

Survey on Directors' Fees in Mauritius

Hay Group, in association with the Mauritius Institute of Directors (MioD), has released its 2015 report on directors' fees in Mauritius. This report analyses the remuneration data for non-executive directors (NEDs) from 52 companies, representing 612 directorships in Mauritius across a wide range of industry sectors. It provides key insights into current trends in NED remuneration and board governance (board composition, structure and meetings) among the participating organisations.

The full list of 52 companies whose data is included in this report is shown below. This list includes 33 of the Top 50 companies in Mauritius.

Abax Holding Ltd	Mauritian Eagle Insurance Co Ltd
ABC Group	Mauritian Eagle Leasing Co Ltd
Afrasia Bank Ltd	Mauritius Commercial Bank Ltd
Air Mauritius Ltd	Mauritius Telecom Group
Alteo	Mauritius Union Assurance Co Ltd
Bank One	MCB Group Ltd
Barclays (Mauritius)	New Mauritius Hotels Ltd
Blue Life Ltd	Omnican
Camp Investment Company Ltd	Phoenix Beverages Ltd
CIEL Group	Phoenix Investment Co Ltd
Cim Finance Ltd	Rogers & Co. Ltd
Cim Financial Services Ltd	Standard Bank
Currimjee Group	Sugarworld
FIDES	Sun Resorts Ltd
Gamma Group	Swan Group
GML Ineo Ltd	Terra Mauricia
GML Investissement Ltee	United Basalt Products Ltd
GML Management Ltee	Vivo Energy Ltd
Guardrisk International	ENL Commercial Ltd
Harel Mallac Group	Compagnie Immobiliere Limitee
Innodis Ltd	Island Life Assurance Co Ltd
Intergraph Ltee	Quality Beverages Limited
Ireland Blyth Ltd	Vital Water Bottling Co. Ltd
Les Gaz Industriels	Margarine Industries Ltd
Lottotech	Soap & Allied Industries Limited
Lux Island Resorts Ltd	Medine Group

The report covers companies of various sizes and sectors, so users can dissect the market data for analysis and benchmarking purposes in terms of industry sector, company size, company ownership and other factors.

WHAT DOES THE TYPICAL MAURITIAN BOARD LOOK LIKE?



The typical Mauritian board is made up of 10 members, whose average age is 59 years. On average, the companies' boards meet five times per year. The typical board will have three sub-committees, with the most prevalent being the Audit Committee (in 87% of companies) and Corporate Governance Committee (in 77% of companies). The number of committee meetings per year typically ranges from three to four.

The presence of women on boards and sub-committees is rare; only 4.58% of the 612 directorships reported in this survey are held by women, and at board level, only 5.6% of board members are female. At committee level, only the Risk and Audit Committees show a small presence of female chairpersons (7.7% and 6.7% respectively).

Overall, 15.2% of the 612 directorships reported in the survey are held by expatriates. The presence of expatriates on the main board is rather rare - 5.8% of board chairpersons and 10.2% of board members are expatriates. At committee level, the Remuneration Committee shows the highest prevalence of expatriates (26.7% of Chairpersons and 21.7% of members).

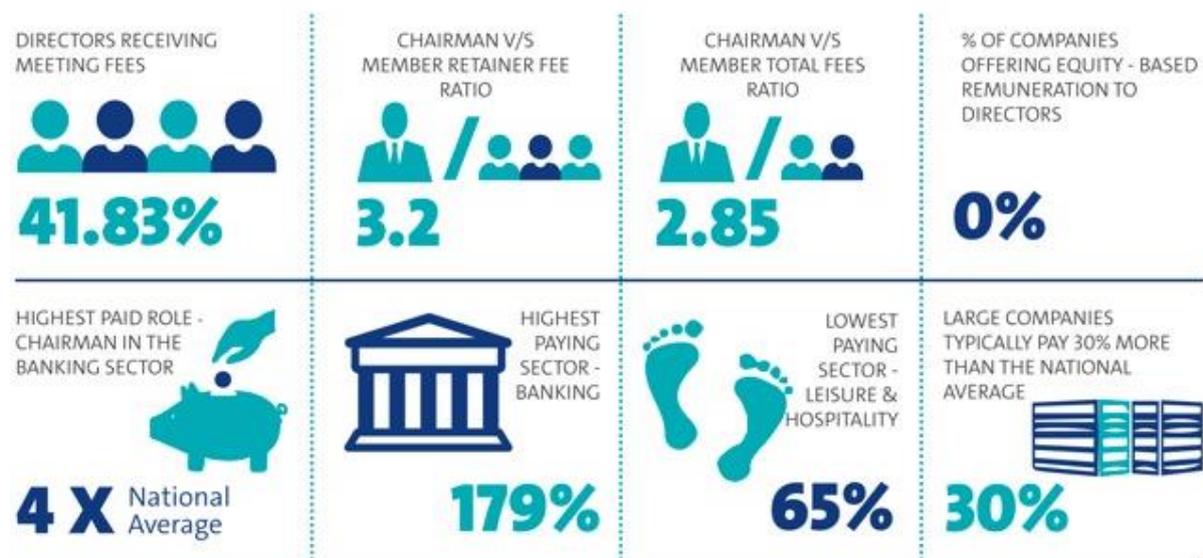
On average, almost a quarter of chairmen (24.4%) are independent non-executives, whereas the majority (70%) are non-executives. On average, 27% of board members are independent, whereas 50% are non-executives. The highest proportion of independent directors acting as a chairman is seen on the Risk Committee (73.1%) and Audit Committee (71.1%).

HOW MUCH ARE MAURITIAN DIRECTORS PAID?

At the median rate, the board Chair is remunerated a total of Rs. 285,000 per year – this figure represents the annual retainer fee plus meeting fees. The Board chair can typically expect to earn Rs. 20,000 per meeting, whereas an ordinary Director would typically receive Rs. 10,000. It is interesting to note that the median annual retainer fee for Independent NEDs is significantly higher than that for NEDs.

Position	Median Annual Retainer	Median Meeting Fee	Median Total Directors Fees
Chairperson	156 000	20 000	285 000
Independent Non-Executive Directors	180 000	10 000	250 000
Non-Executive Directors	100 000	10 000	180 000

HOW ARE MAURITIAN DIRECTORS PAID?



Directors' remuneration in Mauritius is almost exclusively comprised only of an annual retainer fee and meeting fees. Less than half (41.83%) of the directors in the survey sample are entitled to meeting fees on top of the annual retainer fee.

The Chairman of the Board can expect to earn, on average, just over three times the annual retainer fees paid to an ordinary director, and just over 50% more in terms of meeting fees. Overall, the Chairman of the main Board can expect to earn on average 2.85 times the annual remuneration paid to an ordinary director and at committee level, the Committee Chairman can expect to earn 70% more than an ordinary member.

	Average Ratio of Chairman Fees v/s Ordinary Director Fees		
	Annual Retainer Fee	Meeting Fee	Total Director Remuneration
Main Board	3.2	1.54	2.85
Committee	1.73	1.53	1.74

None of the companies surveyed offer share-based remuneration to their non-executive directors. In terms of fringe benefits and other allowances, only one company provides performance bonuses and three companies provide air tickets to their directors.

Directors' fees in the Banking Sector show the highest premium when compared to the general market - fees in this sector are on average 79% higher. Fees in the Leisure and Hospitality Sector compare least favourably to the market – on average 65% of the market average. The role with the highest premium is the Chairman of the Board in the Banking Sector who can expect to earn on average more than four times the market average.

Directors' fees in listed companies are on average 7% higher than the market average, whereas non-listed companies generally pay 10% less than the market average.

Analysis by the number of employees has revealed a distinct relationship between company size and directors' fees. Smaller companies (with 250 employees or less) generally pay 84% of the market average whereas the largest organisations, with over 1,250 employees, generally pay 30% more than the market average.

Expatriate directors generally earn 17% more than the market average. An expatriate board chairman typically earns twice the market average annual retainer fee and total fee, and three times the fees per meeting.

HOW DOES MAURITIUS COMPARE INTERNATIONALLY?

The report also includes a comparison of the Mauritian practices to results from Hay Group's recent surveys on directors' fees and board composition in Europe and Singapore. The European study covered 391 companies across 12 countries, whereas the Singapore study included the remuneration data for non-executive directors (NEDs) from 229 listed companies on the Singapore Exchange.

A summary of the findings is shown below:

What does the typical Board look like?	Mauritius	Europe	Singapore
Average number of Board Directors	10	9	7
Average number of Board sub-Committees	3	3	4
No of Board meetings per year	5	8	4
Average age of Directors	59	60	-
% of women Directors	4.58%	21%	-
% of female Non-Executive Board Chairpersons	0%	4%	-
% of expatriate Directors	15.2%	34%	-
% of independent Directors	27.2%	85%	50%

The typical size of a Mauritian board is similar to the European trend, however Mauritian boards meet on average five times a year, whilst the European average is eight meetings per year.

The composition of the typical Mauritian board is generally less diverse than in Europe and Singapore. Only 4.58% of board directors in Mauritius are female – whereas the European average is 21%. The representation of independent directors on the board (27.2%) is significantly lower than the European and Singaporean averages (85% and 50% respectively). The percentage of expatriate directors in Mauritius is also lower than the European average (34%).

None of the non-executive chairpersons in the Mauritian sample are female, while in Europe, only 4% of non-executive chairpersons are female.

How much are Directors paid?	Country Medians – Annual Total Fees (converted into Euro)		
	Mauritius	Europe	Singapore
Chairman, Main Board	7,227	252,000	72,762
Independent NED, Main Board	6,340	60,323	29,631

Directors' fees in Mauritius are well below European and Singaporean rates.

How are Directors paid?	Mauritius	Europe	Singapore
Directors eligible to Meeting fees	41.83%	26.25%	42.5%
Ratio of Chair v/s ordinary Director Fees	2.85	2.90	2.30
% of companies with share based remuneration for Directors	0%	7%	10%
Share based pay as a % of annual total directors' remuneration	0%	30-40%	30%

The Mauritian ratio of chairperson versus ordinary member fees (2.85) is in line with European trends and is higher than the typical ratio in Singapore.

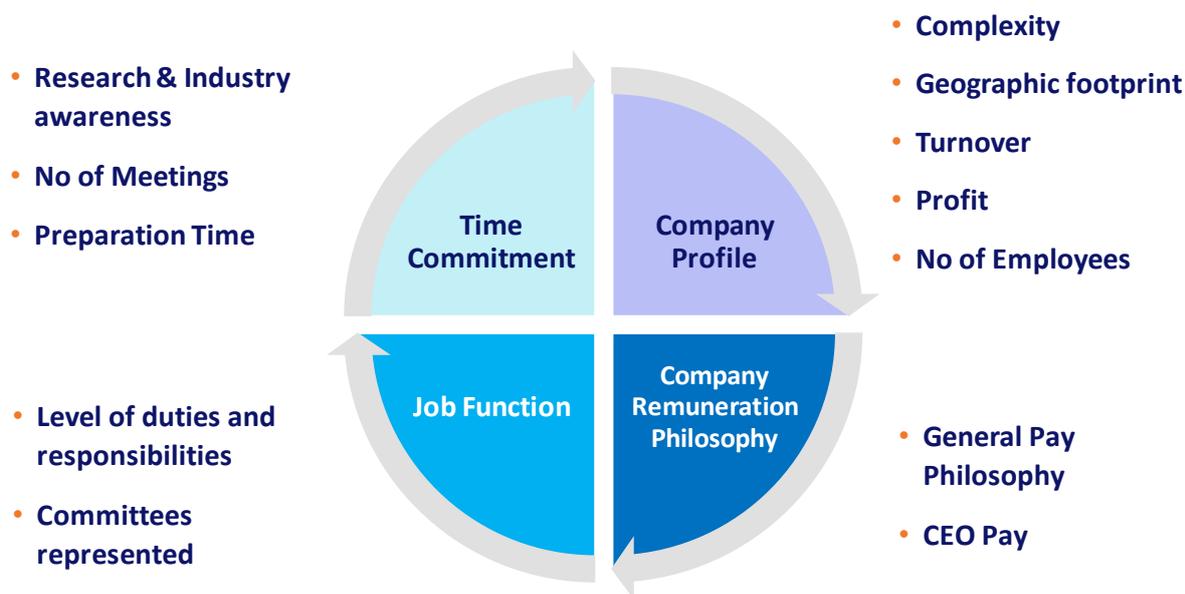
Many companies, both locally and internationally, continue to eliminate director meeting fees, shifting that value to retainers at both the board and committee level. This results in a simplified compensation structure (i.e. no need to define what constitutes an official "meeting" for fee payment purposes) and compensates directors for board and committee work conducted outside of formal meetings.

Most companies across Europe and in Singapore pay their fees wholly in the form of cash; only 7% of companies in Europe and 10% of companies in Singapore pay their NEDs in equity. However, in Europe this is more prevalent in countries such as Finland and Switzerland. The share-based remuneration typically represents 30% to 40% of the directors' annual remuneration.

In terms of equity-based remuneration, mirroring the executive pay trend, director compensation programs have increasingly moved towards full-value awards (typically performance-based or restricted shares) to deliver equity-based pay, with the use of stock options becoming a less prevalent practice. Stock options are considered to reduce the independence of directors by putting them at risk of taking decisions which conflicts with the long-term sustainable growth of the company.

WHERE TO FROM HERE?

There is a general consensus globally in Corporate Governance Codes as to what factors should be taken into consideration when determining Directors' pay so as to be able to attract and retain the best talent. These are:



There is less consistency globally however on whether companies should provide equity based remuneration for their NED's. For example, South Africa's King III report (2010) and the UK's Corporate Governance Code (2010) do not recommend share based pay for NED's. Whereas, the 2005 Report on Corporate Governance for Mauritius encouraged Non-Executive Directors and Independent Directors to acquire shares from their own resources in order to positively align their interests with those of the shareholder.

At the time, the aspirations were that companies would offer a Share Option Scheme for Non-Executive and Independent Directors as part of the fees due to them, being mindful of the following:

- A vesting period should be applied to dissuade short-term decision making
- Details of share options for each Director should be subject to shareholders approval

The Singapore Code of Corporate Governance also encourages non-executive directors to hold shares in the company so as to better align the interests NED's with the interests of shareholders. However, Non-executive directors should not be over-compensated to the extent that their independence may be compromised.

In determining whether equity based remuneration may be appropriate, it is important to consult with, and consider the opinions of, the key players:



The appropriate answer to the question depends on the main role that the NEDs play. They typically have 3 roles:

- Governance
- Strategic / operational direction
- Expansion /acquiring resources

Where their role is more around Governance, equity and incentives, are typically not recommended. Where the role is more to provide strategic guidance and expansion there may be an argument for equity based incentives that will align their decision making to the organisation's long-term aims. It all boils down to what you want them to do at the end of the day.

Although we believe that a ‘one size fits all’ compensation policy for NED’s does not exist, we advocate the following broad principles that companies can look into in setting compensation for NEDs:

A simple structure, instead of a more complex structure with both fixed and variable pay components

- The fixed pay component should be paid in the form of annual retainers and should account for about 70% of the total compensation
- The retainers for board chairman can be a multiple to the retainers paid to other board members. A reasonable range for the multiple should be within 2.5 to 3 times
- Retainers for committee services can be used: Risk Committee Chair and Members usually get a premium for their services
- Meeting fees may not be necessary as attendance is a critical requirement for board membership, but can be used for meetings that exceed normal frequency

If considering the introduction of equity based remuneration - the other 30% may be paid in long-term incentives, with intent to align the interest of NED’s with the long-term orientation of the shareholders

- Companies can pay NED’s a fixed value or a fixed number of restricted shares with careful timing and vesting designs. E.g. the shares can only be vested at least a year after the Director retires from the Board
- Share options may not be a good away of rewarding NED’s

As for other benefits or perquisites, they should be avoided or reduced, unless companies have compelling reasons

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