PIC still worries about how JSE firms pay top brass

ANNN 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 69 companies listed on the JSE, which 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 whom it is trims 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 being a listening shareholder activist, it voted against British American Tobacco’s (BAT) resolution to allow the directors to make decisions on the company’s policies.

The PIC, which owns 3% of BAT, said that it had an ethical dilemma to vote against a company that made vaccines from tobacco companies.

"Since there is a general trend for governments to increase sin taxes and create designated 'sin' products, the picture may ring an ethical dilemma for BAT as by sponsoring political parties it may have a similar lead to governments being lenient on anti-tobacco laws," the PIC said.

But the PIC’s main concern as a shareholder is the 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 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, 35 of the 59 companies are repeat offenders, which highlights the need for something more effective than a “non-binding advisory” vote to address an issue that has got out of hand.

In South Africa, this non-binding 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 is still being in the spotlight for more than a decade, and a large majority of concerns about directors’ pay have been considerable amounts of money on share options and consultants.

"It is obvious the focus of consultants in companies that have a periodic remuneration package, not on adherence to best practice."

In instances where it voted against companies, the PIC’s concerns were on the performance targets that were set in the companies’ remuneration policy.

In some cases, targets 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.

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The PIC said it was “concerned with the lack of transparency regarding the remuneration policy. This is with specific reference to how executive remuneration, and specifically the share performance targets, have been formed against target ranges”.

The PIC also noted the “significantly increased executive pay at Barclays Africa, despite the fact that “we are still waiting for the business to show material earnings recovery”.

Companies where the PIC voted against directors’ pay proposals

- Royal Bafokeng Platinum
- Metallon
- Bell Equipment
- Barclays Africa Group
- Mhaire Resources
- Gold Fields
- AngloGold Ashanti
- African Oxygen
- Liberty Holdings
- Evraz Highveld Steel & Vanadium
- Exxaro Resources
- Sanlam

PIC holding
5.4%
7.2%
5.4%
6.6%
6.6%
8.5%
8.9%
5.7%
4.5%
2.2%
6.4%
6.6%

Adveech
Arcoal/Mittal SA
Grindrod
Pay & Share Holdings
AECI
African Metals
Trench
BHP Billiton
Sibanye Gold
PSG Group
Santam