

# PIC still worries about how JSE firms pay top brass

**ANN CROTTY**

THE Public Investment Corporation (PIC) is still deeply concerned about the way JSE-listed giants pay their executives.

The PIC released its voting record recently for the three months to June, which showed that it voted against remuneration policies of 23 of the 59 companies that held AGMs during that time.

This voting record from a company that manages more than R1-trillion in funds and controls about 11% of all the shares on the JSE, should be seen as a stern rebuke for companies unwilling to trim the fat from chief executives' salaries.

It was notable that the voting record showed that the PIC also put its foot down on issues other than that of directors' pay.

In a sign of its broadening shareholder activism, it voted

against British American Tobacco's (BAT) resolution to allow the directors to make donations to political parties.

The PIC, which owns 3% of BAT, said that it had an ethical concern about donations from tobacco companies.

"Since there is a general trend for governments to increase sin taxes and create designated smoking areas, it is our view that this may pose an ethical dilemma for BAT as by sponsoring political parties it may somewhat lead to governments being lenient on anti-tobacco laws," it said.

But the PIC's main concern as a shareholder continues to be remuneration policies and the seemingly widespread tendency of remuneration committees to set easily attainable or manipulable performance targets.

Although the PIC voted against many of the companies



**SMOKED:** PIC opposed a BAT bid to allow its directors to donate to political parties

Picture: MARIANNE PRETORIUS

last year, most of these companies made no significant changes to their remuneration policies this year, and remained "repeat offenders", thus earning "no" votes again this year.

In all, 15 of the 23 companies are repeat offenders, which highlights the need for something more effective than a "nonbinding advisory" vote to

address an issue that has got out of hand.

In South Africa, this nonbinding vote has no force, unlike in other countries where it could ultimately lead to changes on the board.

The PIC said that in every case where it voted against directors' pay the company's policy was "inconsistent with

best practice".

Failure to meet best-practice standards is troubling because executive remuneration has been in the spotlight for more than a decade, and a large majority of listed companies spend considerable amounts of money on remuneration consultants.

Said one analyst: "It's obvious the focus of consultants and executives is on the size of the remuneration package, not on adherence to best practice."

In most of the 23 companies, the PIC's concerns were on the performance targets that were set. In some cases, these were considered inappropriate. In other cases they were too easily achieved, and in some others, the PIC was not given enough information to hold the executives to account.

Barclays Africa, which owns Absa, drew particular flak. The PIC said it was "concerned with

the lack of transparency regarding the remuneration policy. This is with specific reference to how executive directors performed against target ranges".

The PIC also noted the "significant increases" in variable pay at Barclays Africa, despite the fact that "we are still waiting for the business to show material earnings recovery".

The PIC voted against six resolutions at the AngloGold Ashanti AGM, all of which related to how the mining company rewarded its executives.

Overall, there was inadequate disclosure of performance targets, nonexecutive directors were still paid too much and the PIC opposed long-term incentive and bonus share plans.

At Pick n Pay, the PIC voted against the remuneration report because the performance targets were less demanding than in previous years.

## Companies where the PIC voted against directors' pay proposals

	PIC holding		PIC holding
• Royal Bafokeng Platinum	5.4%	• Advtech	4.8%
• Metair	7.1%	• ArcelorMittal SA	6.6%
• Bell Equipment	5.4%	• Grindrod	10%
• Barclays Africa Group	6.6%	• Pick n Pay Stores	9.5%
• Merafe Resources	0.03%	• Pick n Pay Holdings	3.6%
• Gold Fields	8.5%	• AECI	19.1%
• AngloGold Ashanti	8.9%	• Howden Africa	6.8%
• African Oxygen	5.7%	• Mpact	16.1%
• Liberty Holdings	4.5%	• Trencor	14.5%
• Evraz Highveld Steel & Vanadium	2.2%	• Sibanye Gold	8.7%
• Exxaro Resources	6.4%	• PSG Group	8.9%
• Santam	6.6%		

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