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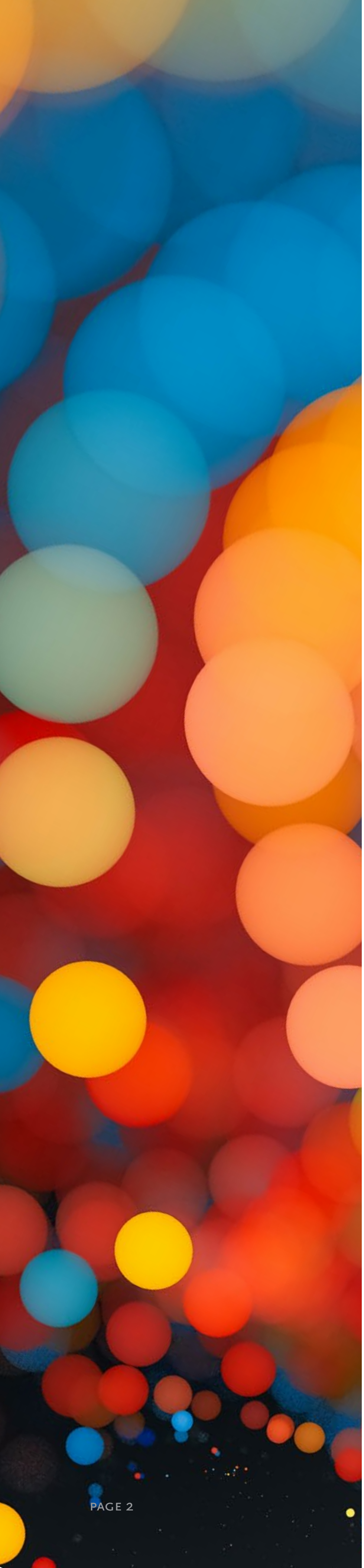
2023 South Africa Spencer Stuart Board Index Highlights

There have been a number of corporate governance lapses in South Africa in recent years; well-publicised transgressions that emphasise how fatal to business corporate governance failures can be. And beyond the significant losses of value and trust, they affect the broader reputation of the business sector in South Africa.

So it is understandable that there is renewed focus on the role of directors and the importance of good governance and accountability through proper oversight and due diligence.

The 2016 King IV Code of Corporate Governance articulates how good corporate governance is a business accelerant, and the past decade has shown us that strong governance has to be engrained as a mindset.

This Board Index considers changes in the key components of board composition, organisation, and remuneration. We highlight here some of the more notable shifts that have occurred since 2012.



Composition

- Board size has remained stable.
- High levels of independence among board members continue.
- Boards are significantly more diverse. 88% of boards in the 50 largest companies in the JSE have at least one director with an HDSA background, up from 32%.
- Women represent 39% of all NEDs in the companies under review, marking a slow but steady increase from 27%.
- Compared to a decade ago, more women are new to the boards they currently serve, and there are more female first-time directors.
- 73,5% of the sample have at least one foreign NED; this is a significant increase compared to the 36% recorded a decade ago.

Organisation

- Boards met 8 times in the year on average, as was the case a decade ago.
- Of the boards that reported on whether they had conducted a board evaluation (and only 3 participants did not disclose this), 26 (59%) companies conducted external evaluations, compared with 16 (47%).
- All companies in our survey cohort continue to maintain an audit committee, and 98% maintain a remuneration committee.
- The average number of audit committee members has fallen very slightly, to three from four.
- Audit committees met six times on average during the year, up from four.
- Remuneration committees met five times, up from three.
- Boards held an average of seven scheduled board meetings, down slightly from eight.
- Almost half (49%) of the boards under review met seven or more times during the year, a significant rise from 18%.

Remuneration

- Payment of committee attendance fees in addition to a retainer is rare. Among our sample only 10.2% of companies operated a retainer plus committee attendance fee structure. This represents a 27.8% decrease from 2012, when 38% of chairs were remunerated through retainer and committee attendance structures.
- There has also been a steep decline in the proportion of NEDs remunerated through retainer and committee attendance structures. In this sample, 10.2% remunerate their board members through retainer and attendance fees. A decade ago, the structure of payment was not consistent, i.e. 38% of companies paid the chairman both a retainer and an attendance fee, while 47% of companies paid NEDs in this way.
- A decade ago, the average retainer paid to chairs was R1.4m; this has increased by 265% to an average retainer of R5.12m.
- The highest average retainer paid to chairs is found in the industrial sector, at R5.92m, followed by R4.76m in the financial services sector (where there has been a 79% rise since the 2012 average chair retainer of R2.66m).
- The average retainer for NEDS shows a 128% increase, from R407,000 to R929,317.
- The average retainer paid to audit committee chairs is R636,485, marking a 206% increase from R208,000 a decade ago.
- The average retainer paid to remuneration committee chairs is R569,465 a 306% increase from R140,366.

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At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to non-profit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit **www.spencerstuart.com**.