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CORPORATE GOVERNANCE INTENDED TO GOVERN EXECUTIVE DIRECTORS' REMUNERATION: MEASUREMENT AND DETERMINANT ANALYSIS

Abstract:

This study is concerned with those corporate governance practices that intended to govern executive directors' remuneration (CGE). The purpose of this study is twofold: to measure the level of CGE compliance for a sample of firms listed on the Johannesburg Securities Exchange; and to develop a research model that best explains variations in such practices. A CGE score was calculated for each company included in the study sample of 100 firms, based on a content analysis of the 2016 integrated annual reports and using a self-constructed measurement instrument based on the King Code, listing requirements of the Johannesburg Securities Exchange, Companies Act and international best practice. A literature review was used to identify possible determinants of CGE, while Stepwise regression model-building was used to develop a model that best explains variation in CGE. The results showed that larger firms, more profitable firms, and firms that are audited by a big four audit firm outperform other firms in CGE practices. Noteworthy is that CGE practices appear to be neglected by firms with higher levels of managerial power as measured by directors' shareholding. Finally, firms in the financial services industry had lower CGE scores compared to firms listed in the basic materials, industrials, and goods and services industries. This study seeks to extend and contribute to the literature by providing evidence on the compliance and disclosure of CGE as well as to provide insights into the determinants of CGE all in the South African market. The findings offer insights into the financial variables, firm characteristics and ownership variables that drive the disclosure of CGE. In conclusion, the findings suggest that policymakers and regulators should consider stricter monitoring mechanisms, such as the appointments of a regulator, to monitor compliance and to advance the education of shareholders to help ensure that they monitor CGE compliance.

Keywords:

Corporate governance, executive directors' remuneration, transparency, accountability, integrated report

JEL Classification: Y80