

Findings from 2015 KPMG Remuneration Surveys

Introduction

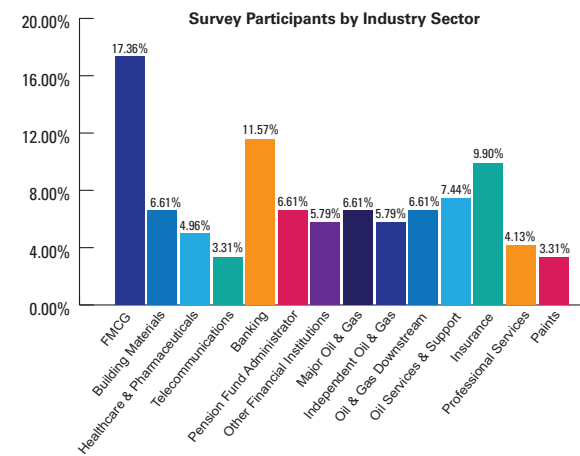
In line with KPMG's mission to inspire confidence and empower change, we are pleased to present the summary of findings from the remuneration surveys we conducted across key sectors of the economy in 2015. Our objective is to equip stakeholders with the right information and empower them to take informed and accurate decisions that can potentially save cost for their companies, at a time of heightened focus on cost containment and sustainability.

In spite of the recession, HR/Reward practitioners must keep up to date with trends and developments on pay. Remuneration offers a great opportunity to drive new strategic imperatives by continuously seeking ways to enhance attraction, retention and motivation of top talents in a cost-effective manner.

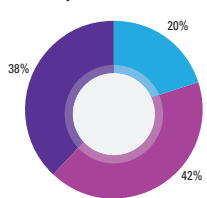
We observed a slowdown in actual pay increases, owing to the persistent economic slowdown. The increase in 2015 was about 10%, compared to about 12% noted in 2014. In our view, the 2015 increases are mainly driven by collective bargaining agreements with employee unions.

Participants Demography

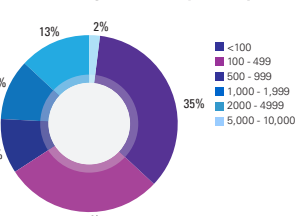
The survey covers one hundred and twenty one (121) companies spanning various sectors, with turnover ranging from about N1 billion to N600 billion, and staff strength of up to 10,000 employees, as shown below:



Financial Turnover of Survey Participants (N' Billions)



Staff Strength of Survey Participants



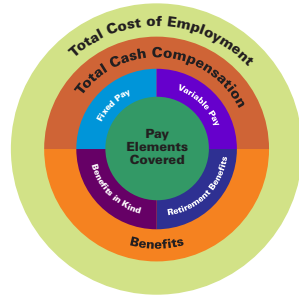
Employee Categories Covered

The survey covered the following categories of permanent Nigerian employees:

Employee Category	Description
Executive Management	Head of a large size business unit/division with about 15+ years' experience
Senior Management	Head of a medium size business unit/division with about 10-15 years' experience
Management	Head of a small size business unit. Typical years of experience: 8-12 years
Experienced Professionals	Team member/ leads reporting to Management Staff. Typical years of experience: 4-8 years
Professional Staff	Graduate being supervised by Experienced professionals. Typical years of experience 0 - 4 years
Junior Staff	Non-graduate being supervised by Professional Staff. Typical years of experience 0 - 10 years

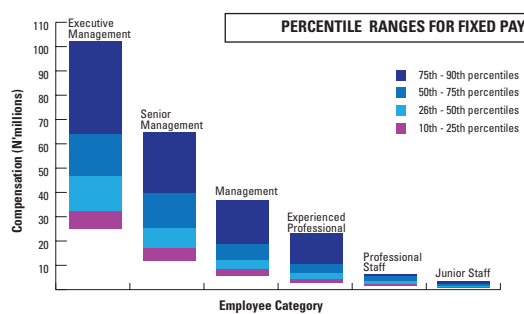
Pay Elements

In line with our Total Remuneration (TR) approach, the survey covers the following pay elements and their mix in the surveyed companies:

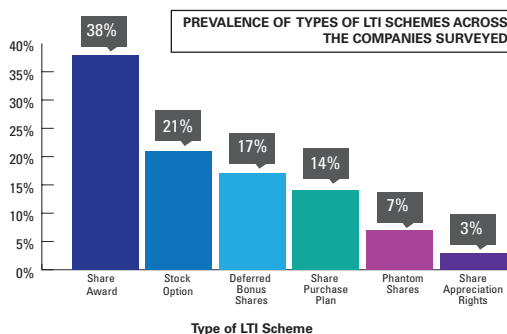


Summary of Survey Findings

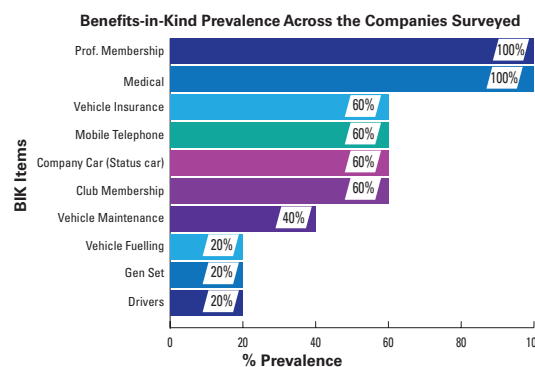
- Fixed / Base Pay:** This represents Basic Salary and all Cash Allowances, including monetised benefits and annualized lump sum grants. The range of Fixed Pay observed among the benchmark organisations is presented below:



- Short Term Incentives (STI):** These are payouts from pay-for-performance schemes, such as profit sharing and bonus plans, that measure annual performance targets. 87% of the companies have STI schemes. However, only 69% of them paid out in respect of 2014 financial year.
- Long Term Incentive Scheme (LTI):** These are payouts from pay-for-performance schemes that measure performance targets over a period longer than 1 year. Due to limited information, LTI payouts are not included in the total remuneration. Only 26% of the companies operate LTI schemes. The mix of LTI is presented below:



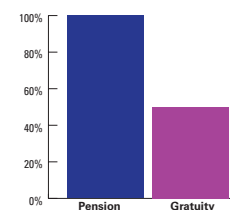
- Benefits-in-Kind (BIK):** represent non-monetary compensation items provided to supplement cash pay. The chart below presents the prevalent BIK items in the companies surveyed:



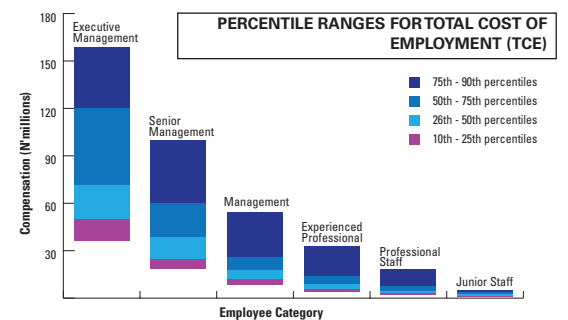
- Retirement Benefits (RB):** These are pay plans that provide or set aside money or benefits for the employee at

disengagement and / or during retirement. All the companies operate pension schemes, based on the requirements of the Pension Reform Act, 2014, while 53% also operate gratuity schemes.

Retirement Benefits



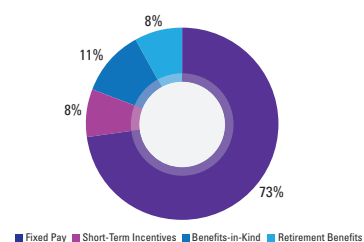
- Total Cost of Employment (TCE):** This represents the value of total remuneration i.e. the aggregate value of Fixed Pay, STI, Benefits-in-Kind (BIK) and Retirement Benefits in the comparator companies.



Remuneration Mix

Fixed Pay constitutes the largest component of pay, as presented below:

Mix of Compensation Elements Across the Surveyed Companies



Conclusion

Given the focus on cost containment and sustainability, HR/Reward practitioners must find ways to better leverage and align existing HR/Reward programmes to support achievement of corporate objectives. Now more than ever before, the HR function must demonstrate its role as vital to the organisation's success. External market data and trends are key considerations for ensuring a holistic approach to pay review. KPMG will continue to support companies in taking informed decisions to deliver real results through our various thought leadership initiatives.

About KPMG People Services

We are dedicated to helping companies realize their investment in their employees. We, therefore, help to define the appropriate overall framework and philosophy for managing your people. We have the capabilities and experience to assist you in the following areas:

- Board Remuneration Committee Support
- Contract Personnel Recruitment and Administration
- Country Briefing
- Executive Talent Sourcing
- HR Benchmarks and Analysis
- Immigration Support Services
- Incentive Schemes Design
- Job Grading & Evaluation
- Organizational Structure Design
- Payroll Outsourcing
- Performance Management and Target Setting
- Remuneration Strategy, Compensation Benchmarking and Design.

To Download and register for our training programmes, please visit www.kpmg.com/ng, then click Open Tax programmes.

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