

Big miners pay CEOs top dollar

CEOs of large-cap basic resources companies are the highest paid among their peers, despite spectacular share price declines among stocks in this sector over the past decade.



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CEOs of JSE-listed large-cap basic resources companies received a median total guaranteed pay of R23m in 2016, with those in the upper quartile bagging R33.4m, a PwC report revealed..

This contrasted with CEOs of mid-cap and small-cap basic resources companies, who received median pay of R8m and R1.7m, respectively.

The difference could be explained partly by the fact that large basic resources companies were generally dual listed and so the CEOs were paid in foreign currency, said Martin Hopkins, a partner at PwC.

Still, the JSE's mining index is down more than 24% over five years and more than 43% over 10 years, reflecting poor shareholder returns amid declining commodity prices, as well as a difficult political and economic environment for local mining companies.

Shareholders and other stakeholders had argued for more stringent regulations on executive pay, citing the weak link between pay and performance and the need for greater transparency in the way remuneration is determined, said PwC

partner Gerald Seegers.

The South African Reward Association said that strengthening the link between the performance of organisations, executives and executive pay was high on the agenda of most remuneration committees.

Large salaries paid to executives are generally a hot-button issue in SA, where nearly 28% of the working population is unemployed and inequality levels rank among the highest in the world.

The morality of executive pay, also referred to as "pay ethics", was becoming an increasing focus around the world, as companies thought about which paradigms were most ethical, said Hopkins.

There was a move towards simplifying executive pay models, particularly long-term incentive plans. This was likely to reduce the overall quantum of pay, which would help tackle the pay gap in companies.

In SA, companies had become more sensitive to their internal pay gaps, paying junior workers much higher salary increases than senior executives in an attempt to narrow the divide, Hopkins said.

For the 12 months to April, JSE-listed firms gave junior workers an average 16% salary increase, while executives received an average 5.7% rise in pay. Inflation averaged 6.6% over the period.

Companies were also looking at ways to increase the financial wellness of employees by using their buying power to procure goods and services at better prices, Hopkins said.

Talks about a living wage had been started at remuneration and social and ethics committees of listed companies.

"The remuneration committees are considering a living wage, as opposed to a minimum wage," he said.

"A living wage being one that allows a dignified but frugal lifestyle," he said.

While the proposed minimum wage in SA was R3,500 per month, PwC estimated that a living wage would be closer to R10,000-R12,000.

Source: *Business Day*

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