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The Influence of Remuneration Committees, Directors' Shareholding and Institutional Ownership on the Remuneration of Directors in the Large Listed Companies in South Africa

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Abstract : Excessive executive directors' remuneration remains a major concern for many stakeholders and are some of the factors to blame for the recent global financial crisis. The objective of this study was to examine whether certain firm characteristics are an effective way of protecting shareholders' interests with respect to executive directors' remuneration. To achieve this, an ordinary least squares model was used to test the relationship between the remuneration of executive directors and a number of firm and corporate governance characteristics to determine whether these characteristics have an influence on executive directors' remuneration of large listed companies in South Africa. It was found that corporate governance reforms relating to institutional ownership, shareholder voting on the remuneration policy and the number of remuneration committee meetings acts as an effective governance tool to protect shareholder's interests with regard to executive remuneration. There is no evidence that the number of non-executive directors on the remuneration committee has an influence on the executive directors' remuneration.

Keywords: executive directors' remuneration, agency theory, corporate governance, remuneration committee, directors' shareholding, institutional ownership

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