

Non-executive Director Remuneration within the Top Thirty (30) Capitalised Companies on the Nigerian Exchange (3rd Edition)

Introduction

We are pleased to share highlights of the results of our Survey of Non-executive Director Remuneration within the NGX Top-30 (30 most-capitalised companies on the Nigerian Exchange). The Survey which covered the Board Chairman and Other Non-Executive Directors (NEDs) was launched to achieve the following objectives:

- provide valuable information on remuneration levels and practices
- enable the Board determine competitiveness of NED pay
- support alignment with corporate governance requirements in respect of Director remuneration
- contribute to the development of reward practices in Nigeria.

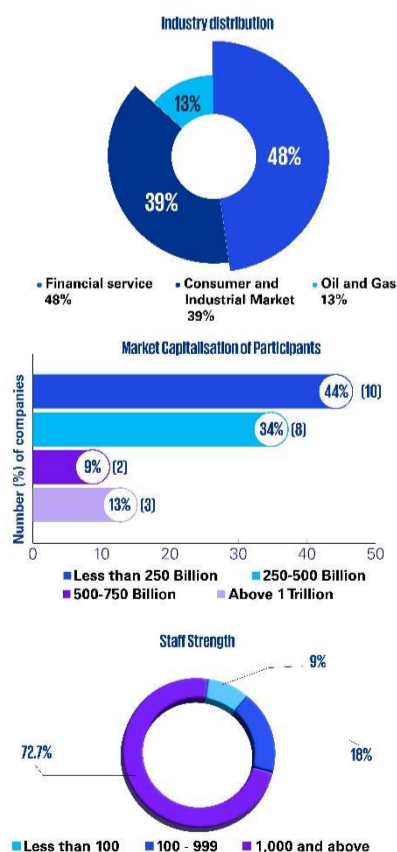
Corporate governance remains a critical pillar for any organisation to achieve its business goals and objectives and a company's Board of Directors is responsible for ensuring compliance with good corporate governance practices which are pivotal to business growth and sustainability.

Given the increasing complexity of the business environment and the demand on Directors' time, a competitive Board Remuneration Strategy has become even more critical in attracting, retaining and motivating competent Directors with the requisite skills, network and experience. For the Board to recommend an appropriate remuneration framework, they require reliable market data and insights. This will support alignment with current realities while ensuring pay affordability and sustainability.

Through its various compensation survey initiatives, KPMG provides insights into market practice on remuneration levels and practices across different employee categories, as well as for NEDs, in various industries.

Profile/Demographics of Survey Participants

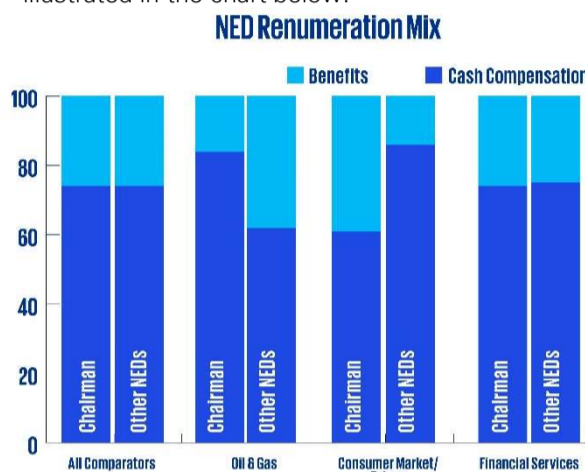
- The survey covered 77%¹ of the NGX Top-30, i.e., 23 companies across the financial services, consumer markets and oil and gas sectors of the economy. Organisations within the Financial Services industry constitute close to half (47.8%) of the data set while companies within the Consumer & Industrial Markets comprising Fast Moving Consumer Goods, Cement Manufacturing and Telecommunications companies make-up 39%. Market capitalization for the companies range between ₦200billion and ₦1Trillion. Staff strength is between 1,000 and 10,000 employees as shown below:



Summary of Survey Findings

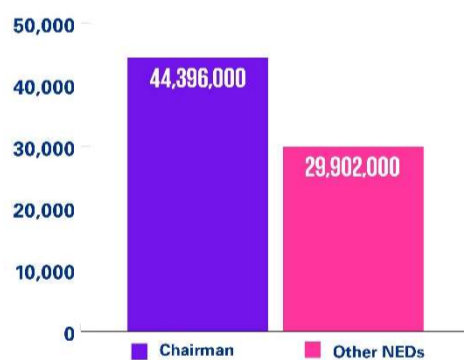
- **Compensation Mix:** Board remuneration comprises director fees, sitting allowance for Board and Board Committee meetings, other cash allowances and benefits. Typically, pay for the Chairman is differentiated from the other NEDs.

Our findings show that cash compensation forms a larger portion of NED pay than benefits, ranging up to 74% of NED pay within the combined comparator group. The split of cash to benefits compensation is further illustrated in the chart below:



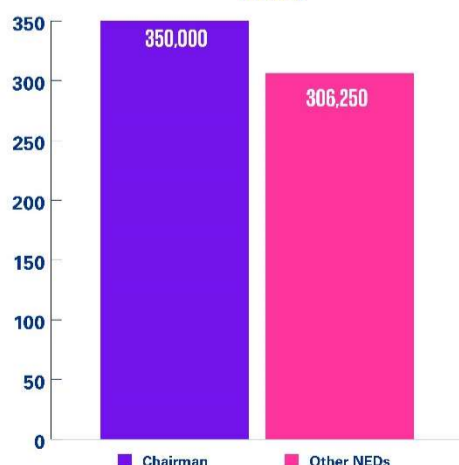
- **Gross Compensation:** This is the aggregate of all pay items received by NEDs in exchange for their time and services on the Board of an organisation. In this survey, Gross Compensation comprises: Directors Fees, Annual sitting allowance for Board meetings only, other cash allowances and benefits. It does not include the value of Board committee sitting allowance as this is not guaranteed and varies per Director. The Gross Compensation is shown in the chart below:

Median Gross Compensation (N'000)

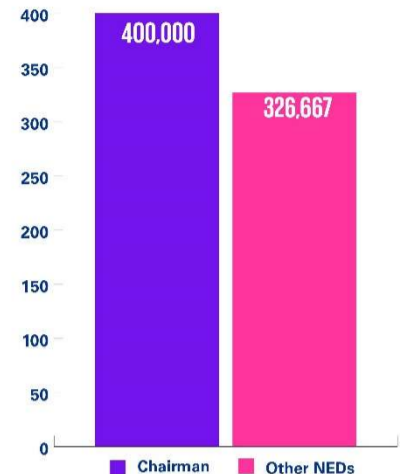


- **Sitting Allowances** – The median sitting allowance paid for attending Board and Board Committee meetings is presented in the charts that follow:

Median Sitting Allowance per Board Meeting in NGX Top 30 (N'000)



Median Sitting Allowance per Board Committee Meeting (N'000)



- **Other Cash Allowances:** 43% of the comparators provide other cash allowances such as Passage /Ticket Allowance (Overseas Holiday Travel), Utility Allowance and Medical Allowance.
- **Benefits:** 61% of the companies provide benefits to their Directors, some of which include:
 - **Status Car, Vehicle Insurance, Driver, Vehicle Fueling & Maintenance.**
 - **Medical Cover / Check-up**
 - **Severance / Exit Pay:** This is a form of post-service benefit to reward Directors for their commitment and service, and could serve as a safety net necessary for taking calculated risks on behalf of a company or a motivation to potential Directors to take the risk of joining the company. Some of the participating companies have a documented Severance / Exit policy in place while others either provide a discretionary payment and / or hold a dinner in honour of the exiting Director.
- **Interpreting the survey results:** In taking a decision on Board Remuneration, companies typically consider Business size, Risks associated with board decisions, Relevant legislation and corporate governance codes, ability to pay, market practices amongst other factors. Based on the foregoing, a company may choose to position pay within the first quartile (0th – 25th percentiles), second quartile (26th -50th percentiles), third quartile (51st – 75th percentiles), or the fourth quartile (76th – 100th percentiles).
- **Remuneration Policy:** This outlines the underlying key principles and objectives, compensation strategy, etc., that provide the framework for administering pay in an organisation. The policy embodies how the organization leverages remuneration to attract, retain and motivate the required talent. The Nigerian Code of Corporate Governance (NCCG) requires companies to put in place this policy and disclose same in their annual reports. The NCCG requires full disclosure of Director Remuneration and holds that Directors are not to earn performance-based pay to avoid conflict of interest.

Conclusion

To attain industry dominance, a company relies on the quality of its leadership, especially as this relates to direction and control. The quality of leadership a company can attract and retain is closely tied to the remuneration levels the company provides. Companies therefore need to continually review their reward strategies to ensure that they can fairly compensate the Directors who are responsible for continual growth and business stability.

¹ Twenty-three (23) i.e., 77%, of the NGX Top 30 featured in the survey. The remaining seven (7) companies either declined participation or could not meet the data submission timeline

For more information on the full report, please contact:

Nneka Jethro-Iruobe
0808 313 3012
nneka.jethro-iruobe@ng.kpmg.com

Boluwaji Apanpa
0706 417 1642
boluwaji.apanpa@ng.kpmg.com

Yetunde Kanu
0803402 0998
yetunde.kanu@ng.kpmg.com

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