INSTITUTE OF
DIRECTORS
SOUTH AFRICA

# NON-EXECUTIVE DIRECTORS' FEES GUIDE

## 9TH EDITION

# Table of contents



***Disclaimer***

*The information contained in this fees guide is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although every endeavour is made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The information contained in this fees guide is merely a guideline for information purposes only, and as such no action should be taken without first obtaining appropriate professional advice. The IoDSA shall not be liable for any loss or damage whether direct, indirect, and consequential or otherwise which may be suffered, arising from any cause in connection with anything done or not done pursuant to the information presented herein. All copyright in this paper subsists with the IoDSA, and extracts of this paper may only be reproduced with acknowledgement to the Institute of Directors in South Africa.*

# 1. INTRODUCTION

Non-executive directors (NEDs) are responsible for making critical strategic decisions and for overseeing the management of a company without the benefit of observing the business on a full-time basis. They also carry significant potential risks and liability. This requires particular skills, knowledge, experience and business judgement, for which they need to be fairly remunerated. However, determining fair remuneration is complicated due to the following:

- non-executive directors' contributions are made in many different ways, requiring different time commitments;
- there is no consistency in the prescribed number and duration of standing meetings per annum; and
- there is no uniform method of remunerating NEDs.

The information contained in this guide was derived from a desktop review of publicly available data extracted from 213 Johannesburg Stock Exchange (JSE) listed companies, including companies listed on the Alternative Exchange (Altx).

The purpose of this guide is to provide high-level insights for boards, and specifically remuneration committees, around:

- the various NED fee structures being utilised; and
- the average annual fees for board and committee members.

# 2. HOW TO USE THE GUIDE

There is no one-size fits all solution to determining what you should pay your NED. Many factors will need to be considered when determining what would be fair remuneration in the specific circumstances, such as:

- the size of the organisation;
- the industry and complexity of the business;
- the number of meetings the NED is expected to attend;
- the time commitment required of the NED; and
- the level of experience, skill and knowledge the NED brings to the board.

The average annual fees displayed below are not recommended rates by the IoDSA and are intended as a guide only. Each company will need to determine what remuneration will be reasonable in light of the above factors. A remuneration specialist should be engaged for more accurate company specific NED benchmarking.

## 2.1 CATEGORISATION OF COMPANIES

For purposes of the research conducted, the JSE listed companies were divided into three size categories based on market capitalisation as at 31 January 2022. JSE Altx companies are displayed separately to represent small to medium companies (SMEs). The research was based on the most recent AGM notices and/or year-end reports from June 2021 to June 2022.

| Level | Number of companies | Market Cap | |
|---|---|---|---|
| | | Minimum | Maximum |
| **Large** | 77 (out of 100) | R 10 000 000 000 | Unlimited |
| **Medium** | 74 (out of 103) | R 1 000 000 000 | R 9 999 999 999 |
| **Small** | 48 (out of 84) | R 0 | R 999 999 999 |
| **Altx** | 14 (out of 34) | N/A | N/A |

## 2.2 HOW TO READ THE FEE TABLES

Each fee table is broken down based on the above 4 levels/categories of companies.

**Step 1:** Based on your organisation's market capitalisation, identify under which level your company falls under.

Each section provides you with the fees for the Chair, the Lead Independent Director (LID) and Ordinary Member, listed from lowest to highest fees paid in that category.

**Step 2:** Look at the fee tables prescribed for that company level and thereafter the applicable position.

The tables show, in addition to the lowest and highest fees, paid:

- 25th percentile: this means 25% of the group earns that annual fee or less
- 50th percentile: this means 50% of the group earns that annual fee or less
- Average: this is the average annual fees paid in that category
- 75th percentile: this means 75% of the group earns that annual fee or less

# 3. FEE STRUCTURES

From the 213 companies reviewed, the following types of fee structures were used to remunerate NEDS:

| Level | Sample size | Annual retainer | Fees per meeting | Combination | Share based fees |
|---|---|---|---|---|---|
| Large | 77 | 81% | 0% | 19% | 0% |
| Medium | 74 | 73% | 1% | 26% | 0% |
| Small | 48 | 58% | 6% | 35% | 0% |
| Altx | 14 | 64% | 7% | 29% | 0% |

As can be seen from the table, the majority of companies prefer to pay an annual retainer, and this has remained constant between the 2020/2021 to 2021/2022 period.

Notwithstanding the fee structure used, our observation from research indicates that it is common practice for companies to pay additional fees for travel and other disbursements as well as *ad hoc* meeting fees, with a preference for a fee per meeting, where relevant.

# 4. ANNUAL FEES

## 4.1 BOARD

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 338 569 | R 1 546 875 | R 2 216 750 | R 3 694 537 | R 5 025 750 | R 18 940 500 |
| Lead Independent | R 157 500 | R 627 449 | R 857 500 | R 1 246 409 | R 1 477 398 | R 3 718 000 |
| Member | R 293 510 | R 423 073 | R 493 500 | R 799 596 | R 1 048 840 | R 3 318 000 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 192 000 | R 596 700 | R 898 640 | R 1 184 110 | R 1 213 930 | R 12 606 250* |
| Lead Independent | R 202 730 | R 395 525 | R 509 888 | R 641 603 | R 818 493 | R 2 017 000 |
| Member | R 116 529 | R 263 614 | R 318 010 | R 377 215 | R 369 058 | R 1 613 600 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 99 840 | R 332 204 | R 455 000 | R 505 187 | R 654 509 | R 1 300 000 |
| Lead Independent | R 176 000 | R 344 029 | R 373 104 | R 397 137 | R 427 766 | R 698 000 |
| Member | R 64 000 | R 157 494 | R 238 000 | R 238 086 | R 302 375 | R 451 000 |

| Altx | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 133 098 | R 271 000 | R 384 736 | R 454 522 | R 494 993 | R 1 200 000 |
| Member | R 60 000 | R 125 718 | R 176 398 | R 190 150 | R 202 126 | R 450 000 |

Note: 47% of the overall sample of 213 companies have appointed a LID. King IV recommends the appointment of a LID, as a good governance practice. To understand more about the role of the LID, please read the King IV Practice Note on The role of the Chair and Lead Independent.
There was no data available on the LID fees for an Altx company.

Furthermore, a majority of the companies pay an *ad hoc* per meeting rate for NED participation in extraordinary meetings or additional meetings above the annual requirement.

## 4.2 AUDIT COMMITTEE

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 105 000 | R 328 244 | R 400 000 | R 471 517 | R 532 680 | R 1 560 582 |
| Member | R 63 000 | R 171 098 | R 210 353 | R 237 234 | R 272 456 | R 624 229 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 24 000 | R 170 673 | R 226 500 | R 260 566 | R 310 000 | R 907 650 |
| Member | R 18 000 | R 92 670 | R 136 400 | R 138 268 | R 162 615 | R 403 400 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 22 500 | R 84 342 | R 137 000 | R 175 630 | R 224 000 | R 469 500 |
| Member | R 1 000 | R 52 776 | R 65 520 | R 89 599 | R 102 000 | R 302 840 |

| Altx | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 26 127 | R 54 175 | R 67 889 | R 110 955 | R 132 898 | R 336 000 |
| Member | R 17 364 | R 36 531 | R 40 497 | R 44 945 | R 47 982 | R 82 292 |

Note: 52% of the total sample of companies have a standalone Audit Committee, while 40% have a combined Audit and Risk Committee, and 8% have a combined variation of a committee incorporating the audit function.

## 4.3 SOCIAL AND ETHICS COMMITTEE

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 26 250 | R 192 271 | R 245 167 | R 273 513 | R 324 875 | R 811 213 |
| Member | R 15 750 | R 112 598 | R 137 536 | R 145 739 | R 157 500 | R 452 925 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 16 000 | R 90 246 | R 131 286 | R 138 780 | R 181 900 | R 289 300 |
| Member | R 12 000 | R 60 000 | R 73 510 | R 80 256 | R 99 419 | R 228 100 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 15 000 | R 46 187 | R 82 211 | R 99 646 | R 111 349 | R 469 500 |
| Member | R 7 500 | R 29 116 | R 43 686 | R 57 531 | R 71 953 | R 302 535 |

| Altx | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 17 418 | R 33 877 | R 43 293 | R 82 613 | R 60 519 | R 300 000 |
| Member | R 11 576 | R 20 602 | R 23 057 | R 26 594 | R 27 239 | R 57 152 |

Note: 49% of the total sample of companies have a standalone Social and Ethics Committee, while 16 % have a Social, Ethics and Transformation Committee. 16% have a combined variation of the Social and Ethics Committee incorporating other focus areas including sustainability, HR, remuneration and/or governance. 19% do not have a Social and Ethics Committee or variation therefore with such a name, the mandate may be dealt with by another committee.

## 4.4 NOMINATION COMMITTEE

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 26 250 | R 182 563 | R 252 440 | R 266 260 | R 300 638 | R 741 150 |
| Member | R 15 750 | R 101 087 | R 126 000 | R 142 129 | R 162 350 | R 452 925 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 9 000 | R 65 965 | R 108 726 | R 112 189 | R 162 215 | R 220 500 |
| Member | R 9 000 | R 50 000 | R 79 560 | R 72 756 | R 93 819 | R 151 497 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 35 176 | R 60 585 | R 73 790 | R 88 145 | R 101 213 | R 192 000 |
| Member | R 1 000 | R 30 083 | R 38 085 | R 51 596 | R 69 810 | R 126 000 |

| Altx | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 17 418 | R 19 189 | R 20 959 | R 82 126 | R 114 480 | R 208 000 |
| Member | R 11 056 | R 11 316 | R 11 576 | R 14 530 | R 16 268 | R 20 959 |

Note: 30% of the total sample of companies have a standalone Nomination Committee, and 17% have a combined Nomination and Remuneration Committee. 6% have a combined variation of a Nomination Committee incorporating aspects of governance and social and ethics. 47% of the total sample do not have a Nomination Committee and the functions may have been included elsewhere in another committee/by the board. The number of Altx Companies that have a Nomination Committee has increased from one to four since the last report in 2021.

## 4.5 REMUNERATION COMMITTEE

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 52 500 | R 206 481 | R 293 000 | R 333 924 | R 379 142 | R 1 096 639 |
| Member | R 31 500 | R 114 374 | R 153 020 | R 165 997 | R 189 394 | R 452 925 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 16 000 | R 90 074 | R 155 800 | R 168 169 | R 201 700 | R 907 650 |
| Member | R 12 000 | R 60 025 | R 84 000 | R 93 482 | R 111 189 | R 403 400 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 15 000 | R 53 000 | R 89 308 | R 97 680 | R 128 000 | R 390 840 |
| Member | R 1 000 | R 29 345 | R 47 274 | R 58 939 | R 77 938 | R 302 535 |

| Altx | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 17 418 | R 31 967 | R 42 105 | R 59 612 | R 51 385 | R 208 000 |
| Member | R 11 576 | R 22 346 | R 24 000 | R 24 186 | R 28 692 | R 31 650 |

Note: 53% of the total sample of companies have a standalone Remuneration Committee, with 17% of the companies having a combined Remuneration and Nomination Committee. 13% have a combined variation including human resources and other functions. 17% of the total sample do not have a Remuneration Committee or the functions have been included elsewhere in another committee/by the board.

## 4.6 RISK COMMITTEE

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 52 500 | R 255 950 | R 302 591 | R 376 173 | R 479 387 | R 926 948 |
| Member | R 31 500 | R 133 346 | R 159 000 | R 182 415 | R 215 893 | R 428 596 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 61 500 | R 131 899 | R 166 250 | R 174 335 | R 204 341 | R 400 000 |
| Member | R 41 100 | R 70 478 | R 96 698 | R 94 639 | R 109 766 | R 200 000 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 30 000 | R 49 849 | R 70 000 | R 117 388 | R 196 240 | R 240 600 |
| Member | R 15 000 | R 36 476 | R 48 100 | R 59 708 | R 78 360 | R 126 000 |

**Altx**

Only one Altx company surveyed had a Risk Committee, and it paid the Chair R208 000. No additional fees were indicated for the committee members.

Note: 40% of the total sample of companies have a combined Risk and Audit Committee. 19% have a standalone Risk Committee, and 10% have a combined variation including compliance, technology and other areas. 31% do not have a Risk Committee or the functions have been included elsewhere in another committee/by the board.

## 4.7 OTHER COMMITTEES

Other committees vary according to the business and sector in which an organisation operates, and is thus company specific. All committees which did not fall within the King IV recommended or statutory committees covered above were grouped under this "other committees" category. The most common of the other committees across all the categories of companies was an Investment Committee and Information Technology Committee. Corporate governance, health and safety, acquisitions and transactions were also common combined committees identified under this category.

| Large | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 41 489 | R 215 800 | R 262 500 | R 317 355 | R 343 711 | R 2 058 750 |
| Member | R 52 148 | R 130 756 | R 144 870 | R 168 587 | R 174 337 | R 658 800 |

| Medium | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 12 986 | R 107 775 | R 177 099 | R 179 852 | R 228 057 | R 447 332 |
| Member | R 9 911 | R 64 751 | R 103 182 | R 100 026 | R 123 309 | R 257 900 |

| Small | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 10 000 | R 72 548 | R 116 544 | R 118 809 | R 165 309 | R 211 200 |
| Member | R 5 000 | R 57 469 | R 71 936 | R 80 266 | R 108 123 | R 174 633 |

| Altx | Lowest | 25th Percentile | 50th Percentile/ Median | Average/ Mean | 75th Percentile | Highest |
|---|---|---|---|---|---|---|
| Chair | R 16 070 | R 17 035 | R 18 000 | R 30 576 | R 37 829 | R 57 657 |
| Member | R 12 000 | R 13 144 | R 14 288 | R 22 741 | R 28 111 | R 41 934 |

Note: Only three Altx companies had an additional committee from which the above figures are based, interestingly they all had an Investment Committee.

# NOTES

## HOW CAN WE HELP YOU?

| Individual Services | Corporate Services | Thought Leadership |
| --- | --- | --- |
| - IoDSA Membership<br>- NED Vacancies<br>- Director Certifications<br>- Individual Director Development Programmes | - Customised Board Development Programmes<br>- Board Performance Evaluations<br>- Governance Advisory Services | - King Reports and Practice Notes<br>- General Board Guidance<br>- Board Committee Guidance<br>- Research Projects |

www.iodsa.co.za info@iodsa.co.za +27 11 035 3000