

NOTICE NO. 20 TO CUSTOMERS

Non-Disclosure of Remuneration and Benefits of Directors and Prescribed officers in Annual Financial Statements

The purpose of this notice is to inform entities that are required to have their annual financial statements audited in terms of the Companies Act 71 of 2008 as amended, that it is mandatory to disclose directors' or prescribed officers' remuneration and other benefits paid as per Section 30 (4)(5)(6) of the Act .

As CIPC we observed a trend where entities are not properly disclosing directors or prescribed officers remuneration as required by the Act. Directors or prescribed officers' remuneration must be disclosed for each individual director, not as an aggregate amount. The Act further requires entities to disclose payments to past directors in some instances.

Section 30(6) below describes what "remuneration" should include, (i.e.)

- (6) For the purposes of subsections (4) and (5), "remuneration" includes—
- (a) fees paid to directors for services rendered by them to or on behalf of the company, including any amount paid to a person in respect of the person's accepting the office of director;
 - (b) salary, bonuses and performance-related payments;
 - (c) expense allowances, to the extent that the director is not required to account for the allowance;
 - (d) contributions paid under any pension scheme not otherwise required to be disclosed in terms of subsection (4) (b);
 - (e) the value of any option or right given directly or indirectly to a director, past director or future director, or person related to any of them, as contemplated in section 42;
 - (f) financial assistance to a director, past director or future director, or person related to any of them, for the subscription of options or securities, or the purchase of securities, as contemplated in section 44; and
[Para. (f) substituted by s. 20 (e) of Act No. 3 of 2011.]
 - (g) with respect to any loan or other financial assistance by the company to a director, past director or future director, or a person related to any of them, or any loan made by a third party to any such person, as contemplated in section 45, if the company is a guarantor of that loan, the value of—
 - (i) any interest deferred, waived or forgiven; or
 - (ii) the difference in value between—
 - (aa) the interest that would reasonably be charged in comparable circumstances at fair market rates in an arm's length transaction; and
 - (bb) the interest actually charged to the borrower, if less.

Disclosure of remuneration and benefits of directors or prescribed officers is one of the key disclosures to ensure that companies comply with high levels of transparency and high standards of corporate governance. Failure to adhere to the above legislated requirements is a contravention of the Act, and can lead to a possible investigation as prescribed in Section 168 of the Companies Act, 71 of 2008 as amended.

Yours sincerely



Adv Rory Voller
Acting Commissioner
Date: 14/03/2016