Compile a high quality remuneration report

Follow good practice guidelines when compiling your remuneration report.

Dr Mark Bussin and Elmien Smit

It is important that the remuneration report is structured in a way that not only follows certain guidelines, but also makes it simple and easy to understand because shareholders have an annual vote on the remuneration report. It should be stated that the company continues to focus on responsible remuneration that is driven by sound governance principles.

The use of clear, bold headings to structure the report makes it much easier to navigate through the text. Colour is an important tool for making the report more attractive. It can make the information much more simple and clear. Tables are a great way of setting out information that could easily get swallowed in a large body of text. Another great way of splitting up text and making things clearer is using charts. Include a summary in the introduction section.

Many reports now include a summary table breaking down each element of total remuneration. This gives a brief overview of what the executive receives.

Principle 2.26 of King III states: “In its annual remuneration report, to be included in the integrated report, the company should explain the remuneration policies followed throughout the company with a special focus on executive management, and the strategic objectives that it seeks to achieve, and should provide clear disclosure of the implementation of those policies”.

In order to meet this requirement, a typical remuneration report would comprise the following sections:

1 Introduction.
   • What is covered by the report; and
   • The degree to which the report complies with King III in the context of “apply or explain”.

2 Key terms.

3 Remuneration Philosophy, Strategy and Policy.
   • A summary of remuneration throughout the company in terms of base pay, benefits, variable pay and non-financial benefits;
   • How the remuneration strategy links with and supports the business strategy; and
   • How it has been implemented.

4 The Remuneration Committee – its role and structure.
   • The Terms of Reference should be referred to; and
   • The members, attendance, advisors and work programme.

5 Key Remuneration Decisions Throughout the Year.
   • An overview of any changes in the previous remuneration strategy;
   • For example, new incentive schemes, changed benchmarking of base pay; and
   • Employee retention plan.

6 Overview of the Implementation of Remuneration.
   • Overview of the typical executive remuneration package;
   • How each element was made up; and
   • The role of performance targets and their relationship to remuneration.

7 Executive Contracts.
   • A summary of the executive contracts of executive directors and prescribed officers;
   • Term; and
   • Details of any contractual end-of-term payments.

8 Non-Executive Director Terms of Appointment.
   • Term and rotation; and
   • Fee structure.

9 Payments made to Executive Directors and Other Specified Individuals During the Year.

10 Payments made to Non-Executive Directors During the Year.

11 Details of shareholding and how share schemes are funded. This would not be relevant to State Owned Enterprises.

12 Remuneration tables and additional remuneration closures.

The above is a brief overview of the remuneration report. The detail and emphasis could vary from one organisation to the next. A good remuneration report should be interesting, clear and easy to understand and, as far as possible, try to follow good practice guidelines.

Dr Mark Bussin is Executive Chairperson and Elmien Smit is a Professional Assistant at 21st Century Pay Solutions Group, www.21century.co.za.

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