

# Sun International shareholders reject pay policy

By [Max Gebhardt](#) 29 Nov 2013

The board of Sun International (SUI) suffered an embarrassing setback after the majority of its shareholders rejected the company's new remuneration policy at its annual general meeting (AGM) last week.



Graeme Stephens says shareholders will be consulted in the coming year.  
Image: Sun International.

The company had tabled its new policy for a non-binding advisory vote. But shareholders were clearly unimpressed with what it planned to reward its executives - nearly 50% voted against the proposal. Only 45% endorsed it while 5% abstained.

Even though shareholders overwhelmingly voted against the resolution it has no legal consequence for the company as it is seen as an advisory tool indicating shareholders' view of Sun International's executive pay policy. Sasol and Woolworths also faced opposition to their executive salaries at recent AGMs.

Sun International's chief executive Graeme Stephens said the board would be engaging with its shareholders in the new year to address their concerns.

He said the company was aware, prior to the AGM, about the opposition to the new policy but felt that in the interests of transparency and good governance it was best to put the matter before shareholders and publish the results. When companies are aware of significant opposition to a resolution, they often withdraw it before it is put to the vote at an AGM.

## Shareholder concerns over past events

"The shareholder concerns related in the main to historical events relating to executive termination payments which have been fully disclosed. In terms of concerns raised on the future remuneration policy, these related to the replacement of economic value add (EVA) as a measure and the introduction of key performance indicators as a portion of the bonus calculation and the link between short-term and long-term incentives," said Stephens.



Sun International's chairman, Valli Mosa.  
Image: Sun International.

Sun International paid its former chief executive David Coutts-Trotter R8m when he left and its chief financial officer Rob Becker R8.9m in a separation and restraint payout.

"Given that the main concerns related to historical events we confirm that the remuneration committee, in each instance, followed due process, applied their collective mind to each specific event and consulted with professional advisors for guidance," said Stephens.

The remuneration committee is headed up by the group's non-executive chairman Valli Moosa.

## **Mechanistic approach to executive pay**

In its letter to shareholders, the remuneration committee said that the previous executive bonus scheme, which used EVA, had led to a mechanistic approach and did not enable the differentiation of individual performance.

It said the revision to the long-term incentive scheme was necessary because of the previous scheme's complexity.

"Given the seriousness with which we take the non-binding advisory vote, we intend engaging with key shareholders early the new year to explain and hear first-hand any additional issues raised," he said.

Institutional investor RECM's chairman Piet Viljoen said RECM had voted against the proposal because it was unhappy about the performance criteria.

"But kudos for them in going ahead with the vote. Most other companies would have withdrawn it," he said.

He said it was refreshing that Sun International had also published the voting percentages. "Most companies don't do that."

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