EXECUTIVE COMPENSATION AND GAPS IN SOUTH AFRICA'S REGULATORY AND DISCLOSURE FRAMEWORK: A STRUCTURED LITERATURE REVIEW AND FUTURE AGENDA

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ABSTRACT

South Africa is a country with huge income gaps. Further, currently, there is trust deficit that is pervasive in many sectors of the economy which has been fueled by recent corporate scandals. As such, the study sought to determine whether the regulatory and disclosure framework currently in place is geared to address these challenges.

A systematic literature review focusing on cross-country comparative study found several areas in which South Africa's regulatory and disclosure requirements, particularly as it relates to the executive compensation could be enhanced. As such, the study suggests that practices deployed in countries that have faced trust deficit and are addressing these through enhanced practices could be adopted to enhance South Africa's position.

There are merits for policy makers to consider principles and practices such as mandatory pay-ratio disclosure, claw-back provision, binding shareholders' say on pay, co-determination, inclusivity and mandating the supreme audit institution to conduct monitoring and evaluation as part of regulatory and disclosure regime. The deficiencies of the current regulatory and disclosure requirements open the system up to be exploited by greed.

Keywords: Disclosures, Executive compensation, Regulation, South Africa JEL: G34

INTRODUCTION

The global financial crisis and corporate scandals such as Enron, Steinhoff and many other similar corporate challenges are testament to shortcoming of the regulatory and disclosure frameworks. These shortcomings have resulted in a lack of trust by the general public on corporate processes. The views held by the general public is that corporate executives are only interested in self-serving activities, which includes unjustified high salaries and bonuses. In the United States of America (USA), a survey conducted in 2016 found that 74% of the country's citizens are of the opinion that the executives are being paid more than they deserve, in relation to what an average employee earn (Gage, 2018).

In response to the lack of trust, authorities have sought to proliferate the new corporate governance rules and guidelines. This is an attempt to curb the scourge of what is seen as the executive greed and abuse of power that have been behind the corporate scandals (Van Essen et al., 2015). The existing literature has not sought to determine whether the reforms put in place around regulatory and disclosure frameworks pertaining to the executive compensation have been effective.

Caprio, Demirgüç-kunt and Kane (Caprio et al, 2010), Delis and Staikouras (Delis & Staikouras , 2011), Marshall, Pinto and Tang (Marshall et al., 2019) all argue that the regulation of executive compensation coupled with monitoring and enforcement of such

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regulations could result in a toned executive compensation. Their argument is premised on the fact that regulations result in effective governance structures within companies, which is vital for monitoring performance relationship and thus curbing the excessive executive compensation (Newton, 2015).

Contrary to this position, there are scholars who do not support regulations pertaining to executive compensation. This includes Elmagrhi, Ntim, Wang, Abdou and Zalata (Elmagrhi et al., 2020), as well as Murphy and Jenson (Murphy & Jensen, 2018). On their part, they oppose the regulation of executive compensation because it has negative effects such as higher compliance costs, causes executives to find ways of circumventing the very same regulations and ultimately destroy shareholders value as all these are costly.

Even with these diametrically opposing views in the academic debates relating to the regulation of executive compensation, there is still a dearth of literature that seek to compare and contrast regulatory and disclosure frameworks pertaining to executive compensation, particularly between the developed and developing economies. The sparsity in academic debates of cross-country nature results in lack of understanding of how the countries with less robust and ineffective executive compensation regulations can learn from those that have better ones. The main objective of this study is to identify areas of development and provide recommendations in regulatory and disclosure framework affecting executive compensation in South Africa.

South Africa for example has been praised as one of the few developing countries with good corporate governance and regulatory frameworks. It is well documented that South Africa is among the first few countries in the world that has mandated integrated reporting, one of the frameworks with provisions and principles covering executive compensation (Rensburg & Botha , 2014). Among the provisions in the integrated reporting framework affecting executive compensation is a requirement that companies should link the executive compensation to long-term performance, both financial and non-financial. Further, companies should demonstrate how long-term value is being created using both financial and non-financial capitals (IIRC, 2013). Despite South Africa being one of the few developing countries with good corporate governance and regulatory frameworks; corporate scandals continue to plague the country. There is plethora of companies implicated in Zondo's commission of enquiry into the state capture, including McKinsey, SAP, Steinhoff and other companies, together with the auditing firms responsible for the mandatory audits of the multinationals (Bond & Malikane , 2019). The commission's work is new, from this perspective, it is expected that there would be no academic inquiry that has attempted to assess whether the regulatory and disclosure frameworks pertaining to corporate governance in general and executive compensation in particular are effective in deterring not only the corruption and malfeasance but also in curbing the excessive executive compensation with reference and comparison to other jurisdictions' frameworks.

Given the discussions and developments above, this study examines the South African's regulatory and disclosure framework with specific focus on executive compensation and this is compared with the regulatory and disclosure frameworks in the United Kingdom (UK) and United States of America (USA) and Germany. UK, USA and Germany are chosen in this cross-country study for a number of reasons.

- First, UK, USA and South Africa (SA) are Anglophones countries (Gyapong et al., 2020); which simply means English is regarded as a business language and would therefore make the comparison easier since they would be no need for translation.
- Second, because UK, USA and Germany are regarded as developed economies (Ali et al., 2017), they are expected to be more advanced and ahead of SA with regards to regulatory and

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disclosure frameworks. This, therefore, means South African regulatory and disclosure frameworks could be improved with some applicable aspects from the UK, USA and Germany.

- Third, SA is not only former colony of the UK, but also it tends to mimic the regulatory and disclosure frameworks that were first implemented in the UK (Madlela , 2018).
- Fourth, not only are there commonalities with regards to working culture and intrinsic motivation for work in Germany and SA (Kaiser , 2014), but Steinhoff, a multinational listed in both jurisdictions has recently been implicated in one of the high-profile corporate scandals (Rossouw & Styan , 2019) . Listing of such a multinational conglomerate in both jurisdictions could be another signal of similarities in work culture and motivation for work.
- Finally, the global financial crisis (GFC) and corporate scandals that caused public outcry globally such as Enron and Worldcom all emerged in the USA and resulted in calls for corporate governance reforms, (Padia et al., 2020) including those specifically relating to the executive compensation.

Therefore, the research question that follows is, what are the gaps in South Africa's regulatory and disclosure framework pertaining to executive compensation and what lessons can be learned from the corresponding frameworks used in developed nations such as USA, UK and Germany?

The rest of the paper is organised as follows: the first part of the paper will discuss the systematic literature review process followed. This will be followed by the discussions of the provisions relating to executive compensation in the USA, UK and Germany. These provisions will be discussed separately to the extent that they do not have equivalent provisions in SA. The second part of the paper will formulate the comparisons of the provisions in developed nations compared to South Africa, and finally, the recommendations for SA's regulatory and disclosure frameworks as they pertain to executive compensation are discussed, followed by the conclusion.

SYSTEMATIC LITERATURE REVIEW

To conduct a structured literature review on executive compensation and gaps in South Africa's regulatory and disclosure framework, this paper followed the Preferred Reporting Items for Systematic review and Meta-Analysis (PRISMA) flow chart. (Figure 1) presents the different stages of the systematic literature review undertaken in this work.

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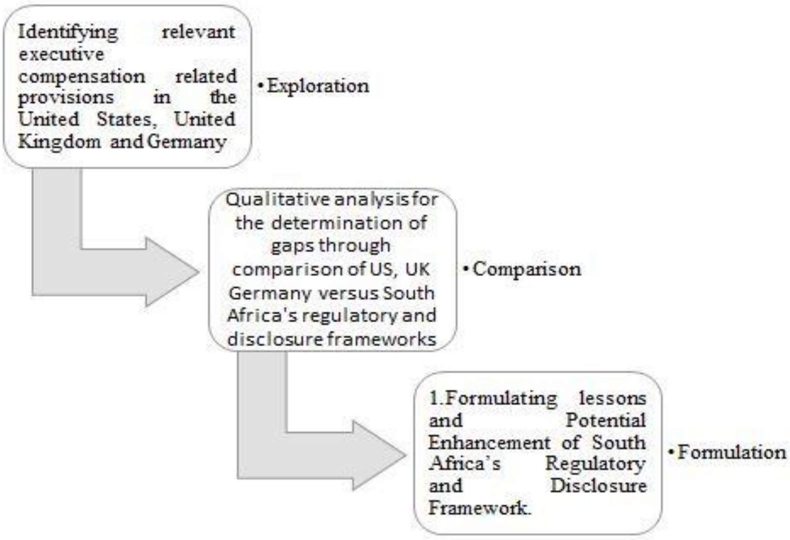

FIGURE 1
DIFFERENT STAGES OF SYSTEMATIC LITERATURE REVIEW UNDERTAKEN IN THIS STUDY

EXECUTIVE COMPENSATION RELATED PROVISIONS IN THE USA

USA has a number of legislations that entails the topic of executive compensation. The plethora of legislations in which provisions relating to executive compensation could be emanating from a number of underlying reasons that make the USA peculiar among the other jurisdictions considered in this study. First, USA is a country in which the executives are rewarded more generously and handsomely than any other jurisdiction in the world (Knowlton, 2018). Second, companies in the USA are among the top performers, which could also be informing the higher executive rewards culture (Passador & Riganti , 2017). Third, as stated above, the GFC which was followed by a response through corporate governance reforms ensued in the USA. Among the two most important provisions made with regards to executive compensation are pay-ratio disclosure and the claw-back provisions.

The Pay-Ratio Disclosure Requirement

USA's Dodd-Frank Act (Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010) was enacted in 2010 with the aim of ensuring accountability and stability in the USA financial systems. Chief among the provisions in Dodd-Frank Act is pay-ratio disclosure. In this regard, the USA companies are required in terms of section 953 (b), to disclose the total annual compensation of the chief executive officer (CEO) as a ratio of the average of the total annual remuneration of all the other employees (CEO excepted).

What the provision of this nature does is to enable the stakeholders to assess the disparities and the pay gaps between the highest paid in the company and the lowest paid. It also encourages those who are at the lower ranks to work harder with a view to progress in their careers and also get better pay, in line with tournament theory (Ali et al., 2020).

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Contrary, the South African regulatory and disclosure frameworks do not have similar provisions except for the Employment Equity Act, (The Employment Equity Act 55 , 1998) whose primary aim is to deter unfair discriminatory labour practices. Section 27 of SA's Employment Equity Act requires companies to report to the Department of Labour, benefits and pay for different categories of employees in their workforce. It goes further to require the companies to take the necessary steps to close any remuneration gaps. However, most of the time general employees pay is based on hours and does not include benefits such as share based remuneration which constitute the bulk of executive compensation.

The disclosure in the South African context is different from the one required by Dodd-Frank, because what is required by Dodd-Frank has less clutter, it is just one ratio that integrates a whole lot of information. Therefore, in addition to the current disclosure, Employment Equity Act could be revised to add the ratio similar to that required by Dodd-Frank to facilitate comparability among companies. This is particularly necessary since the Dodd-Frank ratio also captures the effect of the size as a result of the denominator that incorporate all the general employees.

THE CLAW-BACK PROVISION

The two pertinent pieces of legislation containing the claw-back provision in the USA are SOX (Sarbanes-Oxley Act , 2002) and Dodd-Frank (Dodd-Frank Wall Street Reform and Consumer Protection Act , 2010). In terms of section 304 of SOX, the company's CEO and chief financial officer (CFO) would be required to pay back any incentive or variable portion of their pay if the financial statements upon which such pay was based, need restatement because of the misconduct that occurred within 12 months of releasing such financial statements. Under the Dodd-Frank, the repayment is required if there is a misstatement in the financial statements and there is no time limit of 12 months while the company itself must take active steps in recovering such variable remuneration. Therefore, the most onerous among the two legislations is Dodd-Frank.

It is observed that none of South African regulatory and disclosure frameworks contain such a provision. In corporate South Africa, there have been a number of scandals that involved accounting irregularities and thus restatement of the financial statements. Such cases include Steinhoff, (McKune & Thompson, 2018) Tongaat Hullet and many others (Villiers, De, 2019). It would appear that there has been no recourse for shareholders and other stakeholders whose positions would have been jeorpadised by these scandals except for seeking remedies in the courts of law. Therefore, the executives who could have benefited by inflated performance pay that was based on misstated financial statements could have walked away with such unjustified remuneration. Such impunity would augur badly for long term sustainability of the companies while exacerbating already rampant and the glaring level of inequality in SA.

EXECUTIVE COMPENSATION RELATED PROVISIONS IN THE UK

As it has already been pointed out, SA's regulatory and disclosure frameworks pertaining to corporate governance in general and executive compensation in particular often resemble those applied in the UK. Among the reasons for this resemblance in regulatory and disclosure frameworks is the fact that the UK is the former colony master of SA (King, 2010). Provisions relating to executive compensation are mainly enshrined in the Cadbury Report, (Cadbury Report , 1992) the Greenbury Report, (Greenbury Reports , 1995) the Directors Remuneration Report Regulation, (Directors remuneration report regulation, 2002)

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the Higgs Report, (Higgs Report , 2003) the UK's Corporate Governance Code, (The UK Corporate Governance Code , 2018) and the UK's companies Act (UK Companies Act , 2006). There are many similarities in the provisions contained in these frameworks of the South African frameworks, as such the focus of the discussions below are the key differences.

MONITORING AND EVALUATION OF REGULATORY AND DISCLOSURE FRAMEWORKS

The UK's regulatory and disclosure frameworks are principles based and not rule based. As a result, the provisions are largely voluntary in nature and this has rendered these frameworks ineffective since companies exercise their discretion in complying to the requirements. As a result of this, there have been calls in the UK for the authorities to mandate the Audit, Reporting and Governance Authority (ARGA), to verify the companies' annual reports for compliance with its frameworks (Li, 2020). In addition to corporate reporting review, ARGA would also be responsible for the supervision of the auditing firms and stakeholder engagement.

It is important to note that the Financial Reporting Council (FRC) has always been in charge of these functions but did not have much enforcement capabilities and hence the transition to ARGA. The nature and the form of proposed ARGA would be similar the Public Company Advisory Oversight Board (PCAOB), (White, 2020) which was established in the era of Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act , 2002). The oversight bodies in both the US and the UK were informed by the public outcry over corporate scandals and loss of trust in accounting and auditing profession. SA has experienced similar corporate scandals, yet no statutory body that is empowered by parliament has been established to oversee not only accounting and auditing profession generally but more specifically for corporate reporting review, including the matters affecting executive compensation.

Binding Shareholders' Say on Pay (SOP)

The SOP principle simply means that the shareholders are given an opportunity to vote on company's remuneration policy and the implementation thereof at the annual general meeting (Kimbro & Xu , 2016). Shareholders can therefore express their wishes on the decisions surrounding executive compensation. Consistent with its shareholder primacy model, UK introduced SOP in 2002, thereby giving shareholders an influence on executive compensation (Conyon & Sadler , 2010). Therefore, the SOP that has since been implemented in many other jurisdictions, including SA and USA was simply imitating the UK which is the pioneer of the SOP (Stathopoulos & Voulgaris, 2016).

Initially, when the SOP was first implemented in the UK in 2002, it was advisory and non-binding. This has however changed since October 2013 and the SOP is now binding in the UK (Stathopoulos & Voulgaris, 2016). It is compulsory in SA to have shareholders vote on remuneration policy at the company's annual general meeting, but that vote remains non-binding and advisory in nature (IoDSA, 2016). The only thing required in SA in terms of King IV is that the company should disclose what has been done or will be done if more that 25% of the shareholders vote against either the remuneration policy or implementation report tabled at the annual general meeting (IoDSA, 2016).

EXECUTIVE COMPENSATION RELATED PROVISIONS IN GERMANY

Germany is an interesting jurisdiction to be included in this study not only because of the apparent similarities it has with SA, but also some differences when it comes to corporate

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governance frameworks. The commonalities in the two countries lie in the emphasis on diversity, inclusivity and equity on companies' boards. Specifically, both SA and Germany require a diverse board of directors. However, SA diversity requirements are not really enforceable (see section 5 dealing with recommendations).

As a member of EU, Germany for example requires its companies to have a minimum of 40% of women in their boards (Sarhan et al., 2019). On the other hand, South Africa's King IV report also require companies' boards to be diversified, although no specific number or percentage is specified. This section focuses on the differences between South Africa and Germany. The recognizable difference is the fact that SA is a developing economy while Germany is a developed economy (Fourati et al., 2020). The principle of co-determination and two-tier boards is another key difference with regards to corporate governance. A brief discussion of the two-tier board structure and co-determination as well as diversity, inclusivity and equity are discussed below.

Two-Tier Governance Structure

In contrast to SA which has a unitary board structure like those in the UK and the USA, Germany has two tier board structure (Pham & Tran , 2019). SA, UK and the USA are Anglophones countries with corporate governance models that are largely anchored on shareholder supremacy and free market ideals. Advantages of unitary board structure are well documented and include, deep understanding of operational issues by the board, agility and flexibility in decision making and quick dissemination of information (Jungmann, 2006). On the other hand, Germany's model is premised on stakeholder inclusivity with two tier board structure. Two-tier board structure is mandatory in terms of German Stock Corporation Act (German Stock Corporation Act , 1965).

In this two-tier board system, there is the management board that is responsible for the decisions around the company's strategic objectives and implementation thereof. This management board is required to put measures in place to ensure that such strategic objectives are achieved (Nicol, 2020). The second layer of the board, the supervisory board is made up of the non-executive directors who ought to evaluate and monitor the strategic decisions and implementation carried out by the executive directors in the management board ((IoDSA) , 2016). Accordingly, the key benefits of the two-tier board include, monitoring of the management board by the supervisory board. However, reference to German's two-tier board system must be made with due caution. Supervisory board needs to be independent while it should still have access to information. This has proven to be a challenge as it has not worked in the case of Steinhoff for example (Rossouw & Styan , 2019).

Stark lessons can therefore be drawn from the Steinhoff which is listed in both South Africa and Germany and therefore has both dual listing and two-tier board structure. Indeed, included in the shareholders who suffered losses is one of the members and the chairperson of the supervisory board, Dr Christo Wiesie (Fourati et al. , 2020). Therefore, although he was a member of the supervisory board, it raises questions on whether he indeed had access to records and information about company's operations. Another question could be, if he had the requisite knowledge and understanding of those records. This cast doubts on the effectiveness and usefulness of the two-tier board structure and whether it is something that can be considered in South Africa's governance framework.

Co-Determination

According to German's Co-Determination Act of 1976, (Co-Determination Act, 1976) a company employing more than two thousand (2000) employees is required to have employee

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representatives on the supervisory board. This is called co-determination, which allows employees representatives to participate in supervisory board decision including the decisions on executive compensation (Waddington & Conchon , 2016). Consistent with the developments in corporate governance, board committees, supervisory boards are not only made up of remuneration committee but often have other committees such as ethics and social committee (Helfaya & Moussa , 2017). Therefore, employees get to influence the supervisory board decisions on important matters which are not only limited to executive compensation but other issues such as those affecting the environment and the societies, people and planet.

Issues such as people and climate change have become important in the current era that many boards have a dedicated committee such as social and ethics committee to deliberate on them. In Germany, committees such as social and ethics committee will therefore be composed of employees' representative as part of co-determination provision. The SA and USA and UK regulatory and disclosure frameworks do not have co-determination provisions.

LESSONS AND POTENTIAL ENHANCEMENT OF SOUTH AFRICA'S REGULATORY AND DISCLOSURE FRAMEWORK

Regulatory and disclosure framework applicable in South Africa with regards to executive compensation has gone through a number of changes and improvements in recent years. Indeed, it is well documented that South Africa is the first country to mandate the integrated reporting for the publicly listed companies (Loprevite et al., 2018). It is among the countries with the most advanced and sophisticated financial market systems and infrastructure (McCallum & Viviers , 2020). Despite all these obvious strengths that should supposedly strengthen its corporate governance in general, boost its economic standing and investors' confidence; South Africa's corporate sector has been mired in scandals, one after the other. These scandals include Steinhoff which is dual listed, both in Germany's Frankfurt and South Africa's JSE and Tongaat- Hullet. The scandals extent to the state capture where corporates such as Bain, McKinsey, KPMG to name just a few are also implicated (Bond & Malikane , 2019). Steinhoff is an interesting case because it is subject to both South African and Germany's regulatory and disclosure frameworks, yet it "failed the test" (Grove & Clouse , 2020).

Considering the above corporate scandals and some of the provisions applicable in the other three jurisdictions but are lacking in South Africa, this provides lessons and potential enhancement provisions that could be considered for its regulatory and disclosure framework. This would subsequently enhance regulation and monitoring of executive compensation regime in the South African context. In this regard, there are a number of provisions that could be incorporated to form part of the country's regulatory and disclosure framework. These provisions include, (i) mandatory pay-ratio disclosure, (ii) claw-back provision, (iii) binding shareholders' say on pay, (iv) co-determination, (v) other considerations and (vi) monitoring and evaluation of compliance with the provisions. A brief discussion of these provisions is provided below.

Mandatory Pay-Ratio Disclosure

South Africa is among the most unequal societies in the world mostly because of the legacies of colonialism and apartheid (Alvaredo et al., 2019). While there have been laws targeted to redress the inequality, the problem still persists and disproportionately higher levels of executive compensation contributes to this challenge. Having a specific disclosure

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requirement that enjoins companies to disclose pay-ratio, similar to the USA's Dodd-Frank Act's provision could be helpful not only in shining a spotlight on the companies that pay their executives excessive remuneration while the ordinary workers are getting lower salaries, but it should also force such companies and the remuneration committees thereof to consider fairness when designing the executive compensation. In their study that investigated the directors' response to pay disclosure rules in the USA in 2020, Norman, Rose, Rose and Suh found that indeed the directors were unwilling to have their remuneration increased when the pay-ratio was above the peer averages (Norman et al., 2021). In order for it to be mandatory and binding, this requirement could either be encapsulated in South Africa's Companies Act 71 of 2008 or form part of JSE's listing requirements.

Claw-Back Provision

Impunity, lack of accountability and consequences for wrong-doing have been lamented as some of the biggest challenges facing South African corporate sector. Companies such as Steinhoff and Tongaat Hullet mentioned above had to restate their annual reports due to accounting fraud (Watson & Rossouw , 2012). South Africa's regulatory and disclosure framework does not have a claw-back provisions similar to those enshrined in the USA's SOX and Dodd-Frank discussed above. This, therefore, suggests that the executives in the aforesaid companies did not have to pay back any amounts that were erroneously paid to them in executive compensations predicated on the financial performance measures related to the misstatement of financial statements (De Villiers, 2019).

In this regard, this study proposes that the provision similar to that of the USA's Dodd-Frank act be adopted and form part of South African's Companies Act 71 of 2008. If adopted, the companies should be responsible to recoup the amounts erroneously paid to the executives based on misstated financial statement without any time limit.

Binding Shareholders' Say on Pay

South Africa has mainly followed the UK on corporate governance rules in many fronts (Directors remuneration report regulation , 2002). UK has however since progressed from non-binding and advisory shareholders say on pay rules to binding and mandatory shareholders' say on pay since October 2013 as discussed above. South Africa's shareholders say on pay rules are encapsulated in King IV and merely enjoins the companies to allow shareholders to vote on remuneration policy and the implementation thereof at the annual general meeting.

In contrast to the UK's requirements, the votes by the shareholders at the company's AGM in South Africa are not binding. Therefore, even if the shareholders do not approve the remuneration policy and the implementation report thereof, the company can still choose to ignore the votes. The only exception is when 25% of the shareholders or more vote against the remuneration policy and the implementation report. In that case the company is required to report on the measures taken to address the shareholders' concerns and the fact that those shareholders have been engaged and consulted (IoDSA, 2016). However, the company is still not obliged to abide by shareholders' voting on the remuneration policy and the implementation report. This study proposes that this provision should be amended such that the shareholders' votes on remuneration policy and implementation reports are binding and companies should abide by the shareholders wishes consistent with the UK's corporate governance frameworks.

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Co-Determination

South Africa's King IV report espouses the principle of inclusivity and stakeholder engagement in business decision-making process (Willows & van der Linde , 2016). All the stakeholders should therefore be actively involved and engaged in key business decisions. In order to be responsive to the current trends of focusing on social, environmental and other pertinent issues affecting the societies within which they operate, many companies listed on Johannesburg Stock Exchange (JSE) have social and ethics committee delegated by the board (Havenga , 2015). This is an important development since it means that group of stakeholders' needs are considered in decision making. However, South Africa does not have any corporate governance rule that requires companies to have employees' representatives on the board of directors.

Employees are equally, if not the most important stakeholders of the company and their needs should definitely be considered in decision making. This is particularly important in a country that has higher inequalities with a history of cheap labour. The importance of the employees as a stakeholder was illustrated in Marikana strikes and labour unrests which resulted in loss of production and the massacre of employees by the police (Webster & Francis , 2019). Arguably, if there was co-determination and employees were represented on the mining houses' boards, this could have been avoided since the employees' needs would have been addressed at the highest decision-making authority in the companies. In this regard, this study proposes that it should be mandatory in South Africa, just as it is in Germany, for the listed companies to have employees' representatives on their boards (Kana, 2020).

Other Considerations

Diversity, inclusivity and equity are topical subjects not only for the companies' general workforce but also for the companies' boards and executives (Bufarwa et al., 2020). Legacy of apartheid and colonialism has left the South African corporate sector, especially at the managerial level to be dominated by homogeneous groups, mainly white males. This has resulted in several legislations such as Employment Equity Act 55 of 1998 (Employment Equity Act 55 , 1998.) (EE Act), Broad-based Economic Empowerment Act 53 of 2003 (Broad-based Economic Empowerment Act 53 , 2003) (BBEE Act) that were enacted to try and address the problem. While these regulations advocate for diversity in workplace, they do not have a specific target of what should be a gender representation on boards and executive positions should be (Willows & van der Linde , 2016).

Given this, the study proposes that there should be a specific legislated target on gender diversity with consequences for non-compliance. Consistent with California SB 826 in the USA discussed above, the companies who do not adhere to the specified target should not be allowed to fill those positions that would have been occupied by women. This is a bare minimum suggestion but other aspects of diversity, including the age, sexual orientation beyond male and female or the LBQTs and ethnicity or race could also be integrated in the suggested provision. Extant literature on corporate governance shows that board diversity results in myriad of benefits, including better decision making, seamless access to networks and other resources useful to the company and improved financial and non-financial performance (Upadhyay & Zeng , 2014).

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MONITORING AND EVALUATION OF COMPLIANCE WITH THE PROVISIONS

In order to ensure that the above recommendations together with other corporate governance rules that are already in place in South Africa's corporate sector, there should be monitoring and evaluation of compliance and adherence to these requirements. Independence of the auditing firms, exacerbated by the fact that they derive a significant amount of their revenues from non-audit service fees has been a center of debate in the recent years (Harber & Marx , 2019). This has arguably resulted in trust deficit to the profession. There could be value if the Supreme Audit Institution in South Africa, the Auditor General South Africa (AGSA) could be empowered by the act of parliament to discharge the responsibility of monitoring and evaluation, especially for the listed companies consistent with the model that is applied in the USA and is being proposed in the UK.

Mandating the supreme audit institution to monitor the compliance with regulatory and disclosure requirements will ensure that the companies do not simply follow a tick box approach to these governance rules but truly embrace and internalise them. AGSA is a supreme audit institution in South Africa mandated to audit the annual reports and financial statements of the public sector entities (Kana, 2020).

CONCLUSION

This cross-country comparative study that is based on content analysis found a number of areas in which South Africa's regulatory and disclosure requirements, particularly as it relate to the executive compensation could be enhanced. The current trust deficit that is pervasive in many sectors of the economy and has been fueled by corporate scandals and corruption as indicated in the ongoing state capture enquiry raises red flags on whether the regulatory and disclosure framework currently in place is geared to address these challenges.

As such, the study suggest that practices deployed in countries that have faced trust deficit, and are addressing these through enhanced practices could be adopted to enhance South Africa's position. There are merits for policy makers to consider principles and practices such as mandatory pay-ratio disclosure, claw-back provision, binding shareholders' say on pay, co-determination, inclusivity and mandating the supreme audit institution to conduct monitoring and evaluation as part of regulatory and disclosure regime. The deficiencies of the current regulatory and disclosure requirements open the system up to be exploited by greed.

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