

No bonuses for Pick n Pay executives

By Ann Crotty

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Pick n Pay's remuneration committee may have set the scene for a tougher approach to executive rewards in the besieged retail sector with its decision not to pay a short-term bonus for the year to end-February 2017.



Pick n Pay CEO Richard Brasher. Image credit: *Business Day*

The decision not to pay bonuses, as a result of poor turnover growth and failure to meet working capital targets, will hit the top executives hard.

For financial 2016, CEO Richard Brasher received a short-term annual bonus of R15m, taking his remuneration to R24.4m. For 2017, Brasher received remuneration of R10m and no bonus.

Executive director Richard van Rensburg's pay dropped from R7.1m to R4.7m, while finance director Bakar Jakoet's fell from R6.6m to R4.8m. Van Rensburg and Jakoet were both paid R2.5m bonuses in 2016.

The group's newly released 2017 annual report shows that while none of the senior executives received a bonus, discretionary bonuses have been paid to key staff at lower management levels. This was in recognition of progress delivered during a more challenging year, said remuneration committee chairman Hugh Herman.

Herman said that although the group achieved a 17% increase in profit before tax and exceptional items, which was ahead

of the 10% threshold target, it was short of its stretch target of between 20% and 25%.

Sasfin analyst Alec Abraham said withholding bonuses was "arguably appropriate" considering it had not achieved the sort of sales targets promised by Brasher some years ago.

Retail analyst Syd Vianello said Pick n Pay might have "reset the norm" for policies in the sector, but everything depended on the detail of the targets.

While all the grocery retailers were suffering during financial 2017, Pick n Pay underperformed its main competitors and has reported a drop in volumes for two consecutive years.

In its recently released report on executive remuneration trends, Deloitte noted that executive underperformance was rarely penalised. "It is almost as if executives are entitled to expect a reasonable performance bonus even when not warranted by performance," said Deloitte.

In its survey of executive pay trends over the past six years, Deloitte found no incentives were paid in only 12% of cases.

One remuneration consultant described Pick n Pay's move as encouraging and indicated the remuneration committee was taking its responsibility seriously. "When trading conditions are tough executives have to be more keenly incentivised," the consultant said.

Source: Business Day

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