



# **NON-EXECUTIVE DIRECTORS' FEES GUIDE**

6<sup>TH</sup> EDITION

# Table of contents

1. INTRODUCTION .....	3
2. HOW TO USE THE GUIDE .....	3
2.1 CATEGORISATION OF COMPANIES.....	4
2.2 HOW TO READ THE FEE TABLES.....	4
3. FEE STRUCTURES .....	5
4. ANNUAL FEES .....	6
4.1 BOARD.....	6
4.2 AUDIT COMMITTEE .....	7
4.3 SOCIAL AND ETHICS COMMITTEE .....	8
4.4 NOMINATION COMMITTEE .....	9
4.5 REMUNERATION COMMITTEE.....	10
4.6 RISK COMMITTEE .....	11
4.7 OTHER COMMITTEES .....	12

## Disclaimer

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# 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 risk 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 a number of different ways, requiring different time commitments;
- there is no consistency on 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 178 JSE listed companies, including the AltX companies

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. A number of factors will need to be considered when determining what would be fair remuneration in the specific circumstances, such as:

- the size of the organization;
- 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, the JSE listed companies were divided into 3 size categories based on market capitalisation as at 11 June 2019. JSE Altx companies are displayed separately to represent small to medium companies (SMEs). The research was conducted on the basis of the most recent AGM notices and/or year end reports, ranging over the last 2018/2019 year end period.

Level	Number of companies	Market Cap	
		Minimum	Maximum
<b>Large</b>	80 (out of 101)	R 10 000 000 000	Unlimited
<b>Medium</b>	37 (out of 130)	R 1 000 000 000	R 9 999 999 999
<b>Small</b>	39 (out of 136)	R 0	R 999 999 999
<b>Altx</b>	22 (out of 43)	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: Identify based on your organisation's market capitalization under which level your company falls under.

Each section provides you with the fees for the chair, the lead independent director 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:

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

### 3. FEE STRUCTURES

From the 178 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	80	78%	0%	23%	0%
Medium	37	65%	0%	32%	3%
Small	39	62%	13%	26%	0%
Altix	22	77%	5%	18%	0%

As can be seen from the table, the majority of companies prefer to pay an annual retainer. Notwithstanding the fee structure used, the majority of companies paid additional fees for travel and other disbursements as well as *ad hoc* meetings fees on a daily or hourly basis, where relevant.

## 4. ANNUAL FEES

### 4.1 BOARD

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 307 099	R 1 028 000	R 1 729 957	R 3 167 526	R 4 860 000	R 16 100 000
Lead Independent	R 110 000	R 310 600	R 607 000	R 766 172	R 840 000	R 2 912 000
Member	R 103 456	R 307 099	R 414 600	R 646 444	R 808 500	R 2 980 488

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R195 895	R 571 675	R 735 000	R845 254	R 1 052 120	R 1 802 000
Lead Independent	R 209 000	R 391 000	R 464 576	R 527 169	R 742 000	R 1 014 695
Member	R 120 000	R 225 750	R 287 000	R 305 382	R 371 000	R 672 165

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 96 000	R 250 000	R 350 000	R 415 019	R 503 533	R 1 189 163
Lead Independent	R 160 000	R 300 000	R 322 000	R 337 772	R 435 000	R 488 896
Member	R 26 550	R 147 233	R 200 000	R 191 856	R 250 000	R 352 632

AltX	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 50 000	R 132 000	R 309 780	R 363 243	R 330 000	R 1 623 830
Lead Independent	R 48 000	R 48 000	R 48 000	R48 000	R 48 000	R 48 000
Member	R 40 000	R 90 000	R 168 400	R 174 927	R 220 000	R 450 000

Note: A majority of the companies pay an *ad hoc* hourly or daily rate for NED participation in extraordinary meetings or additional meetings above the annual requirement.

## 4.2 AUDIT COMMITTEE

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 64 908	R 263 148	R 340 000	R 440 829	R 473 000	R 1 835 723
Member	R 42 600	R 146 378	R 174 000	R 213 814	R 243 000	R 846 124

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 61 712	R 171 900	R 213 904	R 217 168	R 261 000	R 436 560
Member	R 30 000	R 82 750	R 126 411	R 116 237	R 152 185	R 222 600

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 25 606	R 70 600	R 126 000	R 143 574	R 188 800	R 386 634
Member	R 12 803	R 48 000	R 68 000	R 84 888	R 100 000	R 293 723

AltX	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 25 000	R 35 504	R 52 647	R 85 727	R 180 000	R 253 060
Member	R 12 803	R 29 200	R 38 290	R 44 840	R 53 287	R 143 301

Note: 49% of the total sample of companies have a standalone Audit Committee, while 45% have a combined Audit and Risk committee, and 6% have a combined variation of a committee incorporating the audit function.

### 4.3 SOCIAL AND ETHICS COMMITTEE

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 16 400	R 107 100	R 191 000	R 224 773	R 261 453	R 955 412
Member	R 13 100	R 71 526	R 103 371	R 120 108	R 147 000	R 477 704

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 27 000	R 100 000	R 123 830	R 123 154	R 152 185	R 219 800
Member	R 9 000	R 46 150	R 67 980	R 66 073	R 98 462	R 126 820

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 12 803	R 35 300	R 54 400	R 83 969	R 114 915	R 379 456
Member	R 7 500	R 26 000	R 38 160	R 50 011	R 38 160	R 293 723

Alt	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 8 876	R 20 000	R 25 000	R 58 497	R 37 100	R 300 000
Member	R 5 899	R 15 600	R 19 138	R 25 737	R 25 000	R 102 357

Note: 77% of the total sample of companies have a standalone Social and Ethics committee, while 23% have a combined variation of the Social and Ethics committee incorporating other functions e.g. sustainability, transformation and/or governance.



#### 4.4 NOMINATION COMMITTEE

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 7 300	R 114 500	R 185 000	R 261 552	R 261 453	R 1 395 000
Member	R 7 300	R 71 321	R 109 800	R 131 668	R 165 439	R 477 704

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 9 000	R 68 708	R 144 000	R 101 813	R 145 500	R 168 953
Member	R 8 628	R 41 086	R 79 500	R 64 553	R 97 000	R 127 200

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 31 604	R 45 000	R 76 610	R 64 791	R 85 000	R 126 000
Member	R 11 236	R 30 000	R 51 300	R 41 853	R 57 500	R 67 000

##### Altix

Only 1 Altix listed company had a Nomination Committee, which was chaired by the Board Chair. The Nomination Committee Chair's fee was therefore included in the Chair's Board fee. The Nomination Committee member fee amounted to R19 138.

Note: 56% of the total sample of companies have a standalone Nomination Committee, and 14% have a combined Nomination and Remuneration Committee. 5% have a combined variation of a Nomination Committee incorporating aspects of ethics and governance.

## 4.5 REMUNERATION COMMITTEE

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 12 900	R 158 250	R 233 800	R 316 972	R 362 000	R 1 395 000
Member	R 10 300	R 90 000	R 115 886	R 149 022	R 280 000	R 645 236

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 27 000	R 100 000	R 133 400	R 132 560	R 178 000	R 246 850
Member	R 15 000	R 50 002	R 75 000	R 73 350	R 100 000	R 183 750

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 10 000	R 45 000	R 75 600	R 97 240	R 127 255	R 397 456
Member	R 6 000	R 30 000	R 48 000	R 58 100	R 80 550	R 293 723

AltX	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 10 000	R 45 000	R 75 600	R 97 240	R 127 255	R 397 456
Member	R 7 800	R 30 000	R 48 000	R 58 100	R 80 550	R 293 723

Note: 59% of the total sample of companies have a standalone Remuneration Committee, with 14% of the companies having a combined Remuneration and Nomination Committee. 6% have a combined variation of a committee addressing remuneration.

## 4.6 RISK COMMITTEE

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 48 000	R 224 009	R 289 000	R 382 992	R 455 000	R 1 692 244
Member	R 48 000	R 117 872	R 147 000	R 183 673	R 200 000	R 846 124

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 69 024	R 111 450	R 174 500	R 144 691	R 183 750	R 200 000
Member	R 34 512	R 61 180	R 97 500	R 79 410	R 100 000	R 105 000

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 30 000	R 45 000	R 173 000	R 121 874	R 235 370	R 235 370
Member	R 15 000	R 42 000	R 72 000	R 61 954	R 89 000	R 117 680

### Altx

None of the Altx companies surveyed have a Risk Committee.

Note: 45% of the total sample of companies have a combined Risk and Audit committee. 23% have a standalone Risk Committee, and 12% have a combined variation of risk, compliance, IT and other committee.

## 4.7 OTHER COMMITTEES

Other committees vary according to the business and sector in which an organization 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, followed by an acquisitions committee and IT committee. Human resources, transformation and sustainability were also common areas which were either standalone or more often added to one of the common committees covered above.

Large	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 32 508	R 199 000	R 228 960	R 295 947	R 311 817	R 1 750 000
Member	R 27 850	R 100 768	R 133 926	R 154 480	R 164 000	R 560 000

Medium	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 24 760	R 113 955	R 125 691	R 127 793	R 200 000	R 212 000
Member	R 13 600	R 39 396	R 96 000	R 74 940	R 111 840	R 127 200

Small	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 25 606	R 40 000	R 48 000	R 99 845	R 209 185	R 249 500
Member	R 16 800	R 25 440	R 89 000	R 73 233	R 124 740	R 183 029

Altx	Lowest	25 <sup>th</sup> Percentile	50 <sup>th</sup> Percentile/ Median	Average/ Mean	75 <sup>th</sup> Percentile	Highest
Chair	R 16 854	R 25 000	R 25 606	R 30 851	R 52 647	R 52 647
Member	R 11 236	R 13 000	R 38 290	R 26 505	R 45 000	R 45 000

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