

Board Remuneration in the Top Thirty (30) Capitalised Companies on the Nigerian Stock Exchange (2nd Edition)

Introduction

We are pleased to release the results of our Survey of Board Remuneration in the NSE 30¹ (Top 30 Capitalised companies on the Nigerian Stock Exchange). The Survey covered the Board Chairman and Other Non-Executive Directors (NEDs). The objectives of the Survey are to:

- provide valuable information on remuneration levels and practices in the NSE 30
- enable Management 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.

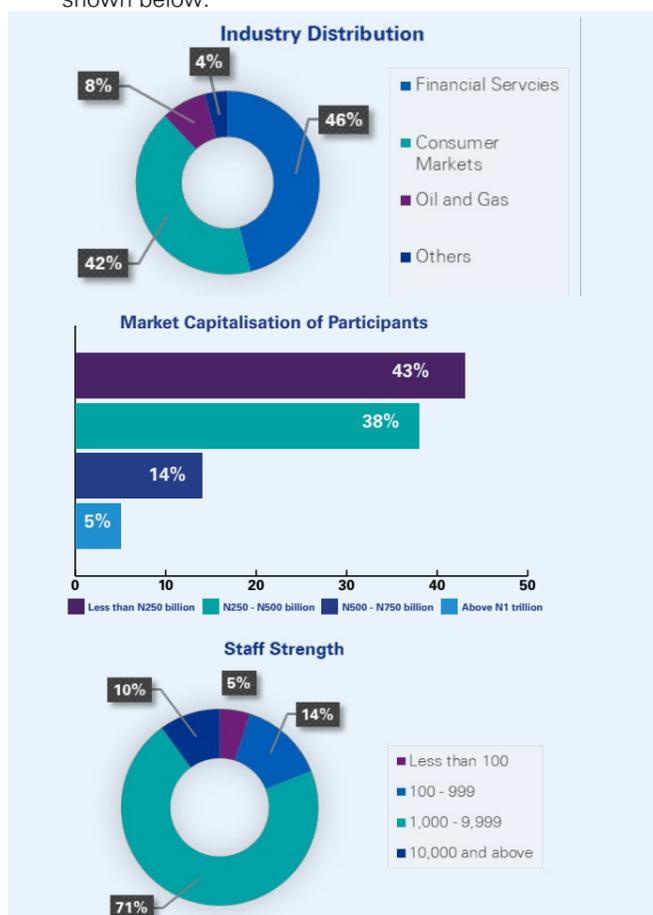
Corporate governance remains a critical pillar for any organisation to achieve its business goals and objectives and a company's Board of Directors is responsible for ensuring compliance with good corporate governance practices which are pivotal to business growth and sustainability.

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 Management 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 survey initiatives, KPMG provides insights into market practice on remuneration levels and practices across different employee categories, including NEDs, in various industries.

Profile/Demographics of Survey Participants

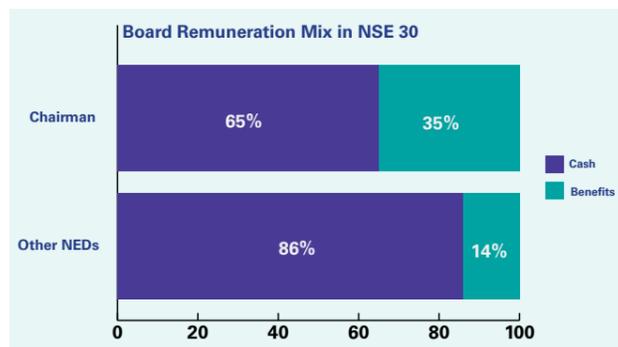
- The survey covered 70%² of the NSE 30, i.e. 21 companies. Financial Services companies constitute close to half (46%) of the data set. The Consumer & Industrial Markets comprising Fast Moving Consumer Goods, Cement Manufacturing and Telecommunications companies make-up 42%. Most of the companies have market capitalization of less than ₦500billion and staff strength of 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.

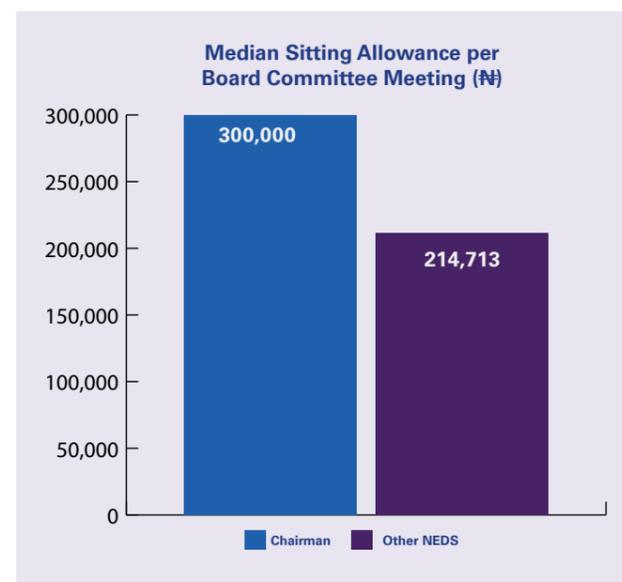
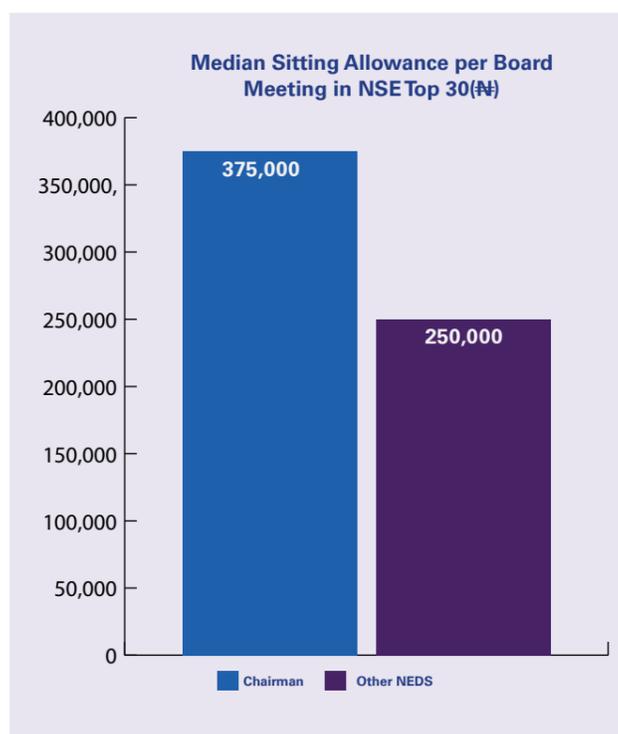
Our findings show that cash compensation forms 65% to 86% of NED pay, while the balance of 14% to 35% is delivered as benefits, as shown in the chart below:



- **Directors' Fees:** This refers to fees paid to each Board member in return for their skills, experience, services, time, etc. The median annual directors fees across the NSE Top 30 is summarised in the chart below:



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



- **Other Cash Allowances:** 57% of the comparators provide other cash allowances such as Passage / Ticket Allowance (Overseas Holiday Travel), Utility Allowance and Medical Allowance.
- **Benefits:** 62% 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. Few of the participating companies have a documented Severance / Exit policy in place. However, 52% of the companies either provide a discretionary payment or hold a dinner in honour of the exiting Director.
 - **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 does not specify the format in which Directors remuneration should be reported however, two (2) of the featured companies have remuneration per Director disclosed in their annual reports.

Conclusion

Good Corporate Governance practices remain a frontline driver for business sustainability and growth and Non-Executive Directors are charged with ensuring the companies they lead comply and keep on the path of growth. Overall, Board Remuneration is increasingly moving towards a cash-based pay system eliminating the administrative burden of providing benefits.

¹ Prior editions were based on top 25 capitalised companies. However, this year, we have expanded the scope to cover more companies in order to make the data more robust.

² Twenty-one (21) i.e., 70%, of the NSE Top 30 featured in the survey. The remaining nine (9) companies either declined participation or could not meet up with the data submission timeline.

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