

8 Business sustainability and financial information

Financial information

Our financial performance reflects the success of our multidisciplinary model. It drives the delivery of audit, consulting, financial advisory, risk advisory, and tax and legal services.

Financial highlights

Deloitte Africa's financial information has been extracted from our financial records for the financial year ended 31 May 2022 (FY2022).

Our revenue represents amounts recovered or recoverable from clients for statutory audits, audit-related services and advisory services during FY2022 and FY2021, excluding VAT. Recoverable amounts reflect the fair value of the services provided, based on the stage of completion of each client engagement, including expenses and disbursements, as at the balance sheet date.

| Deloitte Africa | R'm FY2021 | R'm FY2022 |
|---|---------------|---------------|
| Total revenue | 5 901 | 6 352 |
| Top 200 clients | 3 637 | 3 792 |
| Advisory clients* | 2 264 | 2 303 |
| Audit clients* | 1 373 | 1 489 |
| Non-audit related services as a percentage of audit fees at Top 200 audit clients | 6.8% | 6.0% |

* The split between Advisory clients and Audit clients represented above is for the firm's Top 200 clients, who constitute the majority of the revenue.

Annually, a portion of the revenue is committed towards strengthening our risk and quality management processes. For example, in audit, 5.9% of the Audit & Assurance business' FY2022 revenue (3.8% of FY2021 revenue) was reinvested into audit quality.

Only 6.0% of revenue earned from audit clients is made up of non-audit services. We are confident that we have not impaired our independence or objectivity by delivering these essential, non-audit related services to selected audit clients.

Remuneration of partners/directors

Key measures incorporated for KPIs is around quality.

A partner or director's total compensation includes salary, medical aid, shares in profits, retirement and group life benefits,

All partners/directors are subject to partner grading, which is reviewed annually. Each level of grade describes the skills, attributes and broad performance expected of a partner/ director. Each level reflects a wide band of total remuneration units so that relative contributions can be recognised.

Partner/director performance is evaluated, beginning with the Africa Board's approval of the total remuneration strategy proposed by the Africa Executive Committee and concluding with the Board's review of the recommended profit allocation and grading for each individual partner/director. These outcomes are disclosed in full with all partners and directors.

The Remuneration Committee of the Board oversees the process, with a focus on consistent and equitable treatment.

Partner/director compensation

The average total compensation per partner/director in the year ended 31 May 2022 amounted to R5.0 million before tax (31 May 2021: R4.5 million before tax).

Partner/director pay gap

The pay gap percentage is calculated based on the average remuneration per partner/director (per demographic grouping) at each partner grading level. The pay gap figures shown in the table below are linked to the current demographics of the partnership, which will gradually be improved on as we reach our transformation targets. This area will continue to be the focus of the firm.

| Grading (FY21 number of partners/ directors) | % Gap (mean per level) | | | |
|--|------------------------|------------|-------------|------------|
| | White/Black* | | Male/Female | |
| | FY2021 | FY2022 | FY2021 | FY2022 |
| 3 (127) | 8% | 6% | 4% | 2% |
| 2 (174) | 12% | 8% | 4% | 5% |
| 1 (24) | -15%** | -22%** | 13% | 9% |
| Total (325) | 19% | 14% | 18% | 13% |

* White/Black % gap for partners/directors of the South Africa practice.

** A negative gap indicates that, on average, black partners earn more than white partners in this category.

Independent non-executives

We pay our firm's independent non-executives fees based on attendance at Africa Board meetings.

Partner remuneration

Execution of high-quality audits is expected from all professionals and is embedded across the Deloitte network.

Audit quality is recognised through reward and recognition programmes and is built into performance standards at every level, against which professionals' overall evaluations are measured.

In assessing performance, a role-model contribution in Quality, Risk and Performance is expected from all partners/directors. This is essential, regardless of the level of their contribution in other areas. In the case of audit partners, we have designed the appraisal and promotion processes and considerations to establish a solid link between audit quality and partner remuneration. Partners who provide audit services are not evaluated or remunerated for selling non-audit services to audit clients. This approach aims to preclude financial considerations from driving actions and decisions, which would create a negative effect on audit quality, objectivity and independence.