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## PSG to engage with shareholders after hefty opposition to its pay policy

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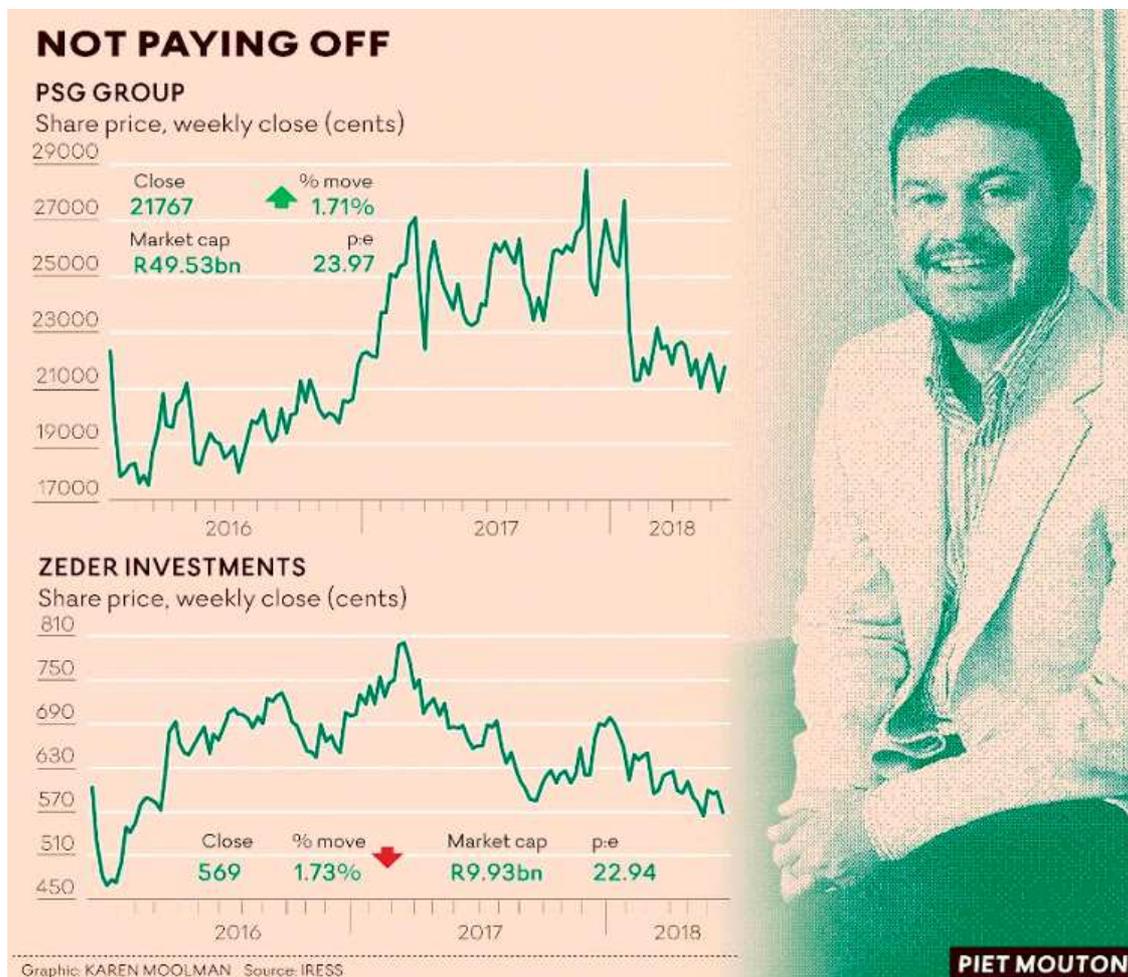
Piet Mouton, CEO of PSG. Picture: FINANCIAL MAIL

PSG has undertaken to engage with its shareholders after a hefty 32% vote against the implementation of its remuneration report at Friday's annual general meeting.

Concerns about the shortage of independent directors and inadequate disclosure about its remuneration policy appear to be behind increasing levels of shareholder opposition.

PSG CEO Piet Mouton said on Sunday that they had taken note of the voting.

"We will go back to the drawing board and then engage with the dissenting shareholders."



On opposition to the re-election of longstanding directors, Mouton said he felt long-serving directors understood the business better and could make valuable contributions.

In voting at Friday's AGM there was an almost doubling of the vote against PSG's remuneration policy. In June 2017 only 16.47% of shareholders voted against the remuneration resolution. The Public Investment Corporation's voting record reveals that it voted against the policy on the grounds that it appeared to be inconsistent with best practice.

"There are no nonfinancial targets and no distribution of weightings. Furthermore, there are no performance conditions for the vesting of shares," the PIC said in relation to the 2017 remuneration policy. The PIC has not yet released details of its voting at Friday's AGM.

Active Shareholder, which advises socially responsible shareholders on their voting rights, has disclosed the details of its voting on its website.

On Friday it voted against the implementation report and noted increases paid to executive directors were significantly more than the 5.7% referred to in the remuneration report.

"The change in policy with the discontinuation of discretionary bonuses for the CEO and chief financial officer was offset by an increase in their base pay of approximately 170% from R3.53m to R9.5m and from R4m to R11m for the chief financial officer and CEO, respectively," said Active Shareholder. The chief financial officer was also paid a R6m discretionary bonus.

The vote against the re-appointment of PwC as auditor also almost doubled to 15.26% from 8.7% in 2017.

PwC has been PSG's auditor since the company was formed 22 years ago. In 2017 the PIC said it voted against PwC's reappointment because it had questions about its independence. Active Shareholder said it voted against PwC's latest reappointment because of concerns about its independence.

The PSG board has three executive directors, three nonindependent nonexecutive directors and four independent nonexecutive directors. However, three of the four independent nonexecutive directors have served on the board for more than nine years, which means their claim to independence is challengeable.

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