Household products (3)

Energy (1)
- Oil and gas producers (1)

Financials (27)
- Banking (8)
- Equity investment instruments (7)
- Financial services (4)
- Insurance (8)

Healthcare (7)
- Medical equipment (2)
- Pharmaceuticals (5)

Industrials (12)
- Aerospace (1)
- Business services (3)
- Defence and space (1)
- Electrical and electronic components (1)
- Engineering and design (2)
- Heavy electrical equoment (1)
- Machinery (1)
- Packaging (2)

Real estate (5)
- Real estate (5)

Technology (3)
- Communication and sales (1)
- Software (2)

Telecommunications (2)
- Telecommunications fixed line (1)
- Telecommunications mobile (1)

Utilities (4)
- Utilities (4)

FTSE 100 companies, 30 April 2019

3I Group plc	Croda International plc	Land Securities Group plc	RSA Insurance Group plc
Admiral Group plc	DCC plc	Legal & General Group plc	Sage Group plc
Anglo American plc	Diageo plc	Lloyds Banking Group plc	Sainsbury (J) plc
Antofagasta plc	Direct Line Insurance Group plc	London Stock Exchange Group plc	Schroders plc
Ashtead Group plc	easyJet plc	Marks And Spencer Group plc	Scottish Mortgage Investment Trust plc
Associated British Foods plc	Evraz plc	Melrose Industries plc	SEGRO plc
AstraZeneca plc	Experian plc	Micro Focus International plc	Severn Trent plc
Aviva plc	Ferguson plc	Mondi plc	Smith (DS) plc
Associated British Foods plc	Fresnillo plc	Morrison (WM) Supermarkets plc	Smith & Nephew plc
BAE Systems plc	GlaxoSmithKline plc	National Grid plc	Smiths Group plc
Barclays plc	Glencore plc	Next plc	Smurfit Kappa Group plc
Barratt Developments plc	GVC Holdings plc	NMC Health plc	Spirax-Sarco Engineering plc
Berkeley Group Holdings (The) plc	Halma plc	Ocado Group plc	SSE plc
BHP Billiton plc	Hargreaves Lansdown plc	Paddy Power Betfair plc	Standard Chartered plc
BP plc	Hikma Pharmaceuticals plc	Pearson plc	Standard Life Aberdeen plc
British American Tobacco plc	Hiscox Ltd	Persimmon plc	St. James's Place plc
British Land Company plc	HSBC Holdings plc	Prudential plc	Taylor Wimpey plc
BT Group plc	Imperial Brands plc	Reckitt Benckiser Group plc	Tesco plc
Bunzl plc	Informa plc	RELX plc	TUI A.G.
Burberry Group plc	InterContinental Hotels Group plc	Rentokil Initial plc	Unilever plc
Carnival plc	International Consolidated Airlines Group S.A.	Rightmove plc	United Utilities Group plc
Centrica plc	Intertek Group plc	Rio Tinto plc	Vodafone Group plc
Coca-Cola HBC A.G.	ITV plc	Rolls-Royce Holdings plc	Whitbread plc
Compass Group plc	Johnson Matthey plc	Royal Bank of Scotland Group plc	Wood Group (John) plc
CRH plc	Kingfisher plc	Royal Dutch Shell plc	WPP plc

Remuneration

For purposes of this report, we include only base pay and stated benefits paid to executive directors.

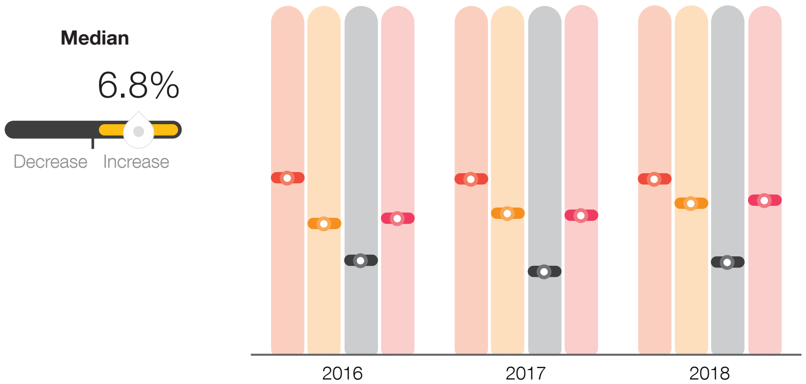
The trends reflected are extracted from the annual reports of the most recent FTSE 100 participants falling within our 2018 reporting period ended 30 April 2019. Two-year historical data is included to show trends in remuneration paid, and although the companies included in the FTSE 100 selection change on a quarterly basis, we have tracked trends in remuneration actually paid to reflect the trend.

The trends are presented for CEOs, CFOs and EDs in each of the 11 industry sectors.

The values extracted have been converted to US dollars and calculations of upper quartile, median, lower quartile and mean are presented.

All industries

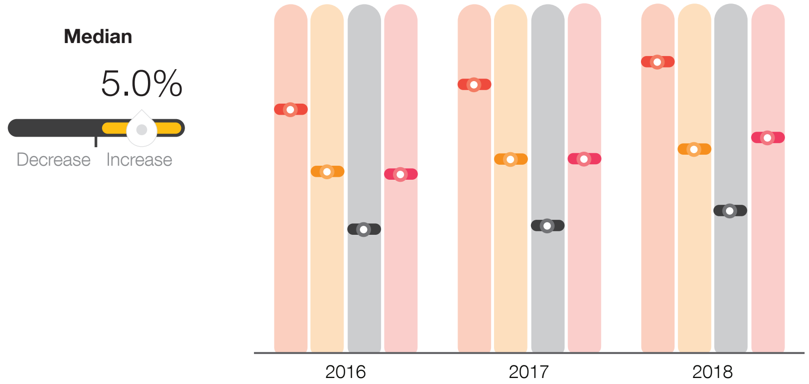
Figure 3: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 466	1 488	1 641
Median	1 100	1 182	1 262
Lower quartile	804	714	790
Average	1 143	1 166	1 286

Source: PwC analysis

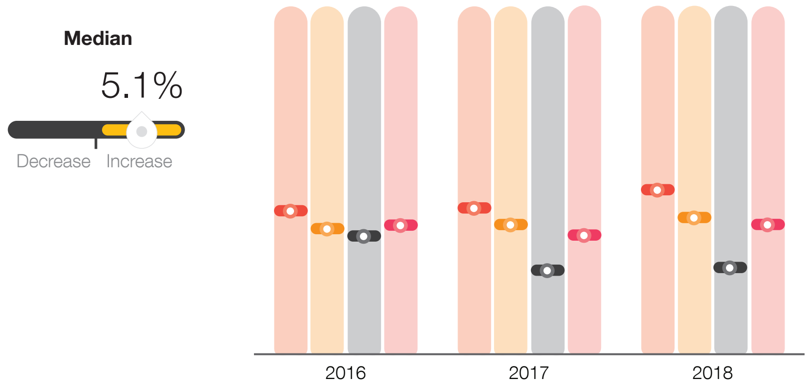
Figure 4: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	2 203	2 384
Median	1 503	1 603	1 683
Lower quartile	1 040	1 069	1 190
Average	1 482	1 606	1 777

Source: PwC analysis

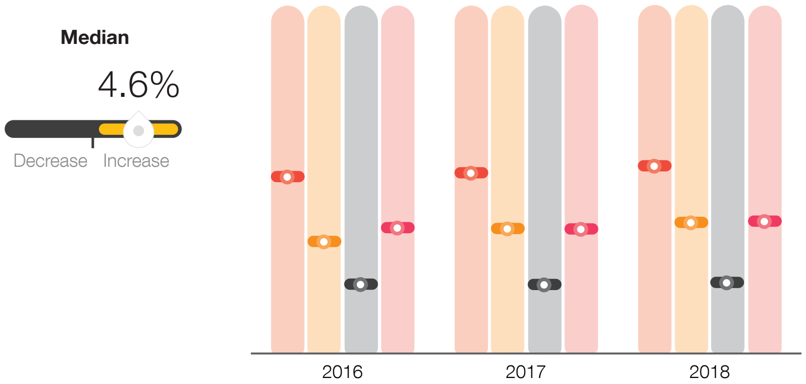
Figure 5: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 201	1 221	1 369
Median	1 056	1 090	1 146
Lower quartile	998	722	745
Average	1 085	1 004	1 088

Source: PwC analysis

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

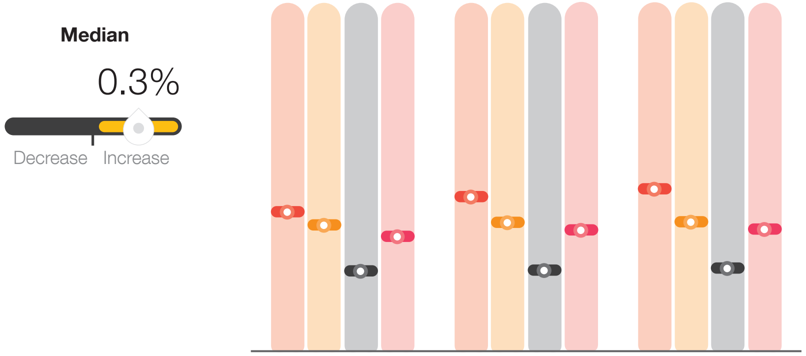


	2016	2017	2018
Upper quartile	1 472	1 501	1 556
Median	1 001	1 052	1 100
Lower quartile	603	601	616
Average	1 059	1 048	1 111

Source: PwC analysis

Basic materials

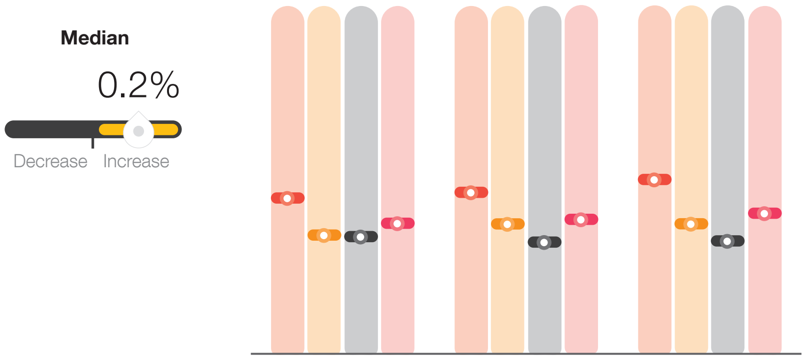
Figure 7: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 166	1 288	1 349
Median	1 060	1 082	1 085
Lower quartile	688	698	715
Average	971	1 023	1 025

Source: PwC analysis

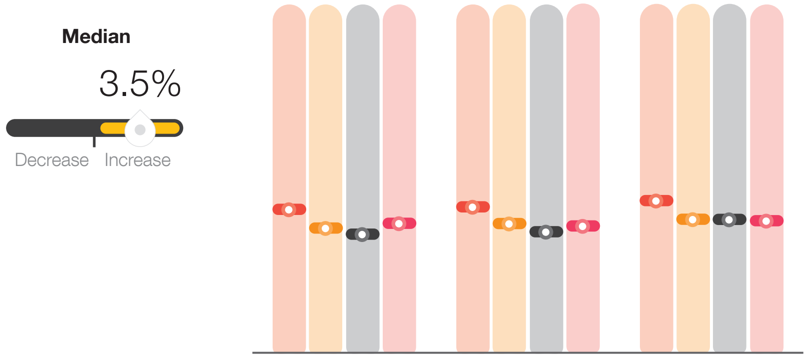
Figure 8: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 300	1 346	1 449
Median	1 001	1 090	1 093
Lower quartile	988	944	955
Average	1 096	1 127	1 177

Source: PwC analysis

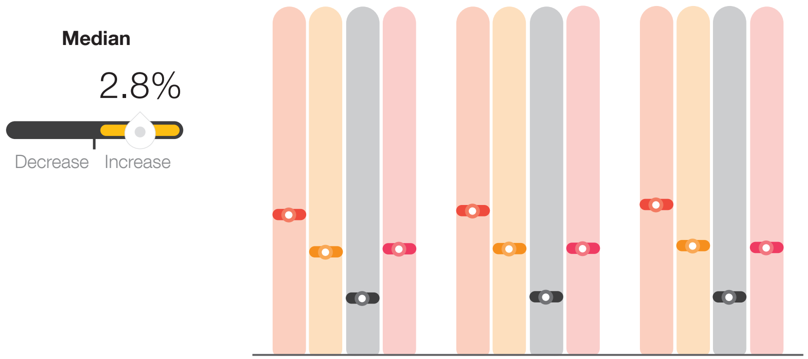
Figure 9: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 201	1 221	1 270
Median	1 050	1 082	1 120
Lower quartile	1 001	1 019	1 115
Average	1 085	1 065	1 105

Source: PwC analysis

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

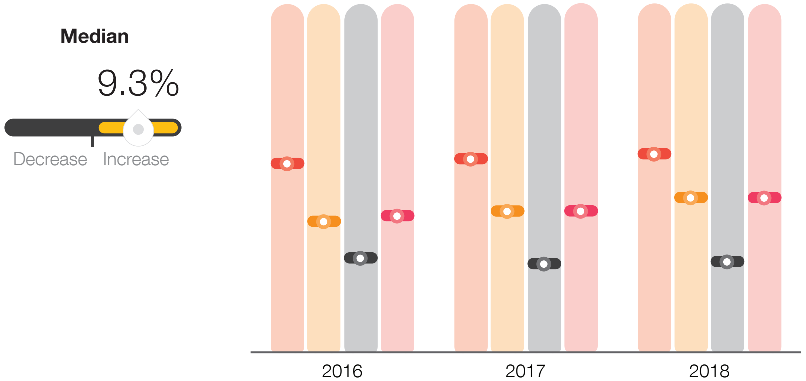


	2016	2017	2018
Upper quartile	1 172	1 206	1 256
Median	875	899	924
Lower quartile	503	513	514
Average	900	903	910

Source: PwC analysis

Consumer discretionary

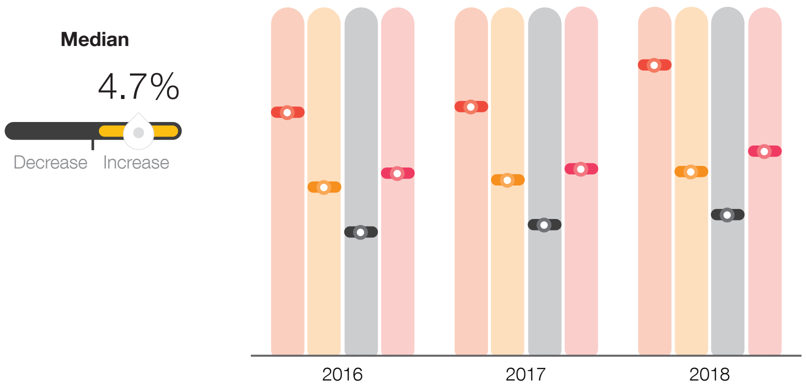
Figure 11: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 566	1 602	1 642
Median	1 098	1 182	1 292
Lower quartile	804	761	776
Average	1 143	1 182	1 290

Source: PwC analysis

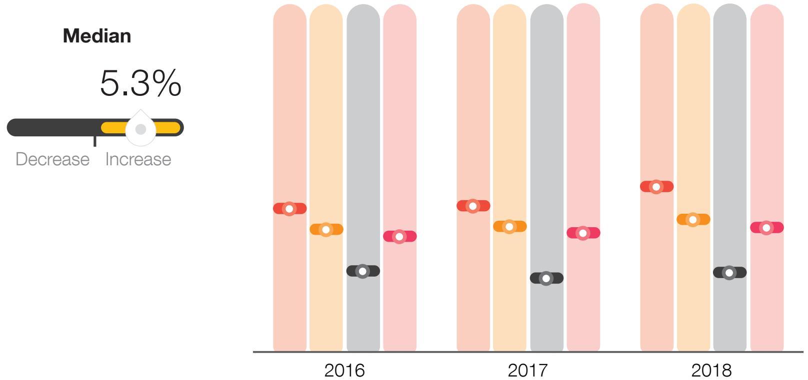
Figure 12: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	2 046	2 385
Median	1 400	1 459	1 528
Lower quartile	1 040	1 098	1 179
Average	1 514	1 549	1 689

Source: PwC analysis

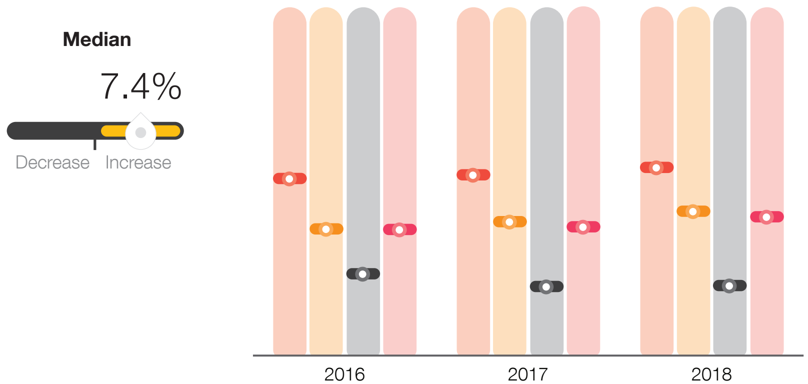
Figure 13: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 201	1 221	1 378
Median	1 032	1 056	1 112
Lower quartile	698	642	686
Average	977	1 004	1 047

Source: PwC analysis

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

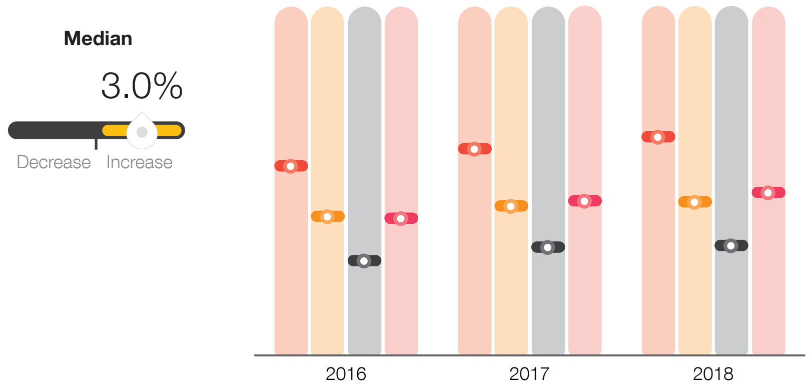


	2016	2017	2018
Upper quartile	1 472	1 501	1 559
Median	1 061	1 125	1 208
Lower quartile	703	601	610
Average	1 059	1 082	1 158

Source: PwC analysis

Consumer staples

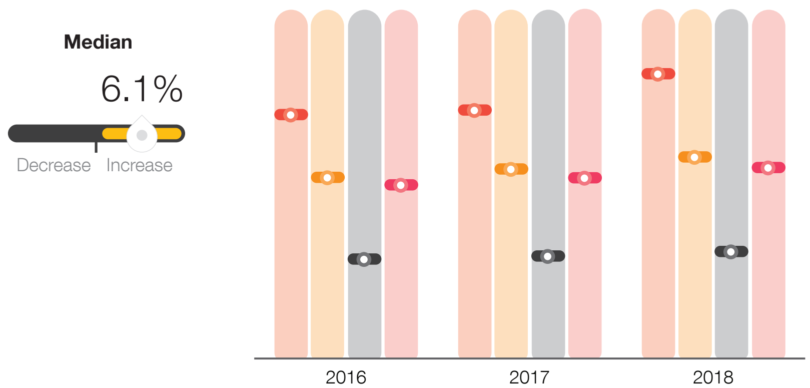
Figure 15: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 566	1 702	1 801
Median	1 160	1 242	1 279
Lower quartile	804	914	927
Average	1 143	1 286	1 351

Source: PwC analysis

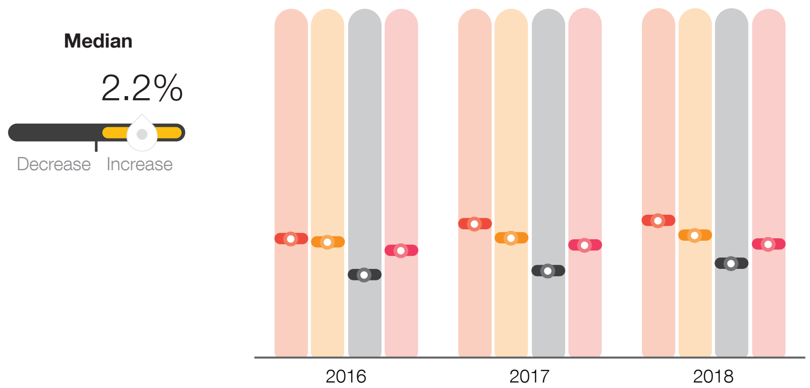
Figure 16: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	2 046	2 334
Median	1 498	1 569	1 665
Lower quartile	844	869	907
Average	1 448	1 495	1 577

Source: PwC analysis

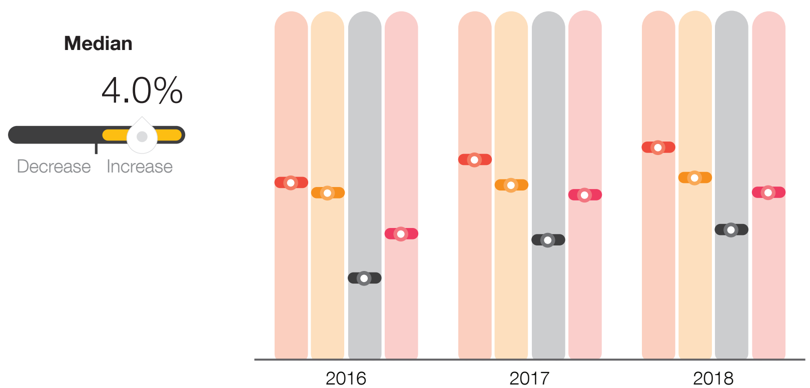
Figure 17: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 001	1 121	1 146
Median	975	1 006	1 028
Lower quartile	711	742	803
Average	906	950	957

Source: PwC analysis

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

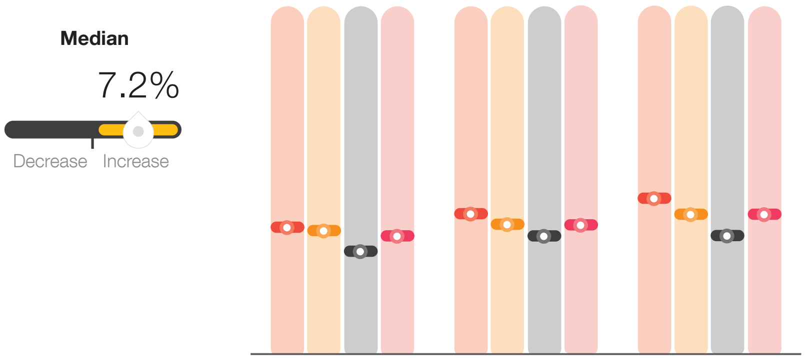


	2016	2017	2018
Upper quartile	1 472	1 654	1 754
Median	1 389	1 451	1 510
Lower quartile	703	1 008	1 093
Average	1 059	1 371	1 391

Source: PwC analysis

Energy

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

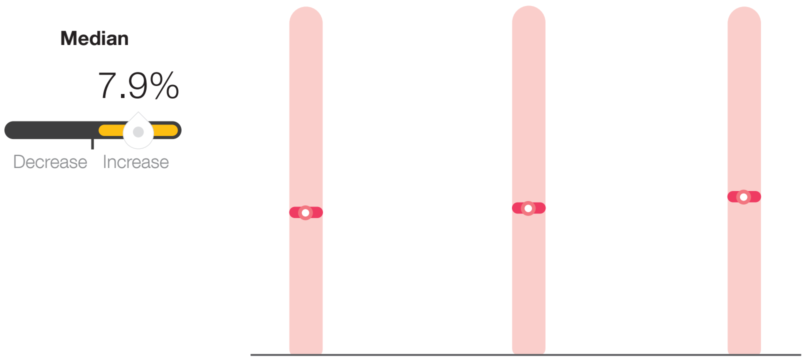


	2016	2017	2018
Upper quartile	1 067	1 178	1 298
Median	1 042	1 090	1 169
Lower quartile	876	997	1 002
Average	997	1 088	1 169

Source: PwC analysis

There was insufficient data available to calculate quartiles for energy CEOs; hence, only the average is shown in the graph below.

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

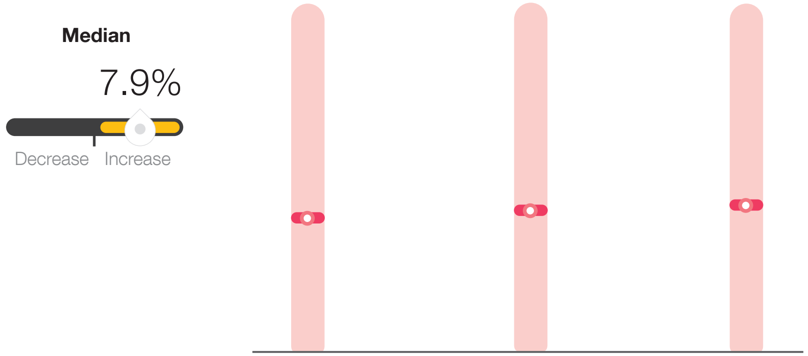


	2016	2017	2018
Average	1 188	1 229	1 326

Source: PwC analysis

There was insufficient data available to calculate quartiles for energy CFOs; hence, only the average is shown in the graph below.

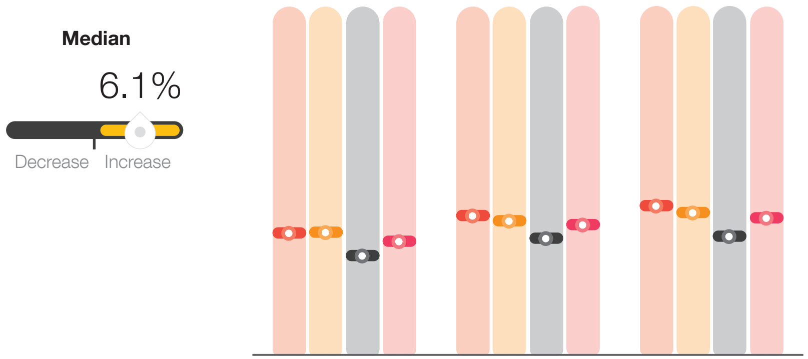
Figure 21: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Average	1 122	1 184	1 224

Source: PwC analysis

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

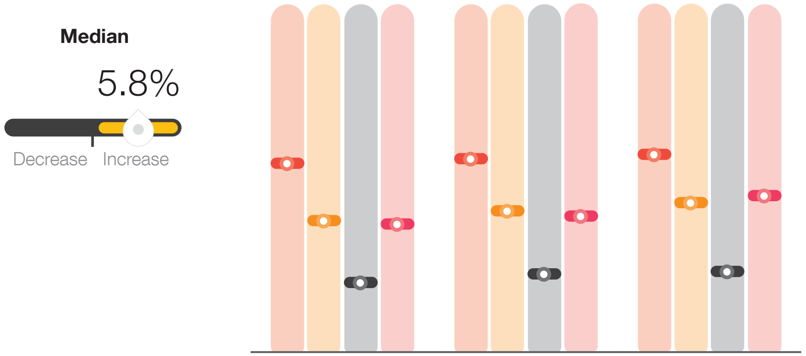


	2016	2017	2018
Upper quartile	1 029	1 166	1 244
Median	1 031	1 121	1 189
Lower quartile	842	984	1 002
Average	957	1 090	1 145

Source: PwC analysis

Financials

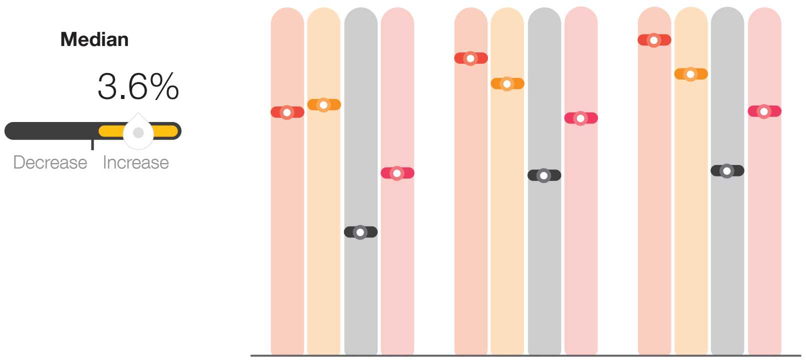
Figure 23: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 566	1 602	1 638
Median	1 101	1 182	1 251
Lower quartile	604	674	696
Average	1 077	1 141	1 304

Source: PwC analysis

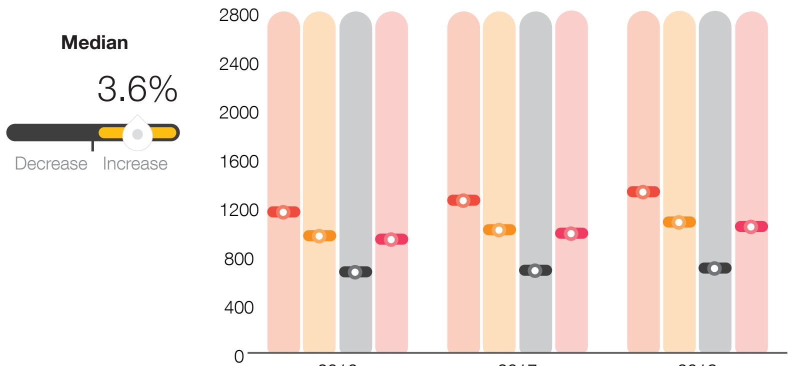
Figure 24: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	2 436	2 582
Median	2 066	2 233	2 314
Lower quartile	1 040	1 496	1 536
Average	1 514	1 955	2 012

Source: PwC analysis

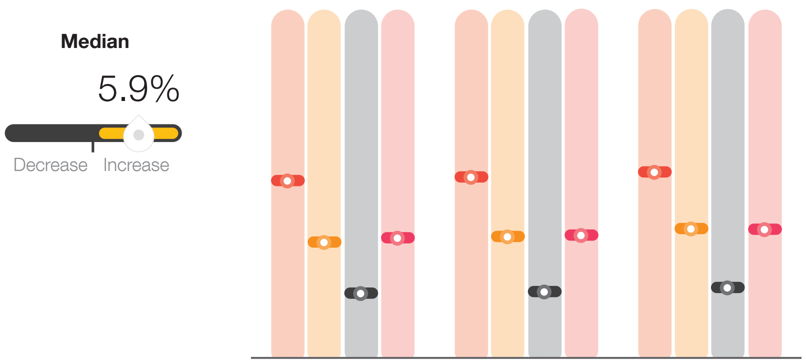
Figure 25: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 201	1 298	1 366
Median	1 009	1 056	1 116
Lower quartile	709	722	742
Average	979	1 025	1 083

Source: PwC analysis

Figure 26: ED: Base pay and stated benefits (US$'000s)

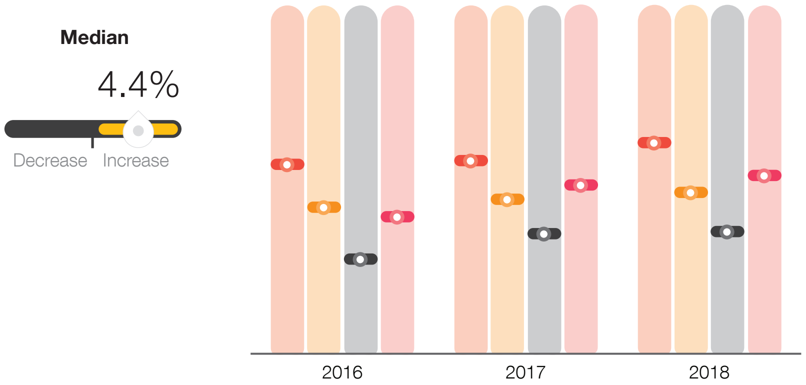


	2016	2017	2018
Upper quartile	1 472	1 501	1 539
Median	976	1 025	1 085
Lower quartile	566	579	615
Average	1 013	1 035	1 080

Source: PwC analysis

Healthcare

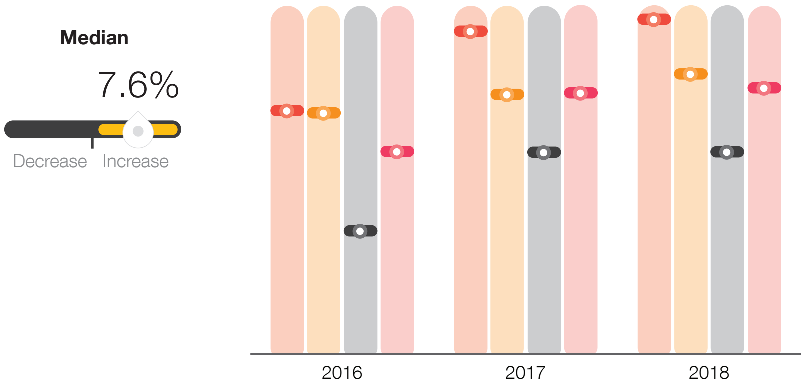
Figure 27: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 566	1 602	1 740
Median	1 223	1 286	1 343
Lower quartile	804	1 010	1 024
Average	1 143	1 399	1 477

Source: PwC analysis

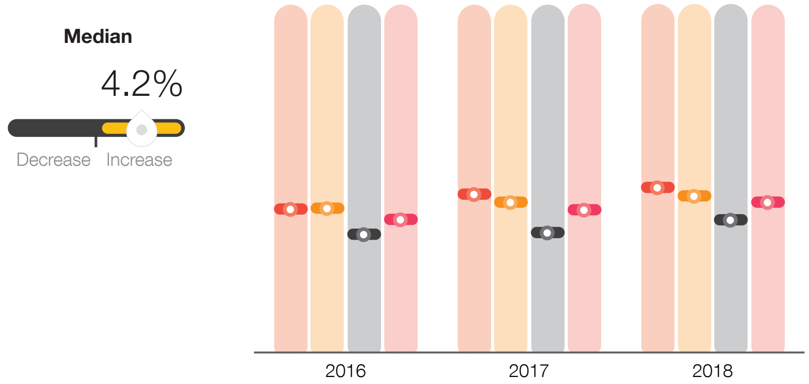
Figure 28: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	2 646	2 740
Median	1 989	2 134	2 297
Lower quartile	1 040	1 669	1 672
Average	1 677	2 150	2 185

Source: PwC analysis

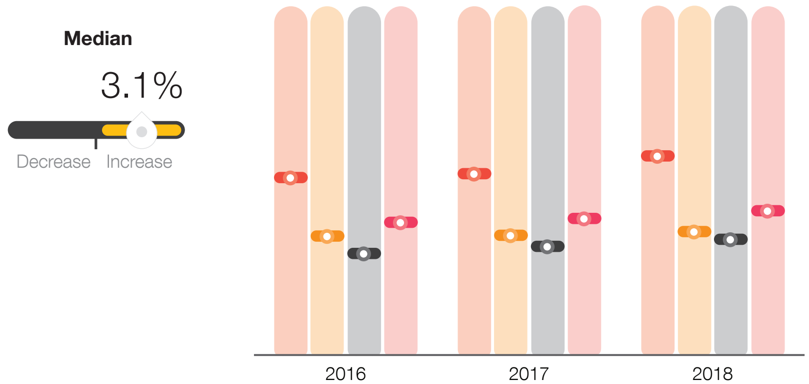
Figure 29: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 201	1 321	1 377
Median	1 207	1 256	1 309
Lower quartile	998	1 013	1 114
Average	1 118	1 197	1 257

Source: PwC analysis

Figure 30: ED: Base pay and stated benefits (US$'000s)

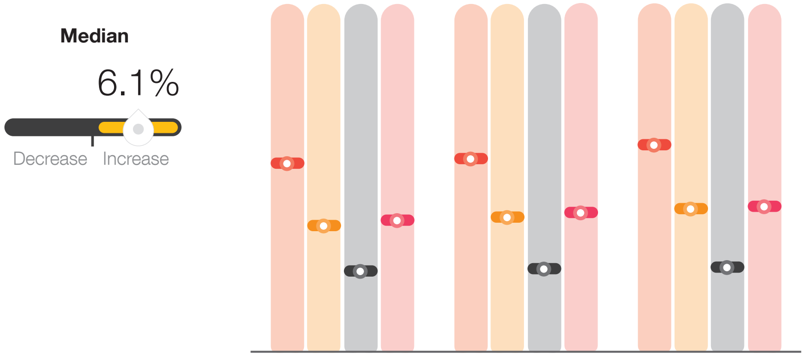


	2016	2017	2018
Upper quartile	1 472	1 501	1 648
Median	1 001	1 005	1 036
Lower quartile	863	919	973
Average	1 112	1 142	1 202

Source: PwC analysis

Industrials

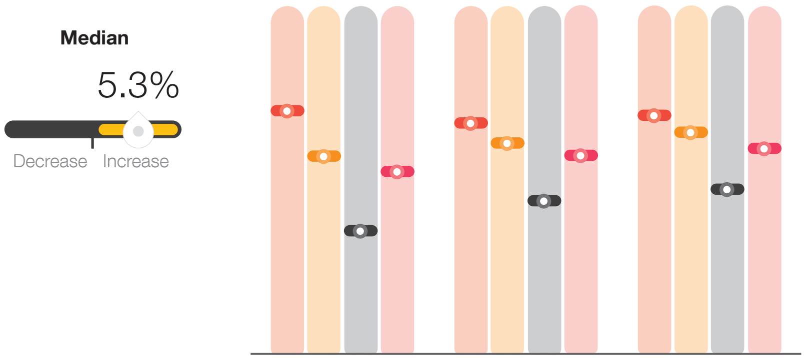
Figure 31: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 566	1 602	1 713
Median	1 060	1 129	1 198
Lower quartile	697	714	727
Average	1 108	1 166	1 218

Source: PwC analysis

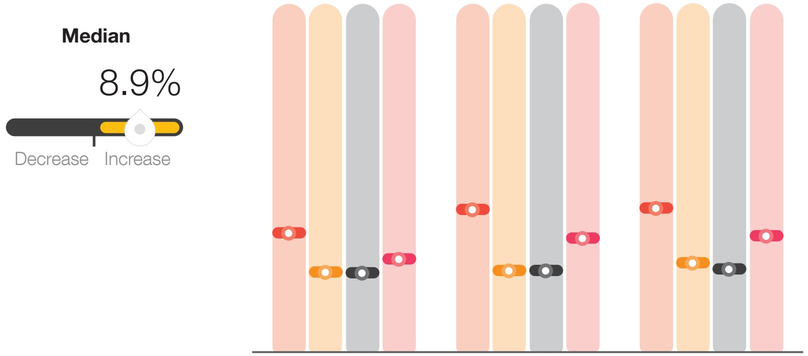
Figure 32: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	1 907	1 967
Median	1 639	1 742	1 834
Lower quartile	1 040	1 279	1 372
Average	1 514	1 643	1 700

Source: PwC analysis

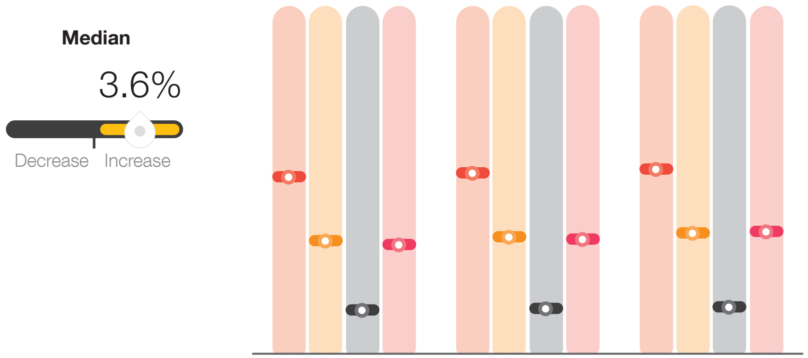
Figure 33: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 009	1 194	1 207
Median	688	702	765
Lower quartile	687	703	715
Average	795	966	980

Source: PwC analysis

Figure 34: ED: Base pay and stated benefits (US$'000s)

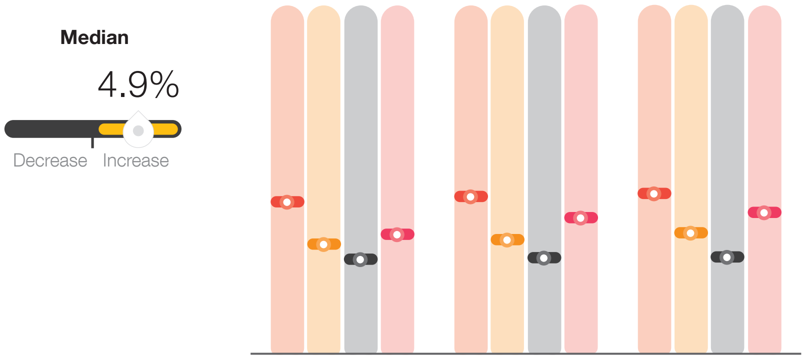


	2016	2017	2018
Upper quartile	1 472	1 501	1 533
Median	957	987	1 022
Lower quartile	400	413	424
Average	925	967	1 031

Source: PwC analysis

Real estate

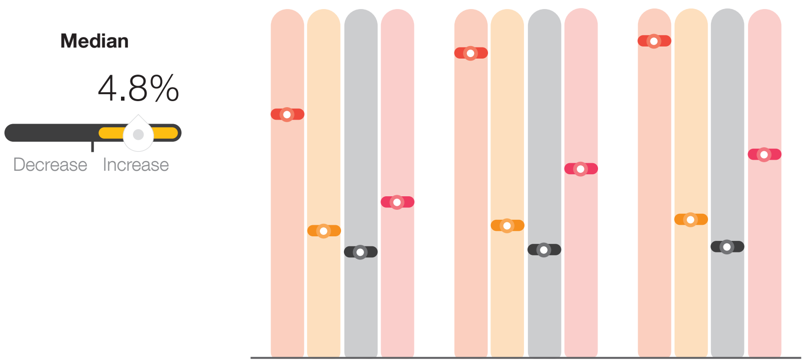
Figure 35: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 266	1 308	1 336
Median	927	967	1 015
Lower quartile	804	815	823
Average	1 006	1 137	1 181

Source: PwC analysis

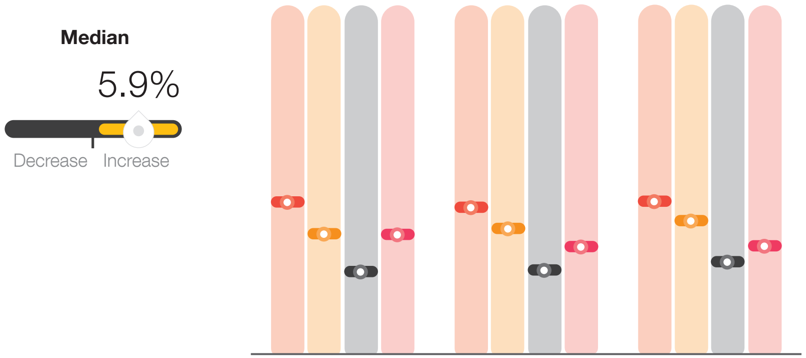
Figure 36: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 003	2 492	2 592
Median	1 067	1 106	1 159
Lower quartile	897	913	940
Average	1 300	1 566	1 681

Source: PwC analysis

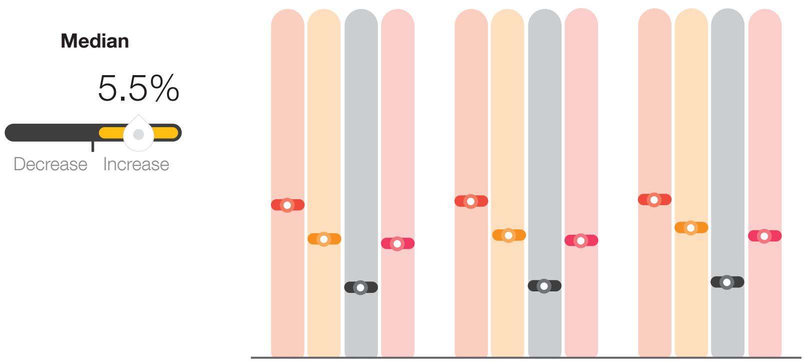
Figure 37: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 266	1 222	1 271
Median	1 012	1 052	1 114
Lower quartile	711	722	789
Average	1 003	909	915

Source: PwC analysis

Figure 38: ED: Base pay and stated benefits (US$'000s)

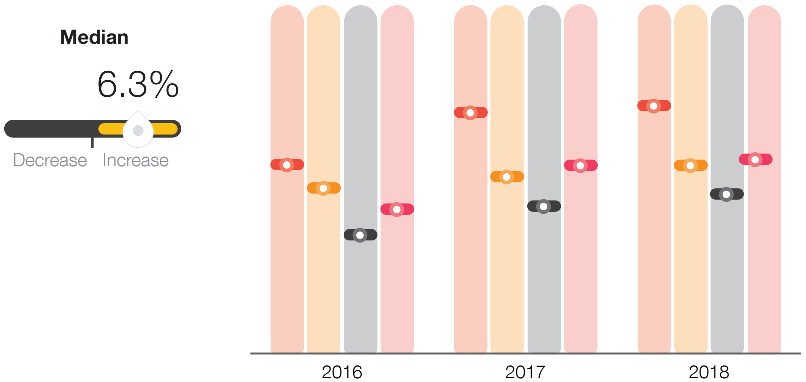


	2016	2017	2018
Upper quartile	1 272	1 301	1 313
Median	1 001	1 032	1 089
Lower quartile	609	623	653
Average	961	985	1 021

Source: PwC analysis

Technology

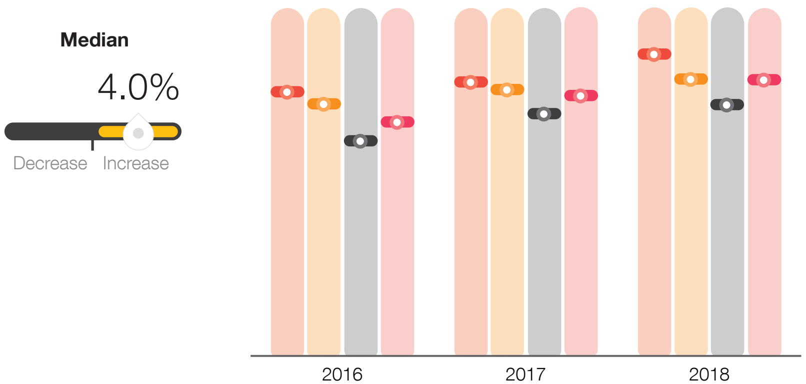
Figure 39: All positions: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 566	1 984	2 041
Median	1 377	1 468	1 561
Lower quartile	1 001	1 229	1 330
Average	1 209	1 560	1 608

Source: PwC analysis

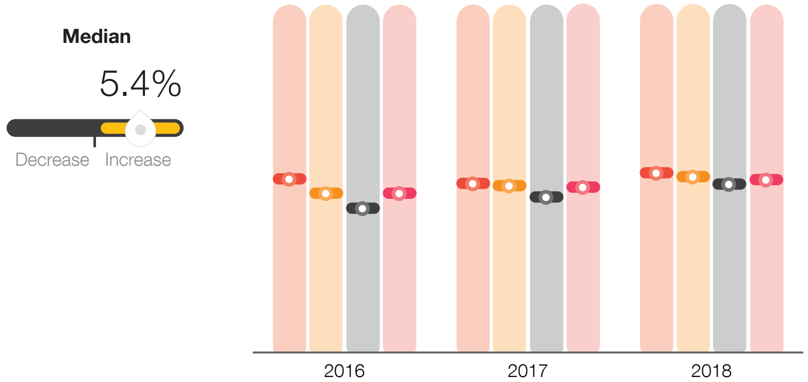
Figure 40: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	2 174	2 249	2 476
Median	2 074	2 188	2 276
Lower quartile	1 775	1 994	2 071
Average	1 927	2 144	2 271

Source: PwC analysis

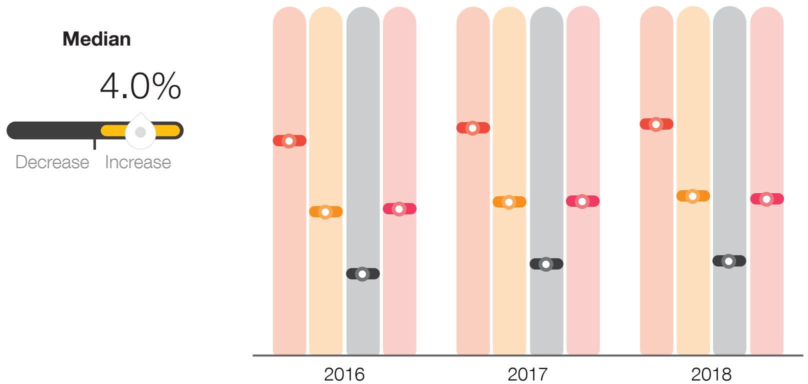
Figure 41: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 444	1 409	1 493
Median	1 329	1 388	1 462
Lower quartile	1 208	1 297	1 398
Average	1 327	1 375	1 440

Source: PwC analysis

Figure 42: ED: Base pay and stated benefits (US$'000s)

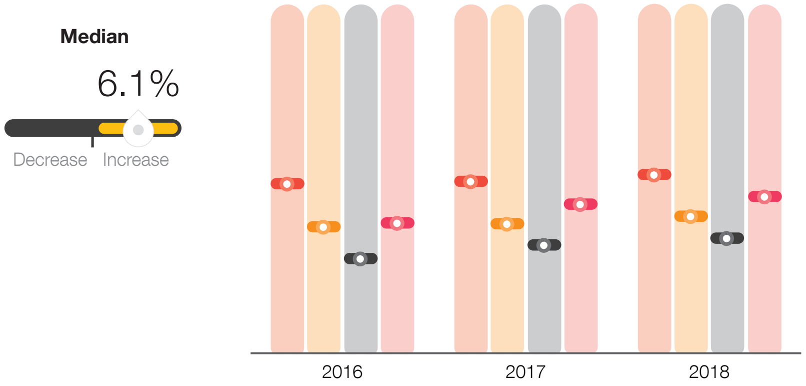


	2016	2017	2018
Upper quartile	1 772	1 877	1 906
Median	1 203	1 278	1 329
Lower quartile	703	779	807
Average	1 226	1 287	1 302

Source: PwC analysis

Telecommunications

Figure 43: All positions: Base pay and stated benefits (US$'000s)

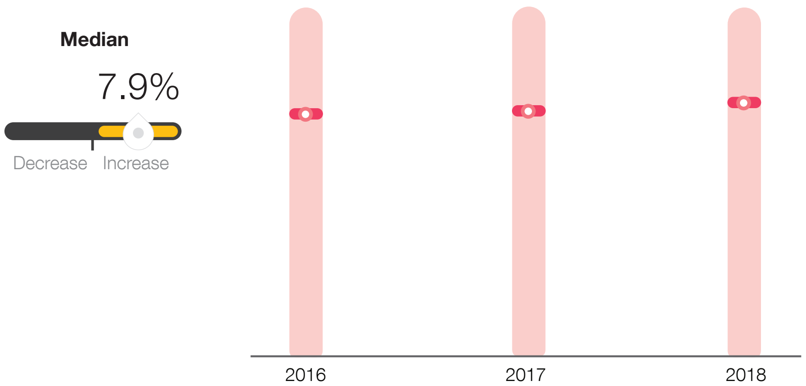


	2016	2017	2018
Upper quartile	1 406	1 427	1 480
Median	1 060	1 082	1 148
Lower quartile	804	914	968
Average	1 090	1 241	1 302

Source: PwC analysis)

There was insufficient data available to calculate quartiles for telecommunications CEOs; hence, only the average is shown in the graph below.

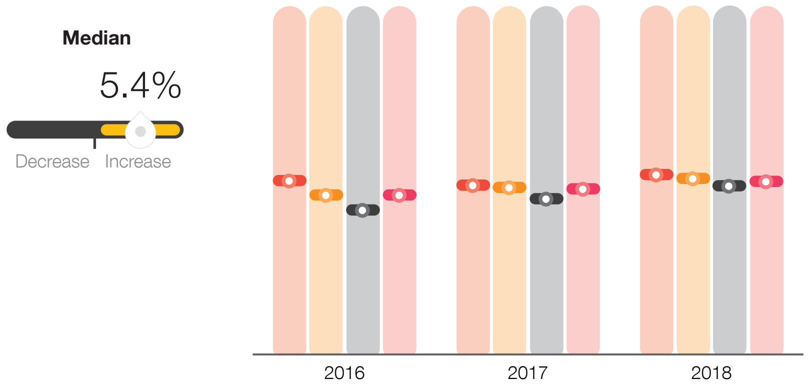
Figure 44: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Average	1 991	2 017	2 083

Source: PwC analysis

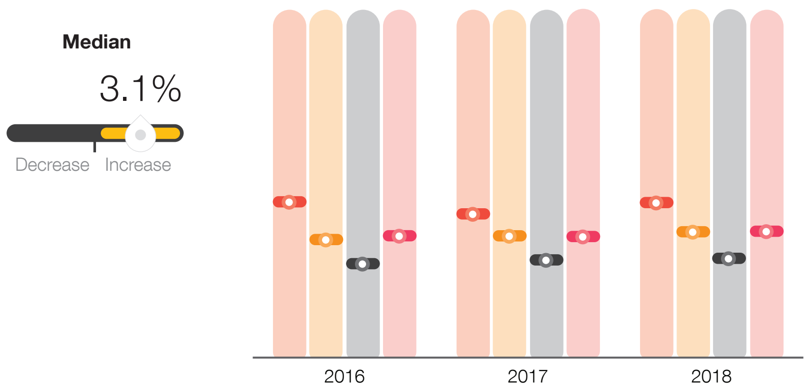
Figure 45: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 444	1 409	1 493
Median	1 329	1 388	1 462
Lower quartile	1 208	1 297	1 398
Average	1 327	1 375	1 440

Source: PwC analysis

Figure 46: ED: Base pay and stated benefits (US$'000s)

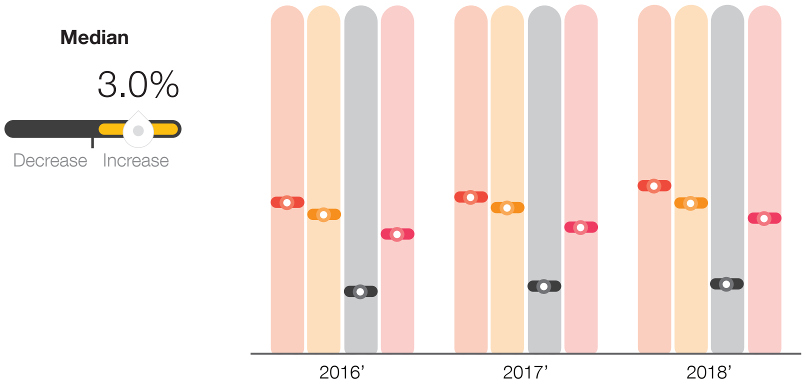


	2016	2017	2018
Upper quartile	1 299	1 204	1 291
Median	1 001	1 025	1 057
Lower quartile	803	833	846
Average	1 024	1 021	1 060

Source: PwC analysis

Utilities

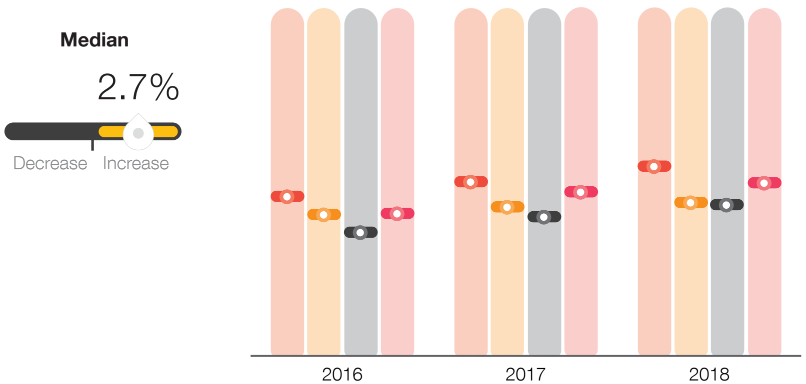
Figure 47: All positions: Base pay and stated benefits (US$'000s)



	2016'	2017'	2018'
Upper quartile	1 266	1 304	1 398
Median	1 165	1 221	1 257
Lower quartile	549	588	605
Average	1 005	1 062	1 135

Source: PwC analysis

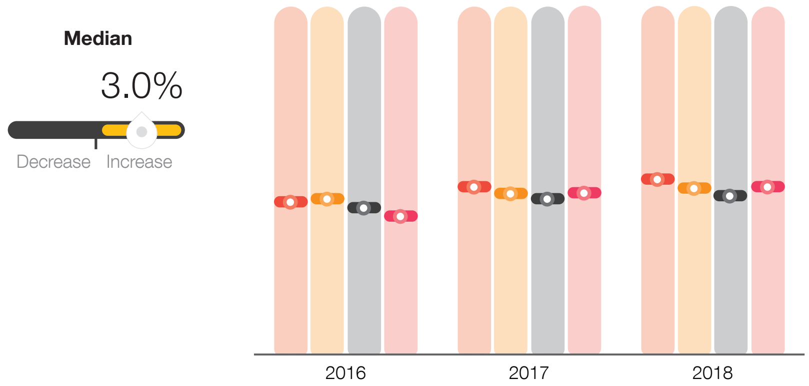
Figure 48: CEO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 329	1 446	1 574
Median	1 187	1 245	1 279
Lower quartile	1 040	1 163	1 263
Average	1 189	1 366	1 442

Source: PwC analysis

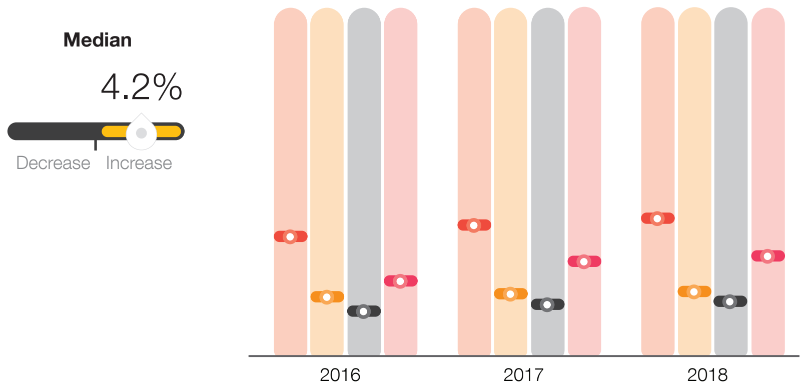
Figure 49: CFO: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 275	1 398	1 458
Median	1 298	1 344	1 384
Lower quartile	1 229	1 302	1 322
Average	1 162	1 348	1 397

Source: PwC analysis

Figure 50: ED: Base pay and stated benefits (US$'000s)



	2016	2017	2018
Upper quartile	1 009	1 103	1 156
Median	524	544	567
Lower quartile	408	461	488
Average	647	803	849

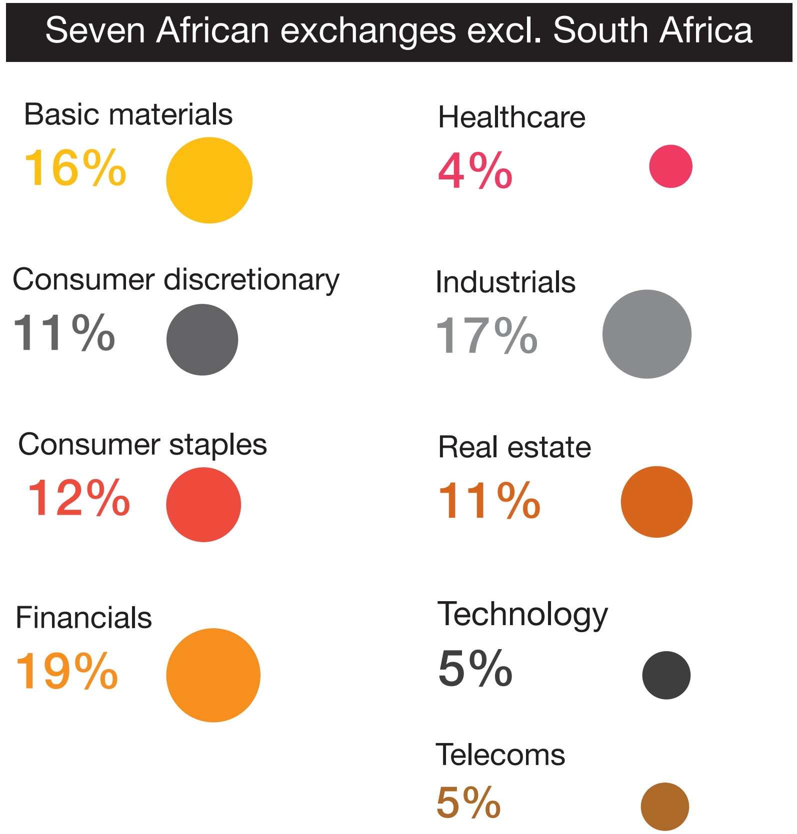
Source: PwC analysis

13 Remuneration trends in other sub-Saharan African countries

In this section we analyse remuneration trends among 412 companies listed on seven sub-Saharan stock exchanges.

Sub-Saharan stock exchanges analysed

Sectoral breakdown of companies analysed



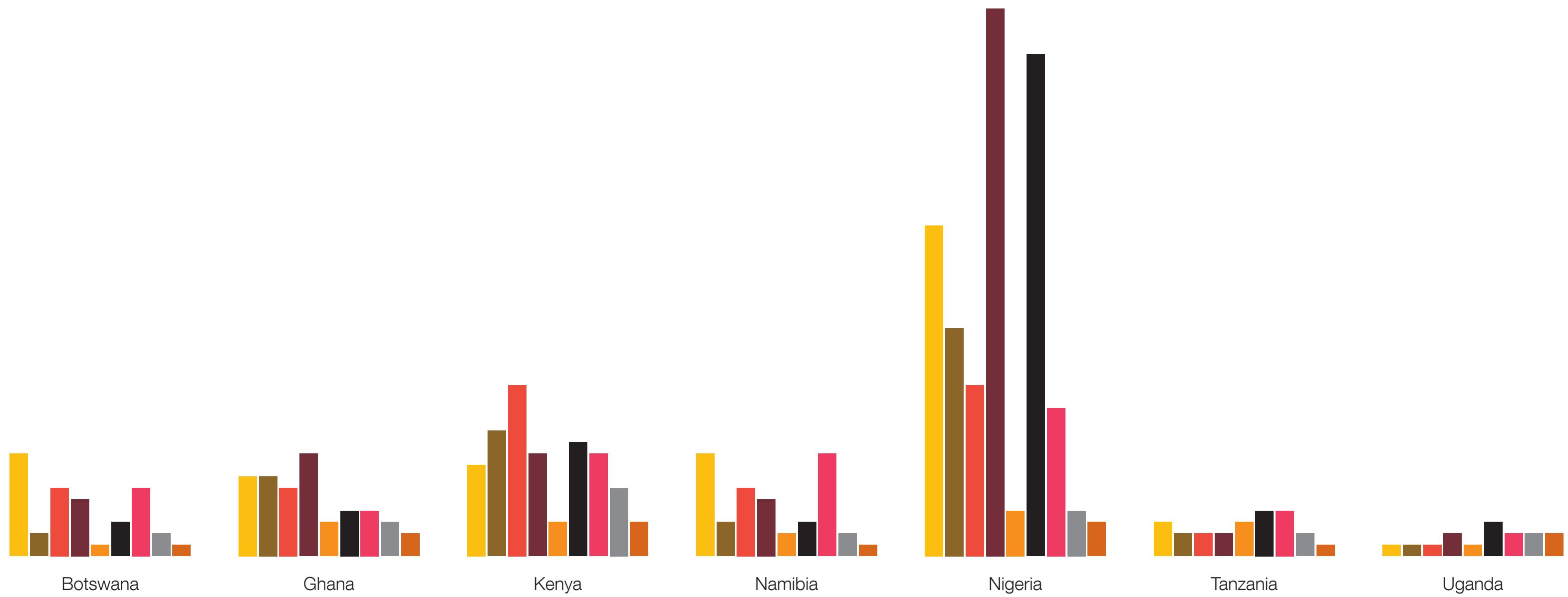
Remuneration

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

The trends are presented for CEOs, CFOs and EDs across 11 industry sectors. Sectoral analysis by country is not yet possible given the lack of information and small number of listed entities

Values have been converted into US dollars, using the SA Reserve Bank closing dollar spot rate at midnight on 30 April 2019.

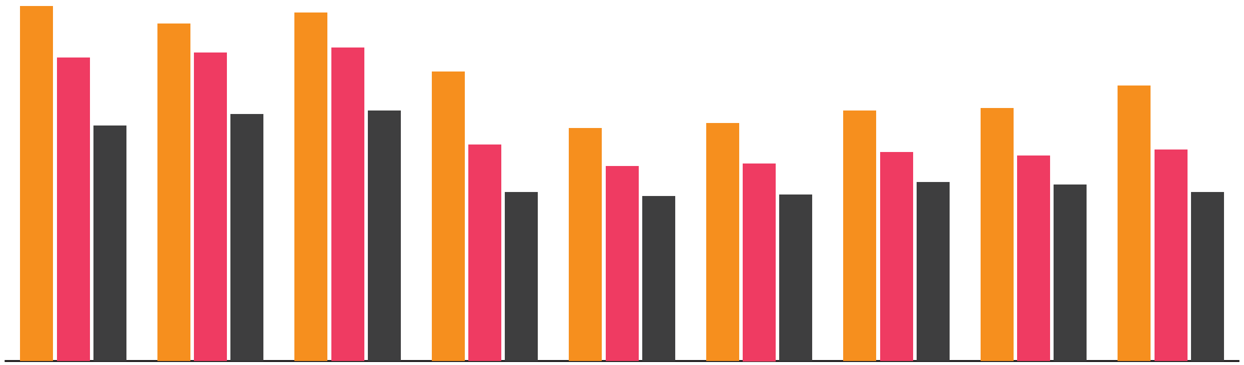
Figure 1: Selected stock exchanges: Companies listed by industry sector



	Botswana	Ghana	Kenya	Namibia	Nigeria	Tanzania	Uganda
Basic materials	9	7	8	9	29	3	1
Consumer discretionary	2	7	11	3	20	2	1
Consumer staples	6	6	15	6	15	2	1
Financials	5	9	9	5	48	2	2
Healthcare	1	3	3	2	4	3	1
Industrials	3	4	10	3	44	4	3
Real Estate	6	4	9	9	13	4	2
Technology	2	3	6	2	4	2	2
Telecommunications	1	2	3	1	3	1	2

Source: PwC analysis

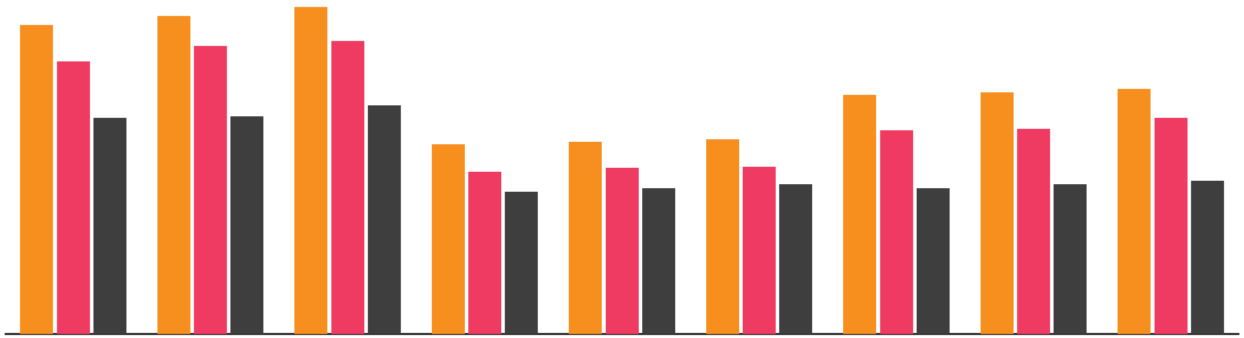
Figure 2: TGP of executive directors: Selected African stock exchanges (USD’000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	282	268	277	230	185	189	199	201	219
Median	241	245	249	172	155	157	166	163	168
Lower quartile	187	196	199	134	131	132	142	140	134

Source: PwC analysis

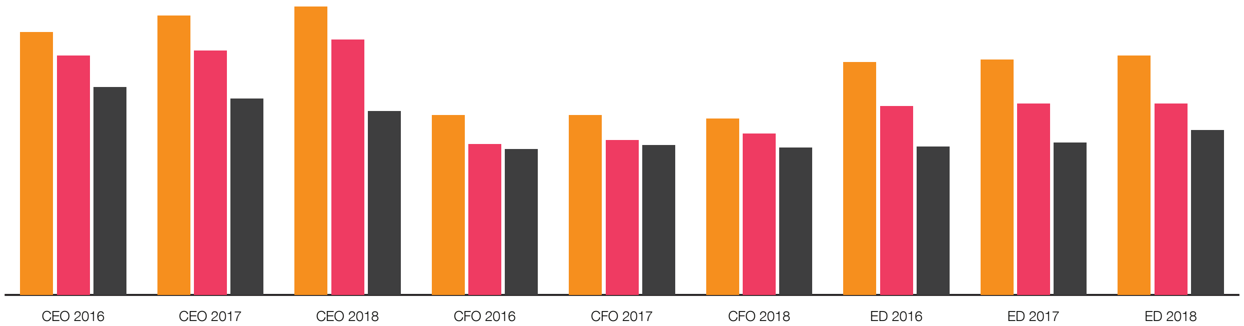
Figure 3: Botswana: TGP (USD’000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	246	253	260	151	153	155	190	192	195
Median	217	229	233	129	132	133	162	163	172
Lower quartile	172	173	182	113	116	119	116	119	122

Base: 35 companies listed on Botswana stock exchange

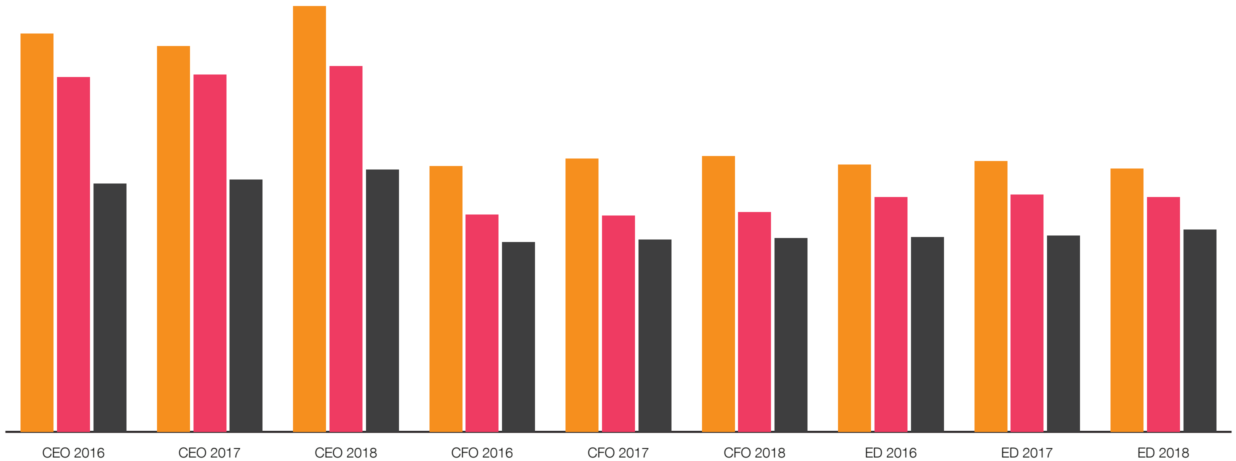
Figure 4: Ghana: TGP (USD'000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	209	222	229	143	143	140	185	187	190
Median	190	194	203	120	123	128	150	152	152
Lower quartile	165	156	146	116	119	117	118	121	131

Base: 45 companies listed on Ghana stock exchange

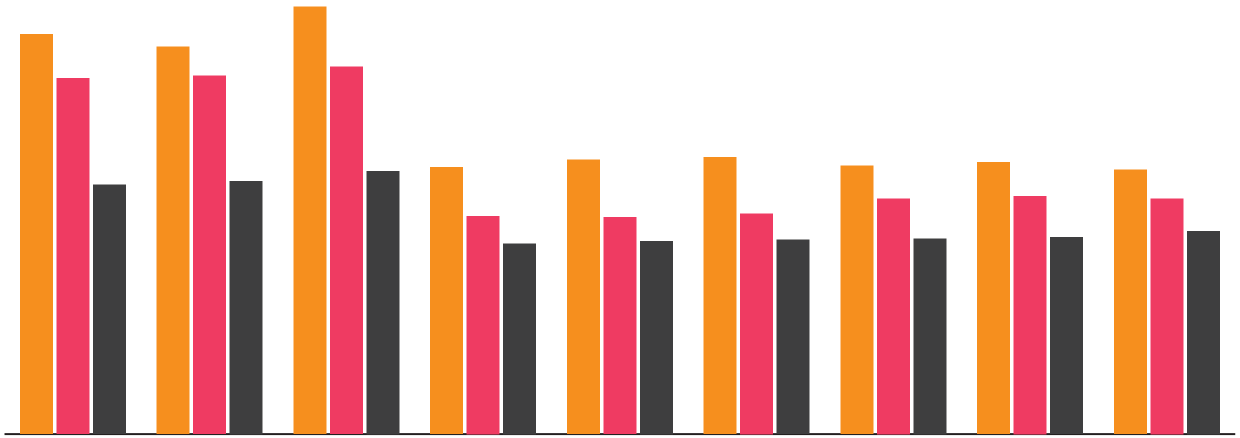
Figure 5: Kenya: TGP (USD'000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	319	309	341	213	219	221	214	217	211
Median	284	286	293	174	173	176	188	190	188
Lower quartile	199	202	210	152	154	155	156	157	162

Base: 74 companies listed on Kenya stock exchange

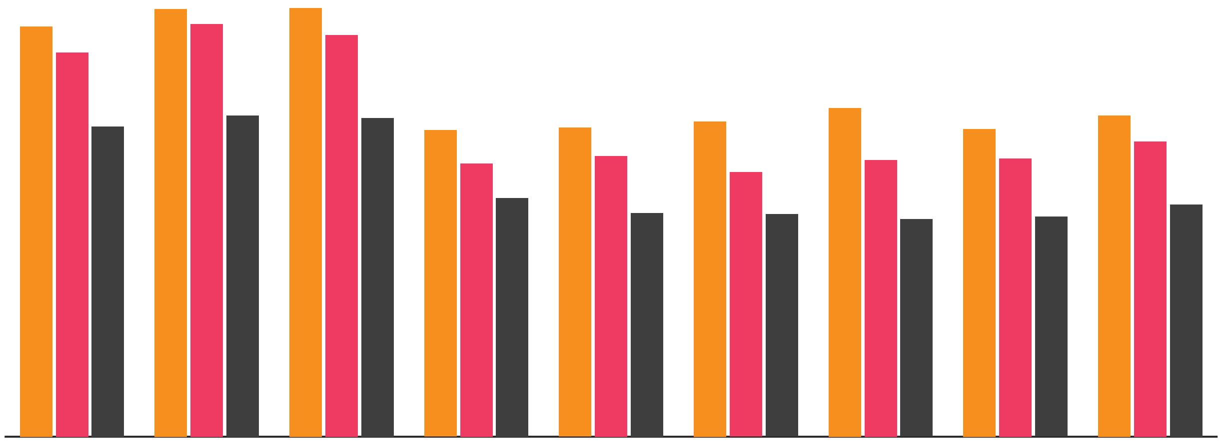
Figure 6: Namibia: TGP (USD'000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	319	309	341	213	219	221	214	217	211
Median	284	286	293	174	173	176	188	190	188
Lower quartile	199	202	210	152	154	155	156	157	162

Base: 40 companies listed on Namibia stock exchange

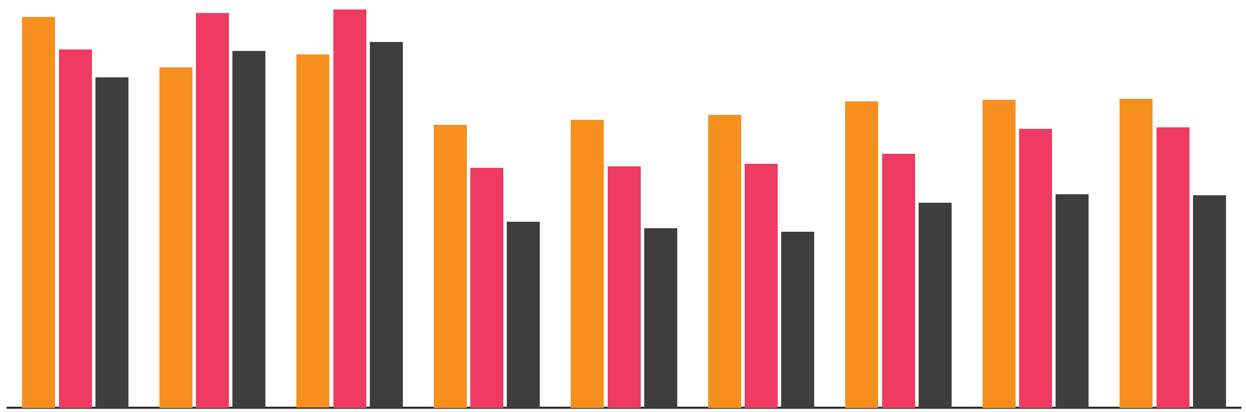
Figure 7: Nigeria: TGP (USD'000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	332	346	347	248	250	255	266	249	260
Median	311	334	325	221	227	214	224	225	239
Lower quartile	251	260	258	193	181	180	176	178	188

Base: 180 companies listed on Nigeria stock exchange

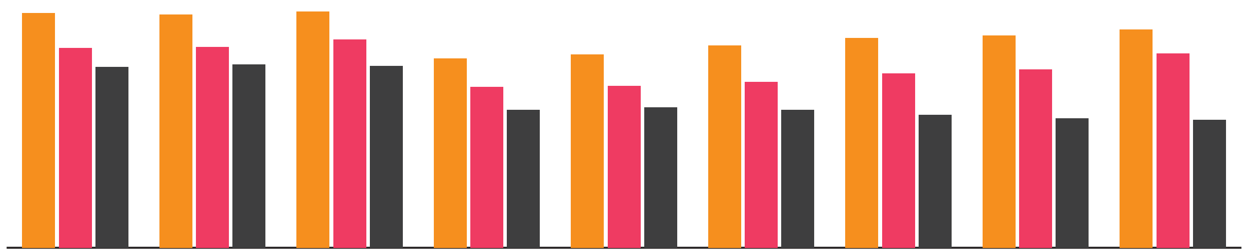
Figure 8: Tanzania: TGP (USD’000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	311	271	281	225	229	233	244	245	246
Median	285	314	317	191	192	194	202	222	223
Lower quartile	263	284	291	148	143	140	163	170	169

Base: 23 companies listed on Tanzania stock exchange

Figure 9: Uganda: TGP (USD’000s)



	CEO 2016	CEO 2017	CEO 2018	CFO 2016	CFO 2017	CFO 2018	ED 2016	ED 2017	ED 2018
Upper quartile	187	186	188	151	154	161	167	169	174
Median	159	160	166	128	129	132	139	142	155
Lower quartile	144	146	145	110	112	110	106	103	102

Base: 15 companies listed on Uganda stock exchange

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Our historical roots go back over 150 years. We're a global organisation committed to helping our clients meet the challenges posed by the global economy – yet we work locally, bringing appropriate local knowledge and experience to bear – and using the depth of our resources to provide a professional service, specifically tailored to meet our clients' needs.

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- Dave Yzelle – Independent project researcher

Contacts

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

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

Emma Robinson
+27 21 529 2073
emma.robinson.za@pwc.com

Anelisa Keke
+27 21 529 2450
anelisa.keke@pwc.com

Leila Ebrahimi
+27 11 797 0887
leila.ebrahimi@pwc.com

Andreas Horak
+27 11 797 5683
horak.andreas@pwc.com

For media enquiries, please contact:
Sonja Nel
+27 11 797 4207
sonja.nel@pwc.com

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