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Sevenfold Increase In Executive Pay

Research by *Sunday Business Report* indicates that huge increases in remuneration packages have followed the JSE's decision in 2002 to compel all listed companies to disclose the individual pay levels of board directors. **Ann Crotty** and **Renee Bonorchis** suggest that remuneration levels have increased sevenfold over this period and that these massive increases are an expensive and unintended consequence of the forced disclosure of executive income.

They report that the quality of the disclosure makes it virtually impossible for shareholders to determine whether they are getting value and that disclosure has set-off "an ever-upward spiralling game of catch-up in which the most generous package on the JSE becomes the one to beat." Simultaneously tight control has been exerted on inflation-linked general wage increases resulting in an immense escalation of the wage and income gap in South Africa.

A selection of the findings from Business Report's six months of research includes:

- Changes in tax laws and accounting policies are likely to greatly reduce the extent to which remuneration committees rely on traditional share option schemes to reward senior executives. A wage survey by PE Corporate Services this year showed that the value of share options to individual executives has recently ranged between 50% and 200% of

their annual guaranteed pay.

- Retailers and media companies had the most women on their boards. Mining companies, followed by technology companies and banks, had the fewest.
- Diversified industrial, technology and foreign-domiciled companies had the fewest black directors. Media and telecommunications firms have the most.
- Less than one in 10 remuneration committee members is black or female.

(Information obtained from Sunday Business Report - 21 August 2005.)

Reward for Failure Slammed

An umbrella organisation representing over 34 funds collectively investing over \$110 billion in the Australian capital market, the Australian Council of Superannuation Investors (ACSI), has called for company directors and regulators to re-think the current approach to providing termination benefits for executives. The call follows the release of a research report identifying key shareholder concerns with the design and size of termination payments for senior executives of publicly listed companies.

The report prepared by institutional governance advisor Proxy Australia, compared current practice in Australia with recent developments in international markets and leading academic research. As a consequence the ACSI has called upon company directors and regulators to:

- **Stop payments for failure:** The report found executive service contracts routinely stipulate lengthy notice periods or pre-determined large payouts even where dismissal occurs as a result of poor performance.
- **Excise bonuses from just termination:** The research identified some termination benefits also included 'bonuses' that executives departing for poor performance otherwise had no entitlement to collect.
- **Reduce the incidence of lump sum payouts:** Australian companies have been slow to embrace the international trend of monthly termination payments which cease or reduce if the departing executive finds another position.
- **Make more termination arrangements subject to shareholder approval:** The existing threshold for shareholder approval of termination benefits (up to 7 times annual salary) was too high to be meaningful in Australia.

- **Review the merits of one year 'rolling' contracts for executives:** The report found such contracts that, whilst on foot, always have a maximum of one year to run are becoming commonplace in the UK.
- **Bring disclosure of executive service contracts into line with other jurisdictions:** The US and the UK now compel detailed contemporaneous filings on termination benefits. The latitude in Australia's continuous disclosure regime has meant that key details often emerge only when an annual report is published.

"The Proxy Australia research comprehensively 'lifts the lid' on domestic and international practices and promotes an informed debate on the disclosure, design as well as the quantum of termination payouts," said Executive Officer of ACSI, Phillip Spathis. "As a starting point, ACSI believes that termination benefits for executives must be brought more into line with community expectations."

The issue of termination payments is not a peripheral one. The average CEO's tenure in Australia lasts just over four years and a quarter of the top ASX/S&P 100 companies have turned over their CEO in the last two years.

The research highlighted several termination payments that create an impression of a 'reward for failure' and give out a strong signal that there are no downside risks for these executives.

This makes a mockery of any contention that their remuneration arrangements are aligned to the interests of shareholders," said Mr Spathis.

"We regard executive remuneration and termination payment policy as a key indicator of a Board's effective oversight of its company executives. It is time that regulators reconsidered the limited say that shareholders have in the approval of termination payments. We rely on boards, as shareholder agents to approve and disclose appropriately structured contracts and reasonable termination payments. The report highlighted many instances where this stewardship has been found wanting over the past 5 years.

Disclosure alone will not reduce excessive payments. Boards may well need to exercise better care when approving contracts, in such areas as restricting notice periods, for example to one year or capping the level of liquidated damages. This would involve agreeing at the time the contract is drawn up, a reasonable amount that will be paid in the event of termination, for example six months," said Mr Spathis.

About ACSI: ACSI was formed in 2001 and represents 34 superannuation funds with over five million members and over \$110 billion in assets.

About Proxy Australia: Proxy Australia is an institutional governance and proxy voting adviser. Led by Professor George Stapledon and Dean Paatsch, it draws together staff and resources associated with leading edge corporate governance research and voting advice in the Australian market.

WorldatWork

From Octopus to Sharks: The Current and Future Roles of the Rewards Professional

By Duncan Brown and Peter Christie

The idea of the strategically contributing role of the rewards and HR professional has been around for at least 20 years. And it is almost a decade since Dave Ulrich, professor of business at the University of Michigan, responded to the HR abolitionists with his definitions of the four key HR roles that deliver high added value, most famously that of the strategic business partner.

So, how, if at all, has the concept of HR business partnering impacted the work of compensation and benefits professionals? What changes are we seeing in the roles they play and the competencies they need? These were some of the questions posed and debated among 20 senior professionals in major organizations at one of the regular meetings of Watson Wyatt's UK Reward Network.

WorldatWork brings you this feature article in its August 2005 Newsletter, 'workspan.Global'. [Read more](#)

New Website Postings

- **Expatriate Remuneration Preferences** – The presentation by **Benoit Raffray** to the SARA Expatriate Management Group, on 24 August 2005, covering his research into expatriate remuneration is on the website at: [EMG Presentations](#)
 - **Case Study: Designing and Implementing a Successful Total Rewards Programme**: The presentations from the **John Rubino** function, held on the 27 July 2005, are now available on the website. If you are interested, go to: [Presentations](#)
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Consultant Members

SARA is looking forward to a closer working relationship with our Consultant members. We encourage all our members to access our Consultant Members' websites for more information on the services and products they have on offer.

- **21st Century Pay Solutions**
Dr Mark Bussin – TEL (011) 447 0306
www.21century.co.za

- **Alexander Forbes Financial Services**
Tracy Reynders – TEL (011) 269 0318
www.aforbes.co.za
- **Averile Ryder Remuneration Consulting**
Averile Ryder – TEL (031) 262 2849
www.averileryder.co.za
- **Clé Human Capital (Pty) Ltd**
Marc de Chalain – TEL (011) 467 7813
www.clehc.co.za
- **Deloitte**
Louise Marx – (011) 517 4147
www.deloitte.co.za
- **Global Expatriate Management**
Rene Stegmann – TEL (021) 683 0750
Andrew Stegmann – TEL (021) 683 0750
www.gem-worldwide.com
- **Global Remuneration Solutions**
Gayle Whitcher – TEL (011) 693 5003
www.globalrem.co.za
- **Hay Group South Africa**
Malcolm Pannell – TEL (011) 783 2632
Ginger Brown – TEL (011) 783 2632
www.haygroup.co.za
- **IBM South Africa**
Gerhard De Klerk – TEL (011) 302 6198
www.za.ibm.com
- **LMO Executive Services**
Melanie Trollip – TEL (011) 678 1158
www.lmo.co.za
- **Milestone Ventures**
Yusuf Mahomed
www.milestoneventures.co.za
- **Remchannel (Pty) Ltd**
Rene Richter
www.remchannel.co.za
- **Vasdex Associates**
Brendan Olivier – TEL (011) 884 0943
www.vasdex.co.za

Please note these details are also available on the website: [Consultant Members](#)

Consultant Member News

- Many companies with offices based in other African countries are now looking to locate their Head Office in South Africa. Over the past 12 years, both **Relocation Africa** and **Global Expatriate Management's** services have broadened and our reach into Africa has grown substantially. We have developed a web-enabled African focused international payroll system which involves: distributing employees payslips, paying their salaries, making payments and sending the payment schedules to all 3rd parties including retirement funds and medical aids, as well as fulfilling all statutory requirements and making payments to the tax authorities.
- **21st Century** is proud to announce that the National Salary Survey for 2005 has just been released to participants. This survey offers remuneration benchmarks for a total of 403 benchmarks, being 277 positions across all levels and a range of sizes and structures in an organisation. The survey contains roles that are current in the South African context, with current grades for each position. In addition, 21st Century is celebrating the first anniversary of its BEE partnership with Mayikana Consulting which has delivered exceptional benefits to all stakeholders.

Reward Awards

Star Awards – Are You Light Sabres Ahead?

The **9 September 2005** deadline for nominations for the **Reward Awards 2005** is rapidly approaching. Organisations and members are encouraged to recognise the role and contribution that their reward specialists have made by nominating candidates for the awards.

Nominations can be made in two different categories:

Reward Strategist of the Year – Nominees should be Head of a Reward Department that has recently initiated and implemented innovative reward practices and programmes, typically over a period of 1 to 3 years. These practices and programmes must contribute to and support the organisation's strategic objectives. Strong leadership skills and credibility within the organisation and HR field are important.

Reward Practitioner of the Year – Nominees should be employed in a Reward Department and would provide specialist support in the implementation of

innovative reward practices and programmes, typically over a 6 to 12 month period. The operational level support must contribute to the organisation's strategic objectives. Initiatives may be an enhancement to an existing product, process or policy.

Winners in these categories will each receive a cash prize of R15 000 as well as the recognition of their peers. In addition the winners' organisations will receive public recognition for employing award-winning reward practitioners.

By nominating candidates for the awards you put yourself in line to win a weekend getaway for two with R1 000 in spending money. The Reward Awards entry form for 2005 is now available on the website. To send in your nomination, go to: [Nomination Form](#)

Please note the deadline for nominations is the 9th of September 2005.

The winners of the 2005 Reward Awards will be announced by SARA at the **Year End Banquet** to be held at La Toscana, Montecasino on the **12th of November 2005**. Co-sponsor of this year's Reward Awards programme is **Remchannel**.

The **Reward Awards Project Team**, listed below, is steaming ahead with the preparations for this exclusive event:

Peet Kruger (**Chairman**)
Margie Manners (Remchannel)
Rene Richter (Remchannel)
Debora Roper
Nazlie Samodien (Edcon Group)
Hannelie Schoeman (Medscheme Holdings (Pty) Ltd)
Willemien van der Merwe (Business Connexion (Pty) Ltd)
Emily Wilks (Business Connexion (Pty) Ltd)
Gillian le Cordeur (Secretariat)

SARA Conference 2005

This year's SARA Conference "Reward Trends, Today & Tomorrow", will be held at **Montecasino**, in Johannesburg, from **10 to 11 November 2005**. The Organising Committee for the conference is hard at work planning an outstanding event with exceptional speakers such as **Andi Buergi** (SIBSON, Switzerland) and **Michael Moll** (Futureworld) already reserved. The programme will be finalised by the organising committee (listed below) within the next two weeks and will thereafter be forwarded to members. Please diarise these important dates in the meantime.

- Ms. Ronel Nienaber (Chairperson)
- Ms Nicolene de Beer
- Ms. Michelle Adams

- Ms. Yolande Green
- Mr. Ruben Oliphant
- Mr. Kobus Moolman

SARA Events Programme 2005

Month	Date	Function
September	12 - 14	GRP5 Seminar (Johannesburg)
September	15 - 17	GRP6 Seminar (Johannesburg)
October	06	AGM & Workshop
November	10 - 11	SARA Conference
November	12	SARA Year End Banquet
November	14 - 16	GRP7 Seminar
November	17 - 19	GRP8 Seminar

If there is any information you would like to know about SARA Events, please contact Gillian at the Secretariat: gillian@vdw.co.za

EMG Events Calendar 2005

EMG 2005 Events Calendar

Listed here is an updated version of the Expatriate Management Group's Events Calendar for 2005. To view the calendar, please go to: [Events Calendar](#)

Please note that dates and venues are subject to change. To get more information, please contact Gillian: gillian@vdw.co.za

Month	Date	Function	Venue	Time
August	24	Expat Remuneration Survey Feedback from Benoit Raffray	Country Club Johannesburg	07h30 - 10h00
August	25	EMG Committee Meeting	Secretariat - Randburg	15h30 - 17h00

September	08	EMG Committee Meeting	Secretariat - Randburg	16h00 - 18h00
September	Tbc	ECA Expat COL Survey (RSA base country)	To Be Confirmed	
September	Tbc	ECA Training Course	To Be Confirmed	
October	20	Psychometrics: Critical Screening & Support Services to Assignees & Families - Marius van Aswegen	To Be Confirmed	07h00 - 09h00
November	Tbc	Global Remuneration Trends & Practices	To Be Confirmed	

2005 GRP Programmes

Cape Town GRP Seminars

The GR 3 and 4 Seminars were held in Cape Town at the Greenways Hotel, on 15-17 August and 18-20 August 2005 respectively. The seminars were facilitated by Peet Kruger and feedback from members has been very positive. We anticipate many more successful GRP courses down in Cape Town.

Johannesburg GRP Seminars

Date	GRP	Module
12 -14 September	GR5	Performance Management, Strategy, Design and Implementation
15 -17 September	GR6	Variable Pay – Incentives, Recognition and Bonuses
14 -16 November	GR7	International Total Remuneration (Andreas Buergi - Switzerland)
17 -19 November	GR8	International Benefits (Andreas Buergi - Switzerland)

GR5 and 6 will be held at the House of Pharoahs, Johannesburg. For more information on the GRP Seminars, please go to: [GRP Seminars](#)

Certification Institute Feedback

For the first time in South Africa, SARA arranged, through Worldatwork, the highly rated “Certification Institute” for qualified GRP professionals. With **John Rubino** from New York in the lead chair, and 23 experienced Reward professionals in the room, it was a wonderful learning opportunity.

The programme kicked off on the Sunday afternoon, with delegates divided into three groups. Participants thought they were in for a relaxing three days – until

the groups were required, under strenuous timelines, to make formal presentations to the board of an international company. Light-hearted competition between the groups increased with every presentation.

The presentations had to be designed for a company with a 100-year-history, that had experienced drastic market decline, silo driven behaviour, a decline in profits and a new Chief Executive. The topics for discussion and presentation, included:

- Identifying the strategic focus area for this organisation and designing a high level strategy
- Building a strategic total rewards programme
- Identifying strategies for implementing and managing change and building a change management programme

Aside from the opportunity to network with professionals from around South Africa and Botswana, and across a wide range of different industries, delegates had the opportunity to practice design, analysis and communication skills and to improve on their executive presentation skills. Delegates all agreed it was a worthwhile experience, providing them with opportunities to generate creative and competitive solutions to challenging strategic business issues, whilst being in a supportive environment.

For more information contact Gillian at the Secretariat: gillian@vdw.co.za or go to: [Certification Institute](#)

IPM Conference

IPM Convention: The 49th Annual IPM Convention & Exhibition will be held at Sun City from the 28th – 30th of August 2005. The theme for the Convention is **Competencies & Knowledge for 21st Century Companies**. Confirmed speakers for this year's convention include: Professor Lynda Gratton (London Business School), Clem Sunter and Professor Nick Binedell (GIBS). For more information, please call: +27 11 785-6800 or go to: [IPM Convention](#)

Employment Opportunity

Remuneration Consultant – Central Human Resources: Old Mutual

Reporting to the Remuneration Manager, the focus is on staff share plans (long-term incentive component of pay structure) within **Old Mutual South Africa**.

The duties and responsibilities include:

- Keep abreast of share scheme developments in the South African market place, by conducting competitor company research and participating in and analysing remuneration survey results.
- Keep abreast of changes in tax and other legislation to anticipate the impact of this on Old Mutual's share plans. Facilitate required changes to Old Mutual's staff share plans in accordance with this.
- Propose, facilitate and implement ad hoc changes required to Old Mutual's staff share plans in consultation with experts from OM Corporate Tax, OM Corporate Law and OM Corporate Finance. This includes design of share plans, financial modelling, involvement in the drafting of share plan Rules and Trust Deeds.
- Draft papers for the OMSA Remuneration Committee on issues affecting Old Mutual's staff share plans, including implementation of new share plans, changes to existing share plans and share allocation methodology.

To find more information on this job opportunity, go to: [Employment](#)

New Members and Resignations

New Associate Members:

- Mr. Andile Luke
Tracker Network
- Ms. Nadia van der Merwe
Tracker Network
- Ms Lizel Janse van Rensburg
Gold Fields Limited

New Corporate Representative Members:

- Ms. Thabang Hlaisa
KLM Empowered Pty Ltd
 - Mr. TC Mabizela
Phalabora Mining Company
 - Mr. Charl Prinsloo
City of Cape Town
 - Ms. Elzaine Crafford
Mol South Africa (Pty) Ltd
 - Ms. Susan Lombard
Ster-Kinekor Pty Ltd
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A Message to Readers from the Editor

Dear Readers

If you have any information or announcements that you would like to see posted in the bulletin, please forward them to me by the 23rd of every month.

Kind regards

Clare

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