



EXECUTIVE COMPENSATION DEVELOPMENTS AND OUTLOOKS AROUND THE WORLD

November 2023

Recent insights from our GECN Group offices across Canada, the United States, United Kingdom, Switzerland, South Africa, and Australia are briefly summarised below.

2023 Proxy Season Summary

Pay levels. A mixed bag across the represented jurisdictions. No change in Switzerland; a 2% decrease in the United States; increases in Canada, United Kingdom, and Australia.

Pay design. Pay “longevity” decreased to 2.4 years in Canada but increased in Switzerland. Australia and Switzerland have seen an expansion in non-financial performance measures. In South Africa, investors are raising concerns about the lack of performance-related long-term incentives.

Say on pay. Support for executive remuneration now is, on average, greater than 90% in Canada, United States, United Kingdom, and Switzerland. South Africa is not far behind at 87%. Australia’s 2023 AGM season is underway, with high “no votes” likely to exceed last year.

2024 Executive Salary Budget

Increases are largely at, or below, the rate of inflation across the group, ranging from limited change in Switzerland to 4.4% in the United Kingdom. The exception is South Africa where an average increase of 6% is expected, 1.2 percentage points above the August inflation rate.

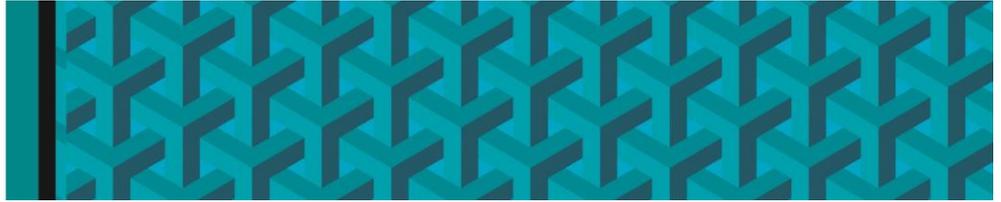
Short-term Incentive Design

No major changes have been observed. Scorecards are common, with 50% to 70% weighting on financial measures. The remainder is a mix of ESG, operating, strategic and individual performance targets. Maximum payout of awards is typically 150% to 200% of target.

In the mining sector, Canada and Australia have seen increased focus on cost management, cashflow and reducing capital expenditure. There is an increased expectation by investors that new climate related reporting will sharpen greenhouse gas and climate measures in the United Kingdom. ESG use and weighting as a measure continues to be debated in South Africa.

Long-term Incentive Design

No major changes have been observed, with relative TSR remaining the most common performance measure. Other financial measures, including EPS and ROCE, are second. In some markets, the trend is to have a third non-financial measure (ESG, operating, strategic).



Performance share plans continue to be the primary LTI delivery vehicle. The balance being delivered in time-vesting restricted share plans and options, which many markets continue to label as an incentive despite being received for just warming the chair.

Options are more prevalent in the Canadian and Australian mining sectors, with Australia reporting common usage at the exploration stage. In the United Kingdom there is pressure to have longer LTI performance periods to align with the investment and return cycles.

Other Executive Pay Governance / Regulatory Updates

It has been busy in governance and regulatory spheres this year. Changes range from improving disclosures on use of discretion, pay for performance, climate, cyber-security, and board and executive composition to binding votes on executive remuneration and consequences for Remcos / Human Resources Committees receiving “no” votes. More detail by country:

Canada

- Human Resource Committees are revisiting legacy designs as the Canadian Coalition for Good Governance is encouraging ownership of “real” common shares rather than notional share units in executive share ownership requirements
- Compliance with US SEC requirements has Foreign Private Issuers reviewing Clawback Policies
- New Pay versus Performance disclosure in the US is prompting companies to improve the analysis of pay and the link to performance

United States

- SEC has finalised rules for:
 - Pay versus performance disclosure
 - Clawback policy in the event of financial misstatement
 - Cybersecurity disclosure
 - Climate risks and greenhouse gas emissions
 - Human capital management metrics
- There is also a proposal by the Federal Trade Commission to ban and rescind non-compete agreements

United Kingdom

- The review of the UK Corporate Governance Code is expected in its final form by the end of 2023. However, recent reports suggest the FRC will not implement half of the recommendations as, apparently, high governance requirements make the LSE less homely
- Proposal to establish a platform for founders, investors, and employees in private companies to sell shares

Switzerland

- Updates to the Swiss Code of Obligations to include:
 - Provisions on the set-up and approval of remuneration by general meetings



- A “comply or explain” model for gender representation targets for boards and executive teams
- Obligation to report on non-financial matters, including a requirement to publicly report on climate issued for select companies

South Africa

- Far-reaching consequences to executive remuneration under proposed changes to the Companies Act which make the new UK governance requirements pale in comparison, include:
 - Binding vote on both the remuneration and implementation report
 - Members of Remcos receiving “no” votes will be required to resign from the Committee (but not the board) for a period of three years

Australia

- Proxy advisors ISS and Glass Lewis are softening their stance on:
 - The use of restricted share units, provided they have a “pre-vest” assessment by Remco
 - Grudgingly accepting the need for APRA regulated entities to apply a higher weighting on non-financial measures
- Use of discretion (and lack of disclosure) and retention payments / grants is receiving due scrutiny
- A watching brief is being kept on the parliamentary inquiry into consulting firm conflict of interest and the likely impact on future disclosure and assessments of firm independence

ABOUT SOUTHLEA

[Southlea Group](#) is a national independent compensation advisory firm that provides global perspectives as a [GECN Group](#) company. We are headquartered in Toronto with an office in Montreal serving clients across Canada, representing all industries and organization structures. Our team of advisors is multi-disciplined with diverse backgrounds and experiences. We are proud to be a certified Women’s Business Enterprise by WBE Canada and to be Rainbow Registered as an LGBT+ friendly organization.

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