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SA 'notes' executive pay policy in EU, UK

Shareholders not yet ready to veto big hikes

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THE SOUTH African government has "taken note" of plans in both the EU and the UK to give shareholders greater powers to restrain executive remuneration, which is increasingly seen as reeling out of control.

Trade and Industry Minister Rob Davies told Business Report this week: "The idea of imposing some restraint on very high incomes at the top (of companies) is an important one and we will be taking note of developments in Europe and the UK."

Davies said the executive pay issue was one that his department had addressed in the New Growth Plan, which was released last year. He also said it was a condition of support and incentives that his department provided for companies that there were no excessive executive remuneration packages at those firms.

Davies said the social partners had to reach a "common understanding on the direction that society should take" and that some form of agreement on the wage differential was important in this regard.

He added that he was uncertain about how the EU and the UK proposals dealing with restraints on executive pay would work, but that it was evident "this issue is not going away".

In a related development, yesterday Business Leadership SA (BLSA) released its response to the National Development Plan, which was produced by the National Planning Commission last year, in which it called for "some sacrifices from management".

In the concluding section of its report, the BLSA noted that improvements to the labour market would need to involve "give and take" at all levels.

"Wage moderation should be pursued at all levels, including some sacrifices by management," said the BLSA report.

The BLSA is creating a code of conduct on remuneration and labour practices for its members, which include the largest companies and multinationals based in the country.

On Wednesday, European commissioner Michel Barnier said he wanted investors to have the legal power to reject spiralling executive pay at listed companies in the EU. In addition, in the case of banks, shareholders would be given the power to limit the gap between the lowest- and highest-paid employees and they could demand that the institutions disclose their top 20 to 30 earners.

According to the Financial Times, the reforms will be announced later this year once they are signed off by the other EU commissioners. In the UK, Business Secretary Vince Cable is expected to announce proposals to give shareholders a binding vote on pay later this month.

The UK and EU proposals may not be appropriate for South Africa however, as there is considerably less engagement by institutional shareholders in South Africa as evidenced by their support for board resolutions at annual general meetings.

The low level of engagement in this country was highlighted yesterday by the voting results released by ArcelorMittal South Africa and AngloGold Ashanti.

In the case of ArcelorMittal SA, 11 of the 14 resolutions received 99 percent support from shareholders. The advisory vote on the company's remuneration policy received 83 percent support and the long-term incentive plan received 90 percent.

In the case of AngloGold, all but three of the resolutions received the support of more than 95 percent of votes.

Only 82 percent of shareholders supported giving directors general authority to allot and issue shares and 82 percent voted to give directors the authority to issue shares for cash. About 84 percent of shareholders favoured the group's remuneration policy.