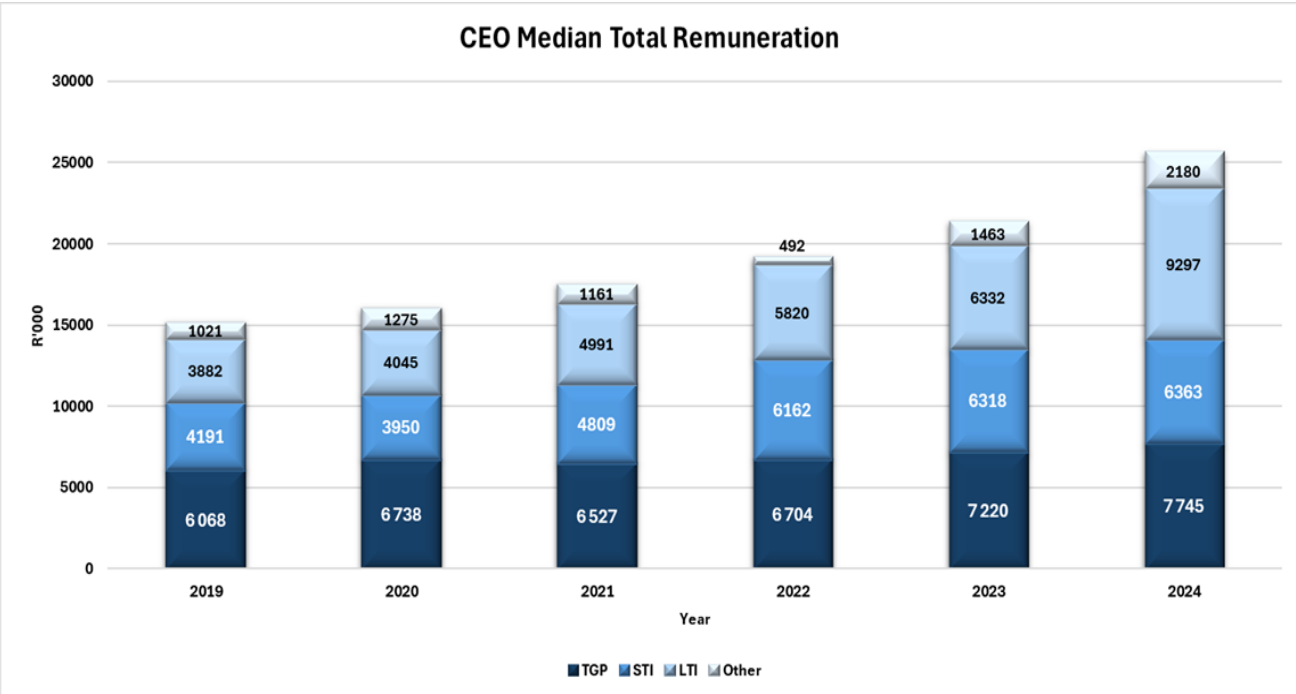
Khokhela Directors Remuneration Report 2024

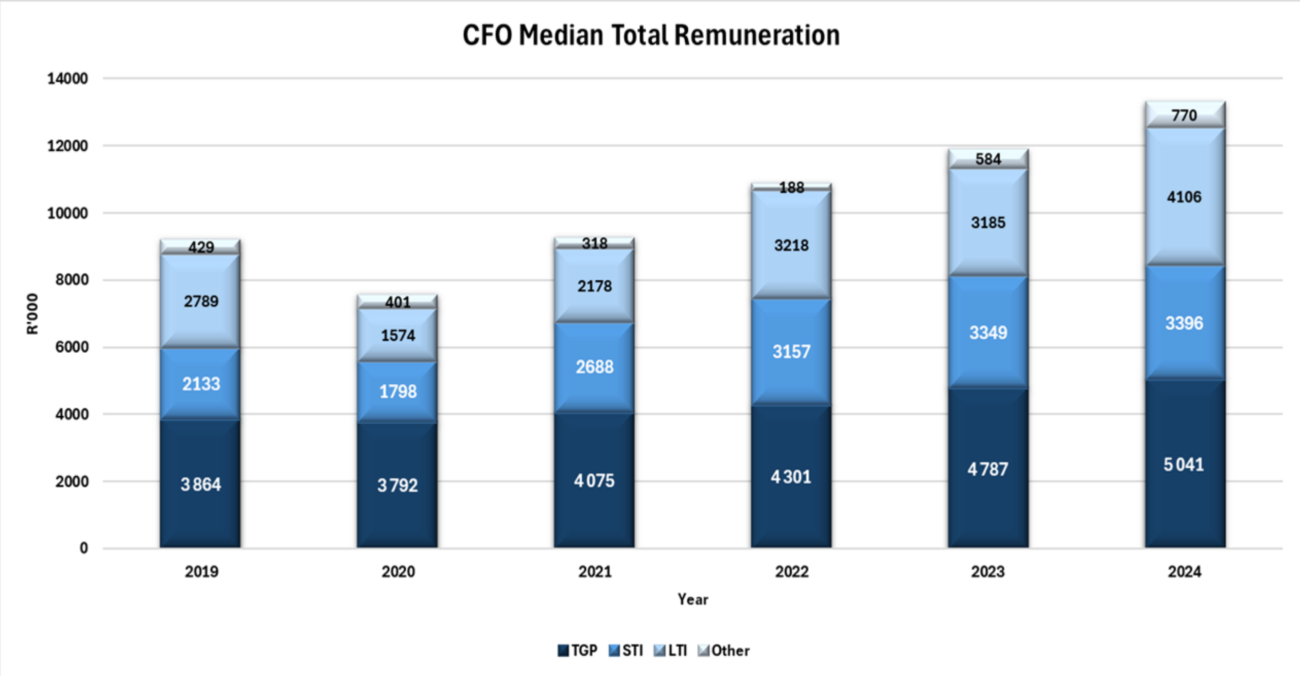
Khokhela Remuneration Advisors has completed its Directors Remuneration Report. The following is a summary of the key finding from the report of Executive and NED remuneration for 173 JSE Listed companies and 5 SOEs over the period 2019 – 2024.

The total remuneration paid to CEOs and CFOs of companies is always a hot topic of conversation in South Africa. The last couple of years has seen a shift in the pay mix of CEOs and CFOs remuneration with shareholders placing more pressure on companies to link pay to the performance of the company. They also require more detailed disclosure on the measures and targets as well as actuals used for determining the payouts especially for long term incentives (LTIs), whether this is disclosed upfront or at vesting.

The graphs below show an increase in the total remuneration earned by CEOs and CFOs over the 6-year period driven largely by the LTIs. The LTIs increased by 47% from 2023 to 2024 and more than 200% over the 6-year period for CEOs and by 29% for CFOs. This confirms that companies are placing more emphasis on variable pay due to shareholder pressure and linking pay to performance.

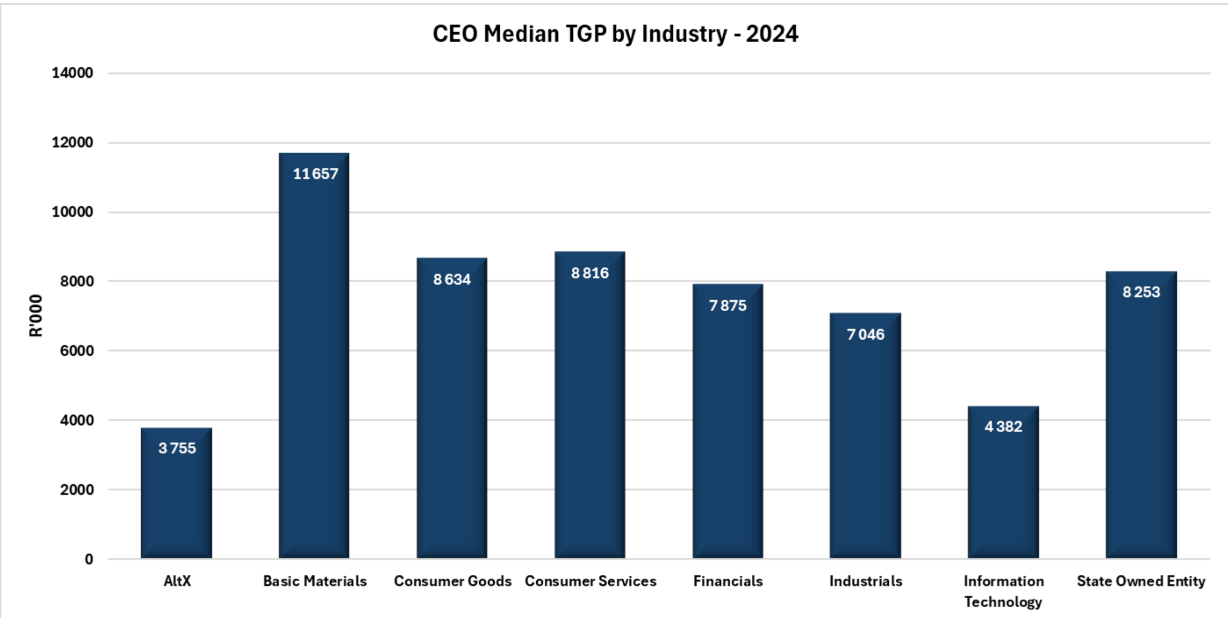
A shift in the pay mix for CEOs and CFOs receiving more variable pay





The Naspers CEO received the highest LTI payment of USD14.453 million, followed by Bid Corps CEO receiving R78 million. Standard Bank's CFO received an LTI payment of R37 million followed by Bid Corp's CFO receiving R36 million. Naspers, Bid Corporation and Standard Bank's performance showed a remarkable increase in shareholder value in 2024.

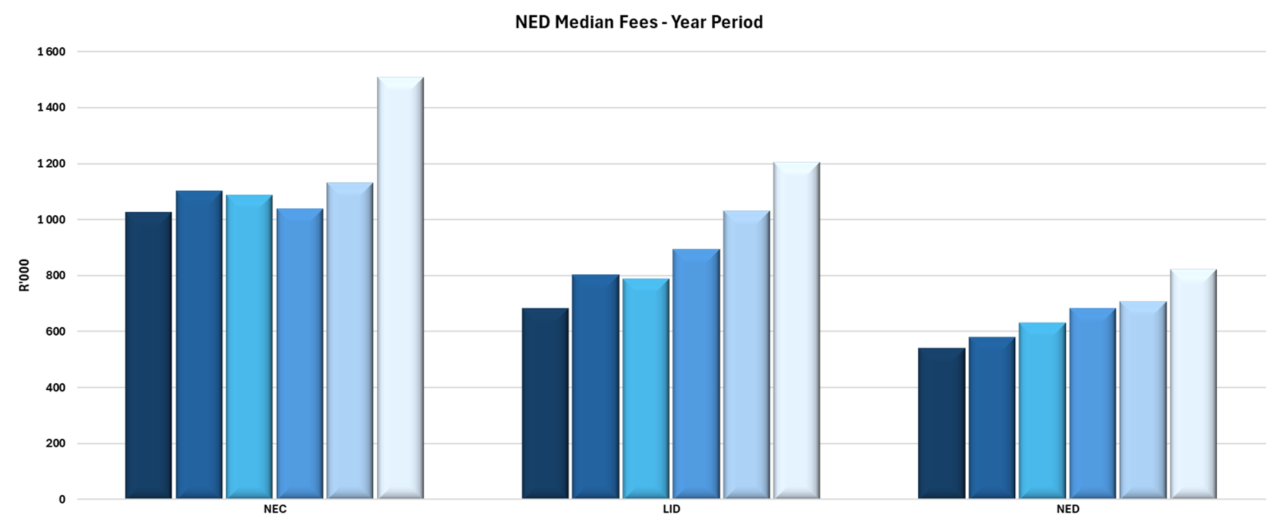
When analysing the guaranteed packages CEOs in the Basic Materials sector were paid the highest**, *however SOEs saw the largest increase in CEO guaranteed packages of 40.9% from 2023 to 2024.*** The significant increase is most likely because of many CEOs resigning or being replaced and new CEOs recruited at higher salaries. The majority of the SOEs have been under the spotlight for several years and has resulted in the high turnover of the CEOs. The hope is that the recruitment of more suitable candidates who have the right skills, mindset and tenacity, will turn these ailing SOEs around to become more profitable and help grow the economy.



The last financial year saw total guaranteed pay (TGP) increases for both CEOs and CFOs drop below what union employees received with increases for CEOs at 5.7%, CFOs at 5.5% and unions receiving 6.0%. This downward trend is also a result of the drop in CPI.

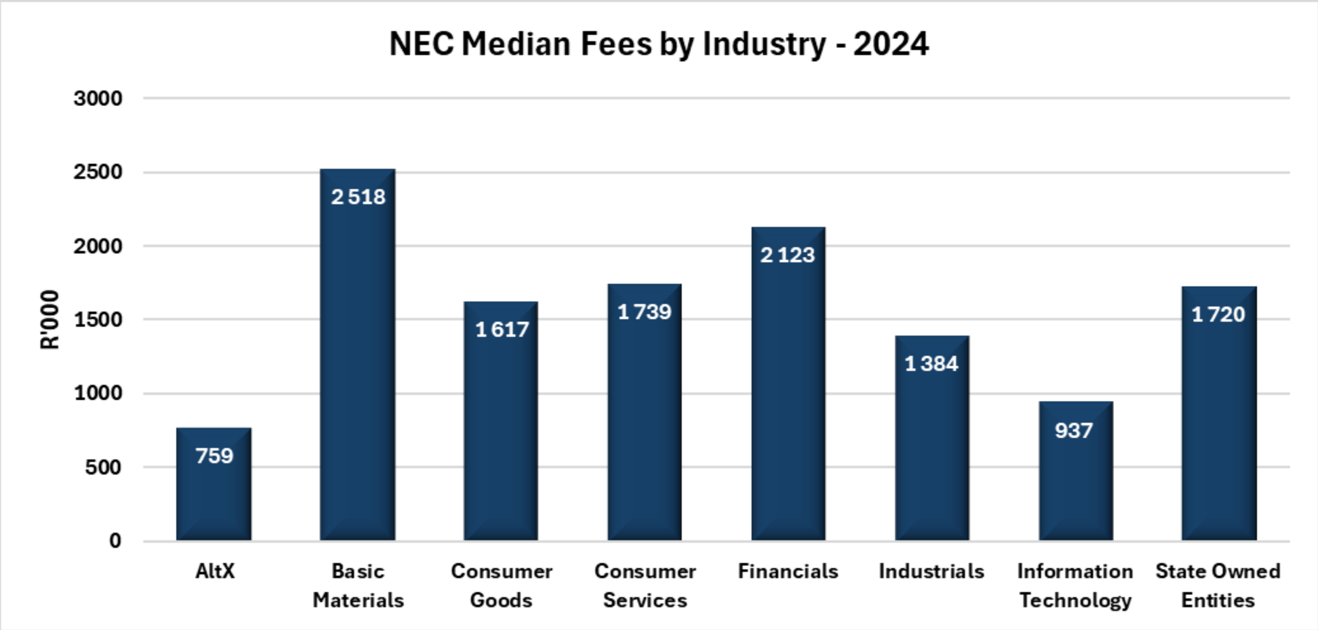
NED trends

There has been a noticeable change in the structure of the fees being paid to NECs across all industries in that more companies are paying an all-inclusive fee. The NEC fees have increased by 33.5% because of the change in the structure of the fees. However, there has also been a noticeable increase in the fees for all NEDs from 2023 to 2024. This high increase could be related to an increase in the number of meetings held during the past financial year and/or the added responsibilities and complexities in the roles of NEDs serving on the board and committees of companies.



	NEC	LID	NED
2019	1026	682	539
2020	1100	801	578
2021	1086	786	631
2022	1038	893	682
2023	1130	1030	707
2024	1508	1205	823

As with the CEOs and CFOs the Basic Materials and Financial sectors pay the highest fees to NECs. This is most likely because of the complexities within these industries, the size of the companies and their geographic spread.



One trend, not seen in the analysis, is the increased recruitment of individuals with global experience to serve on the board and committees. These NEDs who live in countries such as Canada, Australia, USA, UK and Europe require fees paid in their currency and benchmarked against international, global companies. One of the outcomes of this is that the local NEDs feel underpaid as they are taking on the same responsibilities and liabilities and yet are paid in ZAR benchmarked against the SA market.

For a copy of the full report please contact Mike Evans at mike@khokhela.co.za.