**Supplementary Guidelines for Completion of the EEA4**

**Reporting of Variable Pay**

1. **There are several different methodologies used to disclose the Variable Pay of employees, especially the most senior executives of large companies listed on the JSE that are of particular interest when considering the remuneration gap between the highest and lowest paid employees. For these employees, the Total Remuneration is determined by adding Fixed Pay and Variable pay.**
2. **The differences in these methodologies arise primarily from the timing of measurement and reporting of annual short-term incentive (STI) payments (awards settled up to 12 months from reporting year-end), and especially long-term incentive (LTI) payments (awards settled more than 12 months from reporting year-end), where the measurement of the value when awarded, when vested and when settled can differ dramatically in terms of timing and amount.**
3. **For the reporting of Variable Pay, particularly for Top Management, Senior Management and Middle Management, the on-target/expected remuneration as required by the King IV remuneration principle 14, should be reported. Specifically:**
	1. **STIs should be based on the annualised[[1]](#footnote-1) on-target/expected[[2]](#footnote-2) policy value for the reporting year, based on the achievement of target business and personal performance.**
	2. **If the company does not determine short-term incentives on an on-target basis, and sets a maximum STI in terms of its policy then the on-target value should be based on 50% to 60% of the maximum value, with consistency of the factor used over time and between levels.**
	3. **If the company does not specify either an on-target or a maximum STI policy value, then the average percentage of actual STI awarded over the last three years, annualised, should be used to report the “on-target” STI for the year.**
	4. **The on-target LTI[[3]](#footnote-3) for the year should be reported on the basis of the at-grant, annualised[[4]](#footnote-4) expected or on-target value of all LTIs awarded per policy for the year.**
	5. **The expected/on-target value may be based on the fair value of the award determined on the same basis as used for the IFRS2 accounting measurement and should reflect the effect of both market and non-market conditions.**
	6. **LTIs awarded based on the performance for the reporting year, such as deferred or matching share awards, should be reflected in that year.**
4. **The reporting of remuneration for the executive directors and prescribed officers of listed companies should be consistent with that reflected in their Remuneration Report.**
5. **The remuneration of employees below the level of Middle Management may be reported on the basis of actual payroll remuneration.**
6. **The methodology used to disclose Variable Pay must be consistent from year to year.**
1. When annualising STI awards, the on-target STI award should be calculated as if the employee was employed for the full twelve month period. [↑](#footnote-ref-1)
2. It is common practice to determine the on-target STI for an employee by the multiplication of their Fixed Pay by a standard percentage per role or job level, for example a Senior Manager’s on-target STI may be determined as 30% x Fixed Pay. [↑](#footnote-ref-2)
3. Similarly, LTI awards are also often determined on the basis of an award percentage multiplied by the Fixed Pay. The number of awards is then determined by dividing the award value by the award share price, and the expected/on-target value is then based on a factor of this award value to take account of the expected vesting percentage of the award when performance conditions are applied. [↑](#footnote-ref-3)
4. The same annualisation principle applied for STI awards should also be applied for LTI awards. In addition, if LTI awards are granted in an irregular fashion over a multi-year period – for example a large award every three years, with no award in intervening years - then the average award over the cycle should be used. [↑](#footnote-ref-4)