



**INSTITUTE OF DIRECTORS
SOUTHERN AFRICA**

Non-Executive Directors' Fees Guide[©]

5th Edition



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FOREWORD

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. 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:

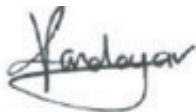
- non-executive directors' contributions are made in a number of different ways, requiring different time commitments;
- there is no consistency on the prescribed number and duration of standing meetings per annum; and
- there is no uniform method of remunerating NEDs.

With the support of EY, the Institute of Directors in Southern Africa has commissioned the 5th survey of fees paid to NEDs of companies listed on the Johannesburg Stock Exchange (JSE). The insights derived from the survey have been used to create a guide to help organisations identify/benchmark average non-executive director fees by applying average hourly rates for serving on the board, as well as the various committees.

The first four editions of this publication were very well-received.

In the last edition we incorporated social and ethics committee data for the first time and included commentary on the movement and trends year to year. This year we have undertaken a more robust analysis around the available remuneration data, through the performance of desktop review research on disclosed NED remuneration figures published by JSE listed companies, in order to enhance the quality of the results and provide further insights such as on gender and age of NEDs. In addition, due to the recent queries on NED tax and the SARS non-binding rulings issued, we included an overview on how current NEDs PAYE and VAT are paid by the surveyed companies.

We hope that this guide will provide your company with valuable guidance and insight into the current NED fee practices and trends as paid by companies listed on the JSE.



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2. Introduction

2.1 Intended use of this guide

The purpose of this guide is to assist Boards, and specifically Remuneration Committees, with NED fee insight, specifically with regards to:

- the average hourly rates and total fee for serving on the board and the various committees, per market capitalisation level (size category);
- typical expenses and benefits provided;
- the average number of Board and Committee standing meetings per annum, per market capitalisation level;
- the typical size and composition of the Board and the respective Committees, per market capitalisation level;
- the typical hours for preparation, attendance and follow up on the Board and Committees per market capitalisation level; and
- the typical structure of NED fees

2.2 Definitions

The following definitions were applied:

Non-executive director (NED): A director serving on the main board of the company who does not serve the company in an executive capacity (i.e. who is not involved in the day-to-day operations of the company).

Audit and Risk Committee: Includes the Audit and Risk Committee and committees with substantially the same function.

Remuneration Committee: Includes the Remuneration and Nominations Committee, the HR Committee or committees with substantially the same function.

Social and Ethics Committee: A committee which monitors social and economic development, good corporate citizenship, environment, health and public safety, consumer relations and labour and employment activities.

Other Committee: Includes all other board committees.

2.3 Categorisation of companies

For purposes of the analysis, the JSE listed companies were divided into five size categories based on market capitalisation as at 31 December 2016, as follows:

Level	Market Cap	
	Minimum	Maximum
L1	R 3 000 000	R 159 999 999
L2	R 160 000 000	R 747 999 999
L3	R 748 000 000	R 2 713 999 999
L4	R 2 714 000 000	R 12 499 999 999
L5	R 12 500 000 000	R 270 904 000 000

2.4 Information obtained

2.4.1 Survey questionnaire

Company secretaries of JSE listed companies were invited to participate and complete an on-line NED fees questionnaire. The primary aim of this questionnaire was to obtain time estimates for:

- preparing for meetings;
- attending meetings; and
- following up on matters arising from meetings attended.

A total of 31 company secretaries responded to the survey. A detailed list of responding companies is included in Annexure C. Below is a summary of the respondents by level.

Level	No of respondents
L1	1
L2	4
L3	7
L4	7
L5	12
Total	31

2.4.2 Desktop research

Concurrent to the survey, EY extracted the following publicly available data from 95 JSE listed companies:

- number of NEDs;
- number of Board and Committee meetings per company per annum;
- the size and composition of Board and Committees; and
- total fee per NED per annum.

Further to this, EY reviewed the previous editions of the fees guide from 2011 (first edition) to 2016 (fourth edition) to identify any trends in terms of time commitments and the number of standing meetings on the Board and on the various Committees.

3. Results

3.1 Summary table for 114 JSE listed companies – Desktop Research

The following table shows the results derived from the disclosed fee rates:

Size Category	Number of companies	Average NED's per company	Average number of Board and committee meetings per company per annum	Average Fees per NED per annum (R)	Average Fees per NED per meeting (R)
L1	20	4.8	12.3	179 110	14 513
L2	20	5.2	14.0	290 971	20 797
L3	19	6.4	17.3	519 559	30 112
L4	21	7.1	16.2	642 986	39 721
L5	34	10.8	26.2	1 190 960	45 363

3.2 Number of standing meetings per annum – Desktop Research

The number of standing meetings per annum per market capitalisation levels as derived from the 114 JSE listed companies is summarised below for the various Committees:

Average number of meeting per annum (based on desktop research)					
Size Category	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee	Other Committees
L1	4.6	3.4	2.3	2.0	3.8
L2	5.4	3.5	2.4	1.9	4.4
L3	4.5	3.9	3.0	2.4	8.3
L4	4.3	3.5	3.2	2.5	4.8
L5	6.2	4.6	4.1	3.2	9.7

3.3 Average annual fees

In order to calculate the average annual fee below, the average meetings per annum (as indicated in section 3.2) were multiplied by the average fee per NED per meeting (in section 3.4) for the various market capitalisation levels of the 114 JSE listed companies.

Capacity	L1	L2	L3	L4	L5
Board Chairman	R 261 505	R 389 858	R 574 672	R 532 288	R 1 337 600
Board Member	R 170 789	R 205 837	R 178 236	R 149 378	R 214 904
Audit and Risk Committee Chairman	R 67 935	R 259 171	R 155 649	R 200 137	R 311 816
Audit and Risk Committee Member	R 52 217	R 109 837	R 92 914	R 128 454	R 122 447
Remuneration Committee Chairman	R 48 059	R 84 689	R 82 743	R 134 691	R 234 475
Remuneration Committee Member	R 46 094	R 52 927	R 35 145	R 119 523	R 122 582
Social and Ethics Committee Chairman	R 40 254	R 62 514	R 75 746	R 56 943	R 148 326
Social and Ethics Committee Member	R 13 844	R 30 733	R 34 843	R 37 850	R 70 074
Other Committee Chairman	-	R 134 548	R 276 033	R 122 582	R 395 430
Other Committee Member	-	R 77 898	R 198 577	R 57 278	R 122 055

3.4 Detailed fees per level

The time estimates provided in the Survey were applied to the average fees obtained from the desktop research in order to derive the following indicative fee rates per meeting, per hour and per day in each of the five size categories for the total 114 JSE listed companies. As such, the quantifiable figures below are based on the data collected from both the survey and desktop research results.

3.4.1 Level 1: Market capitalisation between R 3m and R 159.9m

Sample Size: 1 company (survey) and 20 companies (desktop)

*indicates data for this item was not provided in the survey *indicates data for this item was not available via desktop research

Board activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.4	*	2.0	2.0	56 849	14 212	113 698
Member	4.3	1.0	2.0	*	37 128	12 376	99 008

Audit and Risk Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	3.7	2.0	3.0	1.0	19 981	3 330	26 641
Member	3.7	3.0	3.0	1.0	15 358	2 194	17 552

Remuneration Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.1	1.0	1.0	*	20 895	10 448	83 584
Member	2.1	1.0	1.0	*	20 041	10 021	80 164

Social and Ethics Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.5	4.0	3.0	3.0	20 127	2 103	16 102
Member	1.9	*	*	*	6 922	-	-

Other Committee activities (averaged)

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.3	*	*	*	0	0	0
Member	2.3	*	*	*	0	0	0

3.4.2 Level 2: Market capitalisation between R 160m and R 747.9m

Sample Size: 4 companies (survey) and 20 companies (desktop)

*indicates data for this item was not provided in the survey

Board activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.8	10.0	3.5	5.0	72 196	3 902	31 220
Member	4.7	10.0	3.5	5.0	38 118	2 060	16 483

Audit and Risk Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	3.7	6.0	3.0	5.0	74 049	5 289	42 312
Member	3.6	6.0	3.0	5.0	31 382	2 242	17 933

Remuneration Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.9	5.5	2.5	5.0	35 287	2 823	22 584
Member	2.9	5.5	2.5	5.0	22 053	1 764	14 114

Social and Ethics Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.4	5.5	2.5	5.0	32 902	2 530	20 247
Member	2.4	5.5	2.5	5.0	16 175	1 244	9 954

Other Committee activities (averaged)

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.4	*	*	*	30 579	-	-
Member	4.4	*	*	*	17 704	-	-

3.4.3 Level 3: Market capitalisation between R 748m and R 2 713.9m

Sample Size: 7 companies (survey) and 19 companies (desktop)

Board activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.6	6.0	4.6	1.5	127 705	10 554	84 433
Member	4.6	5.3	4.6	1.3	39 608	3 536	28 291

Audit and Risk Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.2	6.2	4.1	1.6	39 910	3 354	26 830
Member	4.2	5.3	4.1	1.6	23 824	2 166	17 327

Remuneration Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.8	3.2	2.9	0.9	27 581	3 940	31 521
Member	2.8	2.7	2.9	1.0	11 715	1 775	14 200

Social and Ethics Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.2	2.5	2.3	0.8	31 561	5 636	45 087
Member	2.2	2.3	2.3	0.8	14 518	2 689	21 508

Other Committee activities (averaged)

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	6.0	2.0	4.5	2.0	33 257	3 913	31 301
Member	6.0	2.0	4.5	1.0	23 925	3 190	25 520

3.4.4 Level 4: Market capitalisation between R 2 714m and R 12 499.9m

Sample Size: 7 companies survey and 21 companies (desktop)

Board activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.4	3.0	4.1	1.2	123 788	14 914	119 313
Member	4.2	2.8	3.9	0.9	34 739	4 571	36 567

Audit and Risk Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.0	3.5	3.9	1.1	57 182	6 727	53 818
Member	3.9	3.1	3.9	0.8	36 701	4 705	37 642

Remuneration Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	3.1	2.1	2.7	1.1	42 091	7 134	57 073
Member	3.1	1.7	2.6	1.0	37 351	7 047	56 379

Social and Ethics Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	2.6	1.9	2.4	0.9	22 777	4 380	35 042
Member	2.6	1.9	2.4	0.7	15 140	3 028	24 224

Other Committee activities (averaged)

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.0	1.5	2.3	1.0	25 538	5 320	42 563
Member	3.8	1.5	2.3	0.8	11 933	2 594	20 753

3.4.5 Level 5: Market capitalisation between R 12 500m and R 270 904m

Sample Size: 12 companies (survey) and 34 companies (desktop)

Board activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	5.7	16.9	7.0	5.8	215 742	7 264	58 112
Member	5.6	12.3	6.9	1.8	34 662	1 651	13 205

Audit and Risk Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	5.0	17.6	6.2	3.1	67 786	2 520	20 159
Member	5.0	15.3	6.0	1.9	26 619	1 147	9 179

Remuneration Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	4.0	10.5	3.5	1.8	57 189	3 619	28 956
Member	4.0	9.8	3.4	1.4	29 665	2 032	16 255

Social and Ethics Committee activities

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	3.4	10.1	3.9	1.8	46 352	2 934	23 469
Member	3.4	9.3	3.7	1.2	21 898	1 542	12 337

Other Committee activities (averaged)

Capacity	Average meetings per annum	Ave. est. time per meeting per NED (hours)			Ave. fees per NED (R)		
		Preparation	Attendance	Follow up	Per meeting	Per hour	Per day
Chairman	7.2	10.1	3.4	4.0	40 766	2 329	18 636
Member	7.2	9.8	3.4	2.5	12 583	801	6 412

3.4.6 Trends

3.4.6.1 Year on year trends in terms of time commitments

The hours below are reported as averages and derived from the survey.

	2011			2012			2013			2015			2016		
Capacity	Number of companies = 23			Number of companies = 29			Number of companies = 32			Number of companies = 28			Number of companies = 31		
	Preparation	Attendance	Follow Up	Preparation	Attendance	Follow Up	Preparation	Attendance	Follow Up	Preparation	Attendance	Follow Up	Preparation	Attendance	Follow Up
Board Chairman	5.8	4.2	6.5	4.3	4.3	2.7	5.7	3.7	3.2	5.3	5.7	2.9	10.3	5.3	3.6
Board Member	3.9	4.3	2.1	3.7	4.3	1.8	3.6	3.7	1.5	3.4	5.7	2.0	7.9	5.1	1.7
Audit and Risk Committee Chairman	6.6	3.5	5.2	4.1	3.9	2.7	5.1	3.7	3.0	4.2	4.3	2.9	10.0	4.8	2.4
Audit and Risk Committee Member	3.8	3.5	2.4	3.1	3.9	1.9	3.3	3.7	1.4	2.8	4.3	1.3	8.8	4.7	1.8
Remuneration Committee Chairman	3.9	2.5	2.0	2.8	2.2	1.9	3.1	2.7	1.6	3.0	3.6	1.5	6.0	3.0	1.6
Remuneration Committee Member	2.8	2.5	2.0	2.2	2.2	1.8	2.2	2.7	1.4	2.1	3.6	1.0	5.5	2.9	1.5
Other Committee Chairman	1.3	0.9	0.7	0.9	0.8	0.7	0.9	0.9	0.4	2.0	4.1	1.8	7.7	3.3	3.3
Other Committee Member	1.3	0.9	0.7	0.9	0.8	0.6	0.9	0.9	0.4	1.2	4.1	1.1	7.5	3.3	2.1
Social & Ethics Committee Chairman	-	-	-	-	-	-	-	-	-	-	-	-	5.9	3.0	1.7
Social & Ethics Committee Member	-	-	-	-	-	-	-	-	-	-	-	-	5.6	2.9	1.4

3.4.6.2 Year on year trends in the number of standing meetings on the Board and various Committees

The number of standing meetings below are reported as averages and derived from the survey.

Board/ Committees	2011					2012					2013					2015					2016				
	Number of companies = 23					Number of companies = 29					Number of companies = 32					Number of companies = 28					Number of companies = 31				
	L1	L2	L3	L4	L5	L1	L2	L3	L4	L5	L1	L2	L3	L4	L5	L1	L2	L3	L4	L5	L1	L2	L3	L4	L5
Board	5.8	5.0	5.3	5.9	6.4	4.6	5	5.5	5.2	6.6	5.0	5.2	4.9	5.6	5.4	4.7	4.9	5.0	5.5	5.3	4.0	4.0	4.7	4.2	5.0
Audit and Risk Committee	3.2	2.9	3.6	3.9	4.1	4.0	3.0	3.9	3.4	4.6	3.8	3.4	3.6	4.0	4.6	4.2	3.4	4.5	3.9	4.9	4.0	3.7	4.3	4.3	5.3
Remuneration Committee	2.0	1.9	2.6	3.3	4.2	2.3	2.0	2.7	3.4	4.0	2.0	2.3	3.0	3.4	3.9	2.1	2.4	3.3	3.2	4.1	2.0	3.3	2.9	3.4	4.0
Other Committees	0.3	0.5	1.0	2.6	3.0	0.9	1.0	2.4	3.0	5.4	3.0	2.5	3.1	2.8	3.4	2.8	2.7	3.2	3.4	3.7	-	-	3.5	2.8	5.1
Social & Ethics Committee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9	2.1	2.6	2.1	3.2	1.5	3.0	2.0	2.6	3.5

High level analysis:

- Audit and Risk Committee standing meetings have generally increased for all market capitalisation levels in the years 2011 – 2016. From our experience and trend analysis, again, this is most likely due to the expanding Audit and Risk Committee's agenda, to the ever changing business environment, therefore more focus is placed on risk oversight responsibilities.
- Remuneration Committee standing meetings have remained fairly consistent during the periods 2011 to 2016. Remuneration Committees are increasingly required to ensure sound remuneration governance. In light of Kin IV Report on Corporate Governance™ for South Africa 2016 ("King IV™") developments, there is increased shareholder involvement in the remuneration affairs of the company now that they are expected to give the non-binding advisory vote on the remuneration policy each year.
- Other committee standing meetings have increased considerably over the past two years. The recent research shows that new committees have been established to address various aspects. Each company has its own types of committees and the scope of their mandates differ substantially from company to company, the average number of standing meetings should serve only as a general time-based guideline.

It is critical that the Board or Committee performs the activities articulated in its mandate and should only focus on board and committee matters and not stray into the management direction,' thus providing an independent view of the company that is removed from the day-to-day running. The NED role can be summarised as follows:

- Strategic direction: As an 'outsider,' the non-executive director may have a clearer or wider view of external factors affecting the company and its business environment than the executive directors. The normal role of the non executive director in strategy formation is therefore to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and plans devised by the chief executive and his or her executive team.
- Monitoring performance: Non-executive directors should take responsibility for monitoring the performance of executive management, especially with regard to the progress made towards achieving the organisation's strategy and objectives. They are also responsible for determining appropriate levels of remuneration of executive directors, and have a prime role in appointing, and where necessary removing, executive directors and in succession planning.
- Communication: An important function for non-executive directors is to help connect the business and board with networks of potentially useful people and organisations. In some cases, the non-executive director will be called upon to represent the company externally.

3.4.6.3 Average size of committees

The average number of NED members for the various Board and Committees has been ascertained from a desktop review of the 114 JSE listed companies and has been summarised in the table below:

Board/ Committees	Average number of NED members
Main Board	6.3
Audit and Risk Committee	3.8
Remuneration Committee	3.7
Social and Ethics Committee	3.1
Other Committees	6.2

3.4.6.4 Criteria driving NED fee increases

As determined from the 31 companies in the survey, NED fees are adjusted taking into account the following criteria:

Fee Increase criteria	% of responses per market cap level				
	L1	L2	L3	L4	L5
CPI	100%	50%	71%	71%	50%
Market comparison	0	75%	100%	86%	83%
Company performance	0	25%	57%	43%	33%
Previous year's increase	0	25%	29%	57%	17%
Other*	0	0	14%	14%	8%

*Other criteria driving NED fee increases were indicated as "Increase in obligations", "Remuneration report and IoDSA's NED Fees guide".

It is evident that the main drivers of NED fee adjustments are CPI and market comparisons, and company performance is also being taken into account more.

3.4.6.5 Supplementary fees

Of the 31 participants surveyed, 35% (11 out of 31) paid supplementary fees for additional workload. Whereas 65% (20 out of 31) did not pay supplementary fees.

Supplementary fees for additional workload paid	Number of participants	Percentage
Yes	11	35%
No	20	65%
Total	31	

The structure of supplementary fees were reported as follows from the survey results:

Structure of Supplementary fees	Number of participants	Percentage of "Yes" responses
Hourly Rate	3	27%
Daily Rate	1	9%
Per project fees	4	36%
Other*	3	27%

*Other structures were indicated as "consultation fee in NED capacity", "per additional meeting", "per meeting".

3.4.6.6 Expenses and/ or benefits provided to NEDs

Of the companies surveyed, the common expenses for which the NEDs were reimbursed are travel and accommodation expenses. In a few circumstances NEDs were reimbursed for conference fees and cell phone expenses. It is further indicated that certain benefits could be provided to NEDs (i.e. liability insurance) subject to the required approval being obtained. The survey has indicated that liability insurance is provided to certain companies at varying market capitalisation levels.

It is generally recommended that NEDs should not participate in any performance bonus schemes. Of the companies surveyed, none of the NEDs participated in any performance bonus schemes.

A breakdown of expenses and/or benefits provided to NED's for the 31 companies in the survey, is set out below:

Expenses/ benefits	% of participants per market cap level who answered "Yes"				
	L1	L2	L3	L4	L5
Travel expenses	0	50%	29%	57%	33%
Meal expenses	0	50%	14%	57%	17%
Accommodation expenses	0	50%	14%	57%	33%
Conference fees	0	25%	0	0	0
Cellphone expenses	0	25%	0	14%	8%
Liability insurance provided	0	25%	14%	14%	17%
Other	0	0	0	0	17%

*Other benefits were indicated as "discounts (in-store)".

3.4.6.7 Structure of NED fees for the 31 companies in the survey

The predominant approach to structure fees is on an hourly rate or on a per meeting basis:

Structure of fees	Board (No of participants)	Committees (No of participants)
Hourly rate	14	14
Annual retainer	1	0
Per meeting	24	20
Other*	2	3

*Other structure of fees were indicated as "Twice a year", " total annual retainer per NED based on benchmarking (every second year and various committees attended)", " NED committee members cannot earn more than 50% of their board fees for sitting on subsidiary committees of the board".

Factors influencing the setting of NED fees

According to King IV, the Remuneration Policy should cover the NED fee structures and the basis for setting of fees.

It is recommended that in order to avoid conflict of interest in determining their own fees and structure, the remuneration committee should request executive management (through independent advice if required) to recommend a NED fee structure.

Factors that influence the fees of non-executive directors includes level of responsibility, level of competence, time commitment (in attendance and preparation) as well as the contribution and profile of the director. Inadequate performance of directors should be addressed by the chair. A differentiation can be made in the fees paid to resident versus non-resident directors, where the director lives in a different country / region compared to where most of the board meetings are held. This differentiation could be in the form of an allowance compensating for hours travelled or differentiated fee structures in base currencies. If benchmarking of fees is done, it is good practice to use the same comparator group to that used for the benchmarking of executive remuneration. Total board and committee fees need to be assessed relative to the comparator group.

The peer group selected for the benchmarking of non-executive remuneration should be disclosed together with the rationale for changes when changes are made to the selected peer group.

Performance based shares and share option schemes are typically not favoured for NEDs and should thus be used with extreme caution as they could potentially cause a conflict of interest with NEDs having to set and measure the achievement of the performance targets. Full value share grants that are not geared instruments and with no performance criteria influencing vesting may be considered. For the same reason, non-executive directors should not participate in performance bonus schemes.

3.4.6.8 How often (in years) are NED fees reviewed for the 31 companies in the survey

12 companies responded to this question and the averages result in the below:

	L1	L2	L3	L4	L5
How often (in years) are fees reviewed?	1.0	1.0	1.0	1.1	1.3

3.4.6.9 Is PAYE deducted by companies on NED fees?

The survey responses for the 31 companies are as follows:

	L1	L2	L3	L4	L5
Yes (i.e. For all NEDs)	0%	75%	43%	43%	42%
No (i.e. For no NEDs)	0%	25%	14%	29%	8%
For some NEDs	100%	0%	43%	28%	50%

3.4.6.10 Are NED's registered for VAT (i.e. do they issue VAT invoices to the company?)

The survey responses for the 31 companies are as follows:

	L1	L2	L3	L4	L5
Yes (i.e. All NEDs)	0%	0%	0%	0%	17%
No (i.e. No NEDs)	0%	50%	29%	57%	8%
Some NEDs	100%	50%	71%	43%	75%

During 2017 SARS issued a Binding General Ruling ("BGR") 40 in respect of Income Tax (PAYE) on remuneration paid to NEDs and BGR 41 in respect of VAT treatment of NED fees. The rulings clarify that:

- South African resident NED's are not "common law" employees and thus their fees received for services as a director on the board is not subject to employees tax (PAYE). This ruling however does not apply to non-resident NEDS.
- Both resident and non-resident NEDs who earns more than R1 million in a 12 month period will be liable to register and charge VAT in respect of their directors fees earned for services rendered as a NED.

These new rulings are effective from 1 June 2017.

3.4.6.11 Gender, race diversity and age

According to EY's desktop research on 114 JSE listed companies, gender and race in the boardroom is showing encouraging progress in the increase of gender and racial diversity in shaping the Board and its Committees in the future.

Principle 7 of King IV indicates that, "the governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively". For the purposes of King IV, diversity includes fields in terms of age, race, culture and gender. King IV recommends that diversity targets of the board be considered when determining the number of requisite members needed and before nominating candidates for election. Furthermore, the board should disclose whether it is satisfied that its composition reflects that recommended in Principle 7.

In addition, the JSE listing requirements, require the board of directors or the nomination committee (as the case may be) to have a policy on the promotion of race and gender diversity at board level, and to report on such.

Race

Race	% based on research of the 114 JSE listed companies
Asian	10%
Black	39%
White	51%

Gender

Gender	% representation of NED's
Female	24%
Male	76%

Age

According to EY's desktop research the youngest NED is 28 years of age and the oldest NED is 81 years of age. The average age of NEDs on the various Committees is as follows:

Capacity	Age
Board Chairman	60
Board Member	57
Audit and Risk Committee Chairman	57
Audit and Risk Committee Member	57
Remuneration Committee Chairman	59
Remuneration Committee Member	58
Social and Ethics Committee Chairman	54
Social and Ethics Committee Member	56
Other Committee Chairman	59
Other Committee Member	58

The overall average age of NED's is 57.5 years of age.

The data indicates that there is still a trend of older NED's sitting on the various committees due to their qualifications and experience, however, it is also becoming evident that there are now younger NED's sitting on committees due to the possible technical and innovative expertise they can offer in various fields.

4. Annexure A

The following worksheet illustrates how a fee may be compiled using the rates per hour which are established in this guide:

	Hourly rate	x	Estimated time per meeting (preparation, attending, follow up)	x	No. of meetings per annum	x	No. of NEDs	=	Total fees
Board Committee									
Chairman	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Members	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Audit and Risk Committee									
Chairman	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Members	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Remuneration Committee									
Chairman	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Members	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Social and Ethics Committee									
Chairman	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Members	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Other Committee									
Chairman	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
Members	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	x	<input type="text"/>	=	<input type="text"/>
								Total	<input type="text"/>

5. Annexure B

Our thanks go to the following 31 JSE listed companies who responded to our request and provided us with further detail surrounding the activities of their NED's:

Company	Size Category
Workforce Holdings Ltd	L1
Atlantic Leaf Prop Ltd	L2
Sovereign Food Inv Ltd	L2
Trans Hex Group Ltd	L2
Wescoal Holdings Ltd	L2
Calgro M3 Holdings Ltd	L3
Eqstra Holdings Ltd	L3
Hulamin Ltd	L3
Ingenuity Property Investments	L3
Safari Investments Rsa Ltd	L3
SeardeI Inv Corp Ltd	L3
York Timber Holdings Ltd	L3
Ascendis Health Ltd	L4
City Lodge Hotels Ltd	L4
Italtile Ltd	L4
Kap Industrial Holdings Ltd	L4
Metair Investments Ltd	L4
Murray & Roberts Holdings	L4
Tharisa Plc	L4
Anglo American Platinum Ltd	L5
Distell Group Ltd	L5
Growthpoint Properties Ltd	L5
Life Healthc Group Holdings Ltd	L5
Mr Price Group Ltd	L5
Nedbank Group Ltd	L5
Pik N Pay Holdings Ltd	L5
Royal Bafokeng Platinum	L5
Sanlam Limited	L5
The Spar Group Ltd	L5
Truworths Int Ltd	L5

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