



2020 MNC Trends Report

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for Sub-Saharan Africa

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Acronyms

CEO	Chief Executive Officer
FES-TUCC	Friedrich Ebert Stiftung Trade Union Competence Centre for Sub-Saharan Africa
LRS	Labour Research Service
LTI	Long-Term Incentives
MNC	Multinational Corporation
PBT	Profit before Tax
STI	Short-Term Incentives
ED	Executive Director
NED	Non-Executive Director

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Methodological Note

There are currently 399 companies listed on the Johannesburg Stock Exchange (JSE). Our sample includes 78 companies listed on the JSE from 14 sectors, as well as three state owned enterprises (Eskom, Denel and Transnet). Clover was delisted from the JSE, and Group Five is in business rescue, which has meant that these companies were excluded from our sample.

Our sample of 81 companies, focused on specific sectors, tries to take note of some general trends per sector, but also focuses on key companies in each sector in terms of labour. This list has been added to over the last 10 years, and will continue to evolve as the LRS and its interests and stakeholder needs evolve. In the sample, companies do not disclose directors' fees in a uniform way. The report has drawn and analyses figures in a manner that we believe make them most comparable to each other.

Different sectors have different pressures and outcomes. The report therefore focuses on companies within their sectors as well as across sectors as it is felt this would be most useful for negotiations. This does result in companies of vastly varying sizes being grouped together, which should also be borne in mind when considering remuneration packages.

It is important to note that we use figures reported in each companies' annual report.

The Future of Work: COVID 19 Edition

Introduction

Over the course of the last decade, both globalisation and digitalisation have dramatically impacted the world of work. The OECD reports that almost 14% of jobs in [OECD countries](#) is likely to be automated, and more than 32% of jobs are likely to be partially automated. Low-skilled workers and young people are the most at risk, but high-skilled jobs are exempt. The 2018 [MNC Trends Report](#) produced by the LRS with the support of the FES TUCC focused on the future of work and what it could entail in a developing context, and more specifically, Africa. The past two years have brought new developments.

Along with a massive international public health crisis, the COVID-19 pandemic has ushered in an economic crisis akin to the Great Depression of the 1930s.¹ The pandemic has fast-tracked some of the predicted changes in the world of work. It has disrupted economies and societies, and exacerbated the gap between ‘the most privileged and the most vulnerable.’² The pandemic has forced businesses to change their way of working in a very short time. A lot of businesses have had to shift to remote operations and changing schedules. We have to ask whether these changes will become permanent in a post-pandemic world. Many of the changes were predicted – but the pandemic has accelerated the uptake of these new technologies. Will COVID-19 permanently change the way we work?³

During the pandemic so far, millions of people have lost their jobs. Despite promising vaccines, the future remains uncertain for millions of workers across the globe. People around the world have shifted to working from home (around 39% of workers on average), enabled by fast growing technology and internet. However, this is not an option for many workers, especially in Africa. These jobs, often in the retail, manufacturing and transport sectors, are most likely held by lower-

¹ <https://www.oecd-ilibrary.org/sites/1686c758-en/1/2/3/index.html?itemId=/content/publication/1686c758-en&csp=fc80786ea6a3a7b4628d3f05b1e2e5d7&itemIGO=oecd&itemContentType=book>

² <https://www.oecd.org/future-of-work/#what-is-the-future-of-work>

³ <https://www.guardianlife.com/coronavirus/covid19-and-the-future-of-work>

skilled workers. In addition to these changes, workers have been laid off in many non-essential sectors, companies have enforced hiring freezes, and put many workers on 'hold'.

Furthermore, the gig economy has grown exponentially over the course of the last year. However, the concerns about the quality of jobs in the gig economy has grown alongside the industry.

Countries have responded to the pandemic at an unprecedented rate, including debilitating lockdowns and severe constraints on human movement. This chapter will focus on some of the trends already visible in the world of work due to the dramatic impact of the pandemic.

Trends in the Labour Market

We've seen a lot of trends emerge throughout the first 8 months of the pandemic.⁴

- There has been a significant increase in remote working, with white-collar workers setting up offices at home and connecting via multiple technologies like Zoom, Slack and Skype.
- There has been an increase in the way that employers monitor workers, especially with regards to tracking productivity. Some workers are expected to virtually 'clock' in and out, while other employers have increased 'data collection' on worker productivity (think of Amazon measuring warehouse workers' productivity⁵)
- The uncertainty that the pandemic has caused in the economy has caused dramatic job losses, and also the dramatic changing of traditional work models. Previously permanent workers are now flexible, non-permanent, part-time or temporarily furloughed.
- Some companies have prioritised the well-being of employees, while other companies have pushed workers to continue working in high risk environments (often without adequate PPE).

⁴ <https://www.gartner.com/smarterwithgartner/9-future-of-work-trends-post-covid-19/>

⁵ <https://www.theverge.com/2019/4/25/18516004/amazon-warehouse-fulfillment-centers-productivity-firing-terminations>

Gender and COVID-19

The crisis has brought to light gaps in the labour market, and highlighted the most vulnerable workers. Low-paid workers, women, self-employed and temporary workers have been hit the hardest: ‘the burden of the pandemic has been shouldered disproportionately by the most vulnerable.’⁶

Lower income workers are the least likely to have been able to work from home, and particularly part-time workers have been exposed to job and income losses. Women are disproportionately represented in precarious jobs, which has meant that women have been more vulnerable to the effects of the crisis than men.

This has meant that women are more likely than men to have lost their job. One study estimates that women were 1.8 more likely than men to have lost their job due to the pandemic.⁷ And that only refers to paid work, not unpaid work like cooking, cleaning and childcare. Women already did most of this kind of unpaid work before the pandemic, and the pandemic has increased the disparity.

However, the paid and unpaid economies are interrelated. While paid work is more visible, it cannot exist without unpaid, behind the scenes work. According to Melinda Gates, ‘the unpaid work women do is one of the biggest barriers they face to reaching their potential in the workforce.’ Women account for half of all entry-level employees, but only a third of senior managers. This is often due to the fact that women prioritise family responsibilities over their work life.

Longer term effects of remote work

For some workers, the change to home working will have some positive effects like limiting commuting time and a better work-life balance. However, the 60% of workers who are not able to work remotely may be adversely effected by this change. One in four workers is in cleaning,

⁶ *Ibid.*

⁷ <https://www.bbc.com/worklife/article/20201023-coronavirus-how-will-the-pandemic-change-the-way-we-work>

retail, food service, transportation and personal care – and the lack of commuting workers and workers concentrated in cities will have a knock-on effect on these jobs.⁸

Flexible Workforces

Employers are, more often than not, looking for ways to reduce labour costs. The pandemic has increased this trend, when companies operating in a difficult economic climate are looking for innovate ways to reduce costs. Companies are harnessing the power of the gig economy to make this happen.

Technology enables ‘widespread, flexible and on-demand work opportunities’.⁹ This kind of work makes workers more vulnerable to exploitation. These workers are often not protected and don’t have any of the benefits of permanent employment like sick leave, medical aid, life insurance and retirement plans. This has not stopped companies from ‘casualising’ work. As established in the LRS study conducted with the support of the FES TUCC, work is starting to take on a more flexible form in which workers are not protected and jobs are not secured (Omomowo, 2011). The pandemic has worsened this trend.

A voice in the workplace

According to Anna Stansbury (Inequality & Social Policy Scholar, Harvard University), one of the biggest effects of the pandemic has been to ‘illuminate the utter lack of voice and influence most people have in their workplace.’ The below quote illustrates:

This is starkest if you consider low-paid essential workers in industries like food production or delivery – working for meagre pay at the best of times, in poor working conditions and during this pandemic often forced to choose between losing their income or risking contracting a disease which could threaten them and their loved ones... Healthcare workers – on the front-line in dealing with the pandemic – are dying at alarming rates, and are often forced to go without the information, the protective equipment or the workplace practices needed to stay safe. Employees in retail, in office jobs, in hospitality have hesitated to return to long days of

⁸ *Ibid.*

⁹ https://www.investec.com/en_za/focus/economy/rocking-the-gig-economy.html.20].

*working in enclosed spaces with poor air circulation – but have often had no real choice in the matter.*¹⁰

These kinds of working conditions have increased calls for strikes, walkouts, greater unionisations and better worker representation.

Africa

Due to a rising number of COVID-19 cases, Africa is facing its first recession in over 25 years.¹¹ As with the rest of the world, the pandemic has contributed to job disruption. Many African businesses are embracing a digital transformation – including food deliveries and offering online services. The World Economic Forum predicts that, along with governments' swift responses, the efforts bode well for economic activity and job creation.

There are still numerous challenges to overcome. The World Economic Forum's Future of Jobs Report¹² confirms that the pandemic has accelerated the technological changes brought about by the 4th Industrial Revolution. A survey of employers in South Africa found that 75% would accelerate the automation of tasks.

Louise Fox and Landry Signé, both of the Africa Growth Initiative, write about the unprecedented effect of the pandemic on livelihoods in Africa, specifically the reduction in earnings and the subsequent increase in poverty.¹³ The scale of job losses will differ greatly per sector and country, but they predict that the main effects will be 'a drop in earnings (income) and increased underemployment (reduced hours) rather than unemployment'.

Global supply chains have been significantly disrupted due to the pandemic, and global demand for goods and services has decreased. High debt levels and high healthcare costs will inevitably affect households. Most of Africa's labour force works in the informal economy, and due to declines in local and foreign demand, this sector will suffer.

¹⁰ <https://www.bbc.com/worklife/article/20201023-coronavirus-how-will-the-pandemic-change-the-way-we-work>

¹¹ <https://www.weforum.org/agenda/2020/10/africa-digital-acceleration-jobs-post-covid-19/>

¹² <https://www.weforum.org/reports/the-future-of-jobs-report-2020>

¹³ <https://www.brookings.edu/blog/africa-in-focus/2020/05/21/covid-19-and-the-future-of-work-in-africa-how-to-reduce-income-loss-for-formal-sector-employees/>

What is true for the developed world is not always true for Africa. Instead of relying on automation, which is often expensive and reliant on infrastructure (like electricity and internet access) employers are seeking more flexible workforces in the advent of the fourth industrial revolution. This is the greatest threat to workers in African MNCs.

Conclusion

In order to protect workers, both governments and companies should ensure social safety nets. An important part of the post-pandemic transition will be reskilling and upskilling. According to the World Economic Forum, ‘the pandemic has destroyed more jobs in two months than the Great Recession in the United States did in two years.’¹⁴

More needs to be done to ensure investment in sectors where workers are protected. The world economic Forum estimates that around 50% of employees will need reskilling by 2025.

The pandemic has undoubtedly exacerbated the working conditions of the lowest paid workers in Africa. The biggest effects may yet be felt. It is clear that there are some big changes already visible. However, this change should accommodate for adequate social protection, compensation measures and/or training and (re)skilling opportunities for workers.

Bargaining is essential to the transition out of the pandemic. This report provides key company and sector analysis in order to assist unions in this bargaining. Most of the financial data for the past year is not available yet, and 2020 financials will be vital to the bargaining environment. This data will become available throughout the course of 2021.

¹⁴ <https://www.weforum.org/agenda/2020/10/covid-19-accelerated-the-future-of-jobs-here-s-how-to-protect-workers-9edb26584d/>

Highlights

Employees

By Company

Company Name	Sector	Total Employees
Glencore Xstrata	Mining	159345
Shoprite	Retail	147268
Bidvest	Diversified Holdings	123841
Sanlam	Banking and Financial Services	105012
Sibanye Gold	Mining	84521
BHP Billiton	Mining	72414
Adcorp Holdings limited	Education,Bus Training & Employment	66327
Anglo American plc	Mining	63000
Transnet	Transport	55946
Pick n Pay Stores Ltd	Retail	53600

By Sector

Sector	Total Employees
Mining	622398
Retail	374502
Banking and Financial Services	298703
Diversified Holdings	186962
Industrial	120853
Transport	94327
Food and Beverage	92523
Health	88373
Education,Bus Training & Employment	66327
Paper and Packaging	43782
Technology and Telecommunications	42332
Construction	36929
Hospitality	32534
Media	26393

Revenue

Top 10 companies by Revenue

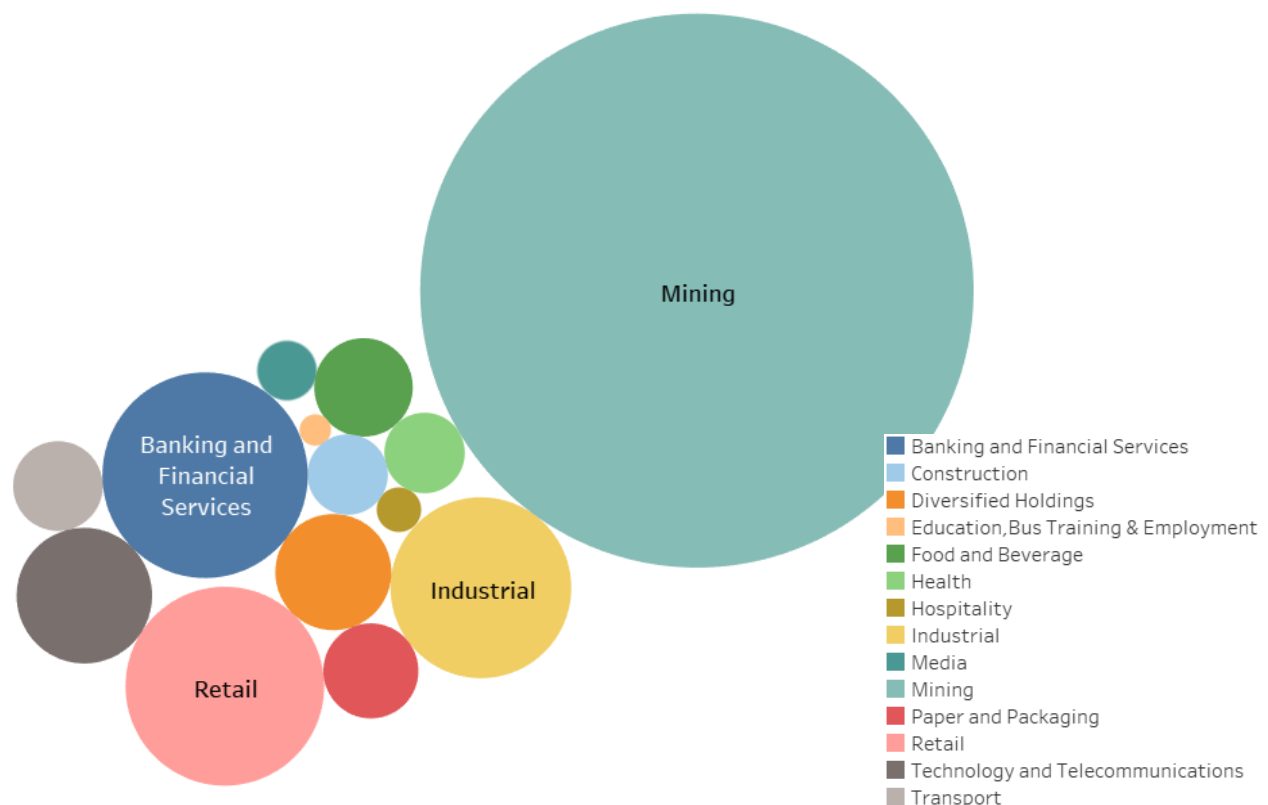
The top ten companies by revenue is dominated by mining this year. Mining company Glencore Xstrata took the top spot with 2019 reported revenue of ZAR 3117 billion. Sasol and Eskom remain high in the rankings with high revenue in the industrial sector. One of the biggest retailers in Africa, Shoprite, came in at number seven in terms of revenue, bringing in over ZAR 1 billion in revenue for the reported year.

CompName	Sector	Year	Revenue ZAR
Glencore Xstrata	Mining	2019	3,117,550,724,637
BHP Billiton	Mining	2019	651,294,117,647
Anglo American plc	Mining	2019	432,898,550,724
Sasol	Industrial	2019	203,576,000,000
Eskom Holdings Limited	Industrial	2019	179,892,000,000
MTN Group	Technology and Telecommunications	2019	151,460,000,000
Shoprite	Retail	2019	150,395,000,000
Sanlam	Banking and Financial Services	2019	147,796,000,000
FirstRand Bank	Banking and Financial Services	2019	120,268,000,000
Mondi Group	Paper and Packaging	2019	117,225,806,451

Average Revenue

Sector	Average Revenue ZAR
Mining	311,112,769,509
Technology and Telecommunications	93,287,000,000
Banking and Financial Services	80,368,394,230
Retail	66,819,748,333
Industrial	55,289,856,000
Diversified Holdings	51,298,152,000
Paper and Packaging	45,871,402,150
Media	27,008,273,586
Transport	24,496,170,600
Construction	24,216,574,250
Food and Beverage	18,481,737,000
Health	16,429,205,769
Education, Bus Training & Employment	15,065,369,000
Hospitality	10,132,994,666

The below graphic illustrates revenue per sector. The mining sector is by far the largest sector by revenue, followed by the Banking and Financial Services, Retail and Industrial sectors.



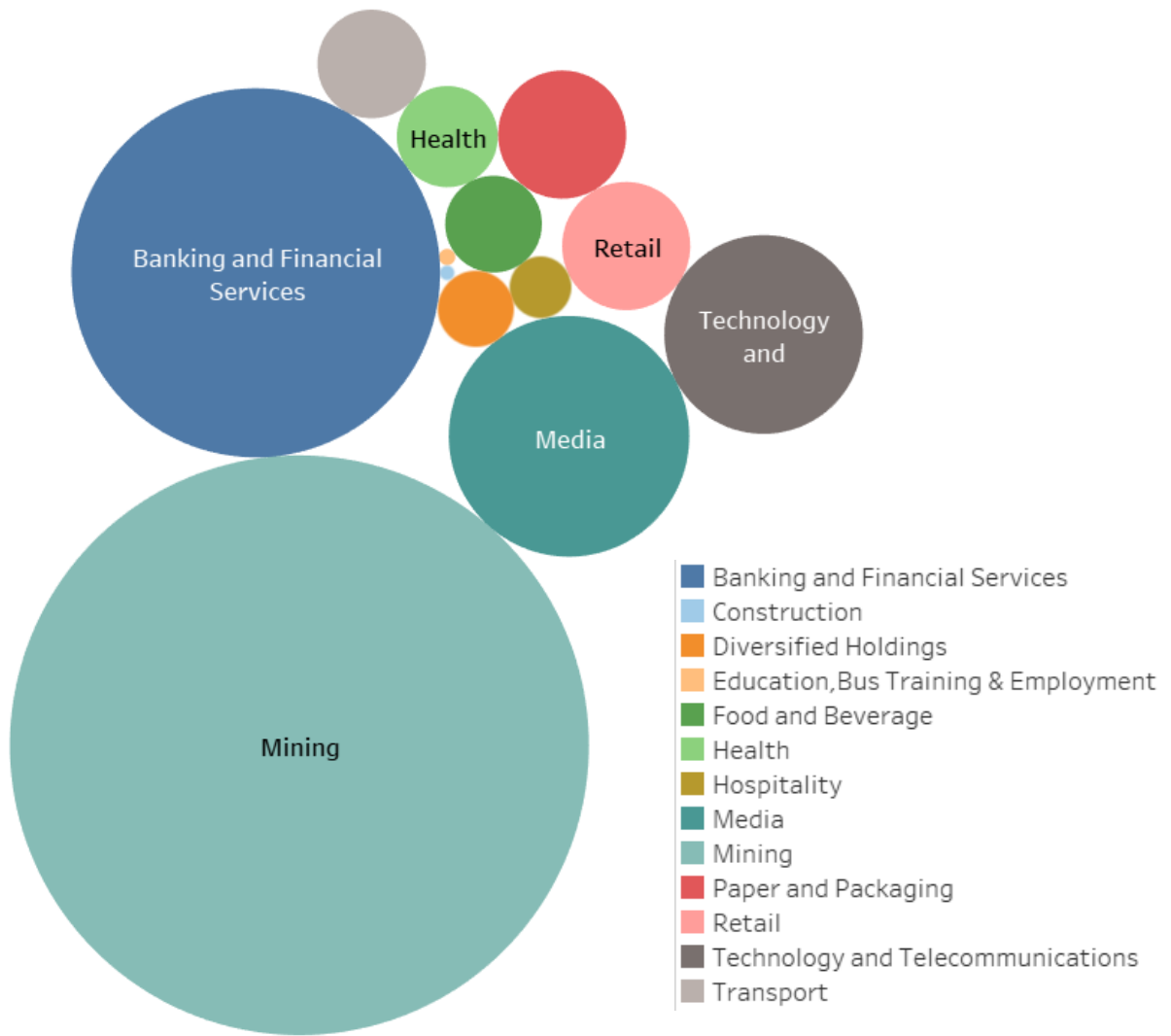
Profit before Tax

Top ten companies by Profit before Tax

When it comes to Profit before Tax, BHP Billiton and Anglo American PLC take the top spots with ZAR 200 billion and ZAR 91 billion in profit before tax respectively. Naspers, the international media company with shares in Chinese tech giant Tencent, comes in at number three with profit before tax of ZAR 63 billion.

CompName	Sector	Reference End	Year	Profit before Tax ZAR
BHP Billiton	Mining		2019	221,308,823,529
Anglo American plc	Mining		2019	91,246,376,811
Naspers	Media		2019	63,637,681,159
FirstRand Bank	Banking and Financial Services		2019	41,672,000,000
Standard Group	Banking and Financial Services		2019	40,344,000,000
Kumba Iron Ore Limited	Mining		2019	29,252,000,000
Anglo American Platinum	Mining		2019	25,306,000,000
Vodacom Group Limited	Technology and Telecommunications		2019	22,089,000,000
Mondi Group	Paper and Packaging		2019	18,048,387,096
MTN Group	Technology and Telecommunications		2019	17,600,000,000

The graphic below illustrates profit before tax per sector. Mining is again the biggest earner, with Banking and Financial Services coming in second. The Industrial Sector, which ran at a loss on average this year, is not featured on the graphic.



Average Profit before Tax

Sector	Average Profit before Tax ZAR
Mining	24,770,948,011
Technology and Telecommunications	14,565,333,333
Banking and Financial Services	18,826,310,096
Retail	2,020,145,888
Industrial	-2,338,727,555
Diversified Holdings	1,602,682,750
Paper and Packaging	6,117,495,698
Media	32,044,806,579
Transport	2,608,966,000
Construction	59,261,500
Food and Beverage	1,295,532,875
Health	1,887,719,897
Education, Bus Training & Employment	297,901,000
Hospitality	1,404,991,666

REMUNERATION

TOP TEN CEOs

Company Name	Sector	Salary ZAR	Cash bonus ZAR	Benefits ZAR	Other payments ZAR	LTI payment ZAR	Total
Anglo American plc	Mining	25,846,153	31,461,538	8500000	5,288,461	145,346,153	216,442,307
BHP Billiton	Mining	25,000,000	9,602,941	16029411,77	6,250,000	59,367,647	116,250,000
Gold Fields	Mining	17,779,710	13,237,681	350724,64	1,449	63,927,536	95,297,101
Foschini	Retail	4,700,300	8,843,100	916800	1,088,200	51,595,600	67,144,000
Anglo American Platinum	Mining	9,044,327	18382593	1,589,218	1,076,719	35,943,105	66,035,962
Pick n Pay Stores Ltd	Retail	10,140,000	20640000	1,210,100	0	32,477,300	64,467,400
Investec	Banking and Financial Services	7,653,846	1557692,31	1,365,384	19,442,307	33,903,846	63,923,076
Mondi Group	Paper and Packaging	17,822,580	17487483,87	987,225	1,357,064	23,648,564	61,302,919
Bidvest	Diversified Holdings	15,858,000	18857000	1,656,000	0	22,900,000	59,271,000
MTN Group	Technology and Telecoms	17,305,000	27584000	1,822,000	1,118,000	10,405,000	58,234,000

Executive Director Average Remuneration

Sector	Average Salary ZAR	Average Annual remuneration ZAR
Banking and Financial Services	8,167,958	20,490,236
Construction	4,504,833	10,826,833
Diversified Holdings	10,880,750	20,675,250
Education, Bus Training & Employment	4,846,000	11,378,000
Food and Beverage	6,323,111	10,714,777
Health	5,051,165	7,943,275
Hospitality	6,246,666	10,557,666
Industrial	7,004,075	9,459,613
Media	11,013,188	20,136,376
Mining	11,062,838	22,536,862
Paper and Packaging	11,311,446	18,439,141

Retail	9,013,958	16,023,333
Technology and Telecommunications	12,023,732	29,239,574
Transport	5,549,076	10,368,067
Grand Total	8,133,555	15,773,747

Executive Director Average Remuneration

Sector	ED Total Annual (Average)
Banking and Financial Services	17,001,258
Construction	8,799,545
Diversified Holdings	9,962,400
Education, Bus Training & Employment	8,519,500
Food and Beverage	8,190,000
Health	7,403,540
Hospitality	7,252,000
Industrial	7,154,321
Media	16,406,332
Mining	17,077,293
Paper and Packaging	12,985,236
Retail	9,470,613
Technology and Telecommunications	25,216,591
Transport	8,065,482

Non-executive Director Average Remuneration

Sector	Average of Total Annual Rem
Media	3,976,568
Banking and Financial Services	1,845,039
Mining	1,752,561
Paper and Packaging	1,370,063
Technology and Telecommunications	1,202,396
Construction	943,810
Diversified Holdings	882,657
Health	880,315
Industrial	873,061
Retail	834,625
Transport	731,714
Food and Beverage	662,868

Hospitality	612,111
Education, Bus Training & Employment	496,000

SECTOR REPORTS

Each sector report will be in three parts. The first part presents an overview of the revenue amounts of the 2019 financial year and the second part provides an analysis of the sector's profit before tax. This section looks at the revenue and profit of the MNCs included in the list above. The objective is to show information that will enable unions to establish to what extent claims of lowered revenue and profit are factual and to monitor company performance. The section also gives unions an overview of the performance of companies in their sector, which in turn provides a bigger picture within which to assess company performance/

Companies often cite a decrease in revenue or profit as a reason why wage and labour demands can't be met. Companies can report revenue as a negative, for example, a 10% decrease in revenue. And while revenue may indeed have decreased, this could mean slower growth than the year before, as opposed to actual losses. In this way, numbers specifically related to growth can be misconstrued. The last part is on the directors' remuneration starting with CEO's pay, executive and non-executive directors' remuneration.

1. Banking and Financial Services
2. Construction
3. Diversified Holdings
4. Education, Bus Training & Employment
5. Food and Beverage
6. Health
7. Hospitality
8. Industrial
9. Media
10. Mining
11. Paper and Packaging
12. Retail
13. Technology and Telecommunications
14. Transport

SECTOR REPORT: BANKING AND FINANCIAL SERVICES

Introduction

This report analyses eight companies from banking, life insurance and the financial services sector as listed on the Johannesburg Stock Exchange (JSE). Included in this report is an analysis of Standard Bank Group and Nedbank comprising a third of JSE listed companies under the 'Banks' sector, Liberty Holdings, Discovery, Rand Merchant Holdings (RMB Holdings) and Sanlam constituting 67% of the JSE 'Life Insurance' sector, and FirstRand Bank and Investec are two of the more than 55 companies listed on the JSE under 'Financial Services' sector¹⁵.

Revenue

The eight companies included in this report recorded a total revenue amount of over R642 Billion with an average of R80 billion in the 2019 financial year. Standard Bank Group lost its position as the highest earning in the Banking and Financial Services Sector to Sanlam, which recorded a 90.1% increase in revenue from R77 billion in 2018 to R147 billion in 2019.

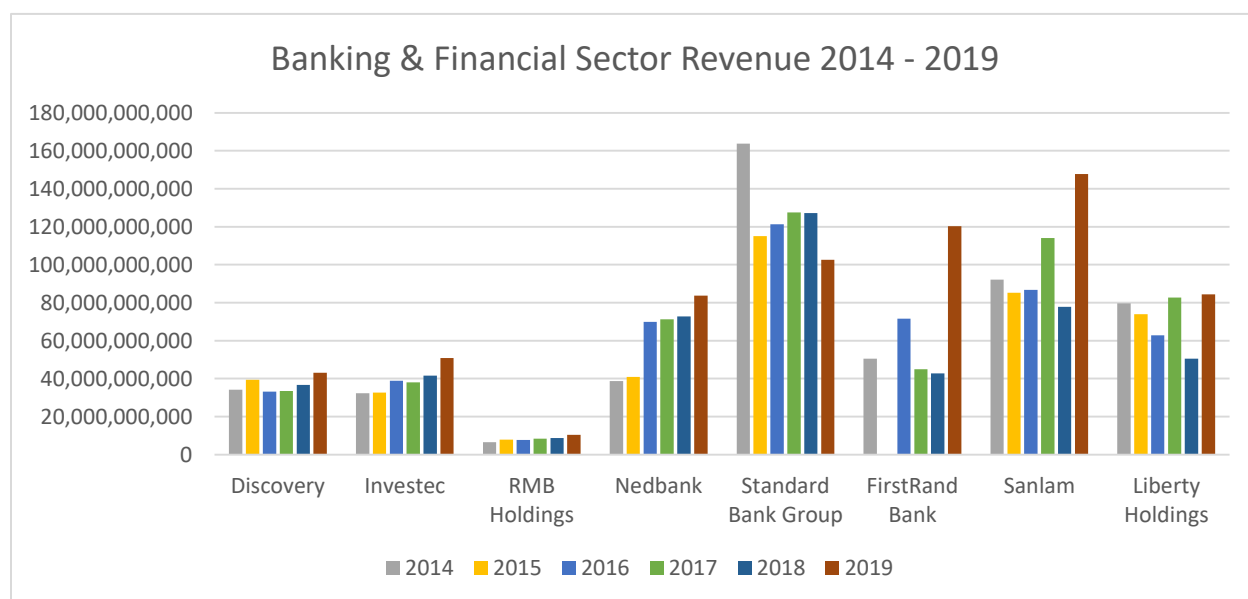


Figure 1 Banking and Financial Sector Revenue for the years 2014-2019

Standard Bank Group is the only company which had negative growth in income, reporting a 19% decrease in revenue from R127 billion in 2018 to R102 billion in 2019. Significantly, FirstRand

¹⁵ <https://www.african-markets.com/en/stock-markets/jse/listed-companies>

Bank reported a 181% increase in revenue from R42 billion in 2018 and almost tripling to R120 million in the 2019 financial year.

The sector saw an average revenue increase of 49% in 2019. The average revenue increased by 40% from R57 million in 2018 to R80million in 2019.

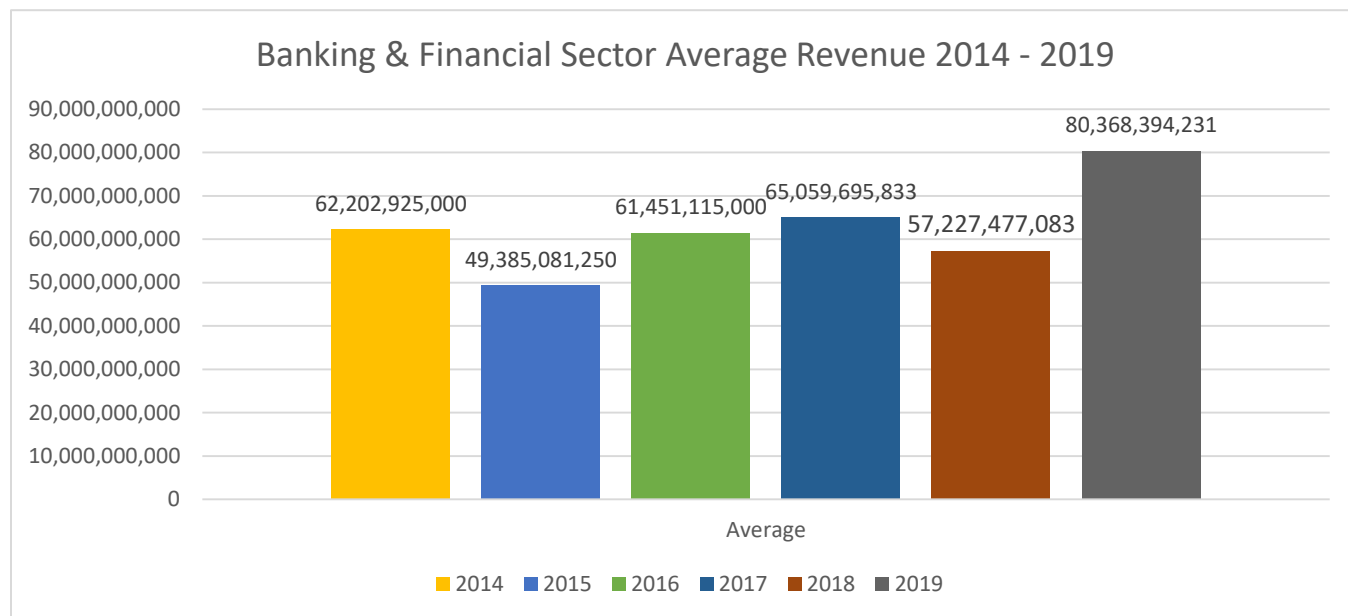


Figure 2 Banking and Financial Sector Average Revenue 2014-2019.

Against this backdrop, Standard Bank Group’s performance stands as a sharp outlier in contrast to the performance of the remaining seven companies in the sector which reported positive revenue increases. This contrast is even more pronounced because in the last six financial years, Standard Bank Group consistently maintained its position in terms of grossing the highest revenue in the banking and financial services sector. It maintained a comfortable lead in this regard with its closest competitor, Sanlam, trailing Standard Bank Group’s revenue by an average of 30,1 percent in the last six financial years. Therefore, the takeover by Sanlam was both sudden and unexpected.

Standard Bank’s Chief Executive attributed the unfavourable performance to the loss reported by one of its investments – its London based venture with the Industrial and Commercial Bank of China (ICBC). An oil refinery explosion by one of ICBC’s clients led to the London venture reporting

a loss of USD 248 million¹⁶. With a 40% investment stake by Standard Bank in ICBS, the loss precipitated by the refinery explosion meant that the group’s earnings for the 2019 year could have increased by 5% if it was not for the cost allocated to Standard Bank¹⁷.

Profit before Tax

In terms of profit before tax, Standard Bank lost its position as the sector leader in profitability. FirstRand Bank was the most profitable company in the Banking and Financial Services sector reporting a 15% increase.

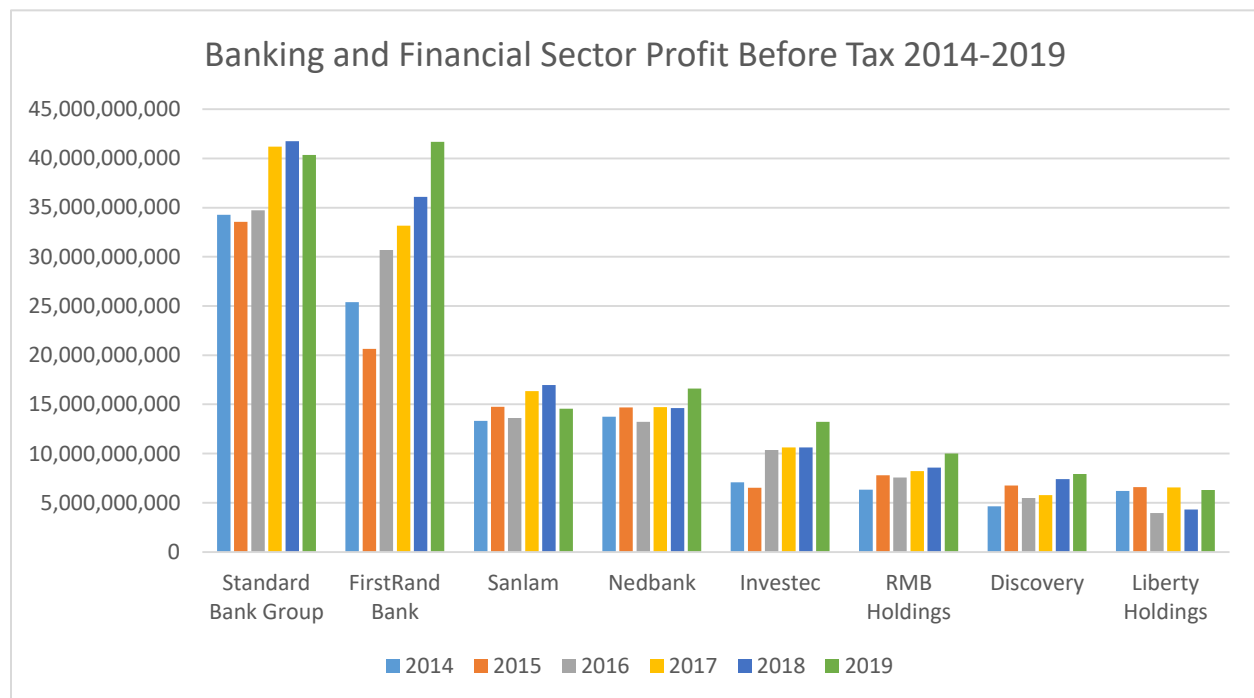


Figure 3: Banking and Financial Sector Profit before tax 2014-2019. Data from company annual financial statements

FirstRand Bank’s profit was R41 billion increasing from R36 billion in 2018. Significantly, Liberty Holdings reported the highest growth in profit before tax (PBT) of 44% and the majority of the companies had upward increases in profit. While Sanlam overtook Standard Bank in terms of

¹⁶ Kruger, “Solid, but subdued results from Standard Bank”. <https://www.moneyweb.co.za/news/companies-and-deals/solid-but-subdued-results-from-standard-bank/>.

¹⁷ Ramalepe, “How misfortunes in ICBS cost Standard Bank”. <https://www.news24.com/fin24/companies/financial-services/how-misfortunes-in-icbs-cost-standard-bank-20200308>.

receiving the highest revenue, both Standard Bank and Sanlam were the only two companies which reported a decrease in profit of 3 and 14 percent respectively.

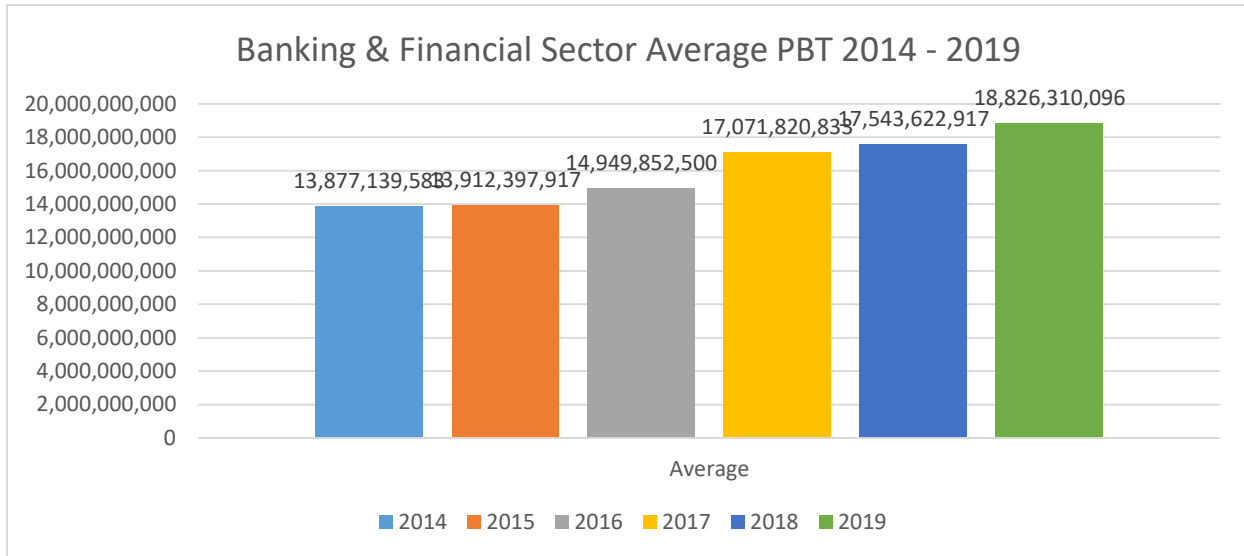


Figure 3 Banking and Financial Sector Average Profit before tax 2014-2019.

Overall, the banking and financial sector continues to maintain an upward mobility in profit before tax with the average profit for the sector increasing by 7% from R17.5 billion in 2018 to R18.8 billion in 2019.

Directors' Remuneration

Long Term Incentive (LTI) payments constitute the bulk of CEO remuneration followed closely by cash performance bonuses and the salary figures. The highest paid CEO in the 2019 financial year employed by Standard Bank, Sim Tshabalala, received an annual salary of R10,2 million, a cash bonus of R10.5 million and an LTI payment of R29 million and together he received a total remuneration of R50 million.

Banking & Financial Sector Ceo Remuneration 2019

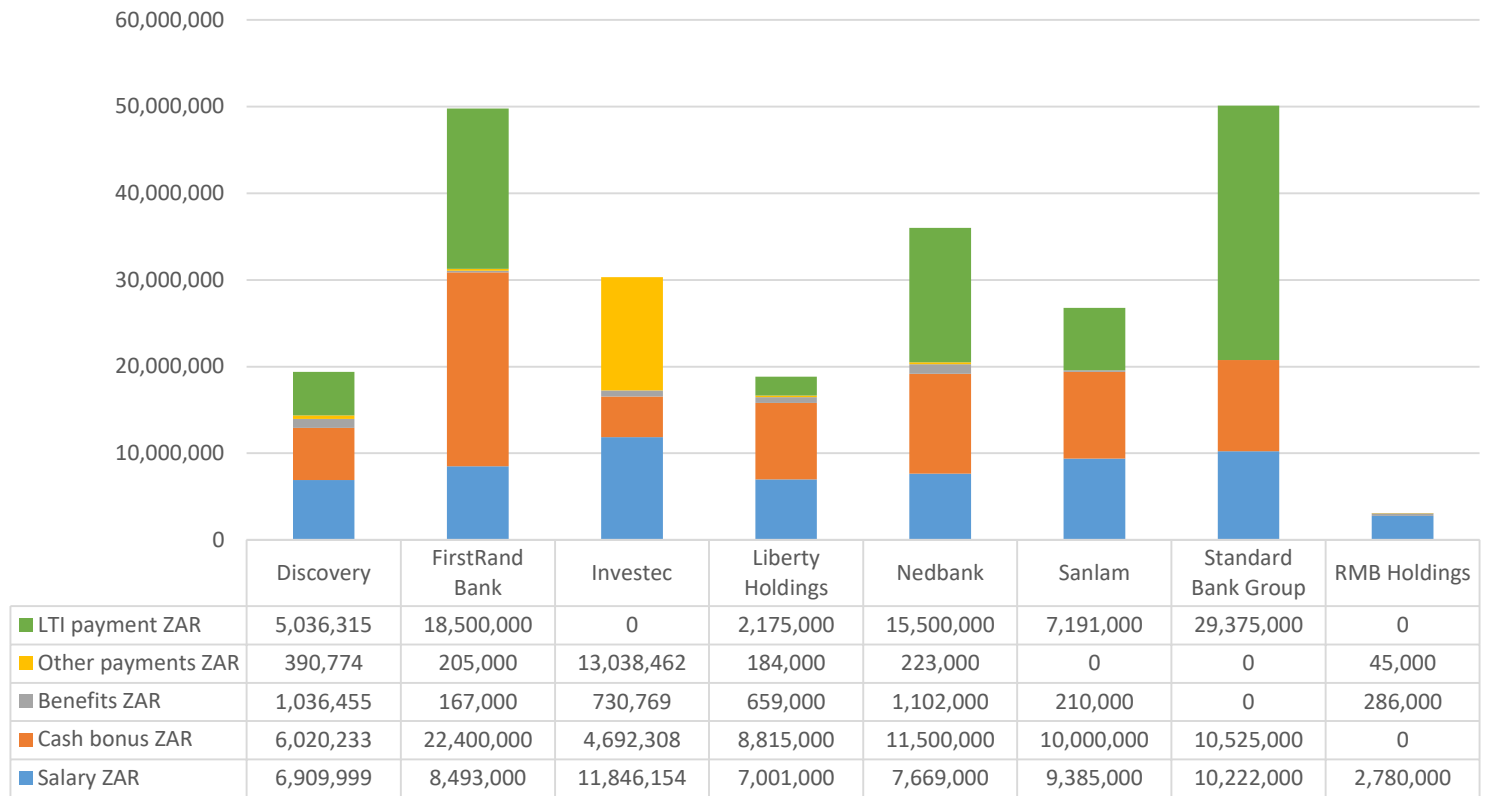


Figure 4 Banking and Financial Sector CEO 2019 Remuneration.

Trailing closely behind was FirstRand Bank's CEO Alex Pullinger taking home R49.7 million in total remuneration comprised of an R8 million salary, R22million cash bonus and an LTI payment of R18 million.

On average, salaries for the forty-one executive directors in the sector increased by 11% from R6 million in 2018 to R6,6 million in 2019. However, the average total annual remuneration – excluding LTI payments, decreased by 16%.

On the non-executive front, the annual average sector remuneration for the 107 directors decreased by 25% from R2,4 million in 2018 to an annual average of R1.8 million. This was partly attributed to lower payments by Discovery to non-executive directors who were recently

appointed to the board and only served a few months following resignations and the retirement of other non-executive directors in the company.

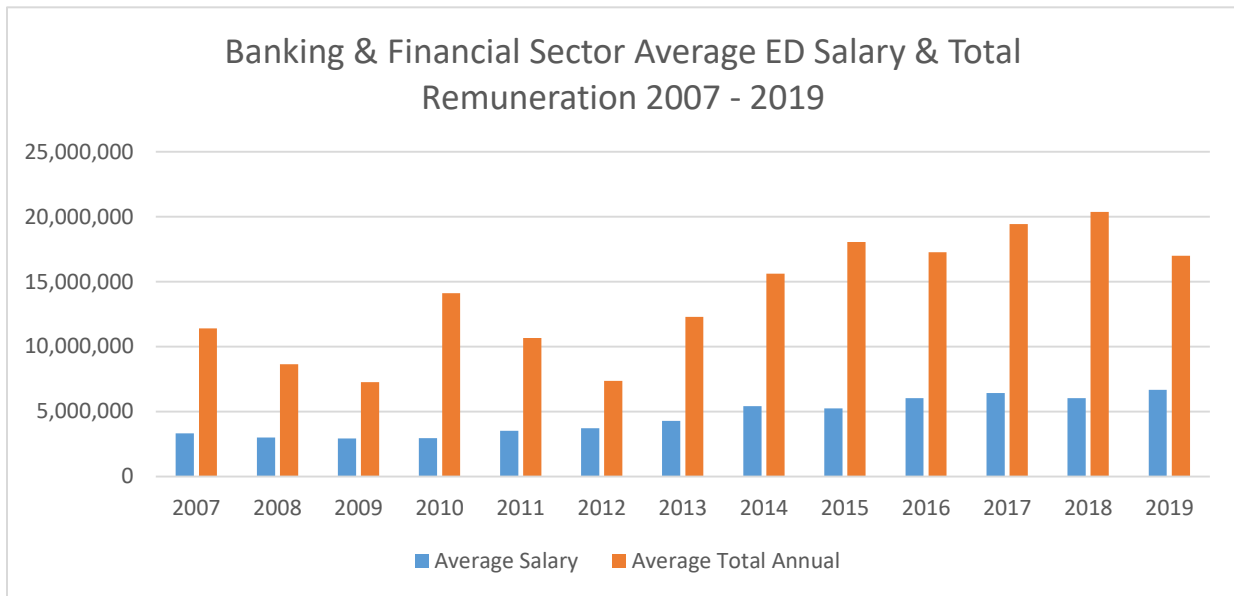


Figure 5 Banking and Financial Sector Executive Directors (ED) 2019 Remuneration.

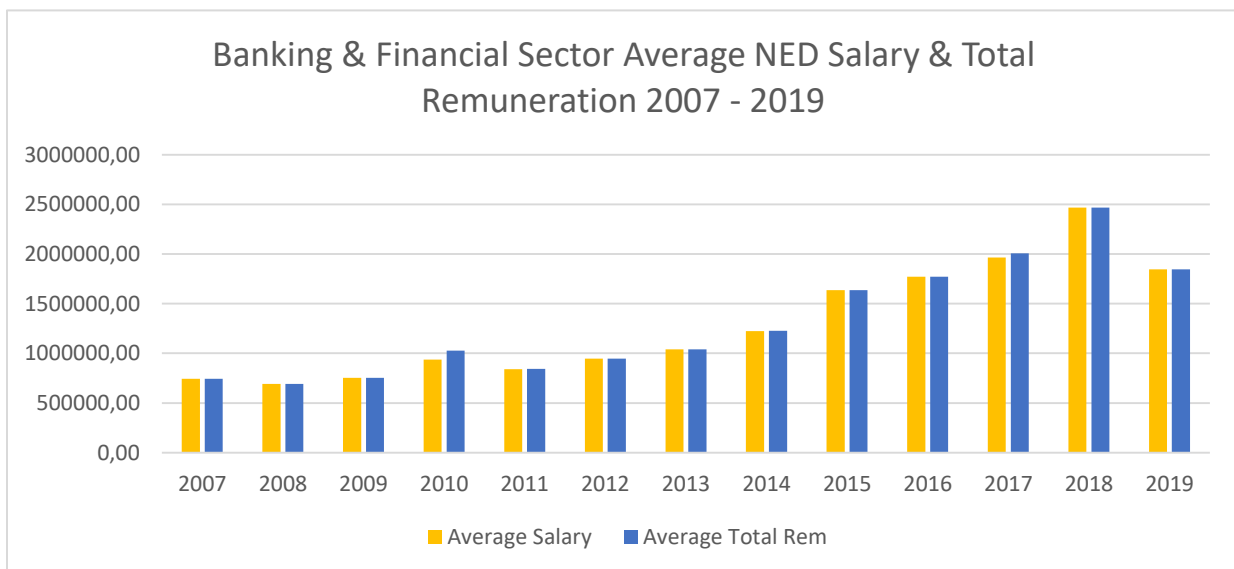


Figure 6 banking and Financial Sector Non-executive directors 2019 Remuneration.

Conclusion

The banking sector on average maintained an increase in profitability. Nonetheless, the earnings recorded by banks according to analysis by PwC was only an increase in growth of 2.1% compared

to a 2018 headline earnings growth of 8%¹⁸. Banks financial performance is closely linked to that of the economy, therefore with slow economic growth and more consumer pressure, banks expect dampened results.

¹⁸ Buthelezi, "How Banks were battered in 2019".

SECTOR REPORT: CONSTRUCTION

Introduction

The JSE lists 17 companies in the Construction & Materials sector. There are five construction companies included in this report: namely WBHO, Aveng, Murray & Roberts, Pretoria Portland Cement (PPC) and Group Five. This sample constituted 30% of the JSE listed companies under construction. However, on 11 March 2019, the board of Group Five adopted a resolution to commence business rescue proceedings. The company did not publish a set of 2019 financial statements and therefore this report does not have include Group Five results for the 2019 financial year.

Revenue

As evident from Group Five's delisting from the Johannesburg Stock Exchange and its current business rescue, the construction sector in South Africa is struggling. WBHO, maintained its positive trend in increasing revenue comfortably reporting a 15% change from R35 million to R40 million in 2019. The remaining companies' performance was not as favourable with PPC reporting a meagre 1% increase in revenue. Aveng and Murray & Roberts reported decreases in revenue with Aveng decreasing from R30 million in 2018 to 25 million in 2019, 16%, and 7% for Murray and Roberts.

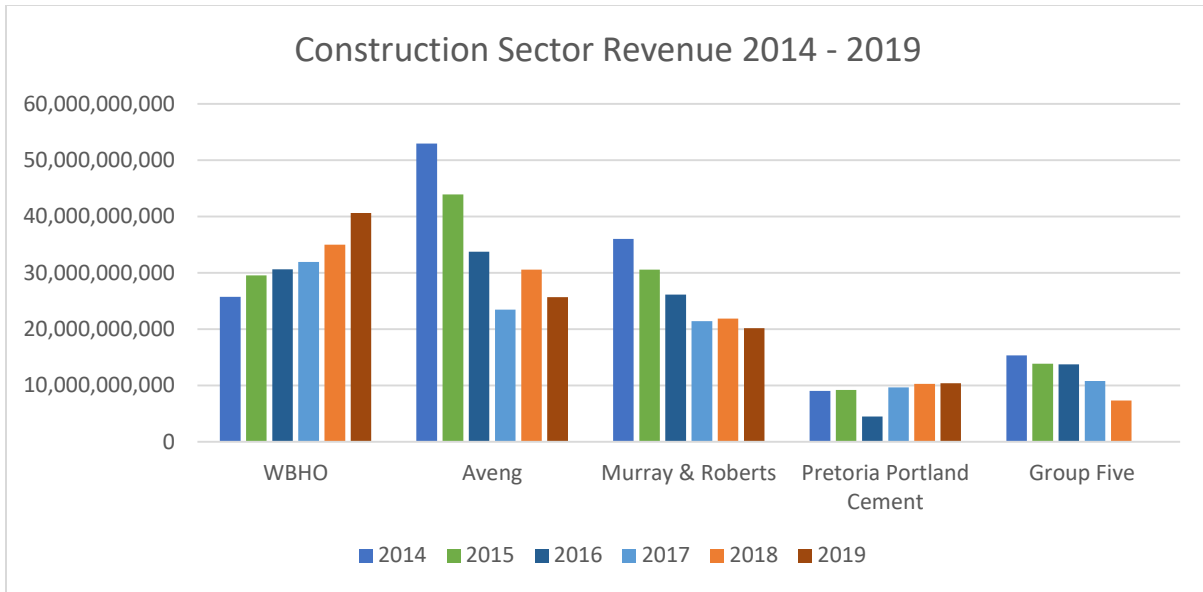


Figure 7 Construction sector revenue for the years 2014-2019.

The average revenue percentage changes was a decrease of 1% for the sector despite an overall average revenue increase generated by sector from R21 million to R25 million in 2019.

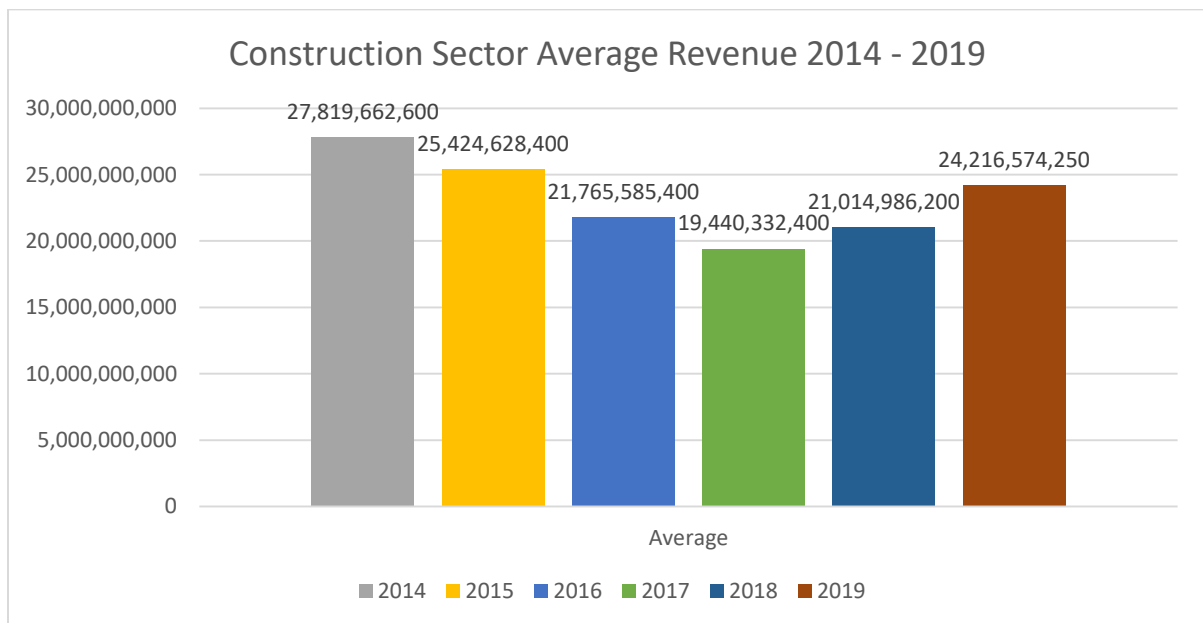


Figure 8 Construction Sector Average Revenue 2014-2019.

Profit before Tax

WBHO and Murray and Roberts maintained their positions as the sector leads in terms of profitability. Despite WBHO remaining at the head of the pack, its profit decreased significantly

by 34% from R1.1 billion in 2018 to R784 million in 2019 whilst Murray and Roberts decreased its profit by 10%. PPC continues to maintain a positive profit but it is struggling after reporting a 38% decrease, the highest in the sector.

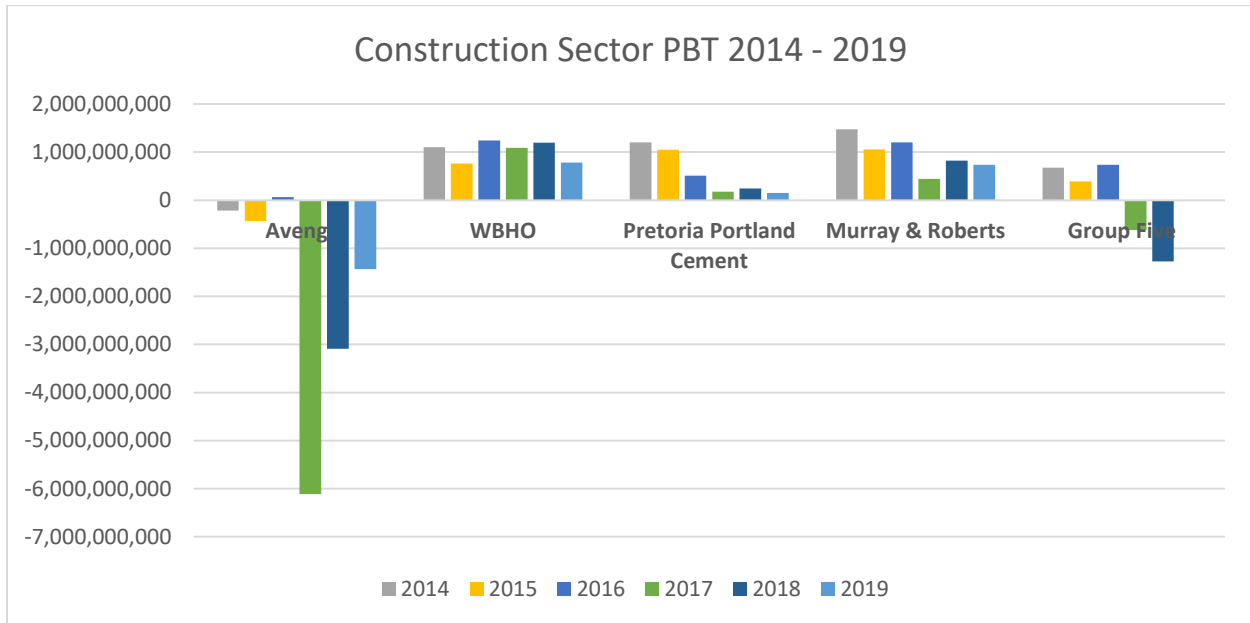


Figure 9 Construction Sector Profit before tax 2014-2019.

Aveng and Group Five have historically had a significant impact on the sector’s average profit. In the 2019 financial year, Aveng reduced its losses by more than 50% from R3 billion in 2018 to a loss of R1,4 billion in 2019. As evident in the graph below, the impact of Group Five’s delisting from the JSE has also contributed to an overall positive sector profit average increasing by 86% from –R422 million to R59 million in 2019.

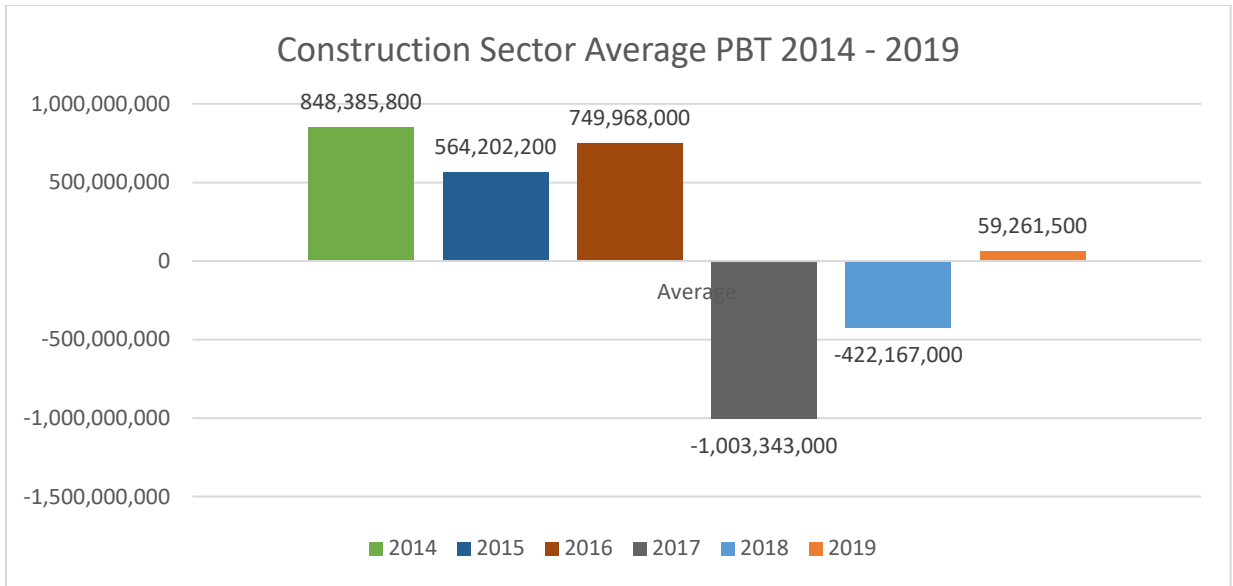


Figure 10 Construction Sector Average Profit before tax 2014-2019.

Directors' Remuneration

Murray and Roberts continued to have the highest CEO single figure remuneration with Henry Lass receiving R23,7 million for the 2019 financial year. There was only one LTI payment to CEOs in the construction sector, and that was to Murray and Robert's Lass.

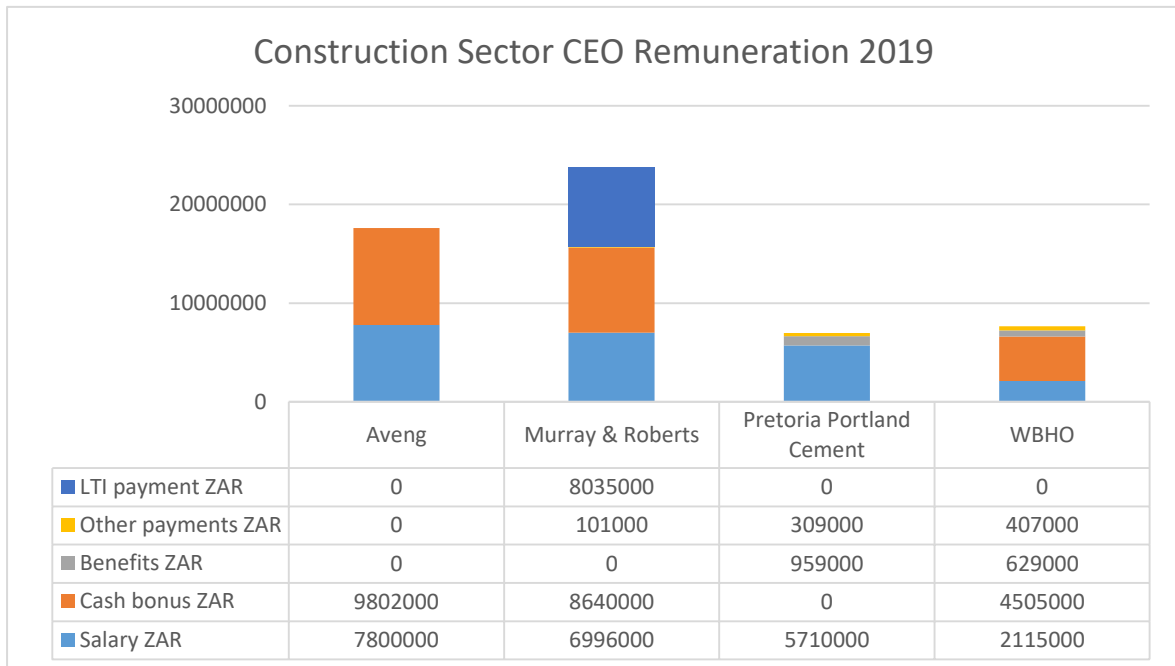


Figure 11 Construction Sector CEO Remuneration 2019

On average, executive directors' salaries in the 2019 year increased by 10% from R3.4 million per year to R3.8 million whilst total remuneration for the 11 directors in the sector decreased by 5% because of fewer benefits paid by Aveng and Murray & Roberts. Non-executive directors' (NED) remuneration increased by 18% from R793 thousand to R943 thousand annually for the 28 non-execs.

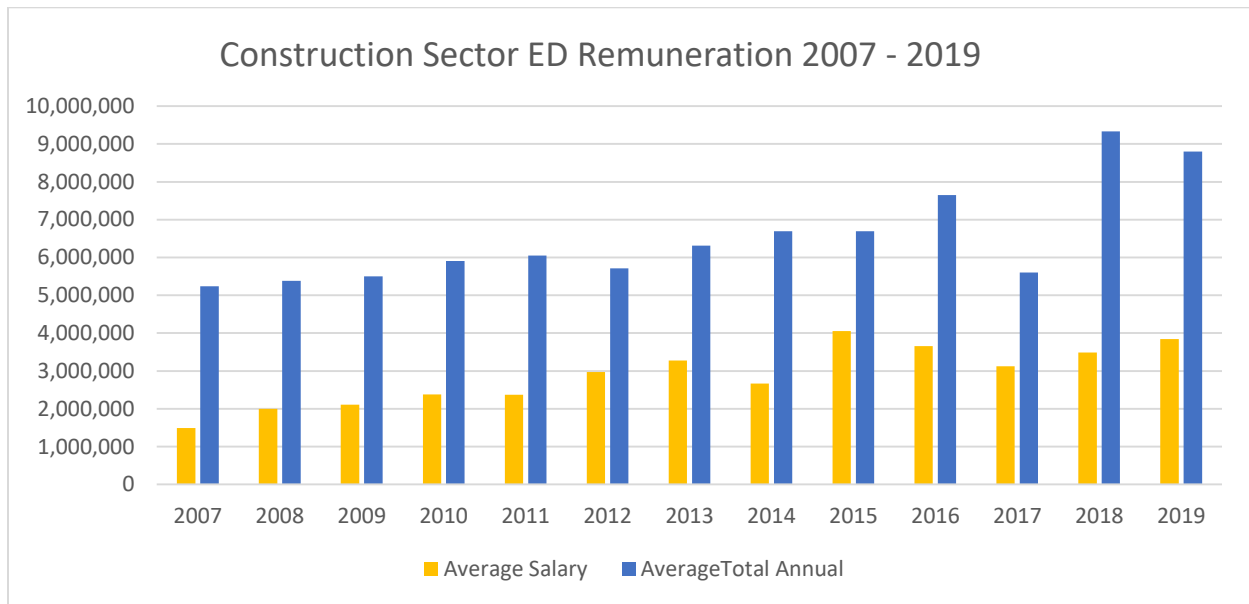


Figure 12 Construction Sector Executive Directors (ED) 2019 Remuneration

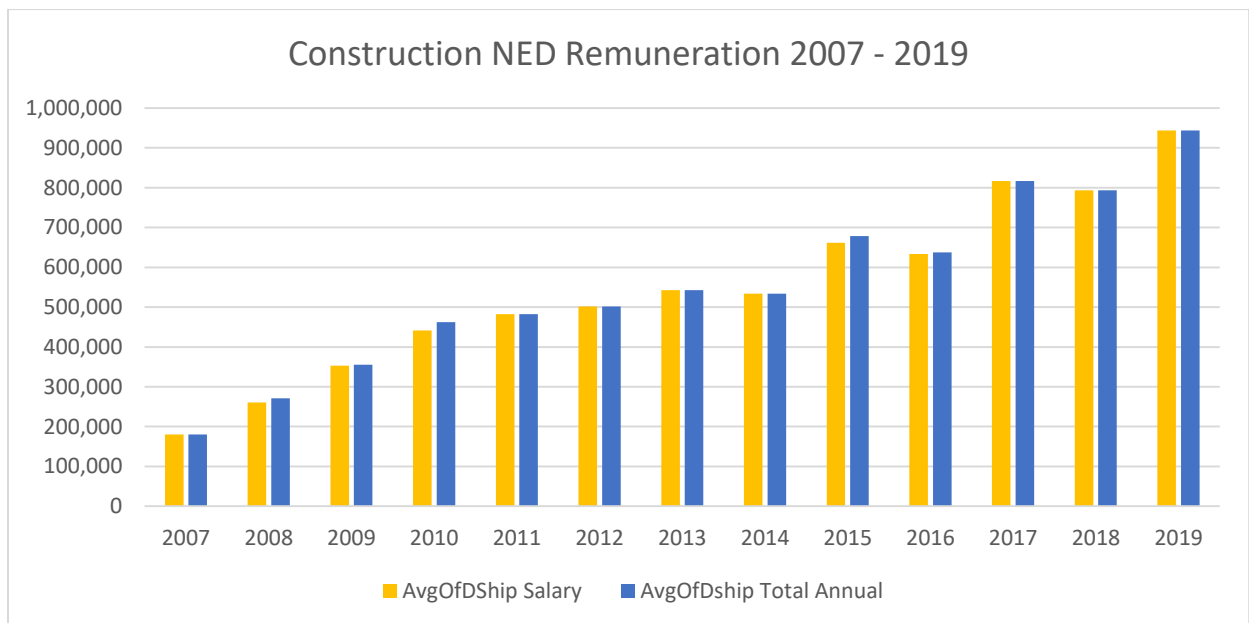


Figure 13 Construction Sector Non-executive directors 2019 Remuneration.

Conclusion

The construction sector continues to report weak economic performance and has been under an environment of increased retrenchments, liquidations and discontinuing of operations. Group Five delisted from the JSE and is undergoing business rescue, whilst Murray and Roberts is possibly undergoing a group restructuring¹⁹ after it was acquired by a consortium led by Southern Group Palace Group of Companies²⁰. This suggests a trend of more construction companies cutting back on workers or closing operations.

¹⁹ Concor, “Change of ownership and company name”. <https://www.concor.co.za/change-ownership-company-name/>

²⁰ Engineering news, “Southern Palace Group-Led Consortium Acquires Murray & Roberts Infrastructure & Building Businesses”. https://www.engineeringnews.co.za/article/southern-palace-group-led-consortium-acquires-murray-roberts-infrastructure-building-businesses-2016-11-01/rep_id:4136

SECTOR REPORT: DIVERSIFIED HOLDINGS

Revenue

This small group of companies fall within the ‘general industrials’ sector on the JSE. On average, the companies in this sector saw an increase in revenue of 10%. However, this is largely due to a 83% increase to Remgro’s revenue. Both Barloworld Limited and Hosken Consolidated Investment reports decreases in revenue, 10% and 4,8% respectively.

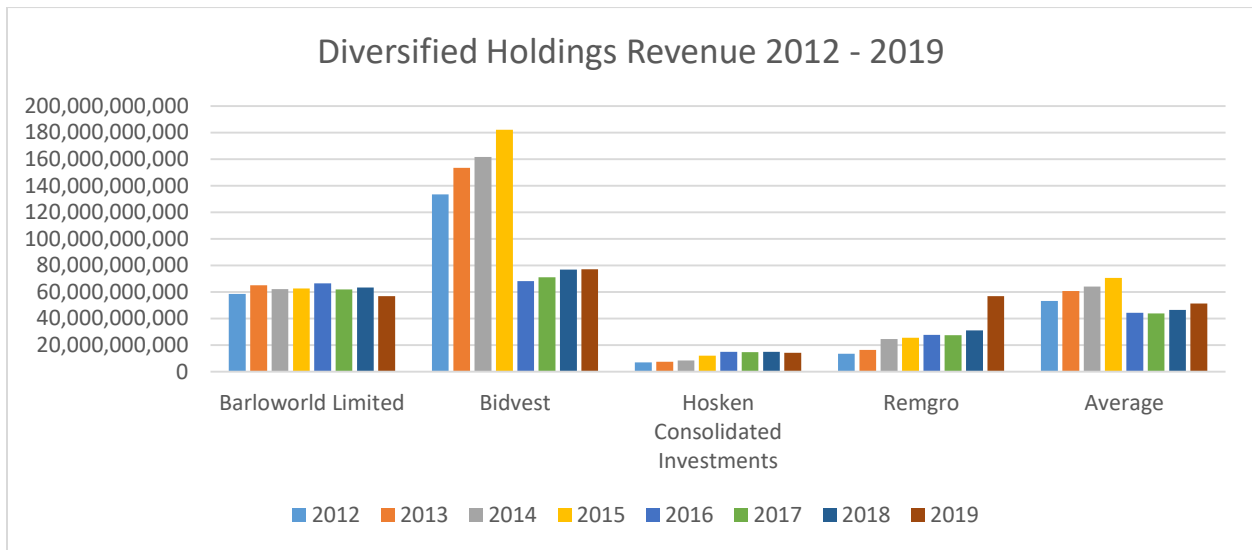


Figure 14 Diversified Holdings Revenue 2012 - 2019

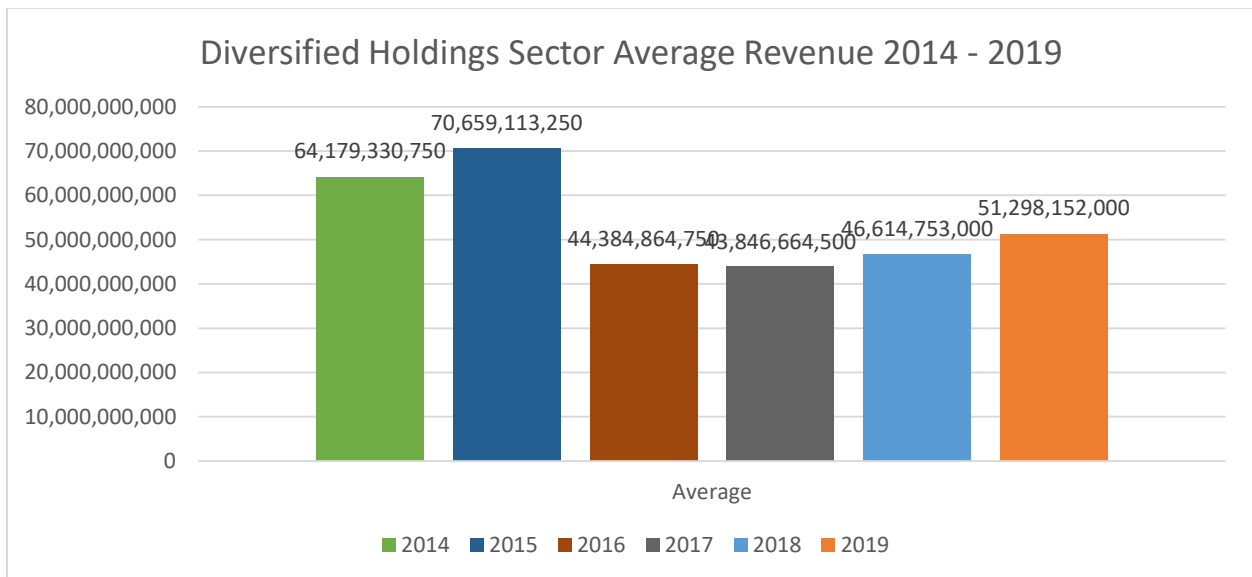


Figure 15 Diversified Holdings Sector Average Revenue 2014 - 2019

Profit

In 2018, Remgro reported a significant profit before tax of ZAR 6.2 billion. However, in 2019 Remgro reported a very significant loss of over ZAR 4 billion. This means that the average profit before tax of the sector went down by over 60%. However, Hosken Consolidated Investments reported an increase of around 10%.

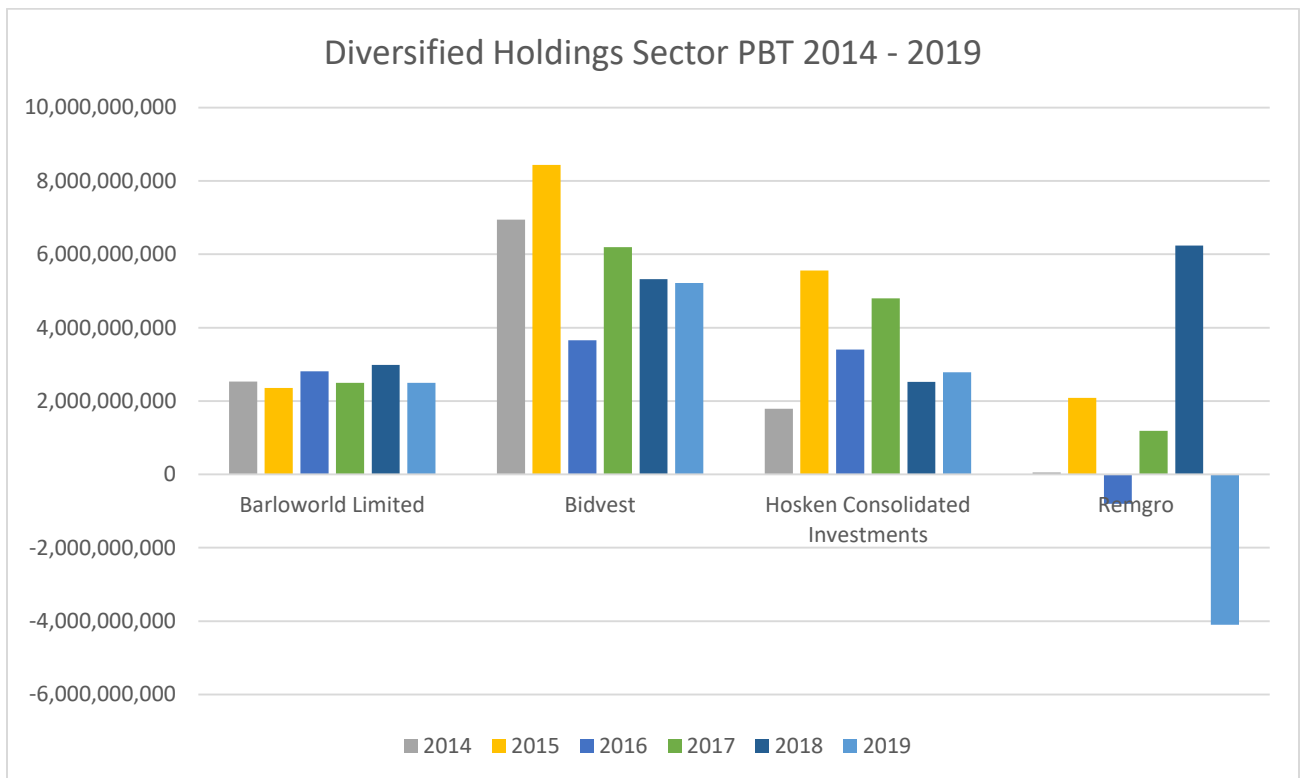


Figure 16 Diversified Holdings Sector PBT 2014 - 2019

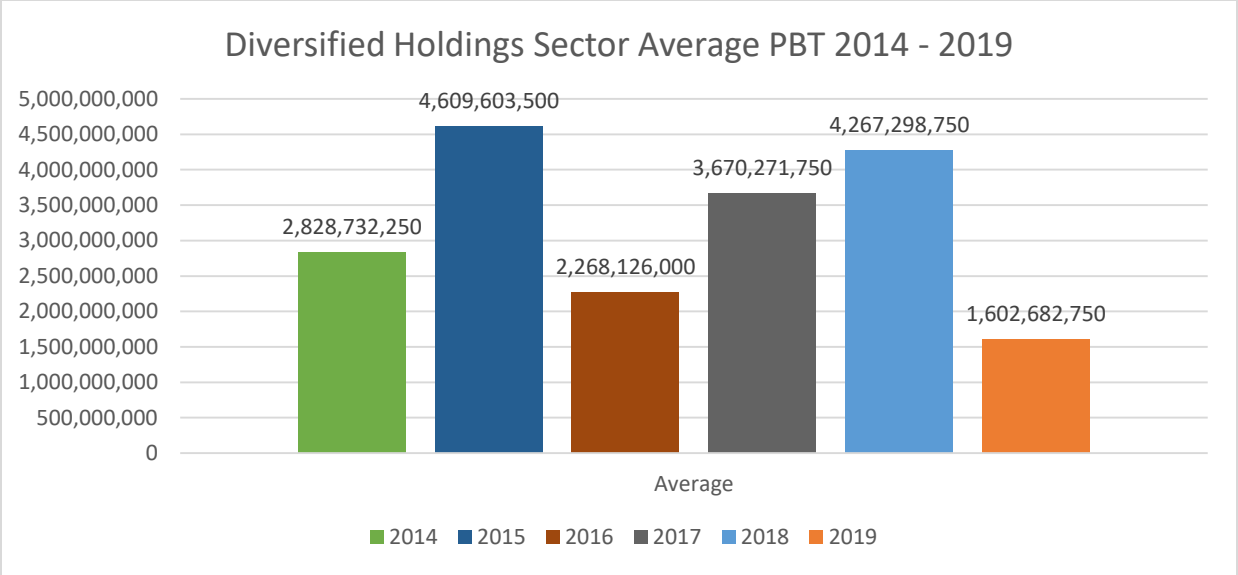


Figure 17 Diversified Holdings Sector Average PBT 2014 - 2019

Diversified Holdings

Bidvest reported CEO remuneration for its CEO Lindsay Peter Ralphs of almost ZAR 60 million, including an LTI of ZAR 22.9 million. No other CEO in the group received an LTI. The struggling Remgro paid its CEO over ZAR 11 million in salary. On average, executive director remuneration went down by over 25%. Non-executive director remuneration increased by 11.32%.

Diversified Holdings CEO remuneration 2019

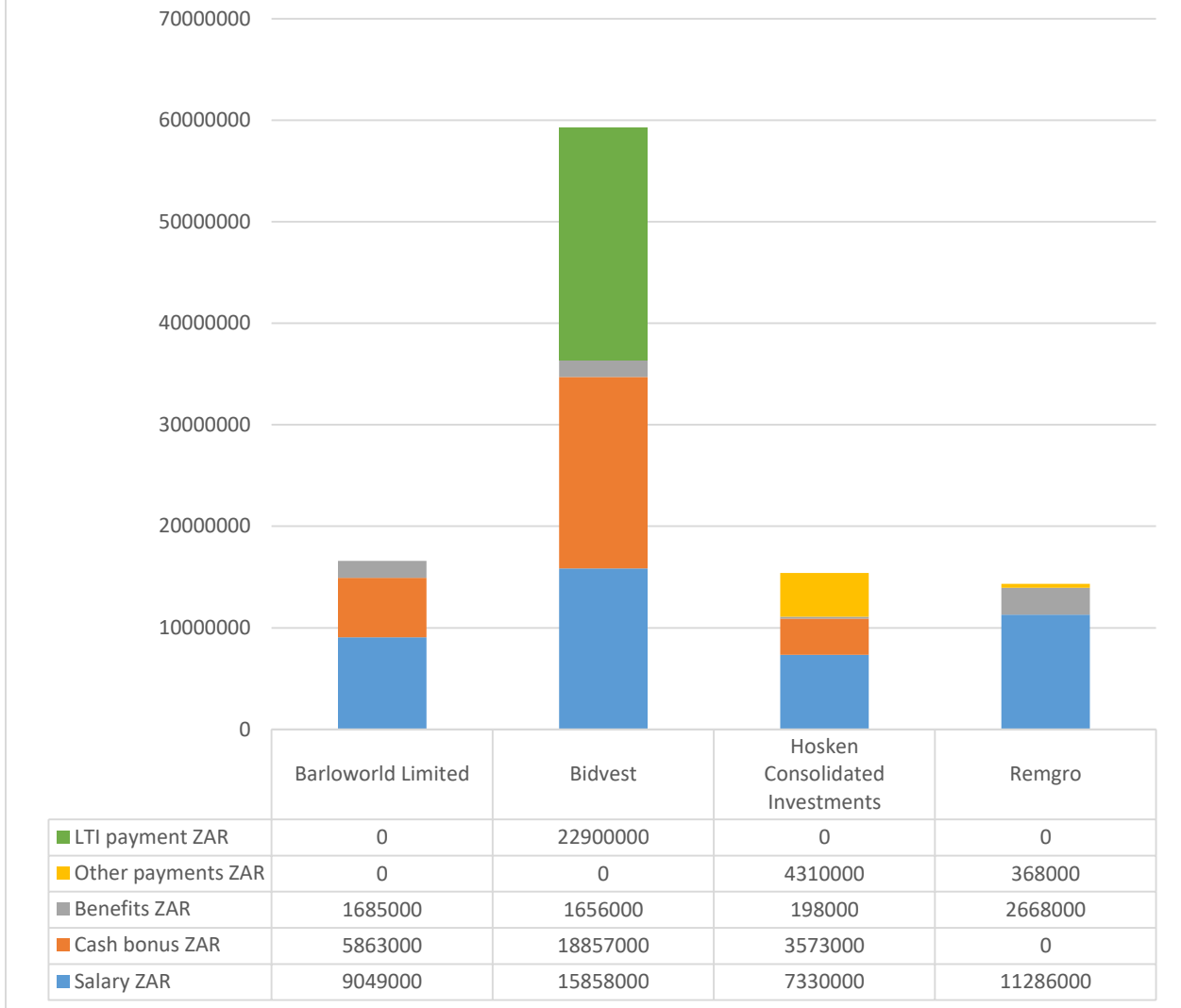


Figure 18 Diversified Holdings CEO remuneration 2019

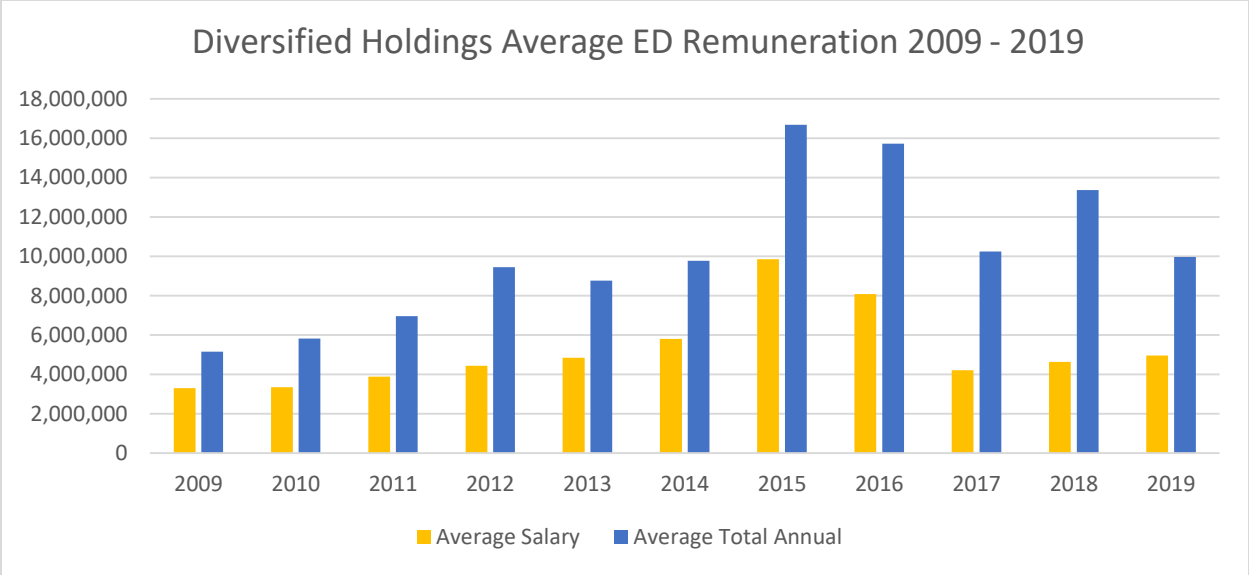


Figure 19 Diversified Holdings Average ED Remuneration 2009 - 2019

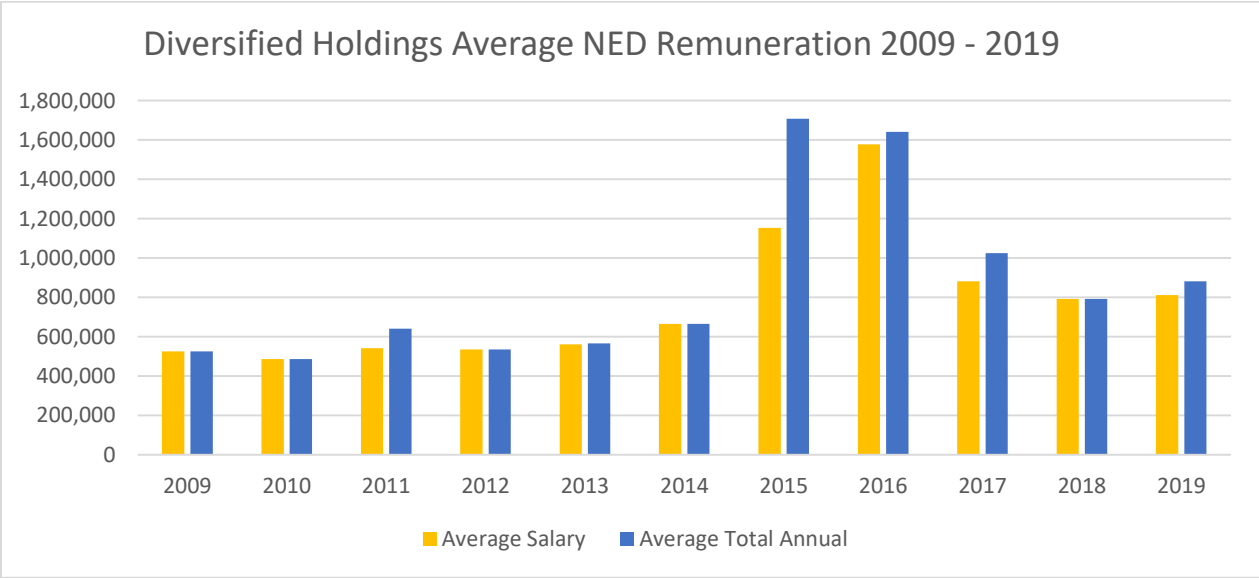


Figure 20 Diversified Holdings Average NED Remuneration 2009 - 2019

SECTOR REPORT: EDUCATION, BUS, TRAINING & EMPLOYMENT

Introduction

This report provides an analysis of Adcorp Holdings Limited, a company listed on the Johannesburg Stock Exchange as among the more than 20 companies under the “support services sector”. The services sector constitutes about two thirds of South Africa’s Gross Domestic Product, and Adcorp is geared toward offering industrial “labour solutions”, recruitment and professional training services.

Revenue

The sector has continued to report decrease in revenue over the last three years. In 2019 it reported a revenue of R15 million in the 2019 financial year, a 1,7% decrease from the 2018 revenue figure of R15,3 million.

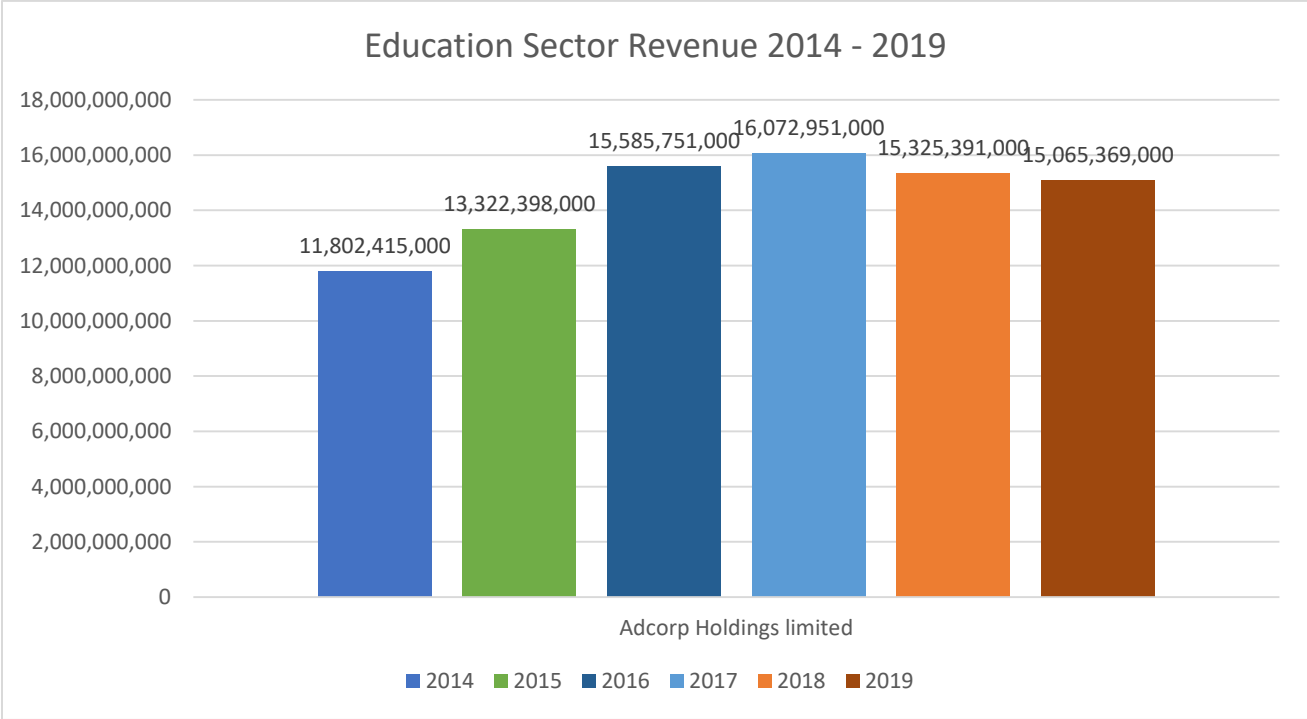


Figure 21 Education, Bus, Training and Employment sector revenue for the years 2014-2019.

Profit

Adcorp reported a significant improvement in profitability moving from a loss of R392 million in 2018 to a profit of R297 million in 2019.

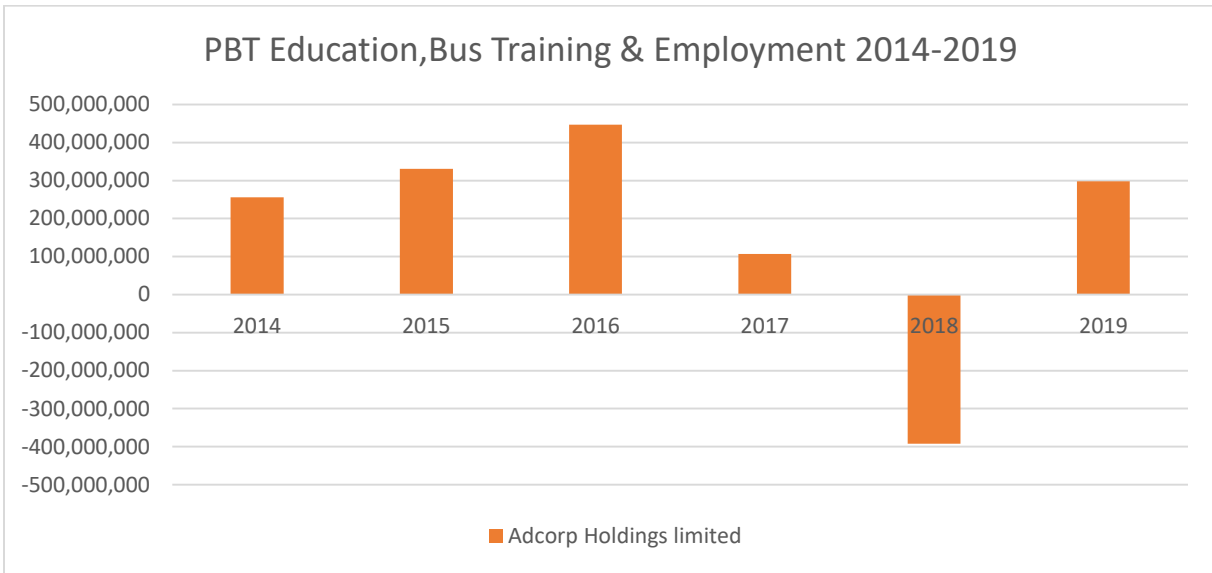


Figure 22 Education, Bus Training and Employment Sector Profit before tax 2014-2019.

Directors' Remuneration

Adcorp's CEO received a total remuneration amount of R11,3 million largely comprised of a cash bonus and annual salary. There was no long-term incentive payment in the 2019 financial year.

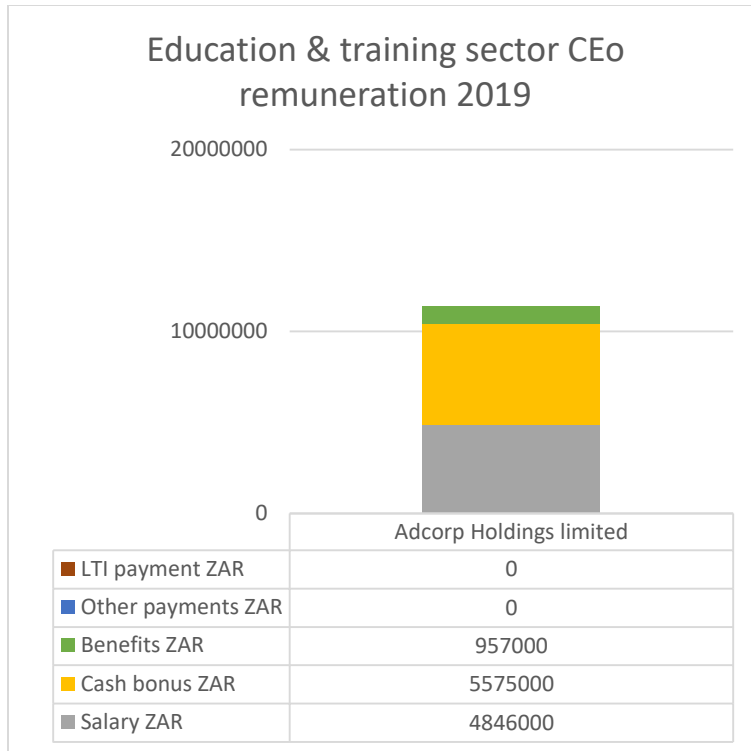


Figure 23 Education and Training Sector CEO Remuneration 2019

The average salary of the two executive directors in the education, training and employment sector increased by 36% in the 2019 financial year from R2,9 million in 2018 to R4 million in 2019. Total remuneration for executive directors decreased by 10% from R9,5 million to R8,5 million in the 2019 financial year. On the other hand, non-executive directors' remuneration for the 10 non-executives on average increased by 17% from an annual amount of R422 643 to R600 000.

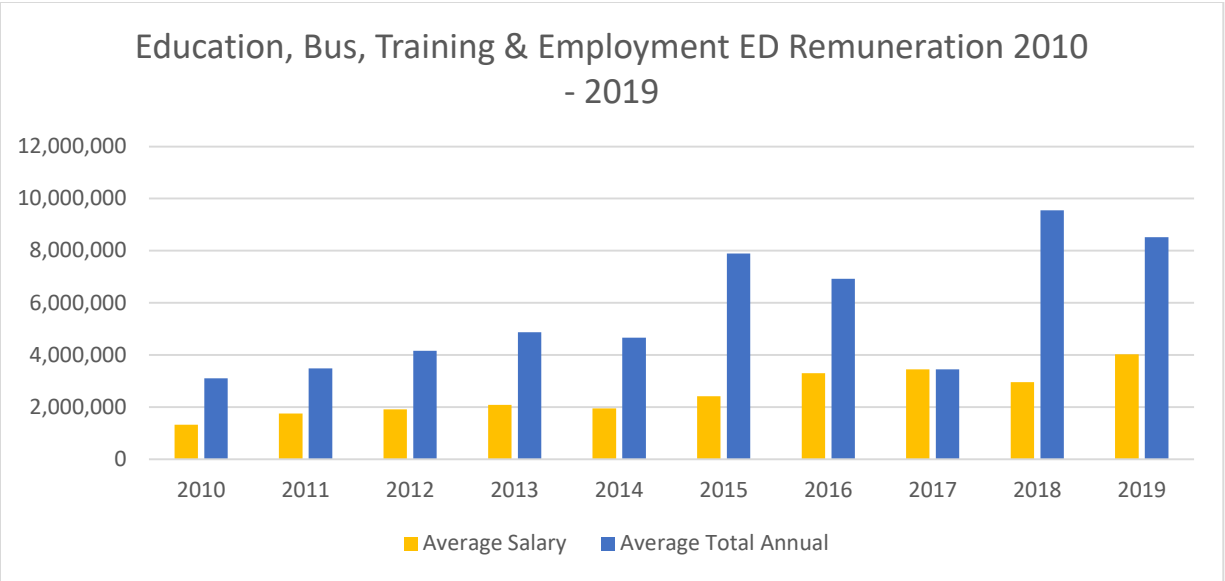


Figure 24 Education, Bus, Training and Employment Executive Directors Remuneration 2010-2019.

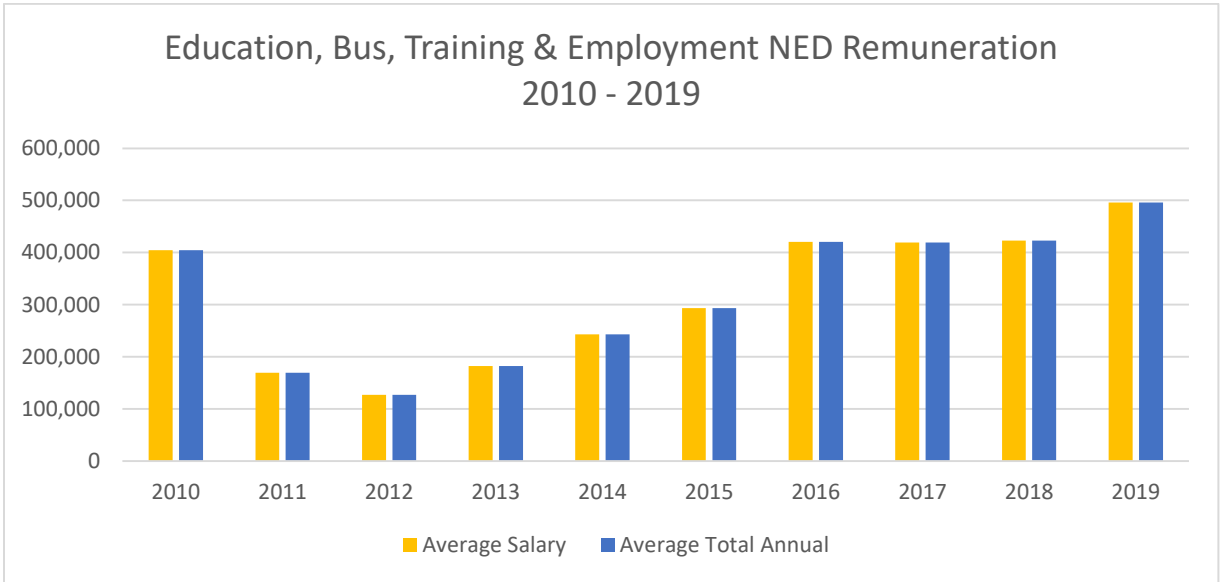


Figure 25 Non-executive directors' remuneration 2010-2019.

Conclusion

The Education, Bus, Training & Employment Sector in the support services sector has reported figures indicating that it is bouncing back from a poor performance in the last two financial years of 2017 and 2018. This is indicated by the fact that in 2019 it reached profit levels closer to its average in the years 2014-2016. That is partly attributed to the diversified nature of Adcorp clients and services it offers to different industries.

SECTOR REPORT: FOOD AND BEVERAGES

Introduction

This report analyses eight companies in the food and beverages sector: Tiger Brands, RCL Foods, Distell, Pioneer Foods, Tongaat Hulett, Anglo-Vaal Industries, Astral Foods and Crookes Brothers. Together. This report also includes 2018 figures for Clover industries, however, after the company's delisting from the Johannesburg Stock Exchange in 2019, its financial statements are no longer publicly available. Therefore, there are no 2019 amounts included for Clover and the 2018 results are included for presentation purposes only.

The report will be in three parts. The first part presents an overview of the revenue amounts of the 2019 financial year and the second part provides an analysis of the sector's profit before tax. The last part is on the directors' remuneration starting with CEO's pay, executive and non-executive directors' remuneration.

Revenue

Tiger Brands maintained its dominance in the sector in terms of generating the most sales revenue, increasing by 2% from R28,4 billion in 2018 to a revenue figure of R29,2 billion in 2019. Pioneer Foods had the highest revenue growth accruing sales of R22,2 billion up 10% from its 2018 revenue of R20,1 billion.

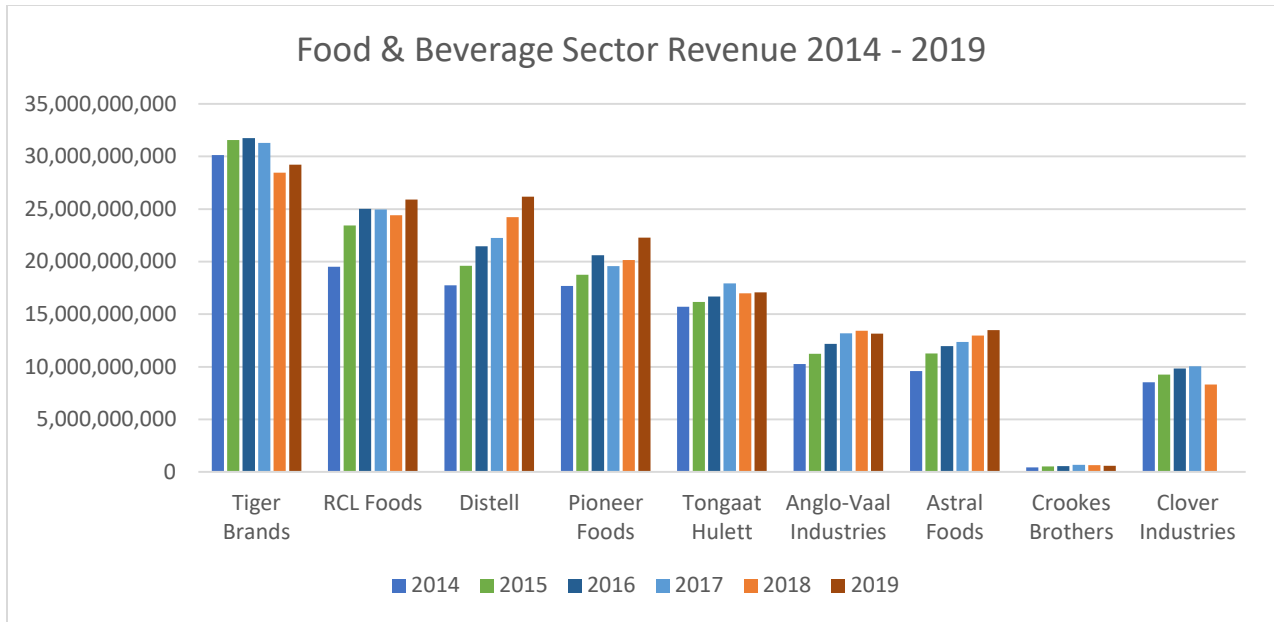


Figure 26 Food and Beverages Sector Revenue 2014-2019

RCL Foods and Distell continue to remain close competitors with revenue amounts of R25,8 billion and R26,1 billion respectively. Similarly, Anglo-Vaal Industries and Astral Foods maintain a close competitiveness in terms of revenue with the two companies generating revenue of R13,1 billion and R13,4 billion.

The sector had an overall increase in revenue. Only two companies, Anglo-Vaal Industries and Crookes Brothers, experienced a decrease in revenue. Crookes Brothers reported the highest decline of 12% from R657 million in 2018 to R576 million in 2019 whilst Anglo-Vaal Industries only had a 2% decrease in revenue. Therefore, on average, the food and beverage sector revenue increased by 11% from R16,2 billion in 2018 to R18,4 billion in 2019. This is the highest average revenue the sector has reported in the last five years.

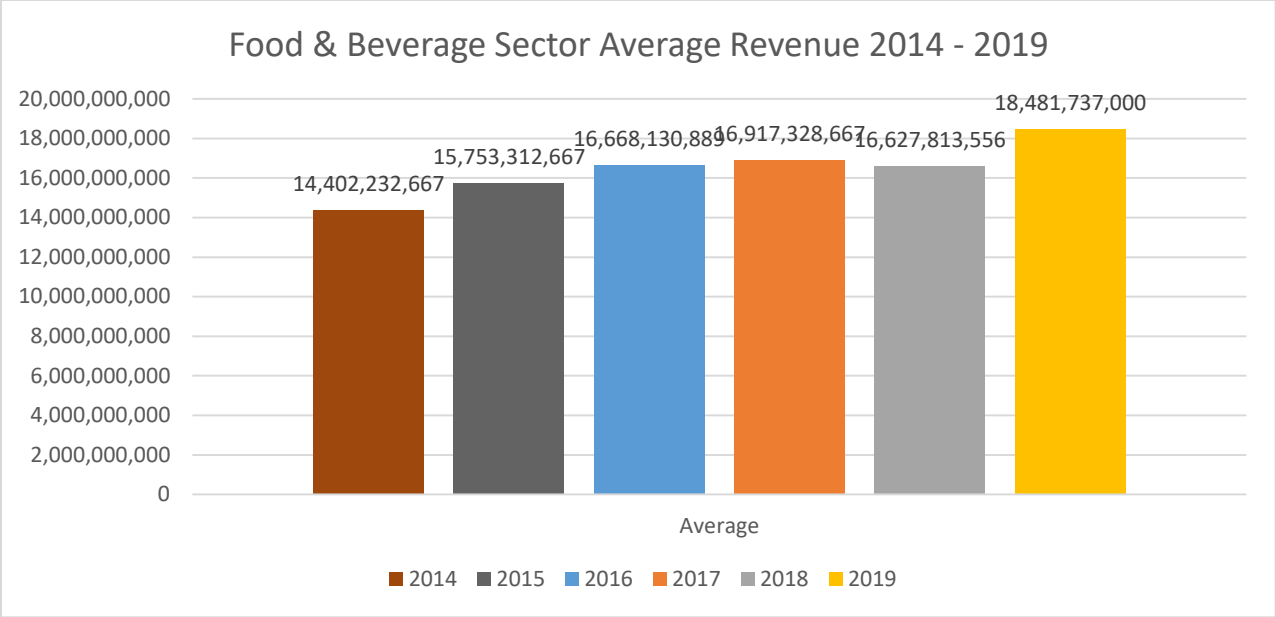


Figure 27 Food and Beverage Sector Average Revenue 2014-2019

Profit before Tax

Tiger Brands remained the most profitable company in the Food and Beverages sector with a profit before tax of R4,7 billion. The company with the most improved performance was Crookes Brothers who recovered from a loss of R8,3 million in 2018 to a profit of R56,3 million in 2019, a 786% change. Significantly, Tiger Brands was the only other company in the sector which reported an increase in profit at a rate of 45% from R3,2 billion in 2018. Trailing behind was Anglo-Vaal Industries with a profit of R2,2 billion. RCL foods reported the worst performance in terms of profit after recording a loss of R178 million with Tongaat Hulett reporting a loss of R152 million. Both companies had a profit just over R1 billion in 2018.

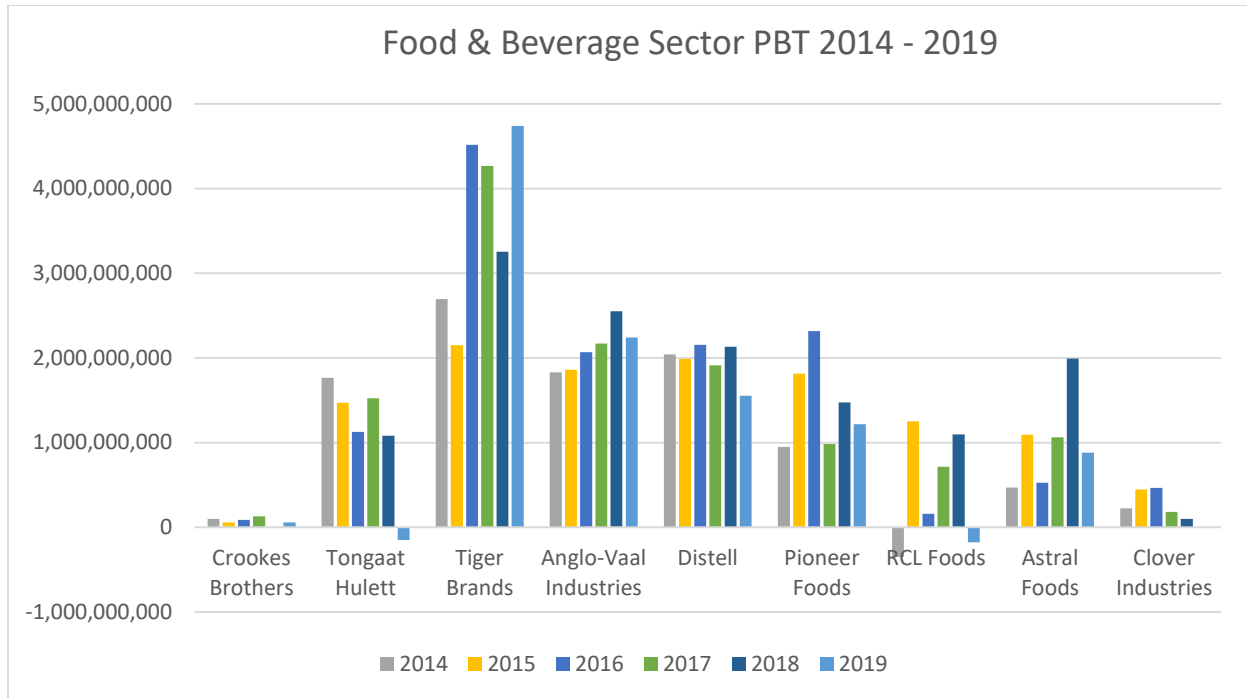


Figure 28 Food and Beverage Sector Profit before Tax

On average, the profit of the sector decreased to its second lowest position in the last six years. Despite the recovery by Crookes Brothers, the loss incurred by Tongaat Hulett and RCL foods brought the overall performance of the sector down. Moreover, only two companies – Tiger Brands and Crookes Brothers – experienced upward changes in profit with the rest of the companies facing decreasing profit in the 2019 financial year. Therefore, the average profit decrease by 23% from R1,6 billion in 2018 to R1,2 billion in 2019.

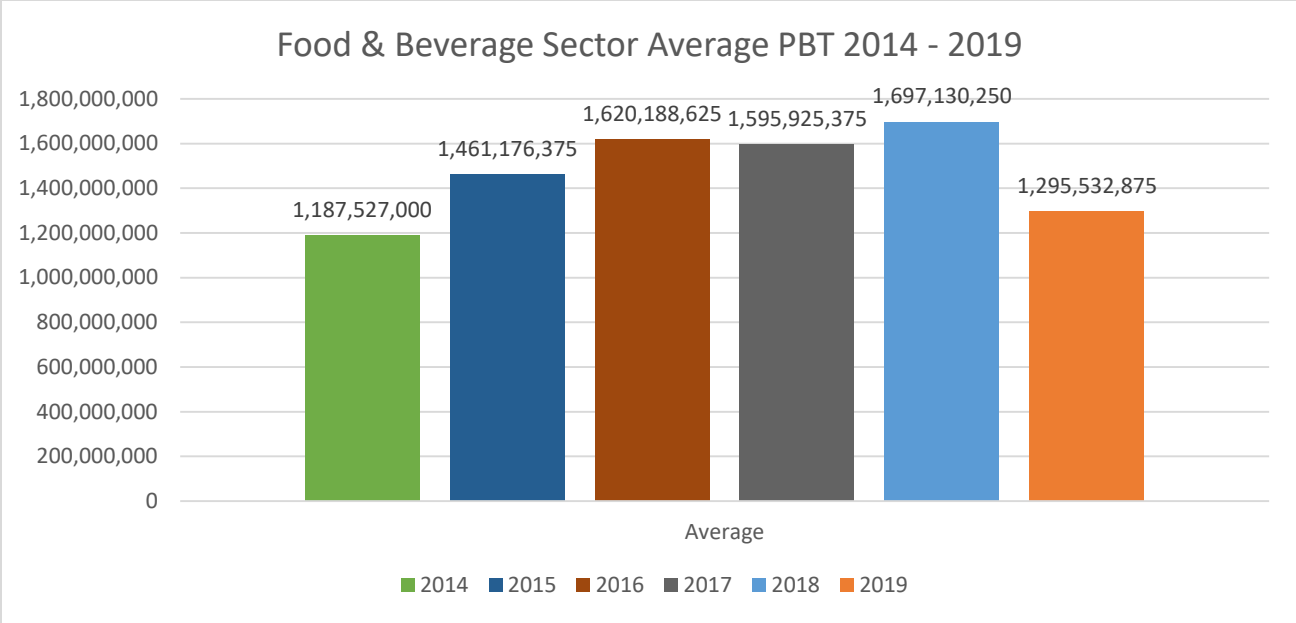


Figure 29 Food and Beverage Sector Average Profit Before Tax 2014-2019

Directors' Remuneration

Anglo-Vaal Industries' CEO Simon Crutchley had the highest total remuneration in the health sector of R38,4 million. This was largely comprised of a long-term incentive payment of R18 million and a cash bonus of R10 million.

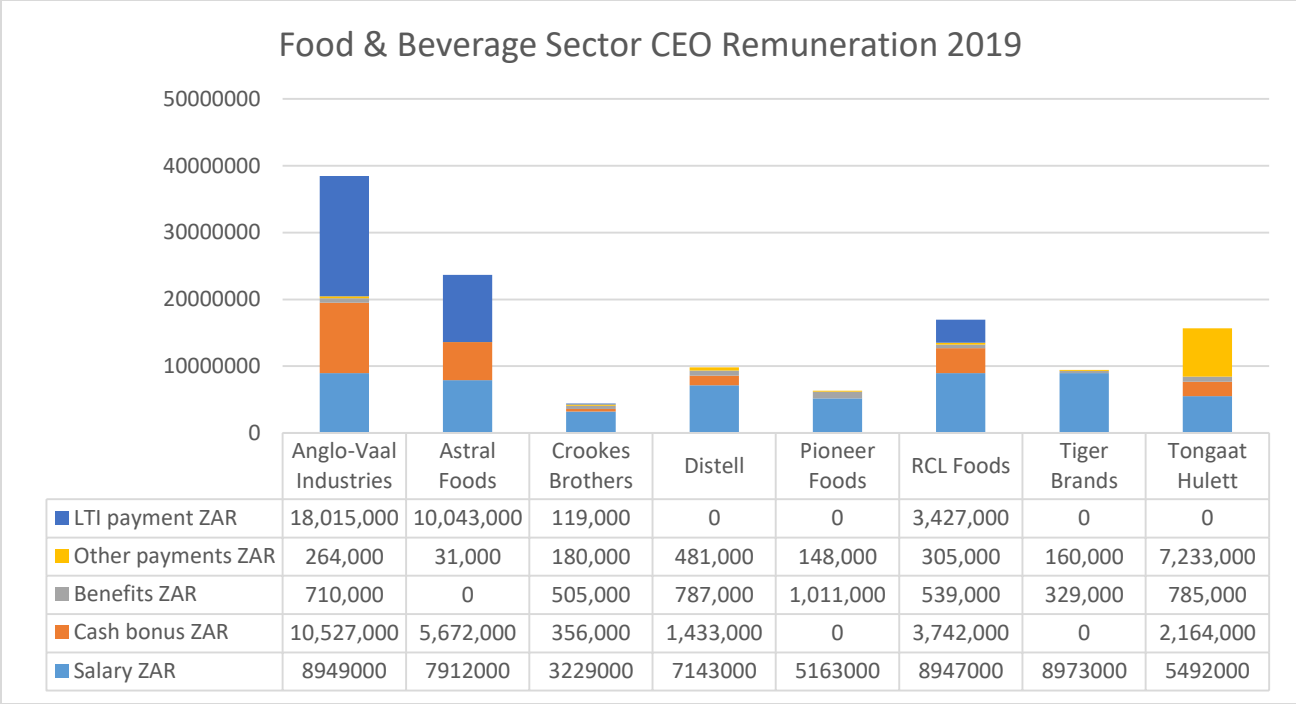


Figure 30 Food & Beverage Sector CEO Remuneration 2019

Close behind was Astral Foods CEO Chris Schutte who took home R23 million in the 2019 financial year. On average, total executive directors’ remuneration for the 20 executive directors in the food and beverages sector decreased by 30% owing to decreased LTI payments. Non-executive directors average remuneration for the 76 directors increased by 9%.

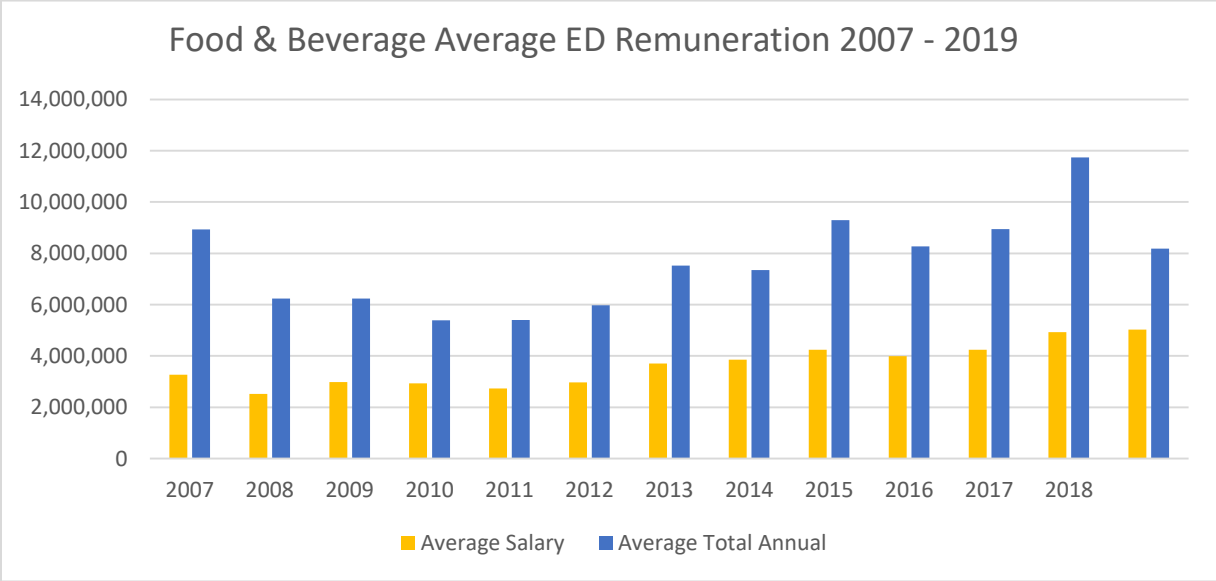


Figure 31 Food and Beverages Sector Executive Directors’ Remuneration 2007-2019

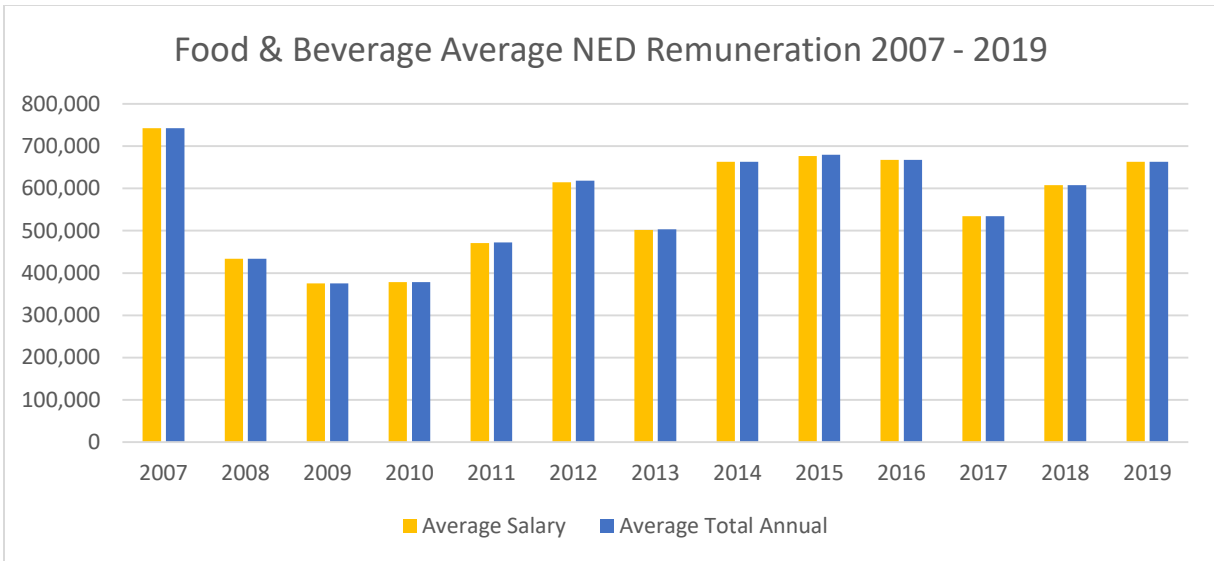


Figure 32 Food and Beverages Sector Non-Executive Directors' Remuneration 2007-2019

Conclusion

The food and beverages sector is highly driven by consumers. Trends are moving towards packaged fast foods and takeout meals²¹. Food and beverage production has almost doubled in the past 10 years²² indicating a shift toward fast consumption. Established food production will likely grow with these shifting trends towards more packaged foods.

²¹ <https://www.foodfocus.co.za/home/whats-hot/Latest-News/Stats-SA-Food-and-beverage-industry-records-losses-for-June-2019>

²² https://www.engineeringnews.co.za/article/sa-packaged-food-consumption-on-upward-trend-sa-presents-major-international-food-tech-market-potential-says-fdt-africa-as-an-important-pillar-of-the-south-african-economy-food-and-beverage-production-has-almost-doubled-in-the-past-10-years-reaching-zar-3/rep_id:4136

SECTOR REPORT: HEALTH

Introduction

This report analyses six companies in the Health Sector: Afrocentric Investments Corporations, Life Healthcare Group, Mediclinic and Network Healthcare Holdings (Netcare) which comprise half of the JSE Health Care Equipment and Services sector. Adcock Ingram and Aspen Holdings are included on the Johannesburg Stock Exchange' Pharmaceuticals and Biotechnology listing. Afrocentric Investments Corporations is an investment holding company and is included in this sample because it is substantially invested in healthcare providing services and products to that sector.

Revenue

Mediclinic continued maintaining its comfortable lead in the Health Sector accruing a revenue amount of R55 billion – a 16% increase from the 2018 reported revenue of R47 billion. Most of the Health sector reported positive changes in revenue with Afrocentric Investment Corporation reflecting the highest increase in revenue in the 2019 financial year of 25%. Only one company, Aspen, had a decrease in revenue of 8% from R42 billion in 2018 to R38 billion in the 2019 financial year.

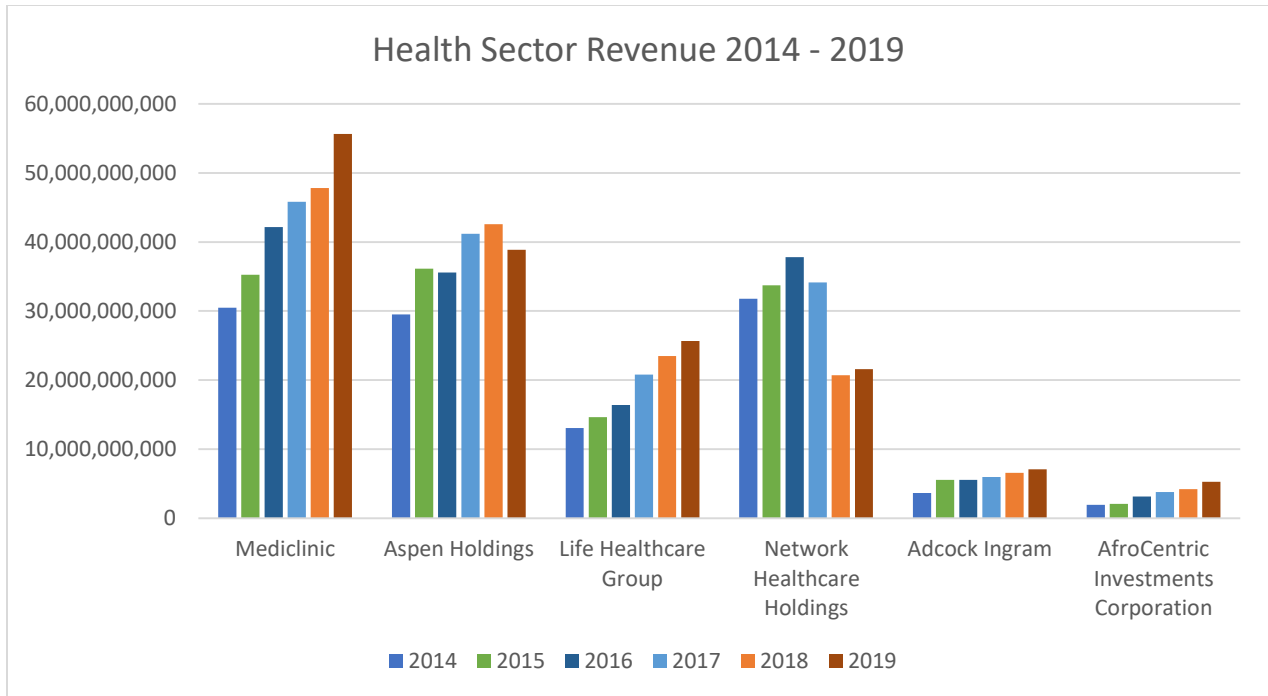


Figure 33 Health Sector Revenue 2014-2019

On average, the health sector in the 2019 financial year reported its highest revenue of R25,6 billion in the six-year period from 2014-2019. This was a 6% increase from the 2018 average revenue of R24,2 billion. Adcock and Afrocentric Investments Corporation grossed the lowest revenue figures respectively, and this has an effect on the overall average revenue of the sector.

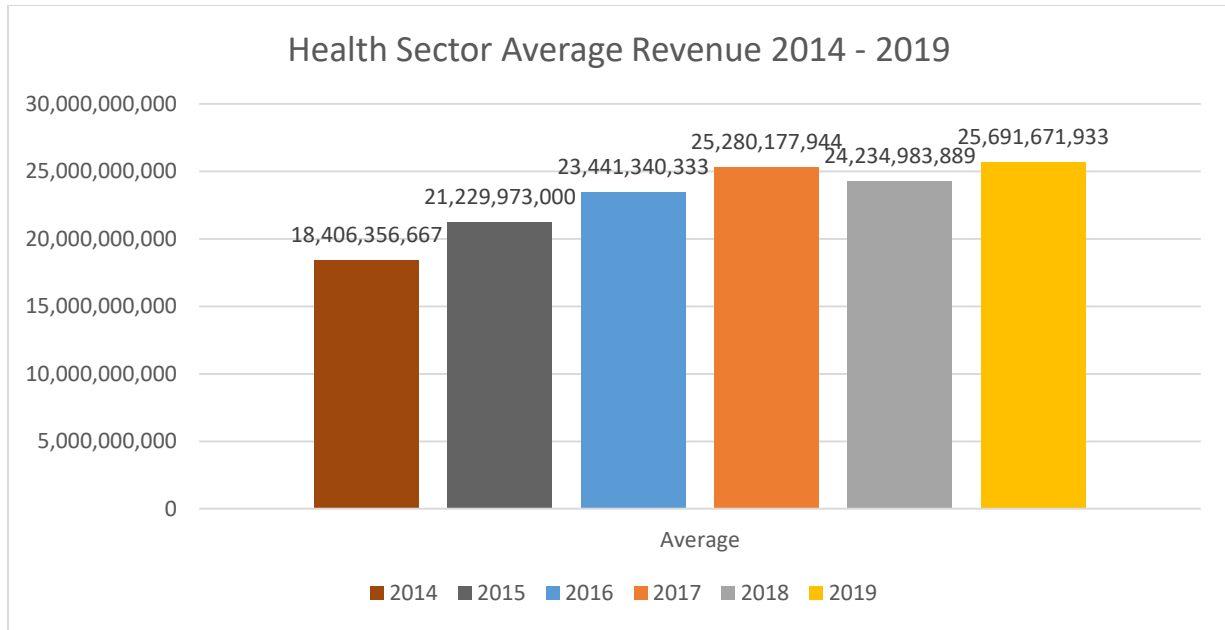


Figure 34 Health Sector Average Revenue 2014-2019

Profit

Aspen Holdings lost its position as the Health sector leader in terms of profitability after reporting a sharp decline of 62% in its profit before tax amount from R7,3 billion in 2018 to R2,7 billion in 2019. In 2019, the company discontinued some of its operations in Asia Pacific after selling its nutritional business²³. This was in addition to receiving a fine of eight million pounds in the United Kingdom for anticompetitive behaviour²⁴. This position was picked up by Life Healthcare Group which reported a profit of R3,7 billion in the 2019 financial year trailed closely behind by Netcare with a profit of R3,3 billion.

²³ <https://www.news24.com/fin24/Companies/Health/aspens-reports-declining-earnings-after-challenging-year-20190911>

²⁴ <https://www.theafricareport.com/17247/aspens-pharmacare-bounces-back/>

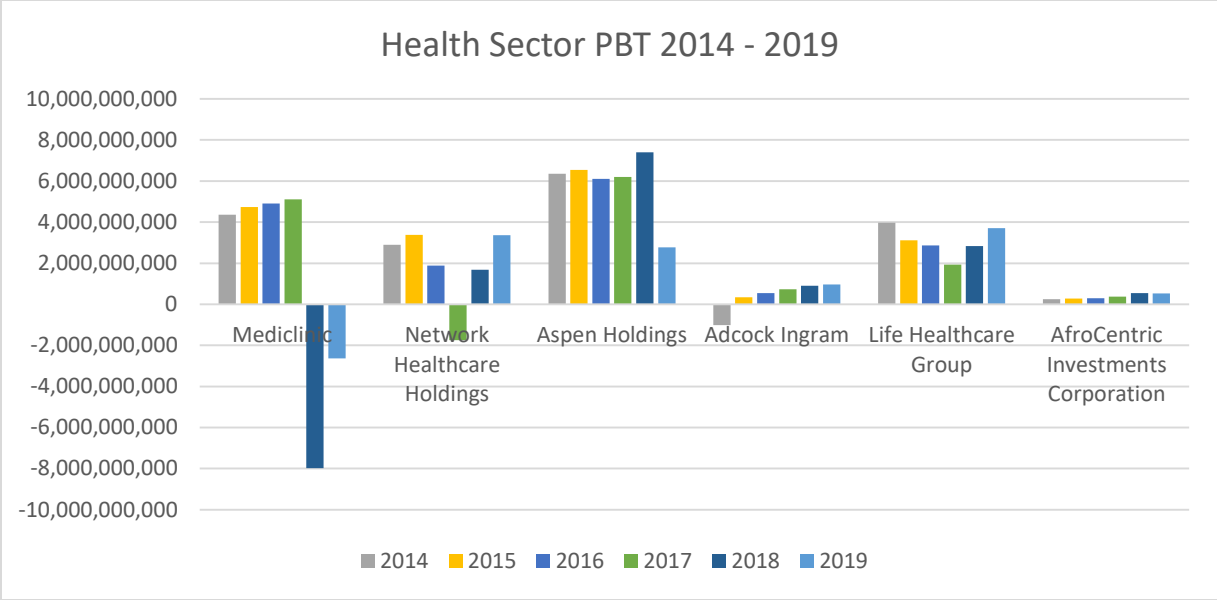


Figure 35 Health Sector Profit before Tax (PBT) 2014-2019

On average, the health sector profit increased by 61% from R895 million in 2018 to R1,4 billion in 2019. This increase is significantly attributed to the decrease in losses reported by Mediclinic improving from a loss of R7,9 billion in 2018 to a loss of R2,6 billion in 2019. Furthermore, Aspen Holdings is the only company in the sector which reported a decline in profit. Therefore, the overall profit of the sector was that of an upward trend.

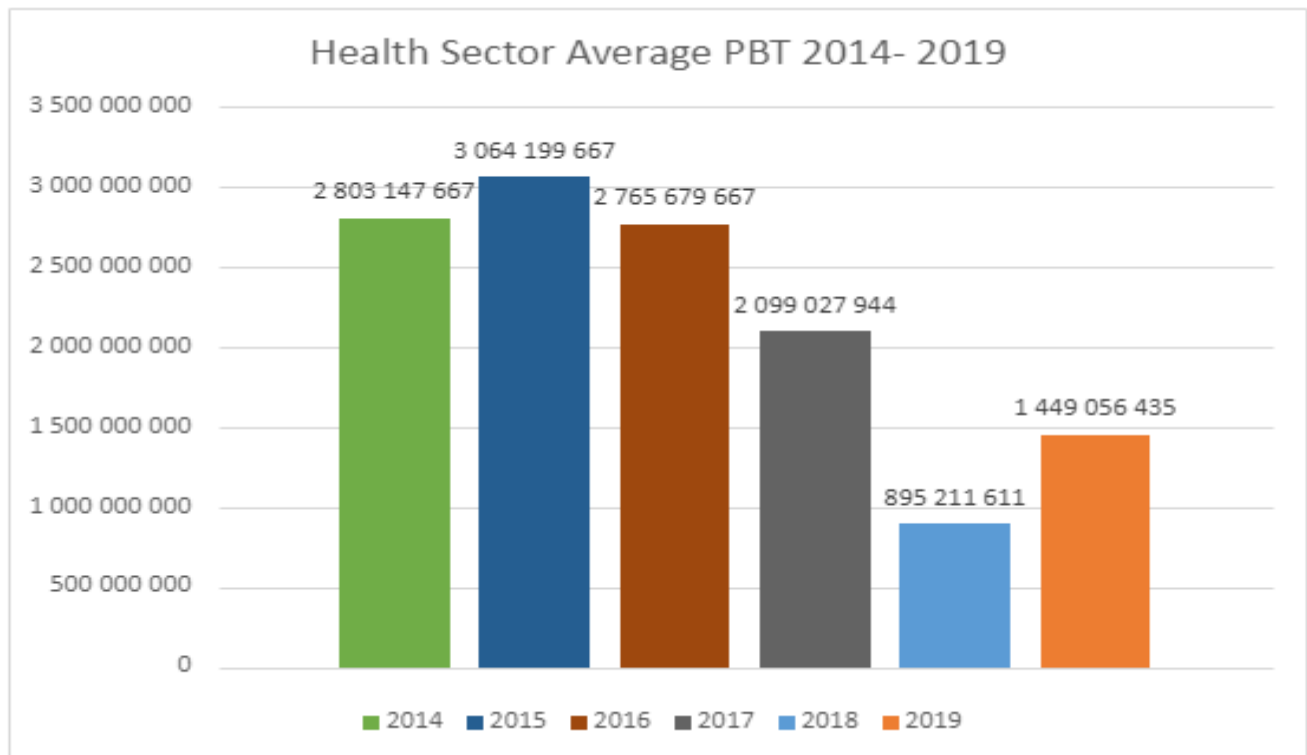


Figure 36 Health Sector Average Profit Before Tax 2014-2019

Directors' Remuneration

Life Healthcare Group had the highest total remuneration for their Chief Executive Officer Shrey Viranna who took home R16,3 million for the 2019 financial year closely followed by Aspen's CEO Stephen Saad receiving a total remuneration figure of R13 million. Both these two individuals received LTI payments; Aspen and Life Healthcare group were the only companies in the sector which made long term incentive pay-outs.

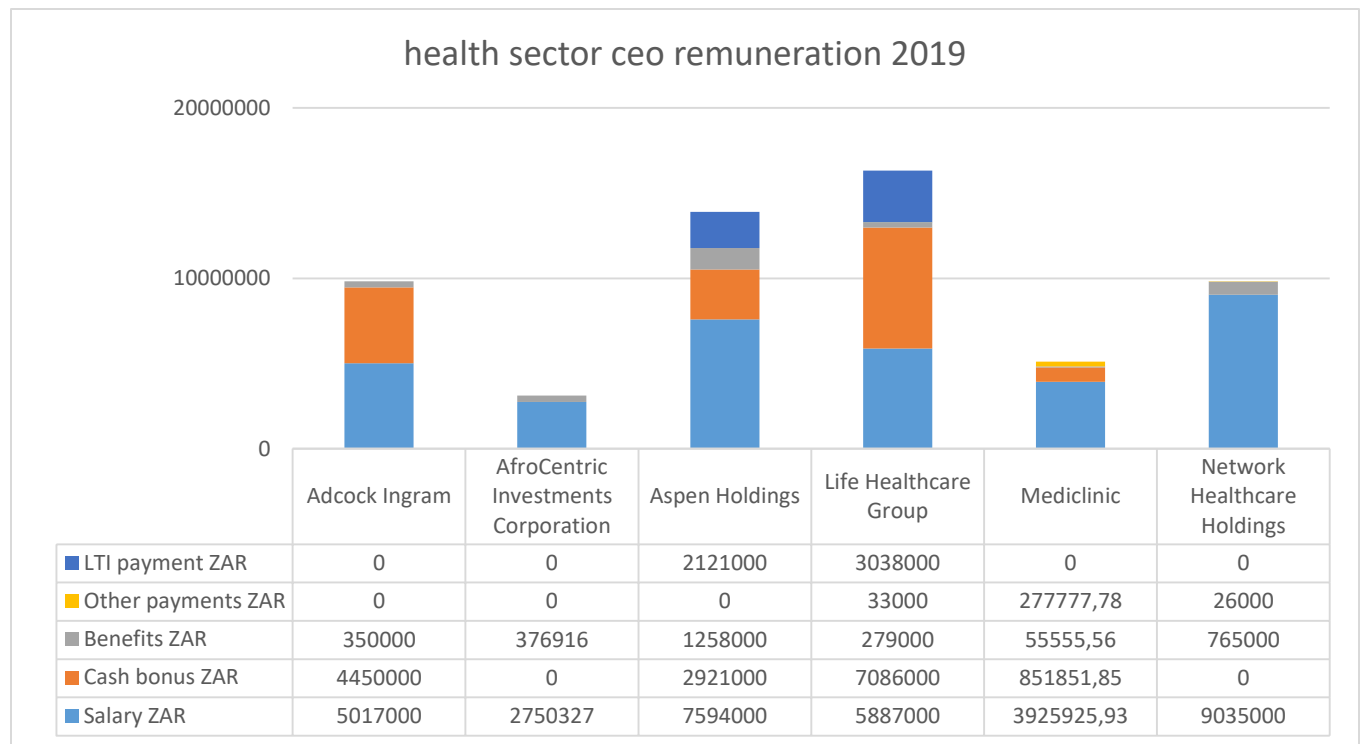


Figure 37 Health Sector CEO Remuneration 2019

On average, executive directors' remuneration in the health sector for the 17 directors decreased. The average salary decreased by 12% from R5 million annually in 2018 to R4,4 million in 2019. Moreover, the total executive remuneration figure dropped by 96% from R200 million to R7,1 million. This is attributed to the executive officers of Network Healthcare Limited (Netcare), Friedland and Gibson, who exercised stock options in 2018 from which the gain was reported as R1 879 268 000 and R753 356 000 respectively in the Remuneration Report²⁵ of the company's Integrated Report (Netcare, 2018:143). However, we suspect this may be a rounding error in reporting because the similar figures for the 2019 financial year had different arithmetic. The number of shares exercised in 2019 was multiplied by the share price in cents of 26,78 cents – as opposed to 2 659 cents in 2018. Nonetheless, the graphical analysis below uses the amounts as reported.

²⁵ "Remuneration Report" under LTI vesting outcomes, 143. <https://www.netcare.co.za/Portals/0/Annual%20Reports/PDF/Netcare-annual-2018.pdf>

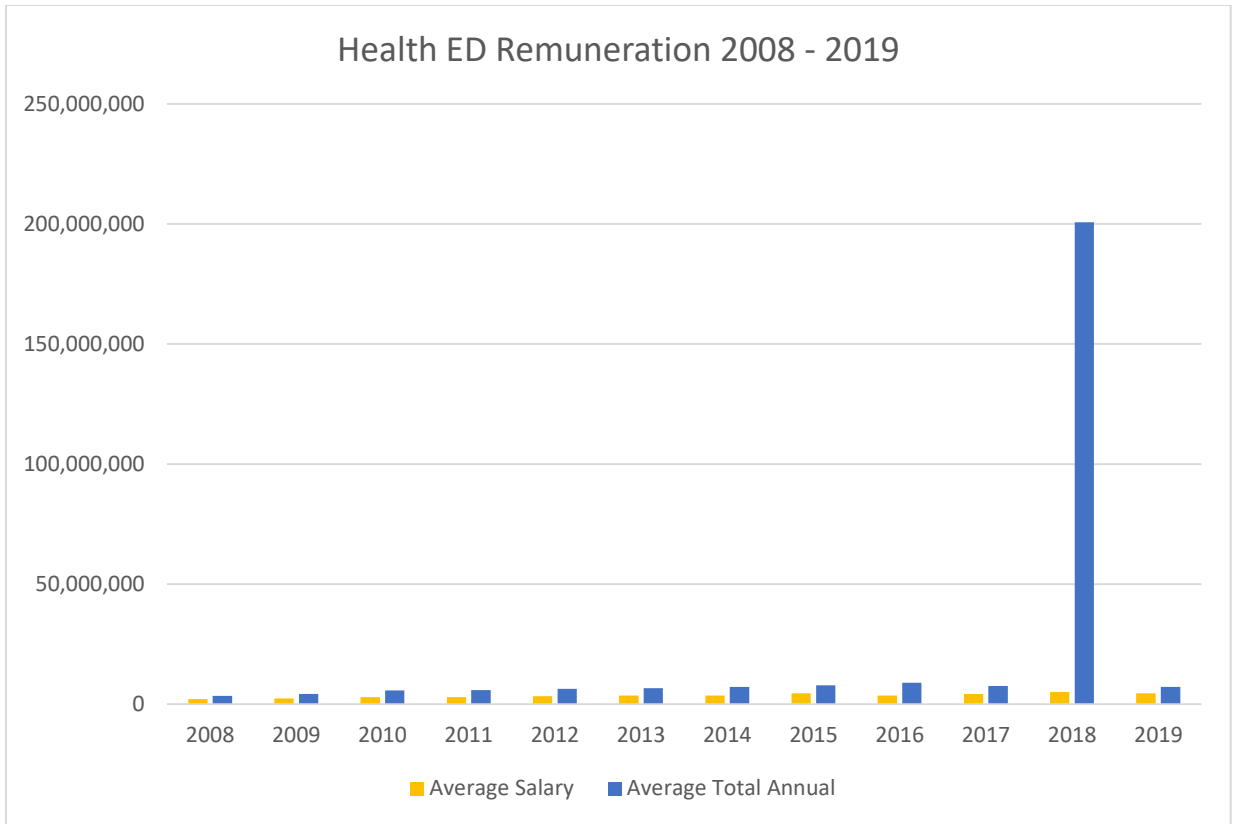


Figure 38 Health Sector Executive Directors' Remuneration 2008-2019.

Non-executive directors' remuneration for the 59 non-execs maintained an upward positive trend as the average increased by 8% from R812 494 to R880 316 in 2019.

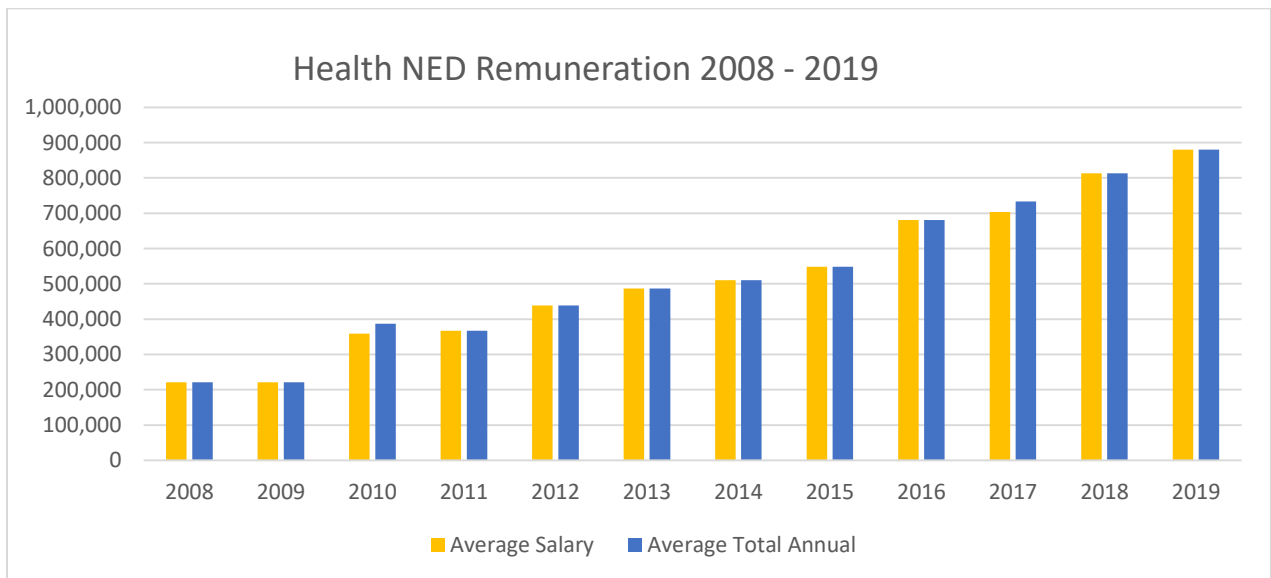


Figure 39 Health Sector Non-Executive Directors' Remuneration

Conclusion

The Health Sector experienced a recovery in its profitability in the 2019 financial year as most of the companies in the sector experienced increased profit or reduction in losses. The pharma group Aspen is the only company which reported a decrease in profit attributed to non-core operations in nutritional business products which were disposed in the latter half of 2019²⁶. Nonetheless, Aspen remains the largest pharmaceutical manufacturer in South Africa and recently won another tender to supply HIV drugs to the government²⁷. Despite providing healthcare to only 20% of the population, the private healthcare sector receives 50% of total healthcare spending and it remains one of the most profitable sectors in South Africa's economy²⁸. Several South African healthcare companies are expanding their services in the Southern African region²⁹.

²⁶ <https://www.news24.com/fin24/Companies/Health/aspen-reports-declining-earnings-after-challenging-year-20190911>

²⁷ <https://www.theafricareport.com/17247/aspen-pharmacare-bounces-back/>

²⁸ <https://www.rhbophelo.co.za/understand-the-south-african-healthcare-industry/>

²⁹ https://equinetafrica.org/sites/default/files/uploads/documents/EQ_Diss_87_Private_HS.pdf

SECTOR REPORT: HOSPITALITY

Introduction

This report analyses three companies in the hospitality sector: Sun International City Lodge Hotels and Tsogo Sun Holdings. They are listed on the JSE under the travel and leisure sector.

Revenue

Sun International maintained its market lead in the sector generating total revenue of R17,3 billion, simultaneously reporting the highest revenue increase in the sector of 4% from R16,4 billion in 2018. Tsogo Sun Holdings reported the highest decrease in revenue of 16% from R13,9 billion to R11,6 billion. This in turn led to the sector reporting an overall decrease in revenue with the average dropping by 4% from R10,6 billion to R10,1 billion in 2019. City Lodge maintained a steady increase.

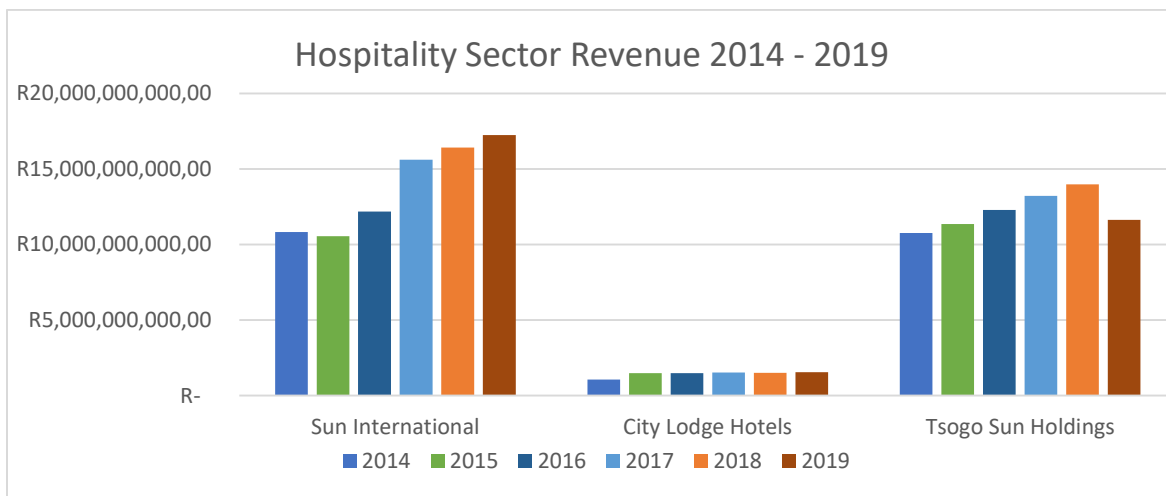


Figure 40 Hospitality Sector Revenue 2014-2019.

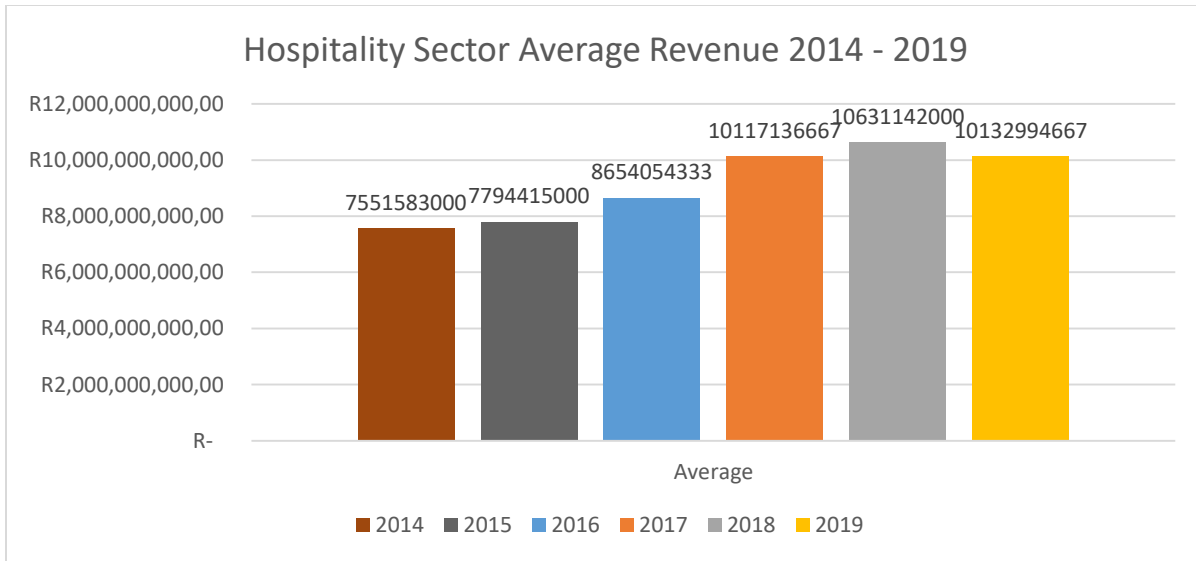


Figure 41 Hospitality Sector Average Revenue 2014-2019

Profit

Despite not recovering from a decrease in profit in the last two years, Tsogo Sun Holdings continued to record the highest profit in the hospitality sector with a figure of R2,3 billion in 2019 down 9% from the 2018 profit of R2,5 billion.

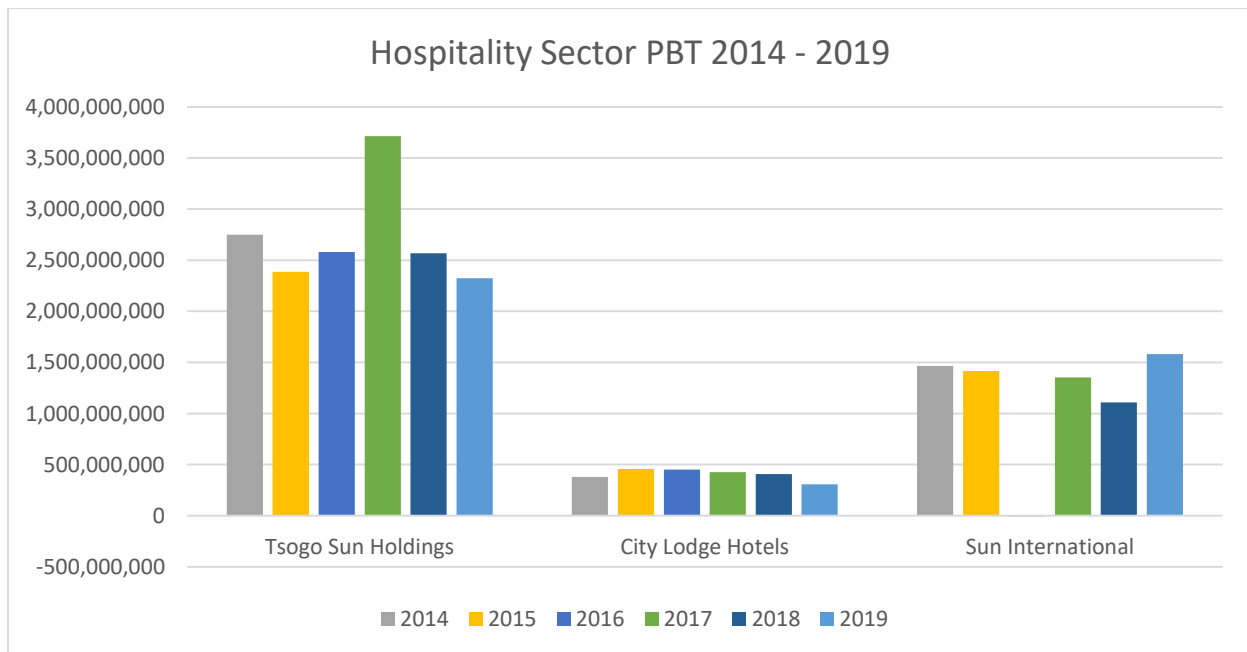


Figure 42 Hospitality Sector Profit before Tax 2014-2019

City Lodge Hotels recorded the highest drop in profit of 24% from R407 million to R306 million in 2019 whilst Sun International was the only company in the hospitality sector which reported an increase in profit, significantly a 42% change from R1,1 billion in 2018 to R1,5 billion in 2019. Therefore, despite the decrease in profit by City Lodge Hotels and Tsogo Sun Holdings, the net effect of Sun International’s increase in profit brought the overall average profit of the sector up by 3% in the 2019 financial year to R1,4 billion from R1,3 billion in the previous financial year.

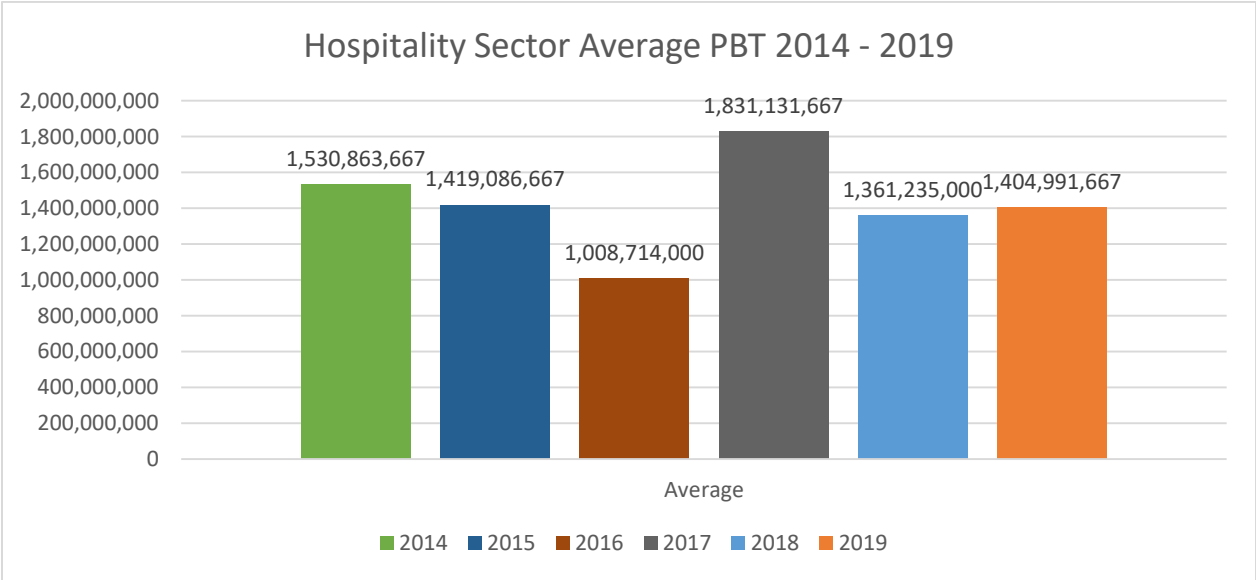


Figure 43 Hospitality Sector Average Profit Before Tax 2014-2019

Directors’ Remuneration

Sun International’s CEO Anthony Leeming took home the highest total remuneration in the hospitality sector at R19,8 million. His salary was mostly comprised of a R7 million salary, a cash bonus and long-term incentive payment over R5 million each. Tsogo Sun Holdings’ CEO Jacque Booyesen took home R11,7 million, and despite his salary being close to Sun International’s annual salary, Tsogo Sun’s LTI and cash bonus was significantly lower in the 2019 year.

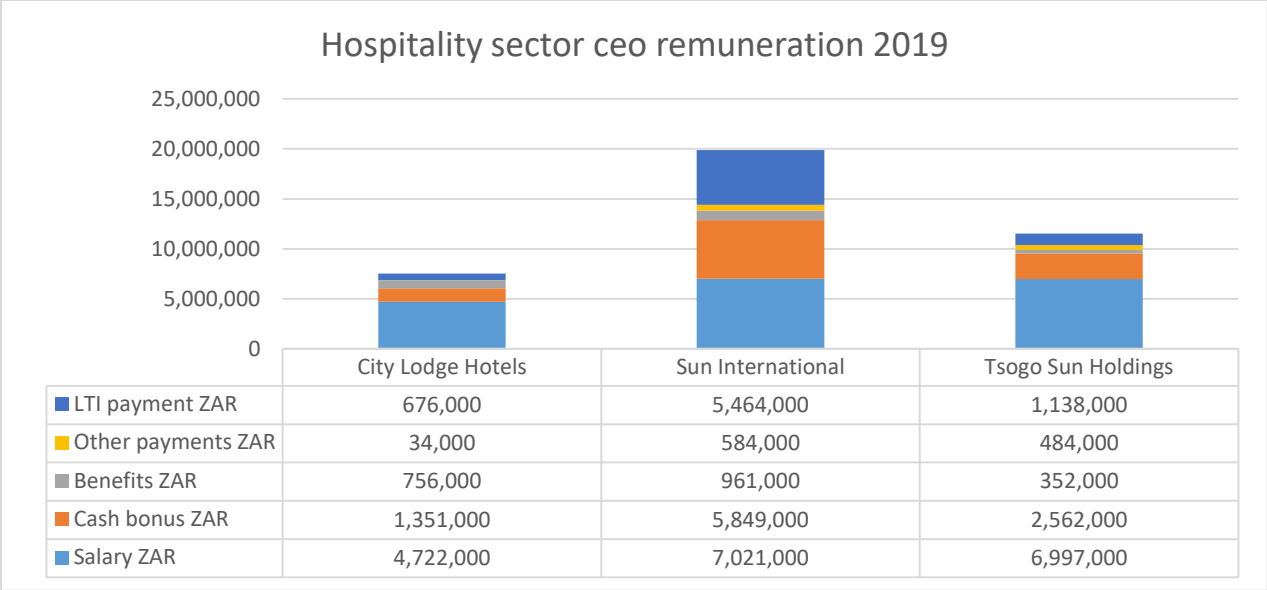


Figure 44 Hospitality Sector 2019 CEO Remuneration

On average, the salaries of executive directors – seven directors in the hospitality sector - increased by 32%. Total remuneration on the other hand decreased by 30% owing to the fact that in 2018 Tsogo Sun Holdings made LTI payments to directors who resigned.

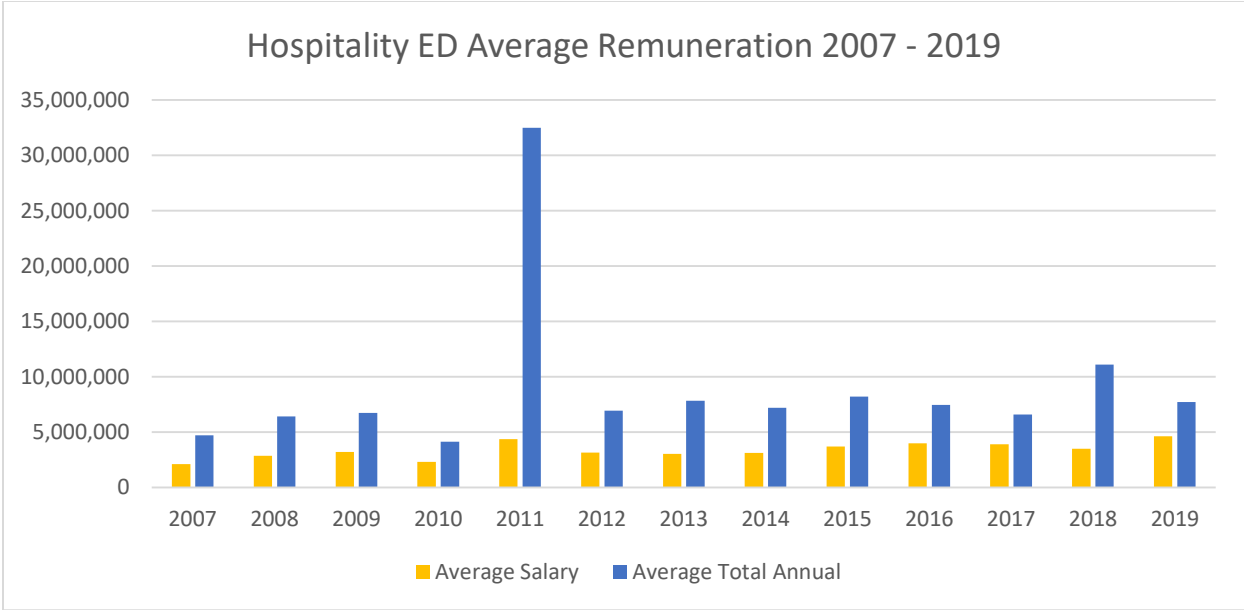


Figure 45 Hospitality Sector Executive Directors’ Average Remuneration 2001-2019

The remuneration of the 27 non-executive directors in the hospitality sector went up by 34% in the 2019 financial year increasing from R454 714 in 2018 to R612 111 in 2019.

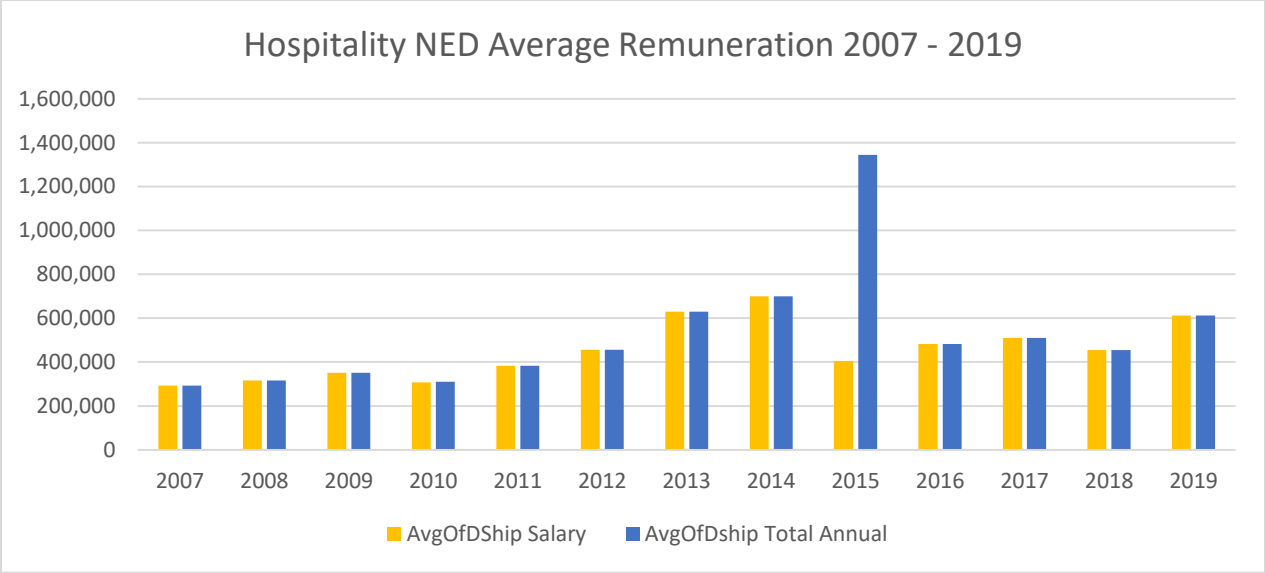


Figure 46 Hospitality Sector Non-Executive Directors' Average Remuneration 2007-2019

Conclusion

The hospitality industry is intertwined with the broader trends of the travel and tourism industries³⁰. As a luxury item, the sector is prone to be among the first to suffer the impact of economic setbacks³¹. The sector created more jobs than mining and manufacturing combined in 2017 and has therefore come to assume a position of economic importance.

³⁰ <https://www.pwc.co.za/en/publications/hospitality-outlook.html>

³¹ <https://partners.24.com/TheBiggerPicture/HospitalityBeyondCovid19/index.html>.

SECTOR REPORT: INDUSTRIAL

Overview

South Africa has a strong industrial tradition dating back 150 years. The past few decades, however, have posed challenges to the industry, with external and domestic factors weighing on sector growth. To help revitalise the industry, the government’s industrial strategy has allowed the sector to maintain momentum, with investment incentives and close cooperation with investors helping to offset downside risks.

Revenue

This sample is a mix of support services, industrial, chemicals and two state-owned / parastatals. In this sample, there was a small increase in reported revenue at an average of 4.23%. AECl and Sasol reported significant increases in revenue of 6.37% and 12.19% respectively, while Denel reported the highest decrease in revenue 24.69%.

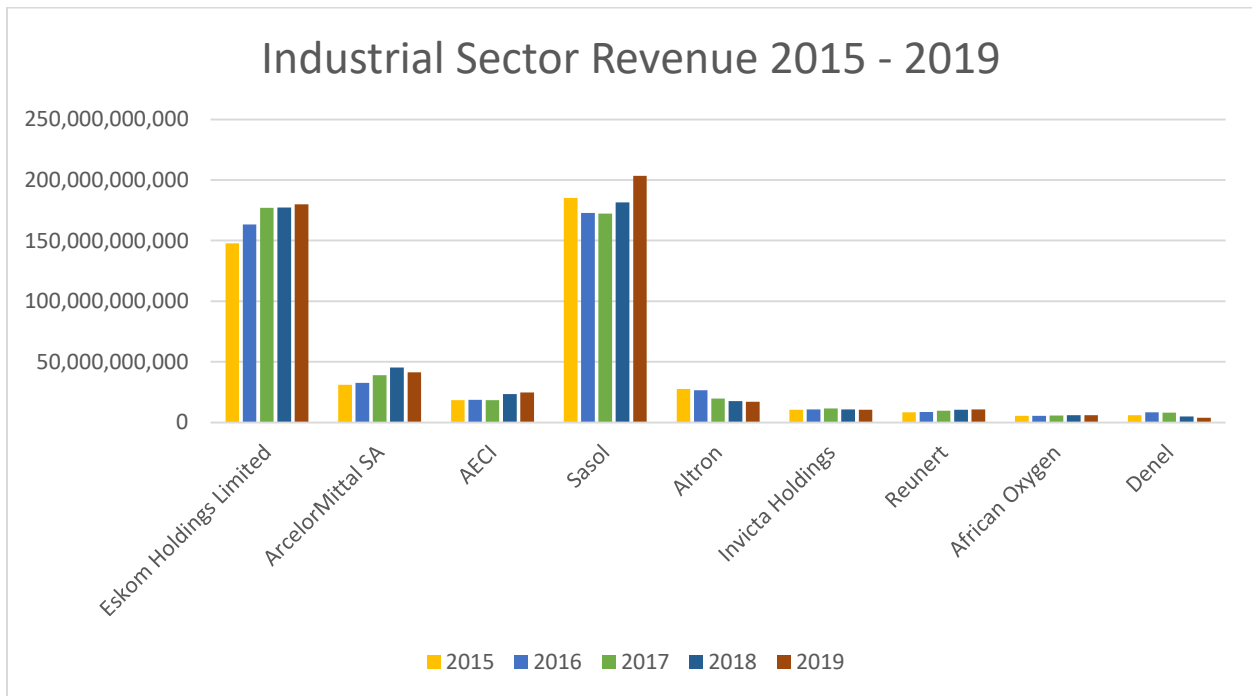


Figure 47 Industrial Sector Revenue 2015 - 2019

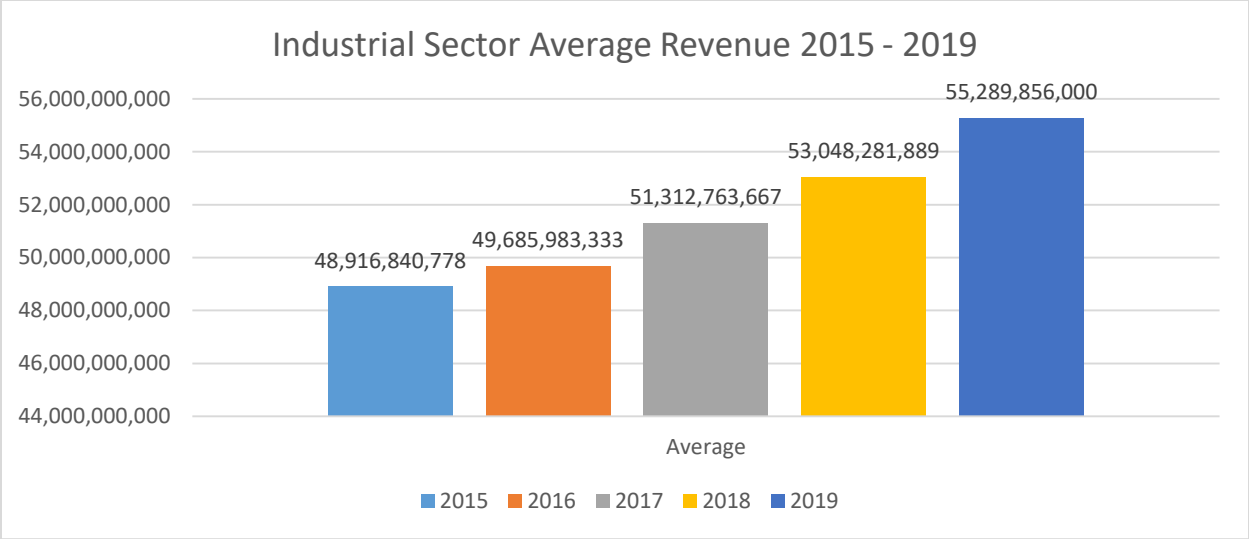


Figure 48 Industrial Sector Average Revenue 2015 - 2019

Profit

On average, the companies in this sample reported an average decrease in profit before tax of 174.77%, this value is due to the large loss of over ZAR 29 billion reported by Eskom in 2019. Denel and ArcelorMittal SA also recorded significant loss of ZAR 1.8 billion and 4.8 billion respectively. Altron, African Oxygen and AECL are the only company in this sample that reported increases in profit before tax.

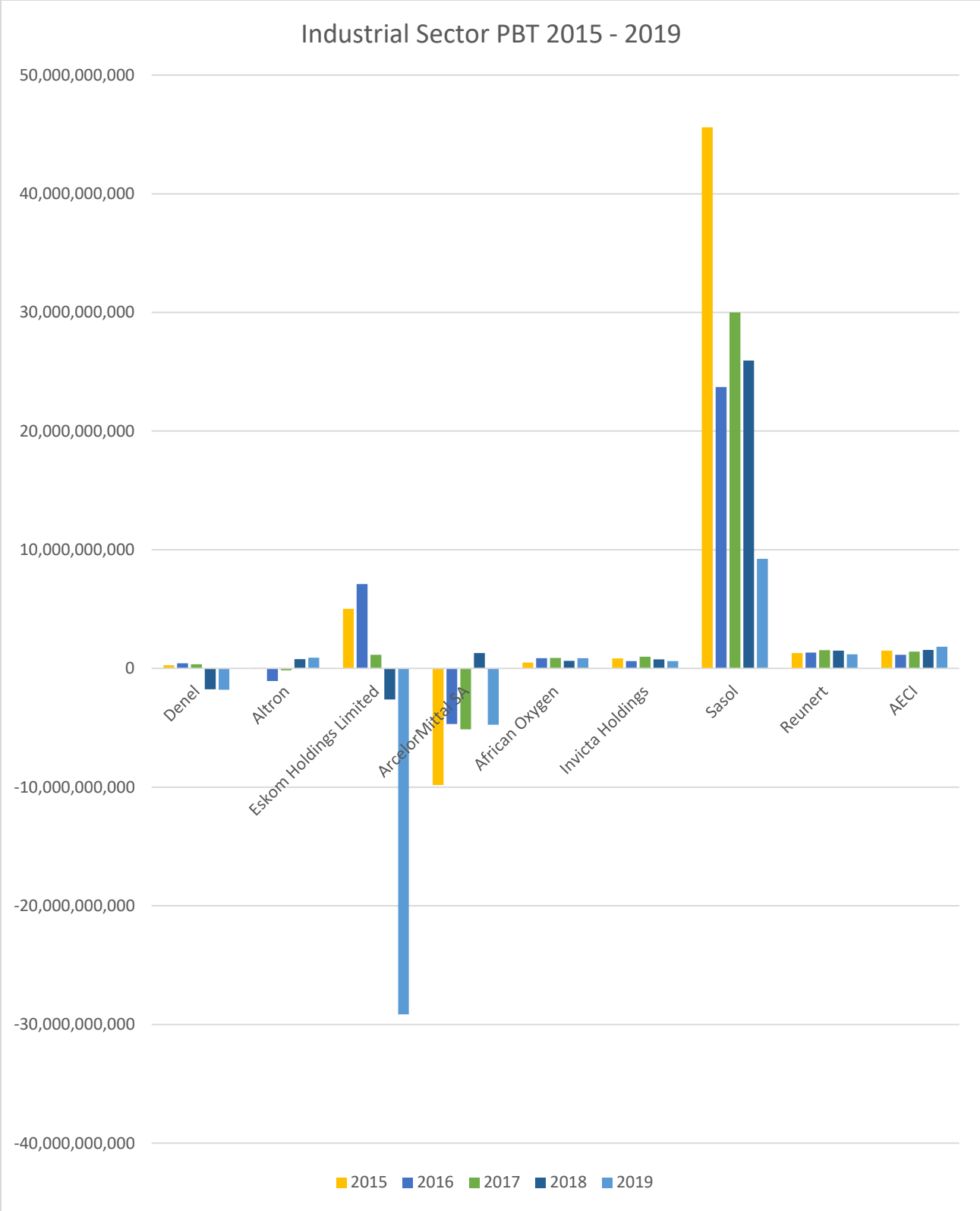


Figure 49 Industrial Sector PBT 2015 - 2019

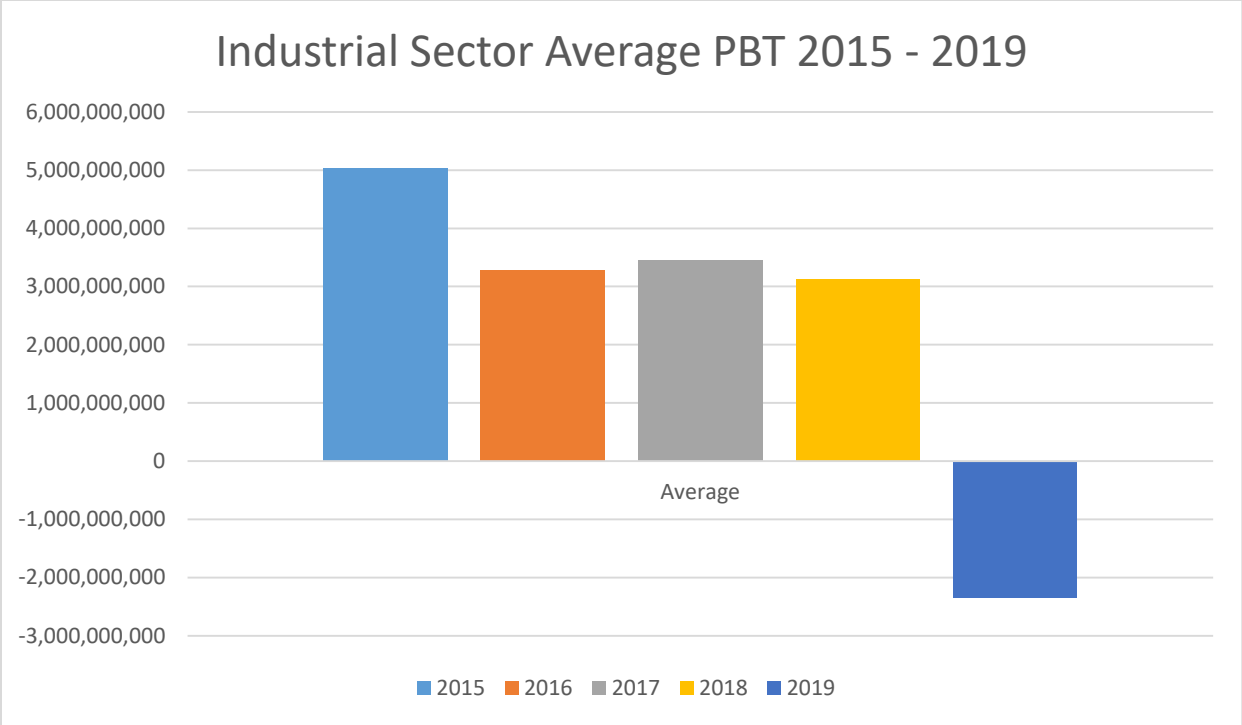


Figure 50 Industrial Sector Average PBT 2015 – 2019

Directors' Remuneration

In the industrial sector, CEOs were paid on average ZAR 11.8 million for the year. At the top of this list is Sasol CEOs (joint CEOs) Cornell and Nqwababa with total remuneration of ZAR 37.1million and ZAR 20.4 million respectively. Executive Director total remuneration decreased by 28.6% in the year on year comparison. Average non-executive remuneration went up from ZAR 661,730 to ZAR 949,815.

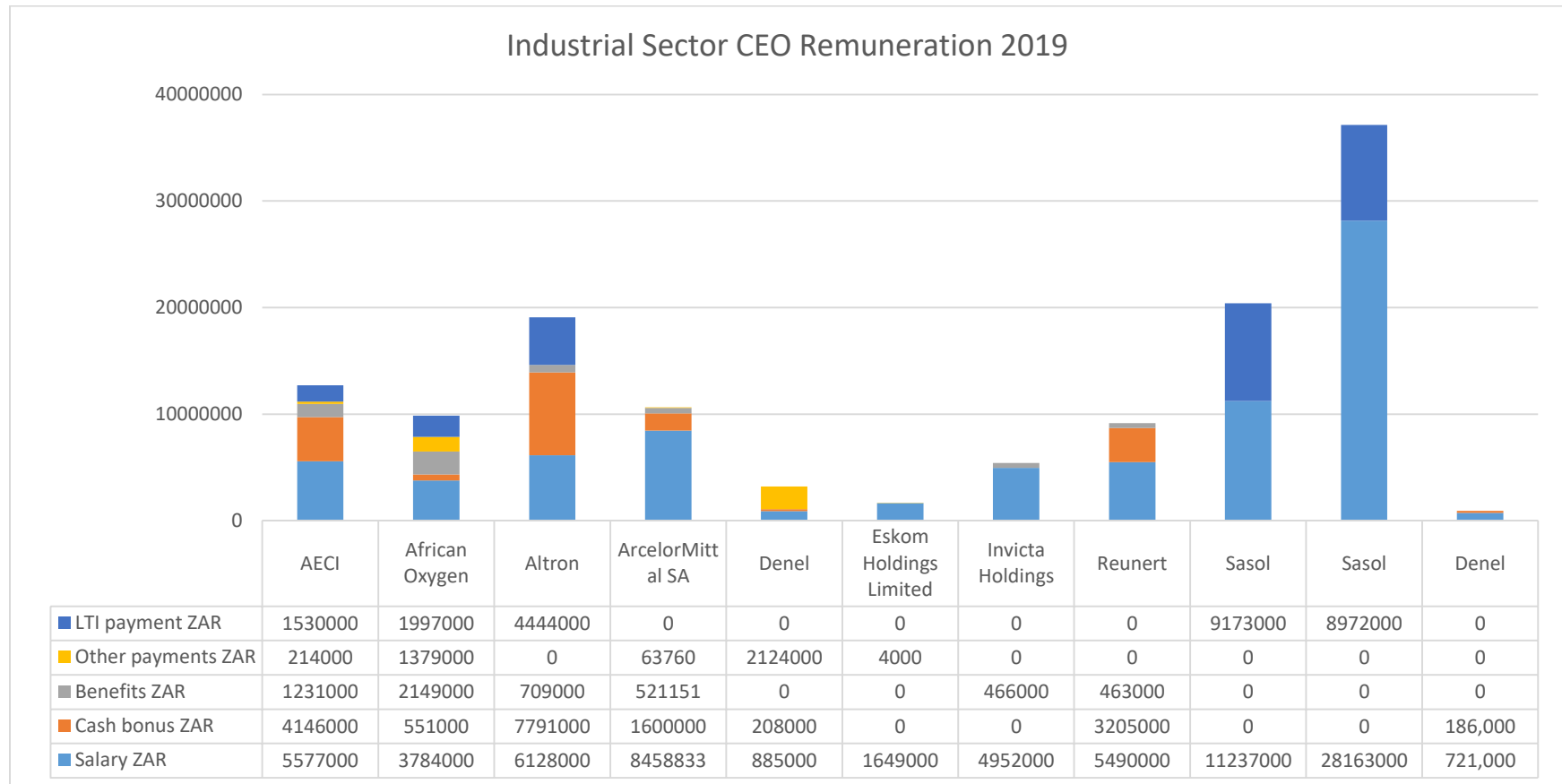


Figure 51 Industrial Sector CEO Remuneration 2019

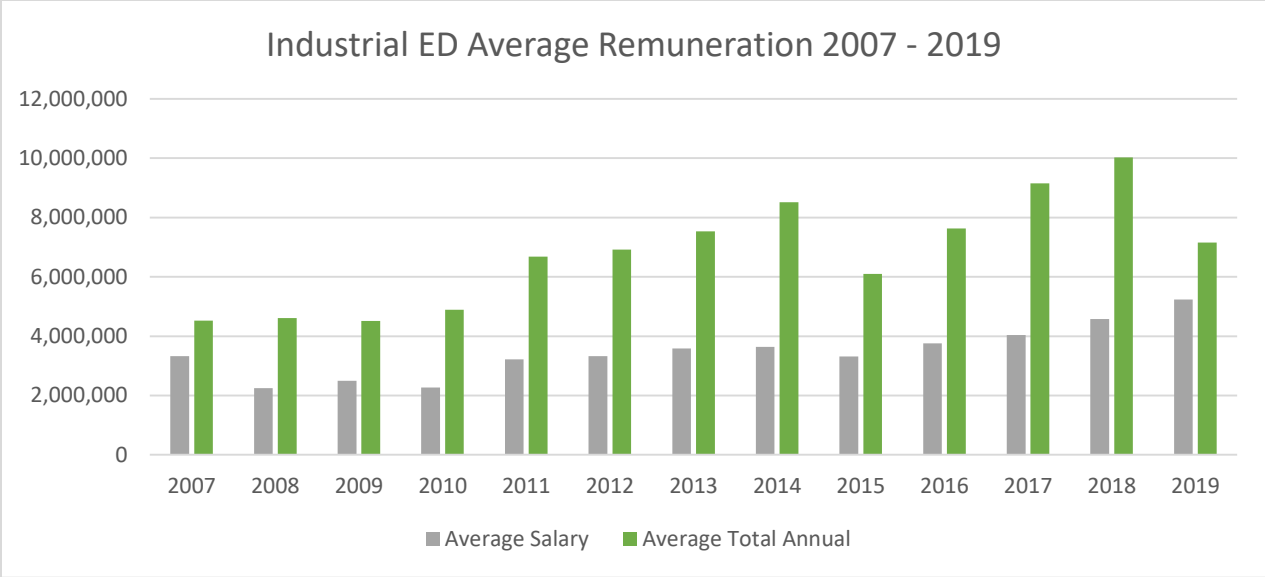


Figure 52 Industrial ED Average Remuneration 2007 - 2019

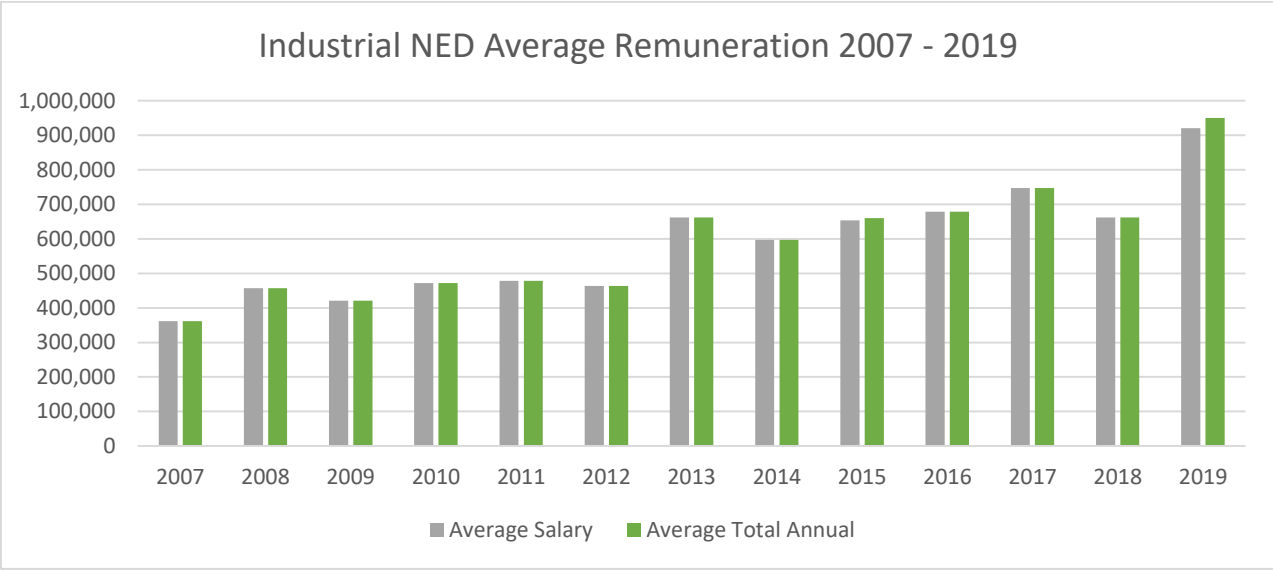


Figure 53 Industrial NED Average Remuneration 2007 - 2019

SECTOR REPORT: MEDIA

Overview

South Africa’s media sector is perhaps the largest, and without a doubt the most sophisticated and dynamic, on the continent. The sector includes over 850 print titles, around 250 radio stations, and 16 television providers offering more than 170 channels.

Revenue

The JSE lists five companies in this sector, while our sample focuses on Naspers (the biggest company in this sector) and Caxton CPT. Caxton, a much smaller company, also reported a decrease in revenue of 12.57%.

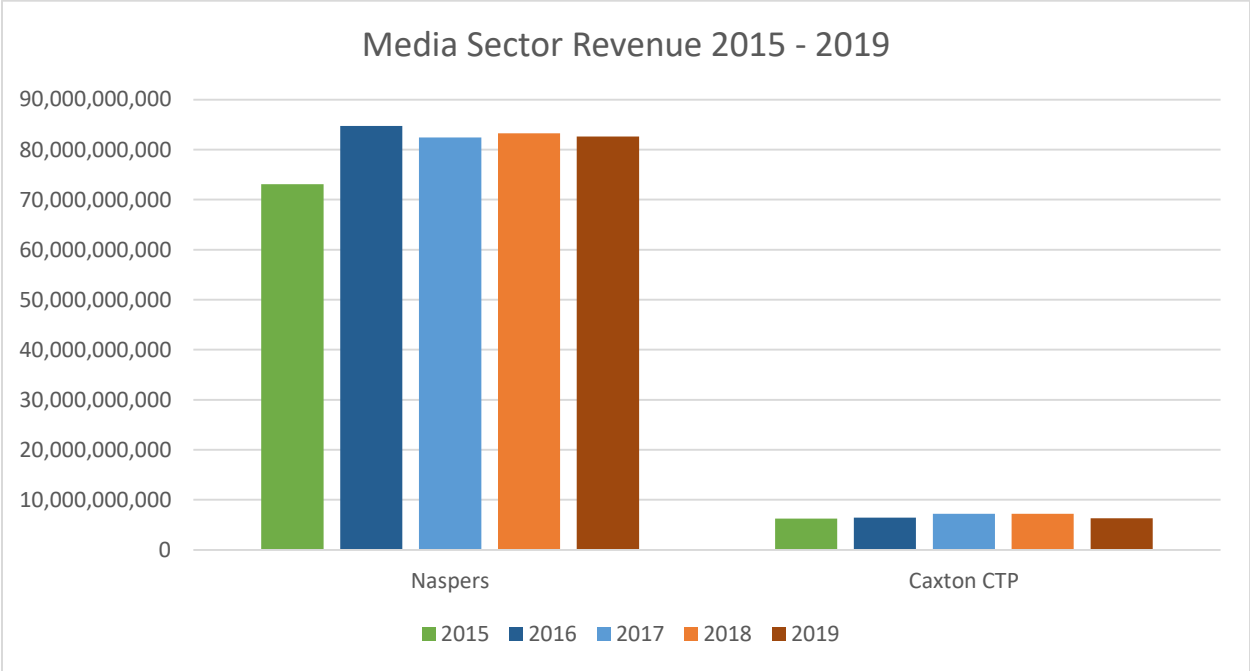


Figure 54 Media Sector Revenue 2015 - 2019

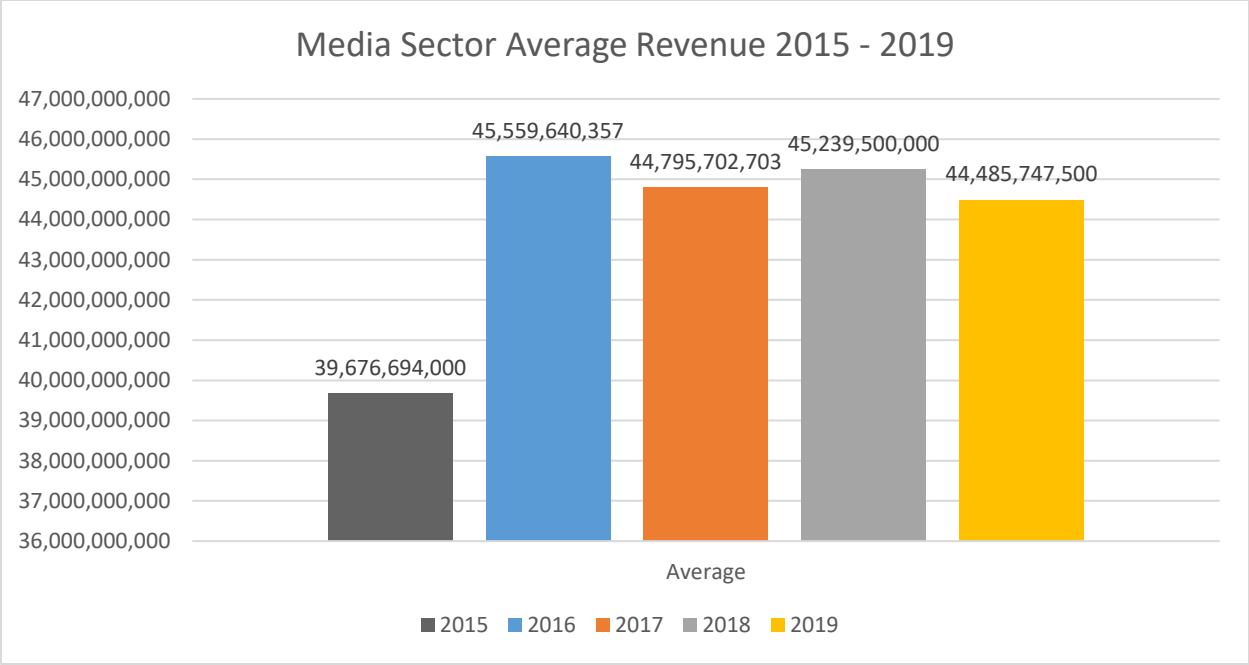


Figure 55 Media Sector Average Revenue 2015 - 2019

Profit

Naspers reported a significant decrease in profit before tax of over 56%. Caxton also reported a decrease in profit before tax of 16.51%.

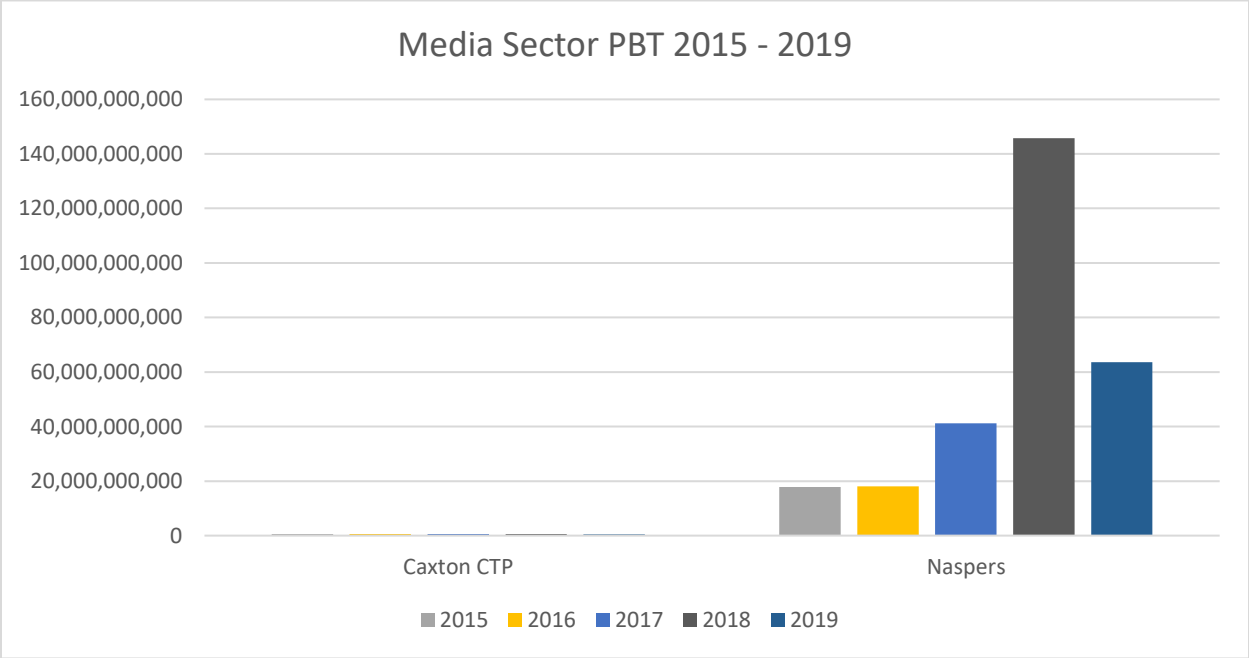
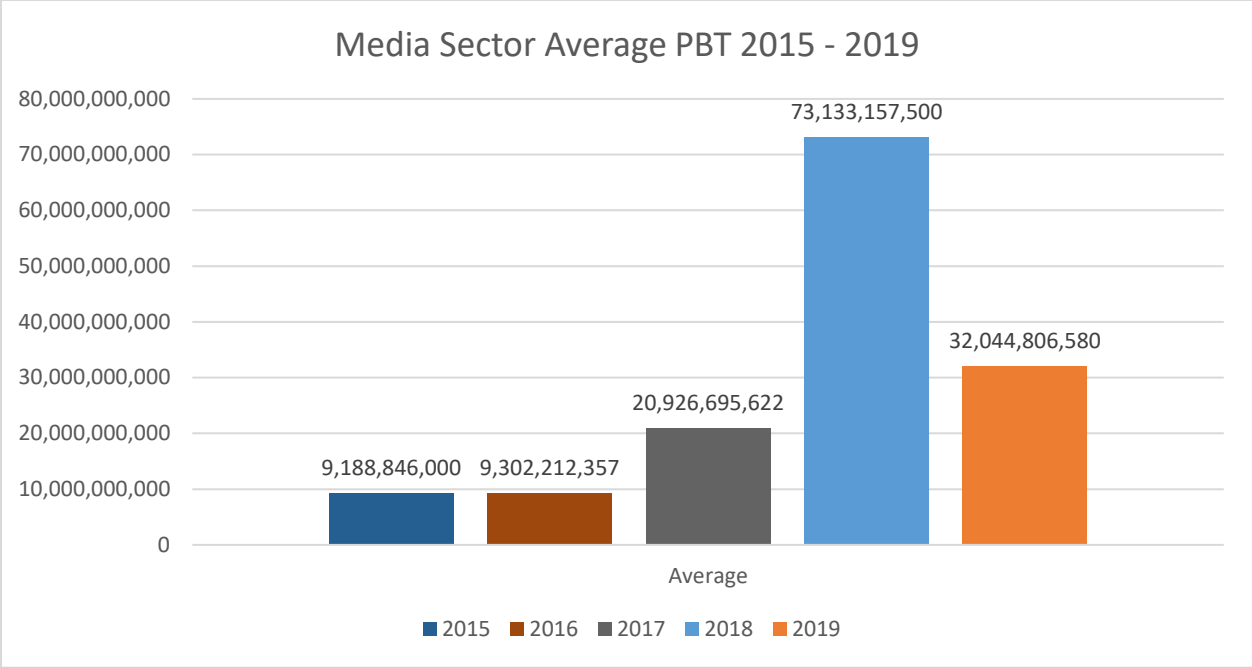


Figure 56 Media Sector PBT 2015 - 2019



Directors' Remuneration

The company that made the largest amount of profit on our list, Naspers, pays its CEO Bob van Dijk accordingly. In the 2019 financial year, van Dijk was paid total remuneration of over ZAR 36 million. The average executive remuneration increased by 8.05% while the non-executive increased by 17.2%.

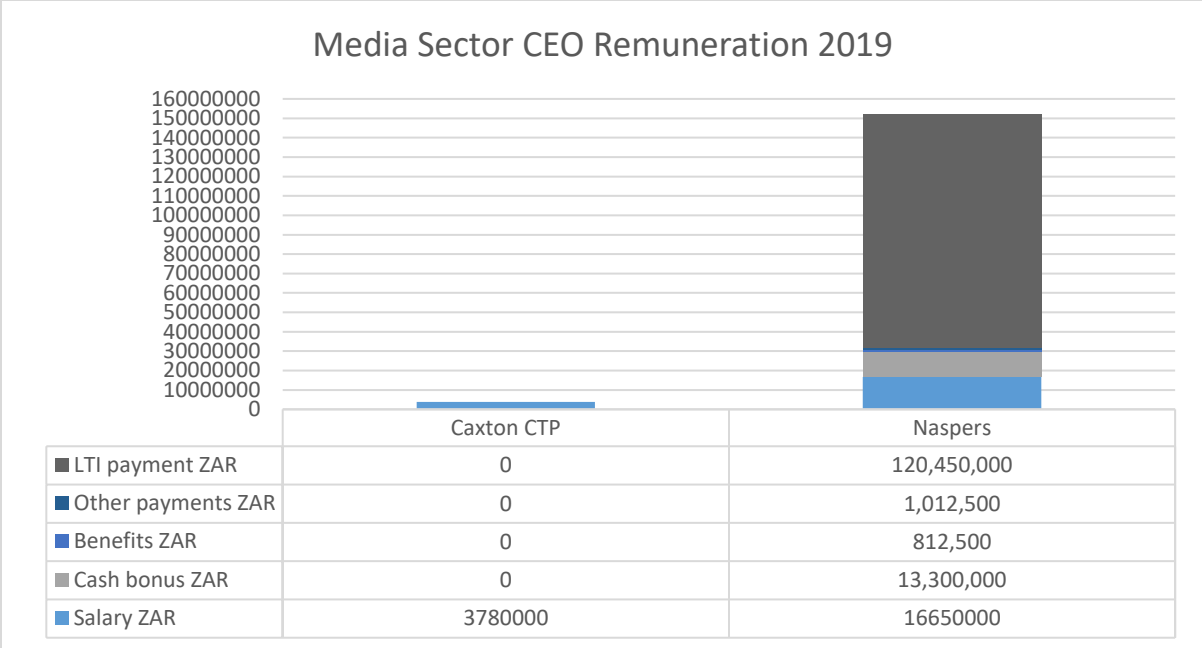


Figure 57 Media Sector CEO Remuneration 2019

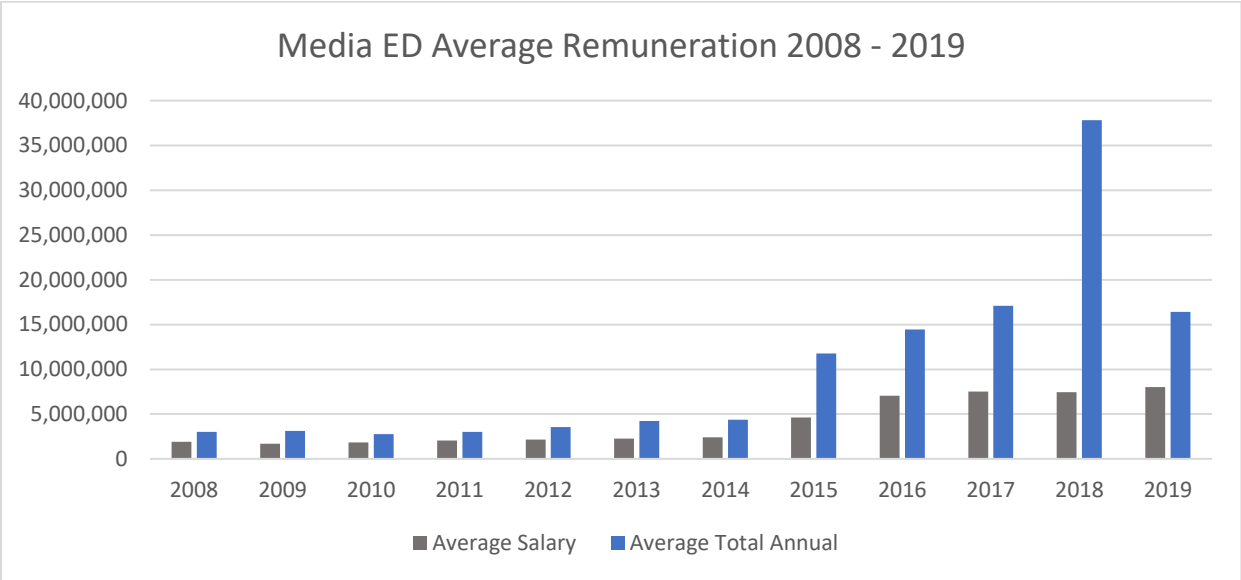


Figure 58 Media ED Average Remuneration 2008 - 2019

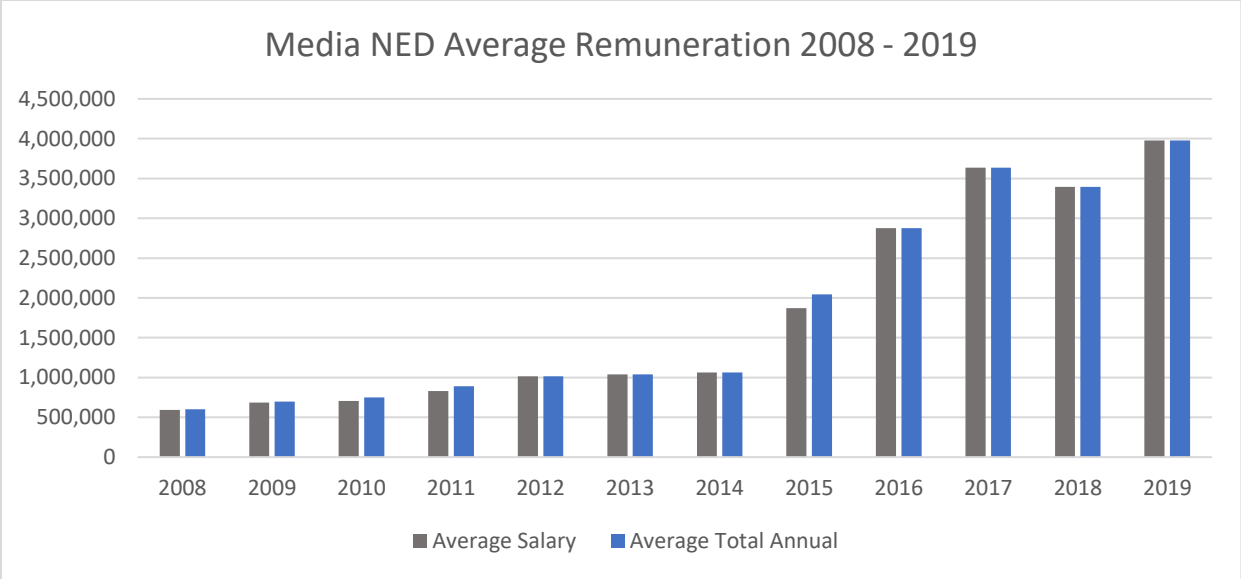


Figure 59 Media NED Average Remuneration 2008 - 2019

SECTOR REPORT: MINING

Overview

In many ways, South Africa’s political, social and economic landscape has been dominated by mining, given that, for so many years, the sector has been the mainstay of the South African economy. Although gold, diamonds, platinum and coal are the most well-known among the minerals and metals mined, South Africa also hosts chrome, vanadium, titanium and a number of other lesser minerals.

Revenue

The JSE lists 25 companies in this sector. Our sample list 15 of these companies, making it a representative sample of 60%. Mining is the biggest employer in our sample, reporting employment of over 400,000 people in the 2019 financial year. On average, revenue in this sector in our sample went up by 0.3%. BHP Billiton and Glencore Xstrata reported decreases of 3% and 3.53% respectively, while Petra Diamonds reported a 6.4% decrease in revenue. Out of all other companies, only Petra Diamonds reported year on year decrease in revenue.

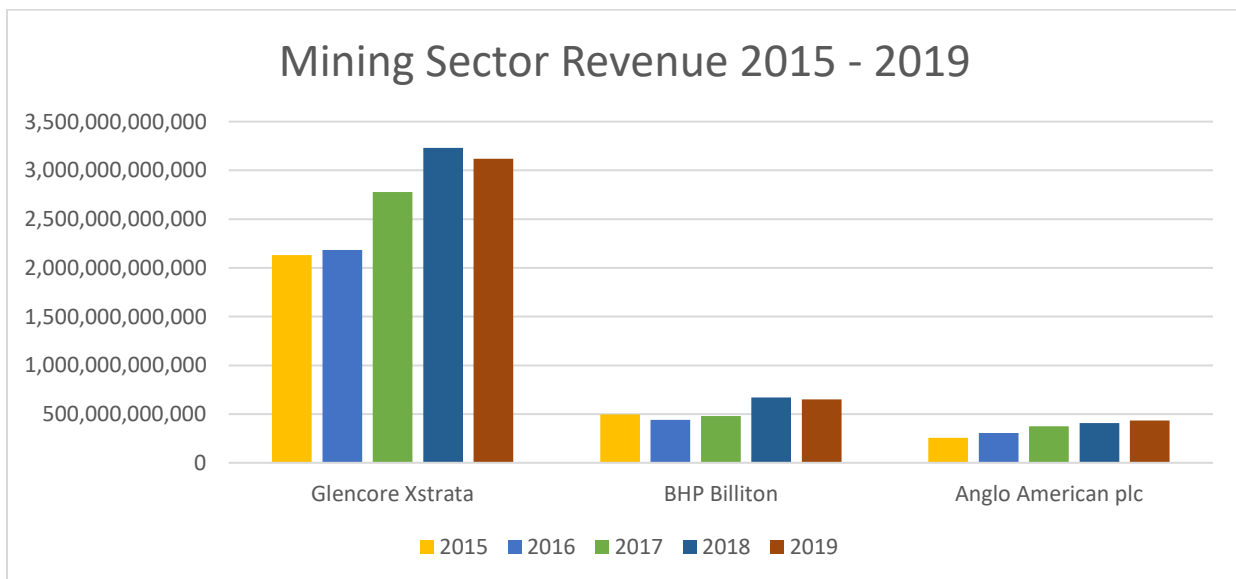


Figure 60 Mining Sector Revenue 2015 - 2019

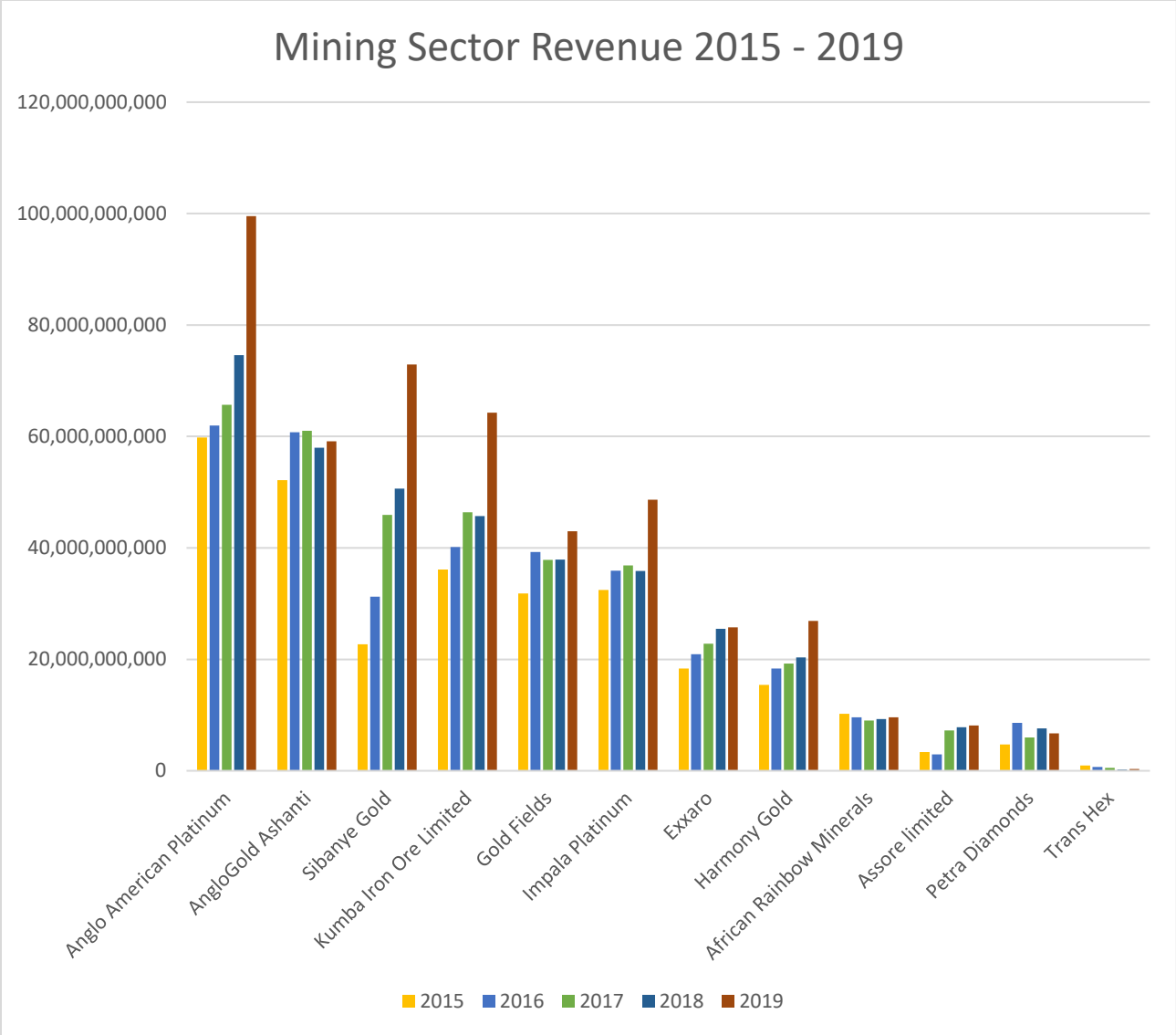


Figure 61 Mining Sector Revenue 2015 - 2019

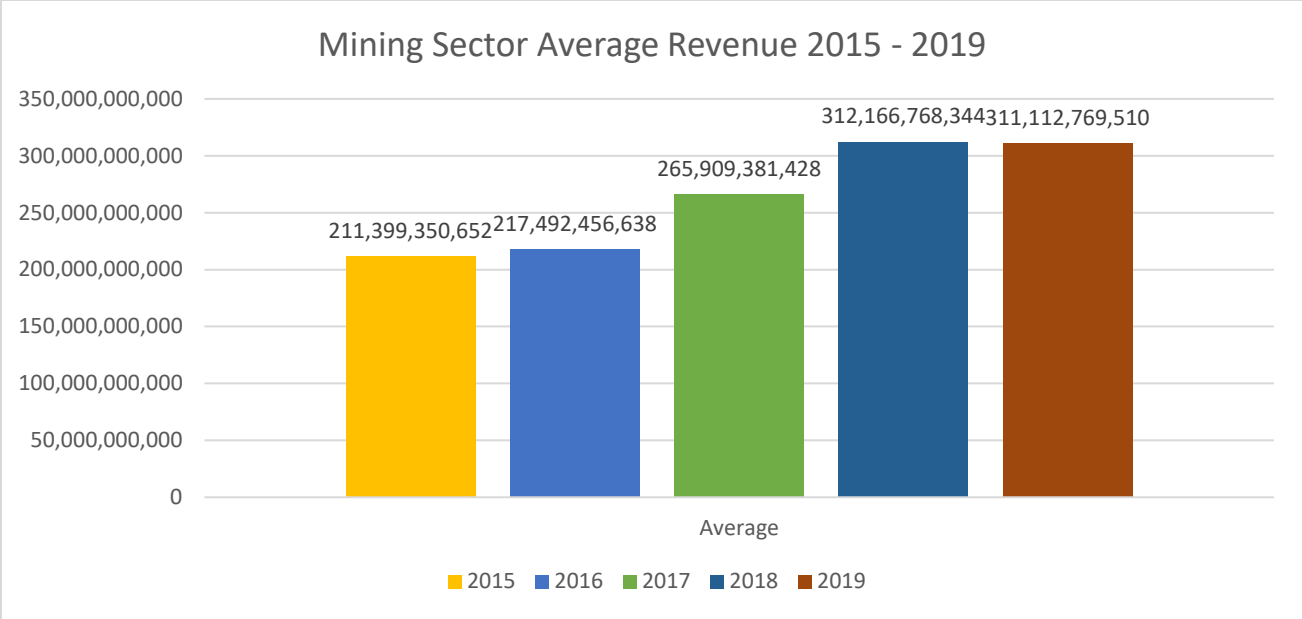


Figure 62 Mining Sector Average Revenue 2015 - 2019

Profit

Glencore Xstrata reported a loss of over ZAR 12 billion, along with Petra Diamonds, Sibanye Gold, and Harmony Gold who all reported significant losses. Anglo American plc reported a decrease in profit of over 49%, along with BHP Billiton, African Rainbow Mineral and AngloGold Ashanti who all reported significant year on year decreases. Kumba Iron Ore Limited reported a profit, after reporting a loss in 2018.

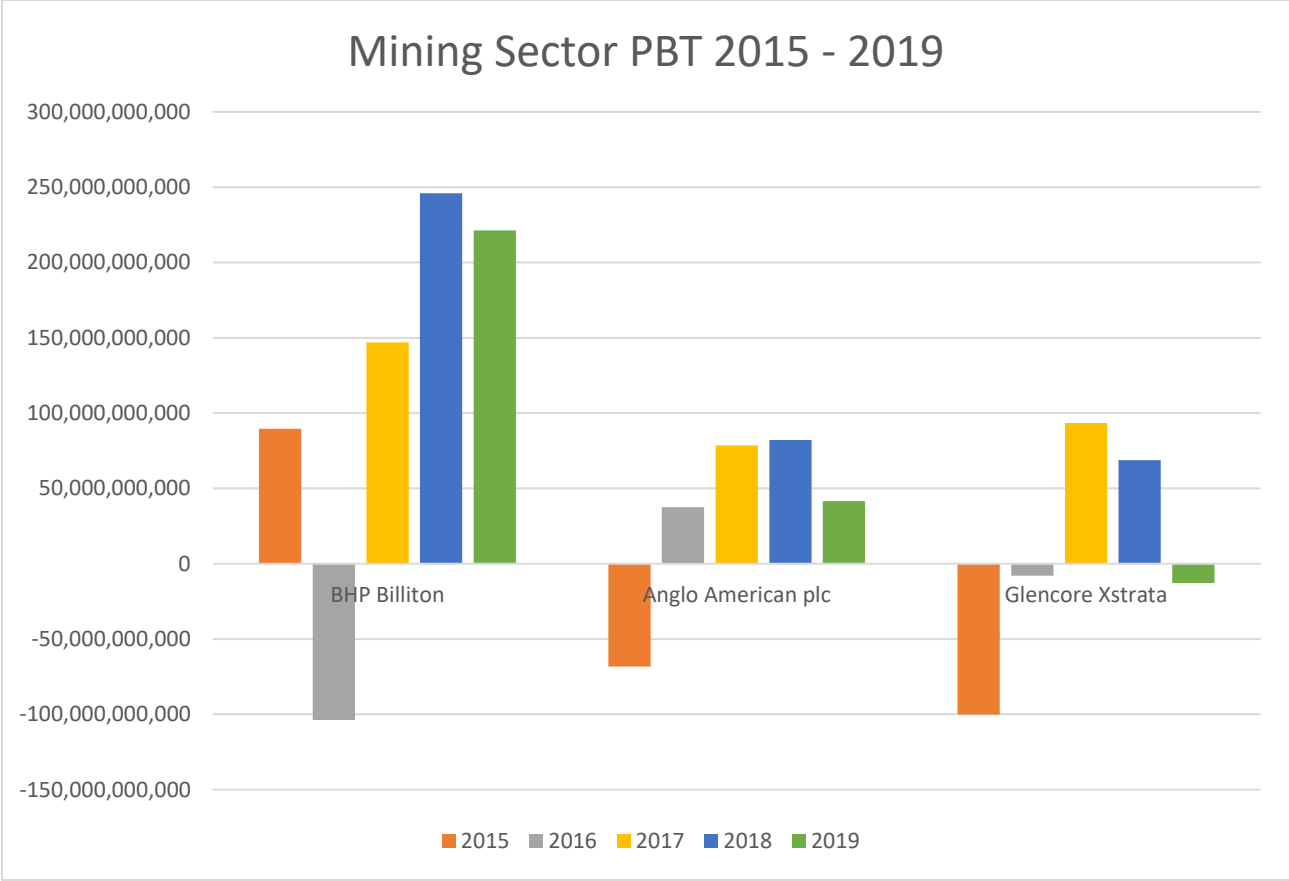


Figure 63 Mining Sector PBT 2015 - 2019

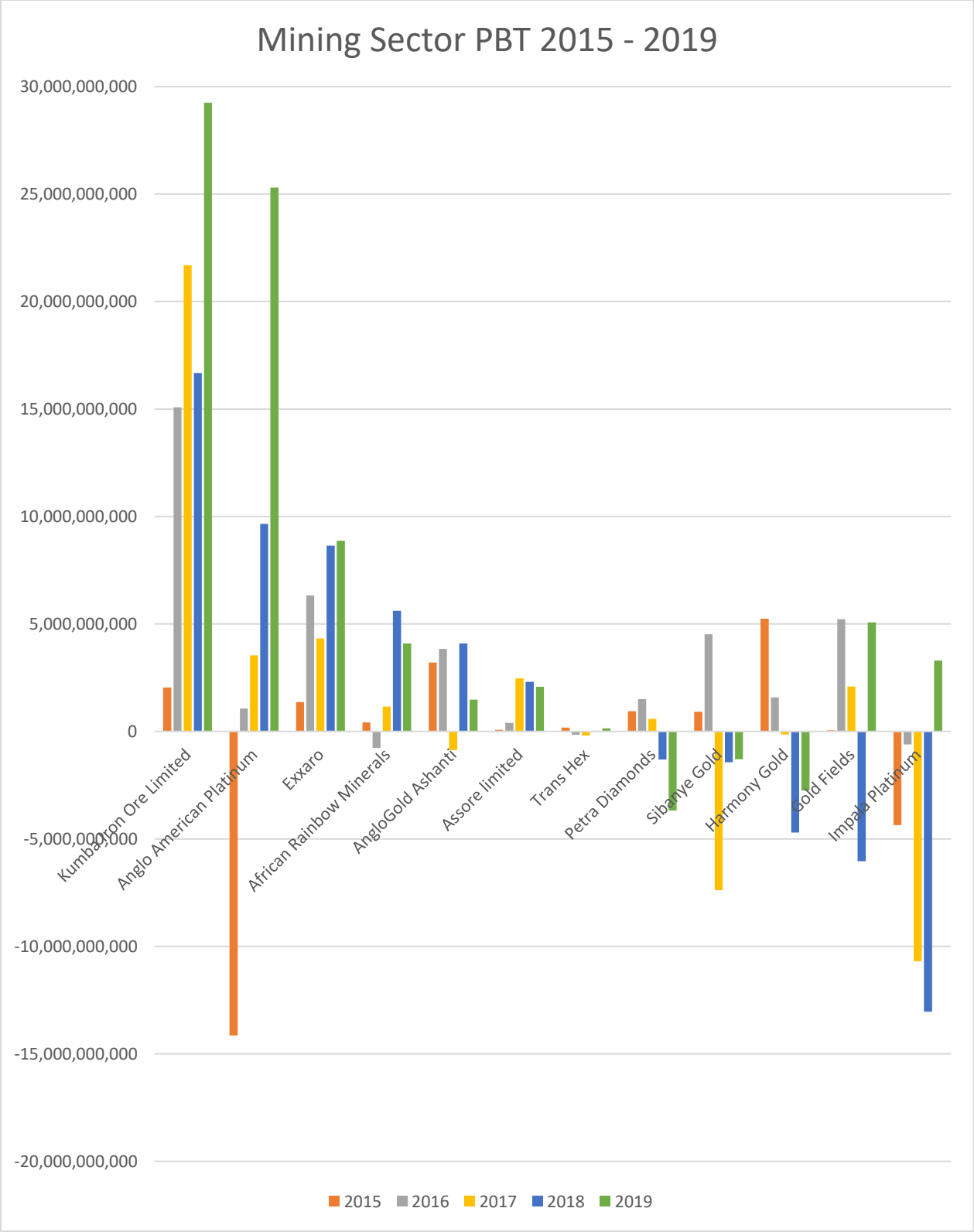


Figure 64 Mining Sector PBT 2015 - 2019

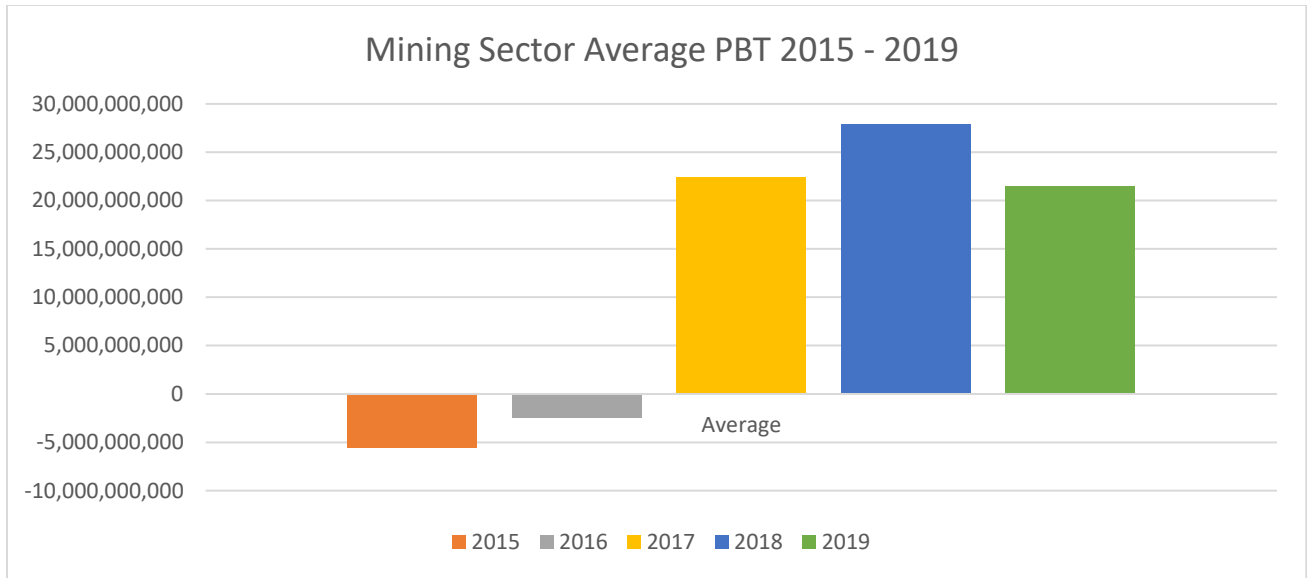
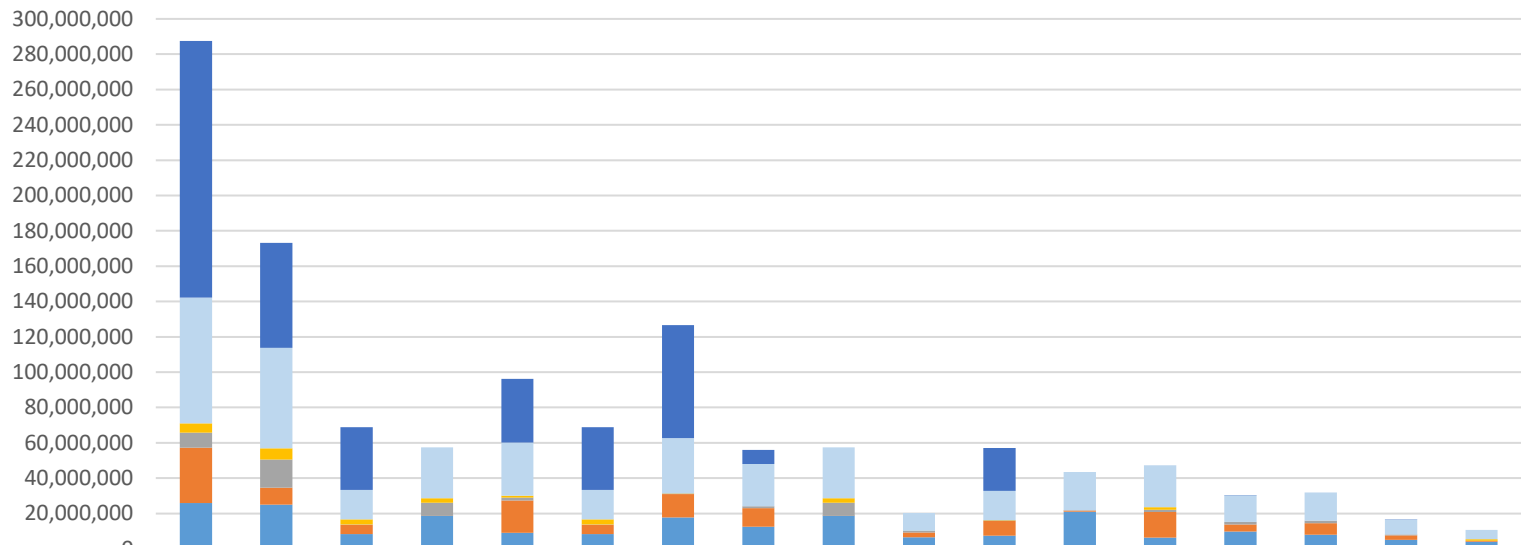


Figure 65 Mining Sector Average PBT 2015 - 2019

Mining: Executive Pay

In the mining sector, Anglo American PLC CEO Mark Cutifani was paid an LTI of over ZAR 145 million, bringing his total remuneration to ZAR 216.4 million. BHP Billiton CEO Andrew MacKenzie came in second on this list with total remuneration of ZAR 116 million. Executive directors in the Mining sector had salary increase of almost 7.1%, while a 4% increase was reported for the average total remuneration for non-executive directors in 2019.

Mining Sector CEO remuneration 2019



	Anglo American plc	BHP Billiton	Kumba Iron Ore Limited	AngloGold Ashanti	Anglo American Platinum	Kumba Iron Ore Limited	Gold Fields	Sibanye Gold	AngloGold Ashanti	Exxaro	African Rainbow Minerals	Glencore Xstrata	Assore limited	Impala Platinum	Harmony Gold	Petra Diamonds	Trans Hex
■ LTI payment ZAR	145,346	59,367	35,579	0	35,943	35,579	63,927	7,898,0	0	0	24,275	0	0	101,000	0	91,148	0
■ Annual remuneration ZAR	71,096	56,882	16,636	28,700	30,092	16,636	31,369	24,019	28,700	10,157	16,365	21,782	23,628	15,151	15,927	8,226,8	5,377,0
■ Other payments ZAR	5,288,4	6,250,0	2,788,0	2,578,0	1,076,7	2,788,0	1,449	0	2,578,0	5,260	154,000	0	1,517,0	0	0	0	914,000
■ Benefits ZAR	8,500,0	16,029	265,000	7,374,0	1,589,2	265,000	350,725	1,016,0	7,374,0	924,389	511,000	57,971	1,340,0	1,404,0	1,373,0	637,815	0
■ Cash bonus ZAR	31,461	9,602,9	5,308,0	142,000	18,382	5,308,0	13,237	10,482	142,000	2,741,9	8,185,0	753,623	14,417	4,008,0	6,531,0	2,439,0	515,000
■ Salary ZAR	25,846	25,000	8,275,0	18,606	9,044,3	8,275,0	17,779	12,521	18,606	6,486,2	7,515,0	20,971	6,354,0	9,739,0	8,023,0	5,150,0	3,948,0

Figure 66 Mining Sector CEO Remuneration 2019

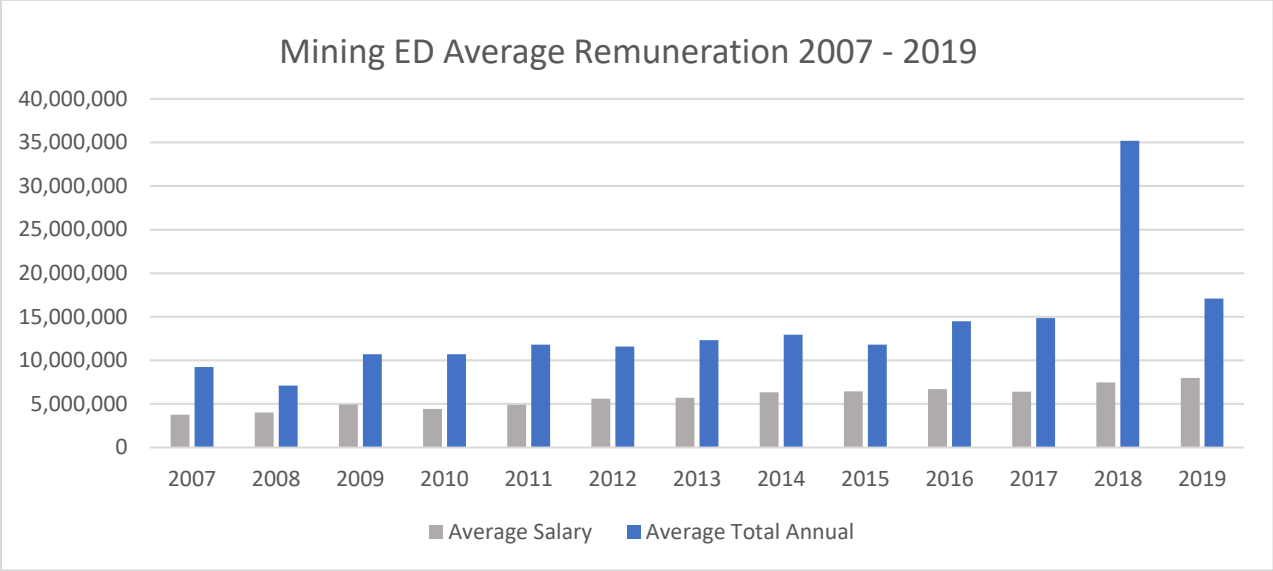


Figure 67 Mining ED Average Remuneration 2007 - 2019

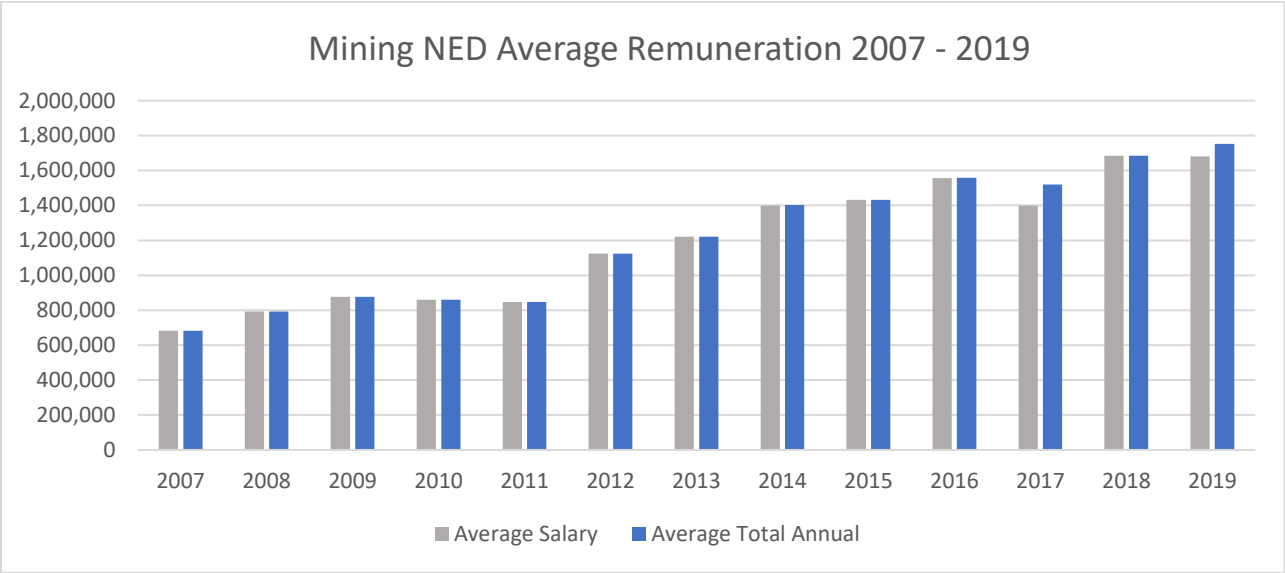


Figure 68 Mining NED Average Remuneration 2007 - 2019

SECTOR REPORT: PAPER AND PACKAGING

Overview

The global paper packaging market was valued at USD 69.91 billion in 2019 and is anticipated to reach USD 88.73 billion by 2025. The increasing consumer consciousness regarding sustainable packaging, as well as the strict regulations imposed by various environmental protection agencies (regarding the use of environment-friendly packaging products) are the factors driving the paper and packaging sector in recent years.

Revenue

Both Mondi Group and Sappi fall within the forestry and paper sector on the JSE, while Nampak limited falls within general industrials. There are only four companies listed on the JSE in the forestry and paper sector, and the LRS's sample represents two of these four. In terms of revenue reported, Mondi Group and Nampak reported decreases of 6% and 15.41% respectively, while Sappi reported an increase of 3%.

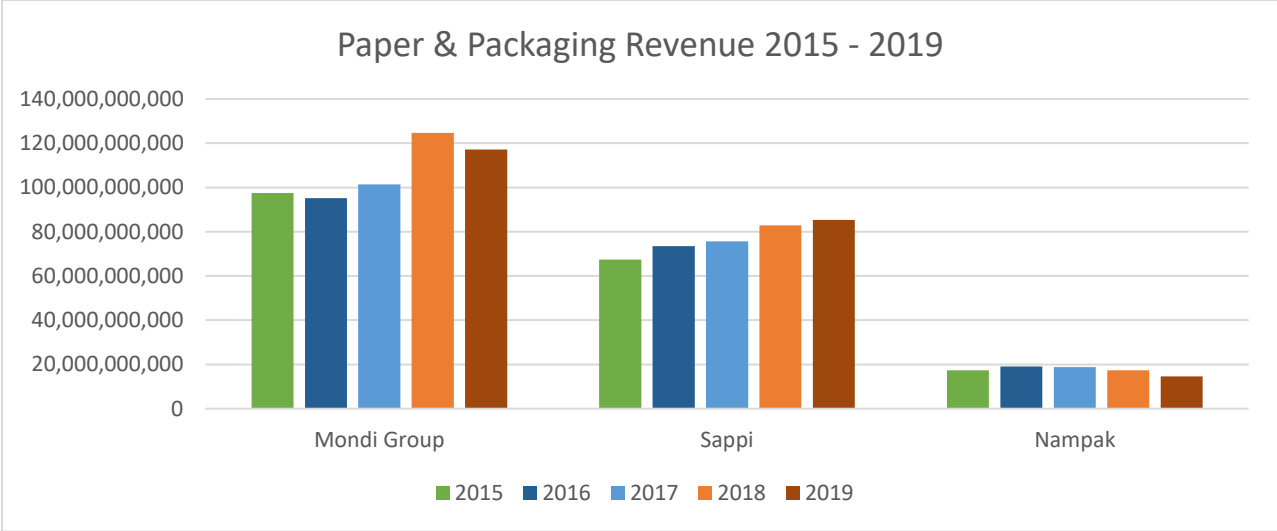


Figure 69 Paper & Packaging Revenue 2015 - 2019

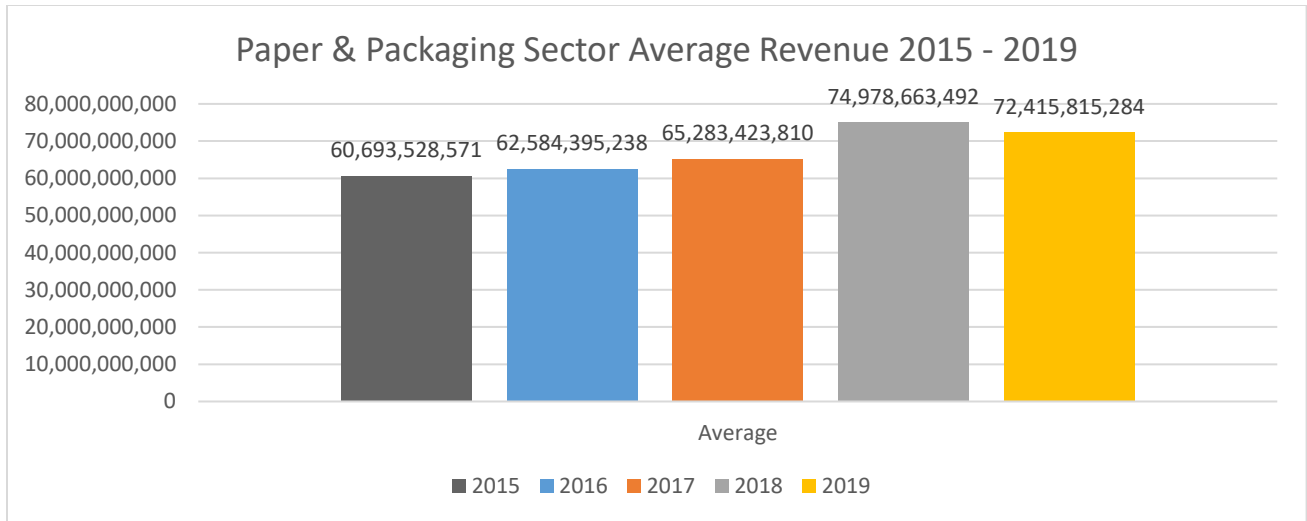


Figure 70 Paper & Packaging Sector Average Revenue 2015 - 2019

Profit

All three companies reported decrease in profit before tax with Nampak reporting the highest decrease of 95.53% for the 2019 year at ZAR 6 million. This is a significant decrease from the 2018 profit before tax of over ZAR 1 billion and it is largely due to over a ZAR1.1 billion loss before tax recorded by disposing of some of Nampak's divisions with protracted period of continued poor performance and cash consumption. Mondi Group reported 12.03% decrease in profit before tax and Sappi with decrease of 26.38%.

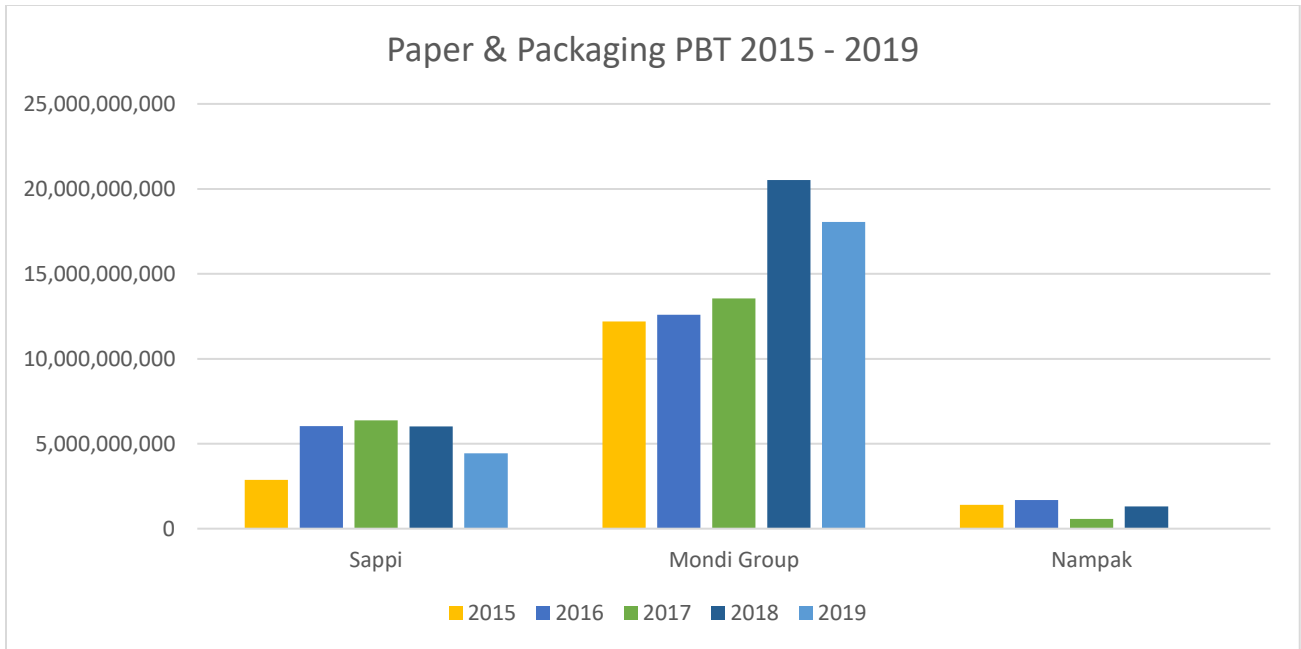


Figure 71 Paper & Packaging PBT 2015 - 2019

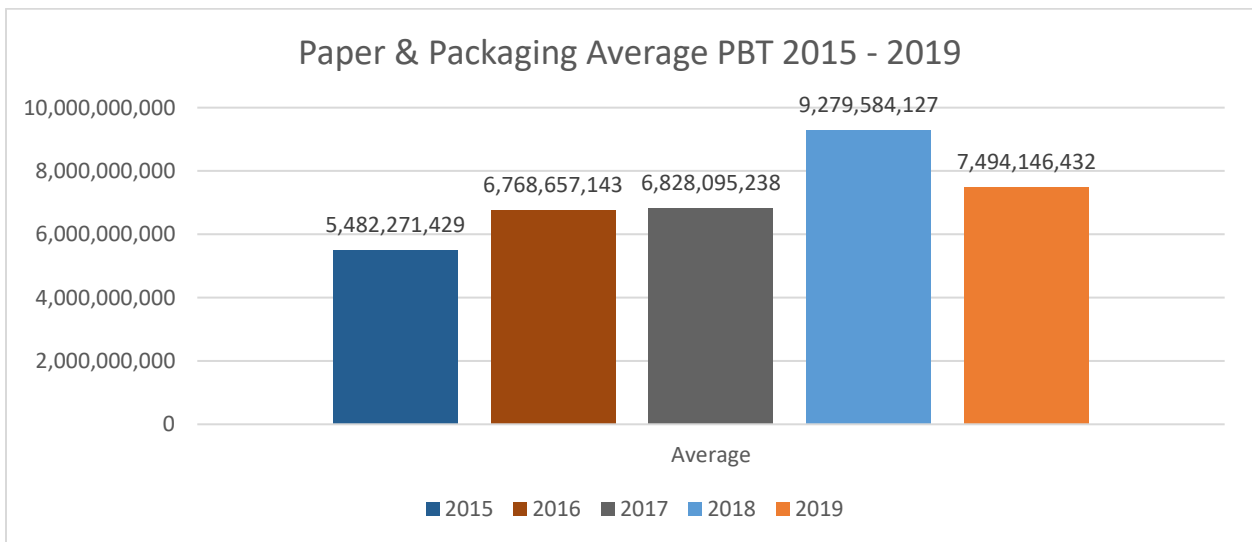


Figure 72 Paper & Packaging Average PBT 2015 - 2019

Paper and Packaging: Executive Pay

In the Paper & Packaging sector, Mondi Group CEO Oswald was paid an LTI of over ZAR 23 million, bringing his total remuneration to ZAR 61 million. Non-executive remuneration went down on average by about 16%.

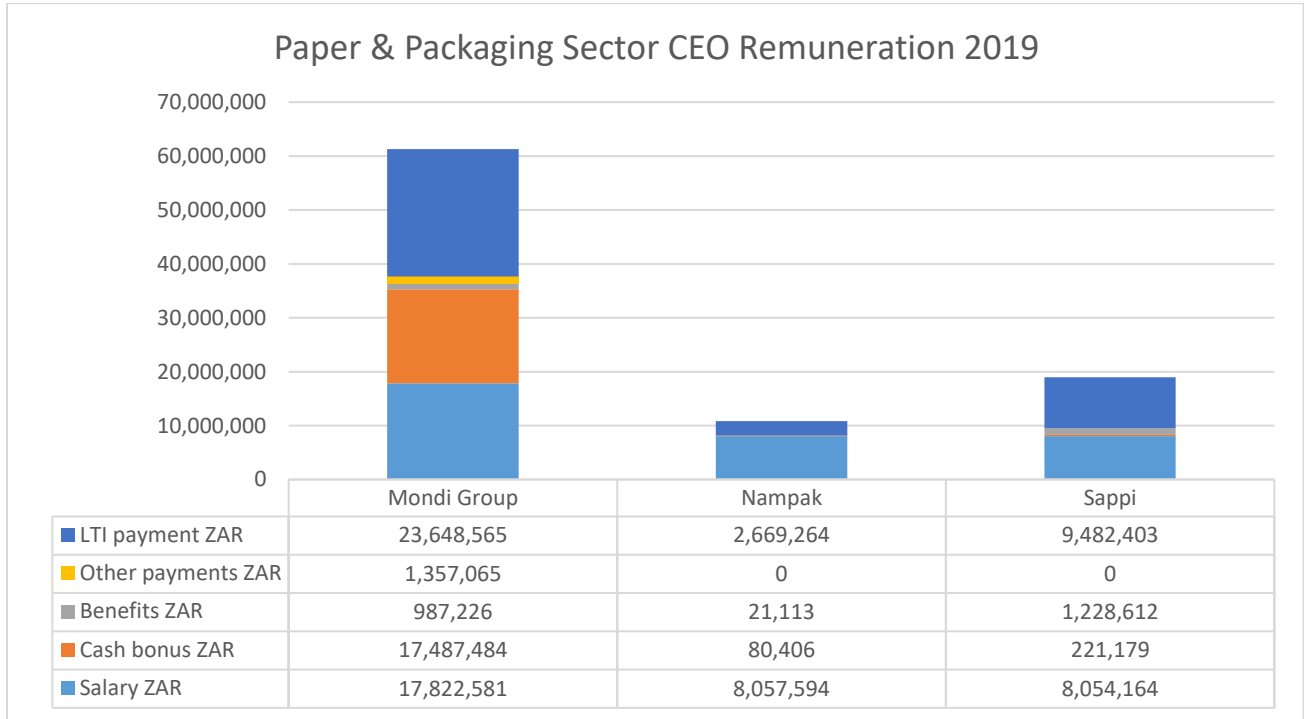


Figure 73 Paper & Packaging Sector CEO Remuneration 2019

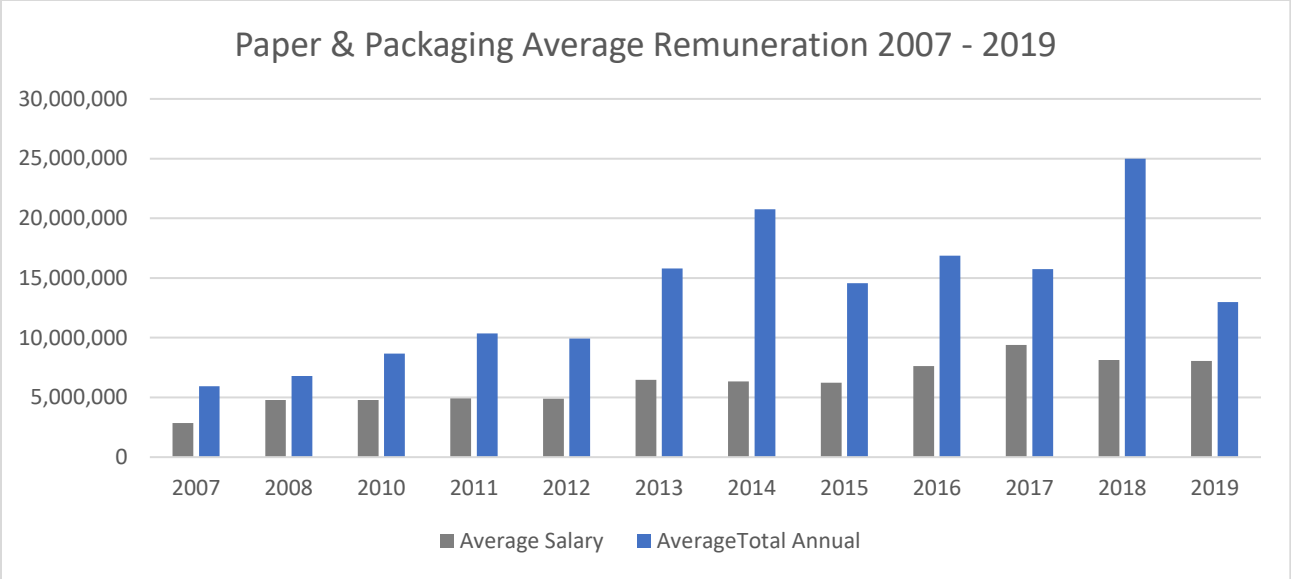


Figure 74 Paper & Packaging Average Remuneration 2007 - 2019

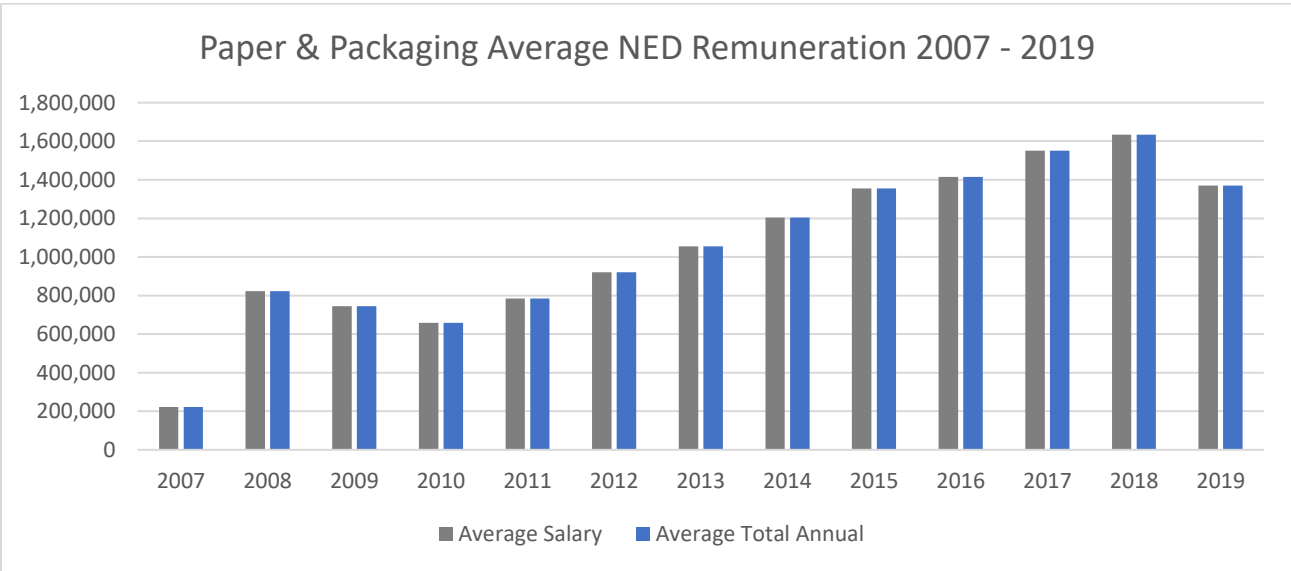


Figure 75 Paper & Packaging Average NED Remuneration 2007 - 2019

SECTOR REPORT: RETAIL

Introduction

In our list of sectors and companies covered, retail is the second biggest employer after Mining. This list of nine companies employed 374,502 (up from 364,827) over the course of the 2019 financial year. The JSE lists 29 companies in the two categories Food & Drug Retailers and General Retailers. Of this list, our sample includes nine companies.

Revenue

On average this list of companies reported a 4.42% increase in revenue in what was termed a difficult consumer environment. Only Truworths reported a decrease in revenue (-6,02%). The biggest increase in revenue was reported by Foschini (8%). Shoprite's, the biggest employer in this sector, revenue grew by 3.50%.

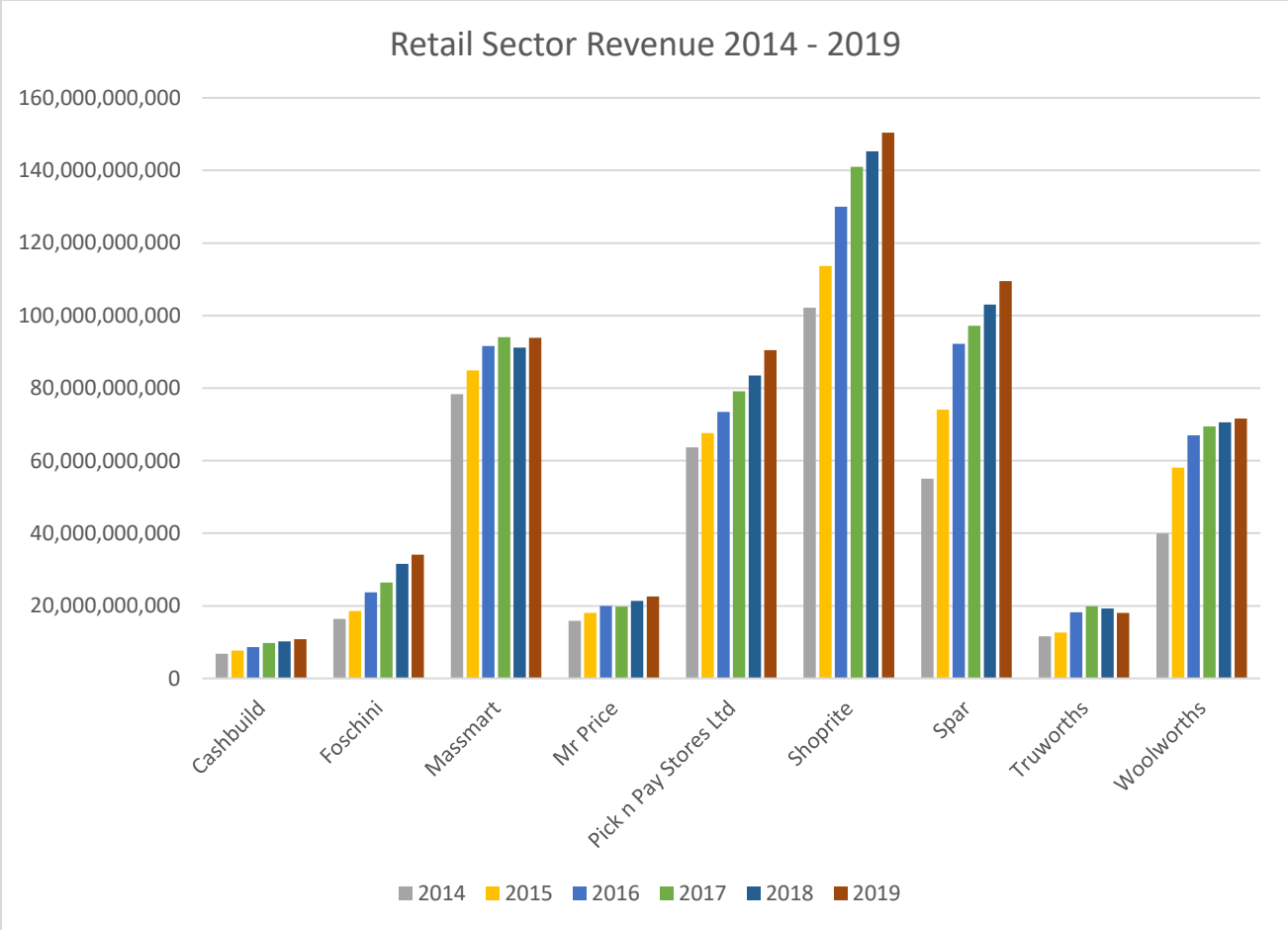


Figure 76 Retail Sector Revenue 2014 - 2019

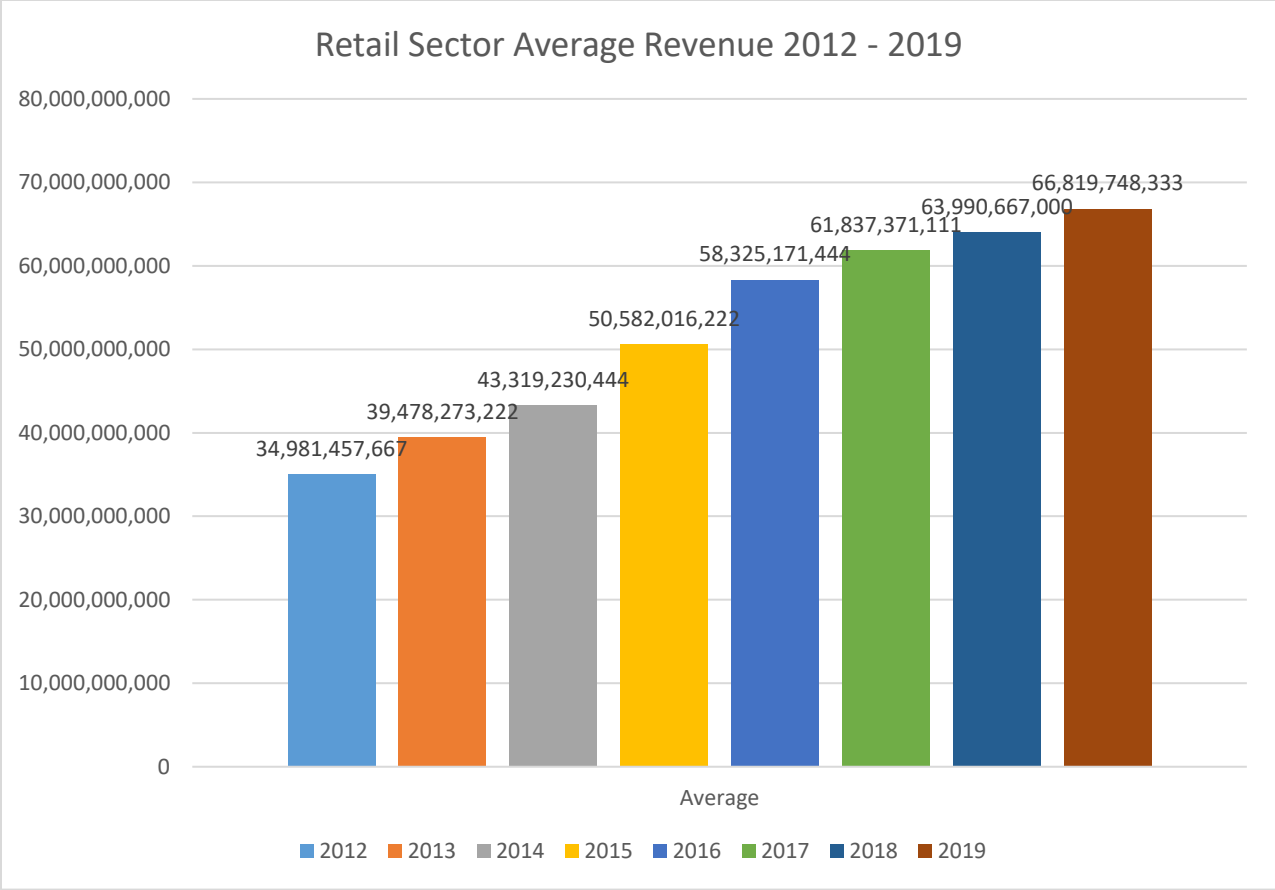


Figure 77 Retail Sector Average Revenue 2012 - 2019

Profit before Tax

Profit before Tax in this sector took a big hit in 2019. On average, reported PBT went down by over 17%. This is largely due to Massmart’s extreme reported loss of over ZAR 1 billion. Woolworths continued to operate at a loss, this year a loss of almost ZAR 2 billion (in 2018 this was almost ZAR 2.5 billion). Pick n Pay reported a 22.96% increase in Profit before Tax, owing to smart business decisions made by CEO Richard Brasher.

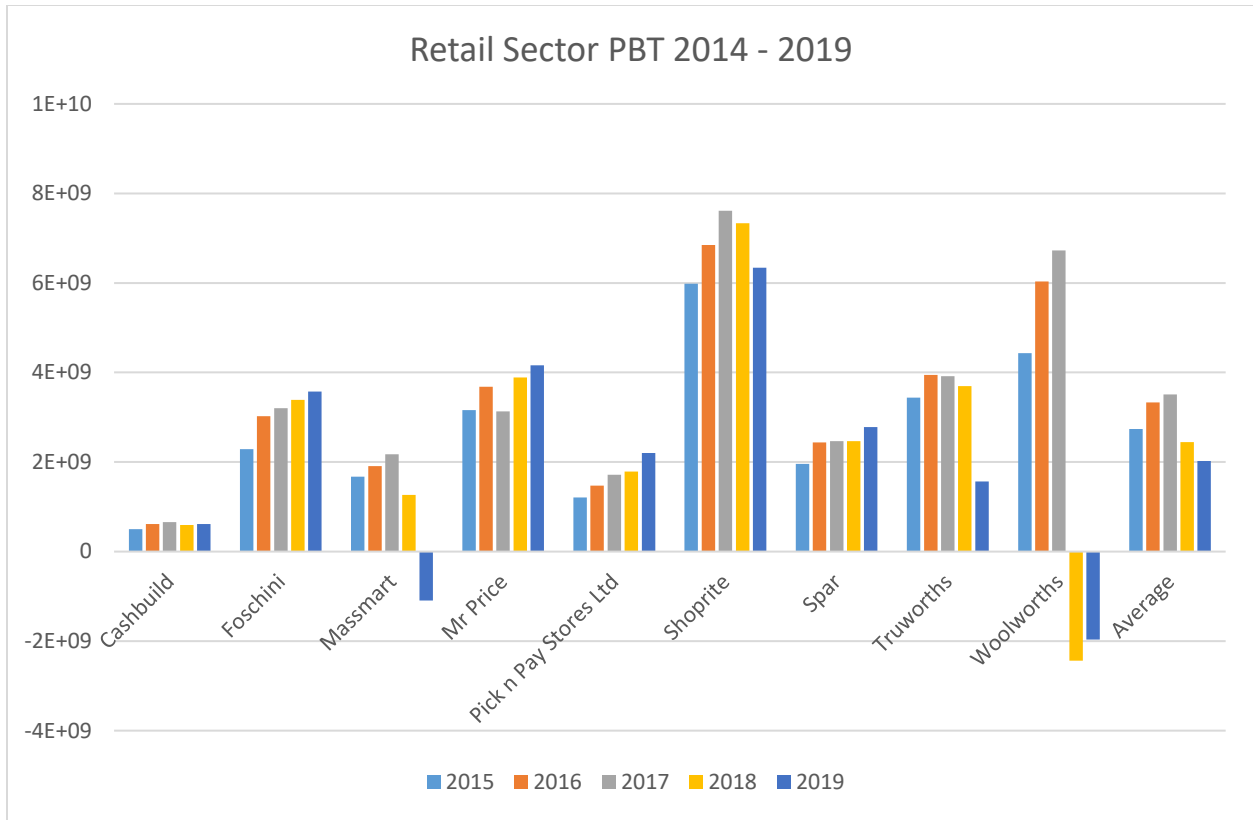


Figure 78 Retail Sector PBT 2014 - 2019

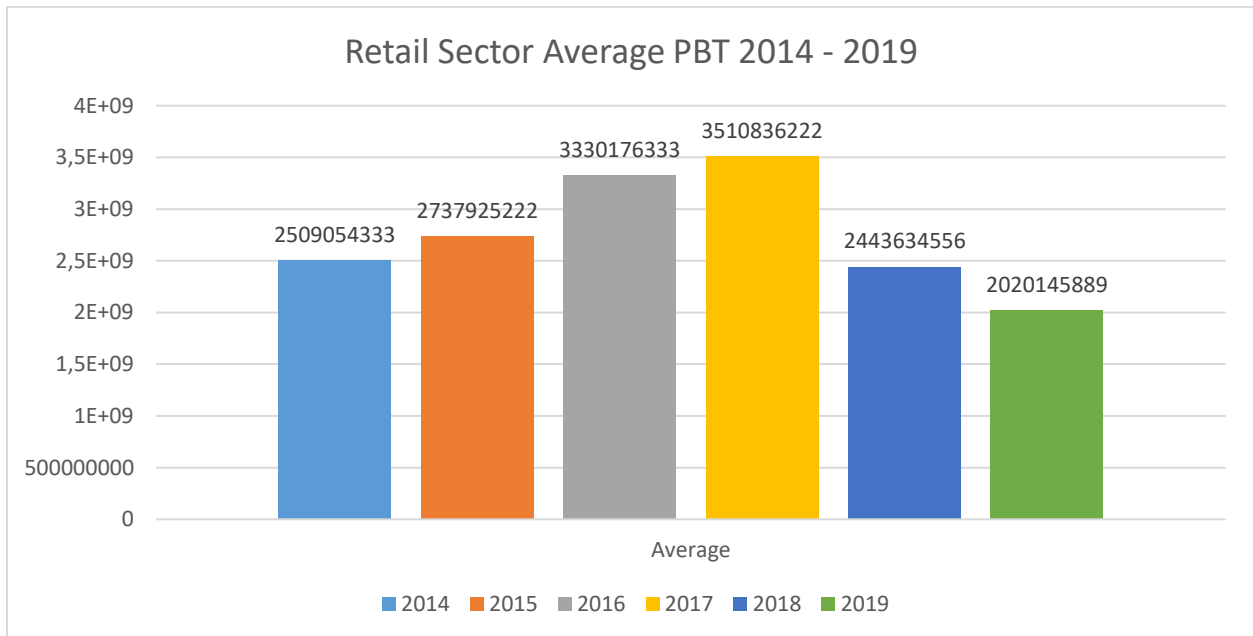


Figure 79 Retail Sector Average PBT 2014 - 2019

Directors' Remuneration

In the retail sector, Foschini CEO Doug Murray received an LTI of over ZAR 50 million, bringing his total remuneration to ZAR 67 million, and making him the top earner in this sector. Pick n Pay CEO Richard Brasher received total remuneration of ZAR 64 million, including an LTI of ZAR 32 million. Shoprite CEO Pieter Engelbrecht was paid ZAR 21 million, with no LTI received in the 2019 financial year. On average CEOs in this sector were paid a salary of ZAR 9 million, and a total remuneration of ZAR 25 million. On average, non-executive director total remuneration went down by 6.27%.

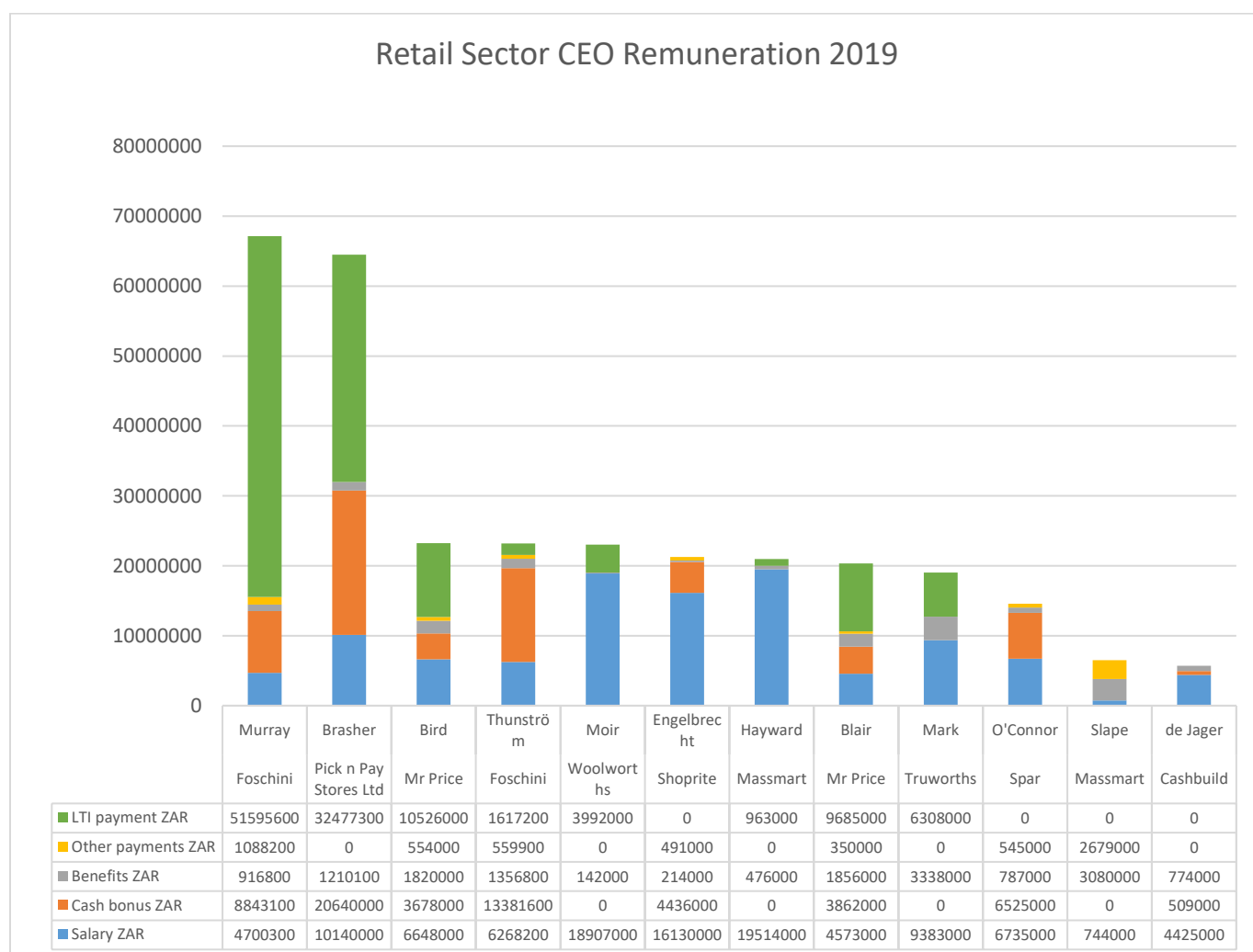


Figure 80 Retail Sector CEO Remuneration 2019

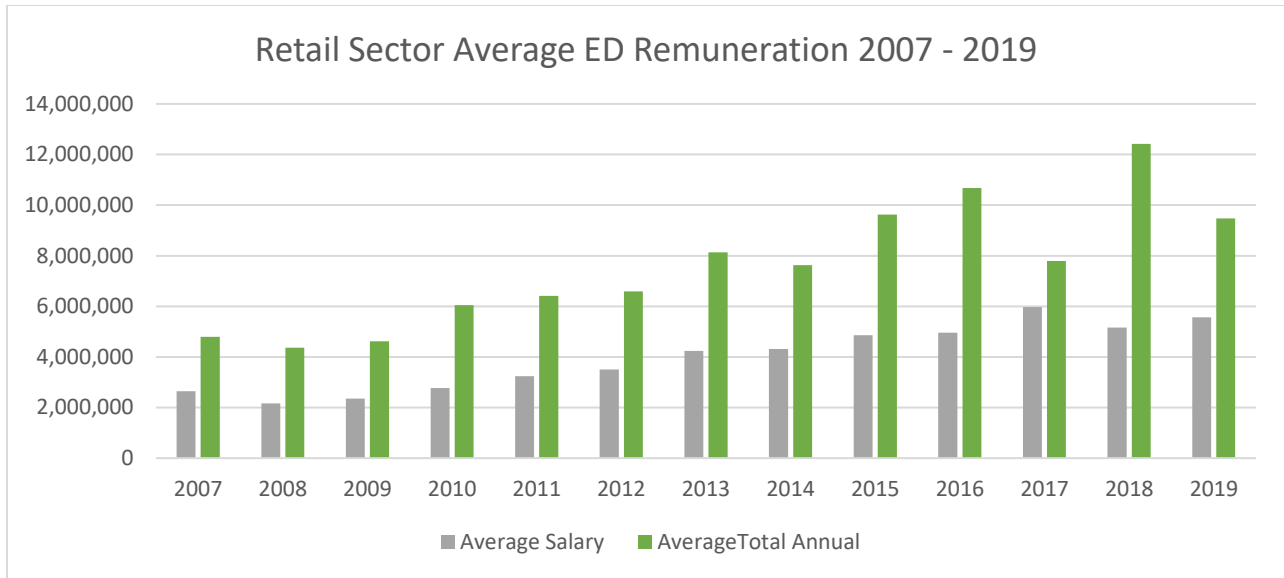


Figure 81 Retail Sector Average ED Remuneration

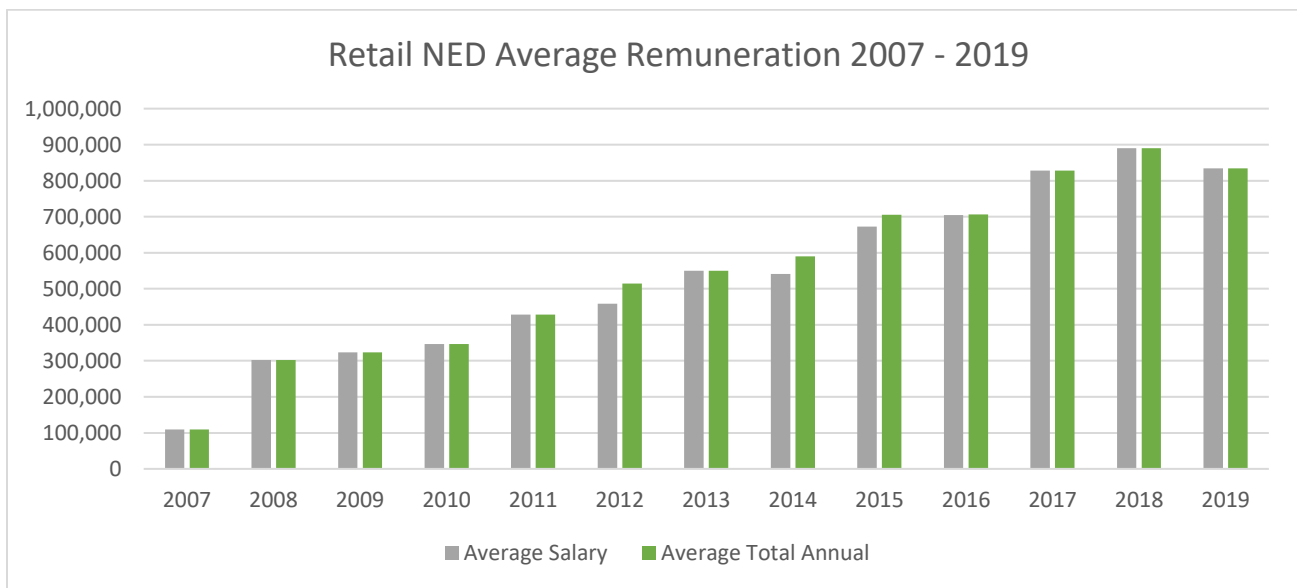


Figure 82 Retail NED Average Remuneration 2007 - 2019

SECTOR REPORT: TECHNOLOGY AND TELECOMMUNICATIONS

Introduction

This report analyses MTN and Vodacom Group Limited which are listed under mobile telecommunications on the JSE, and Telkom which also offers fixed line telecommunications.

Revenue

MTN Group Limited maintained its lead in the technology and communications sector in generating the highest revenue whilst also reporting the largest growth of 12% from R134 billion in 2018 to R151 billion in 2019. Vodacom and Telkom maintained steady revenues of R86 billion and R41 billion respectively.

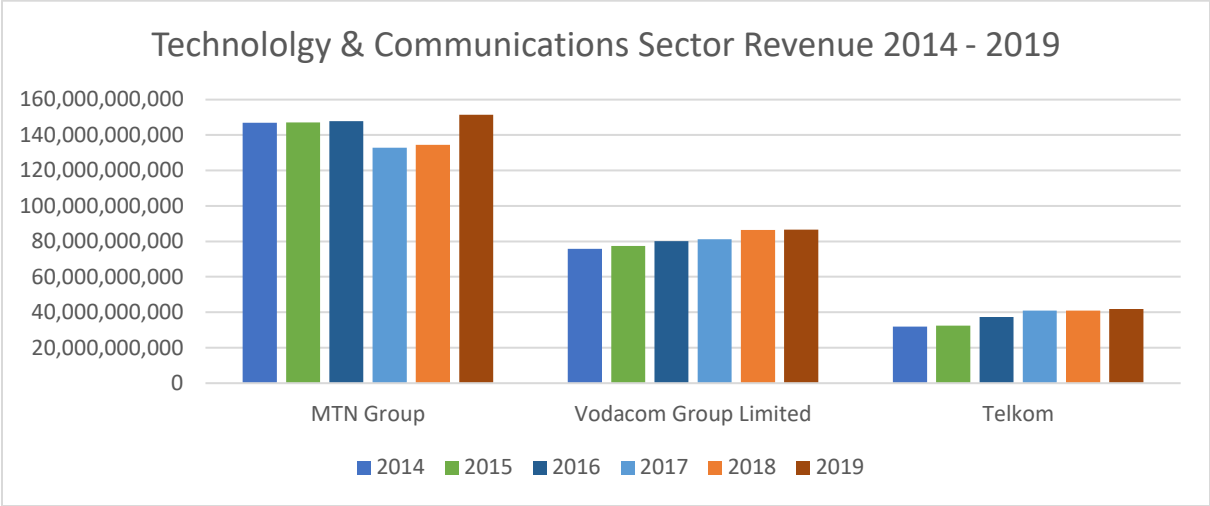


Figure 83 Technology and communications sector revenue 2014-2019

All the companies in the sector maintained positive revenue growth. Therefore, on average, the sector revenue grew by 6% from R7 billion in 2018 to R93 billion.

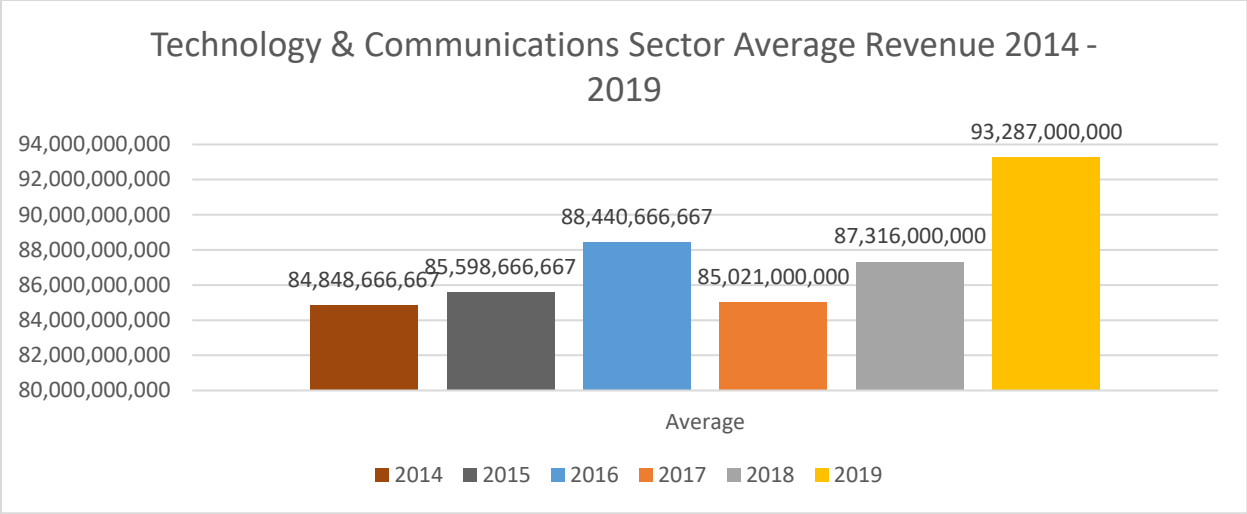


Figure 84 Technology and Communications Sector Average Revenue 2014-2019

Significantly, the technology and communications sector reported the highest average revenue since 2016, and the highest in the last seven financial years.

Profit

Vodacom Group Limited retained its spot as the sector lead after accruing profit before tax of R22 billion in the 2019 financial year with a slight decrease of 0.02% from the 2019 profit figure. Telkom experienced the largest decrease in profit of 6% whilst MTN Group Limited recorded the highest growth in profit of 17% from R15 billion in 2018 to R17 billion in 2019.

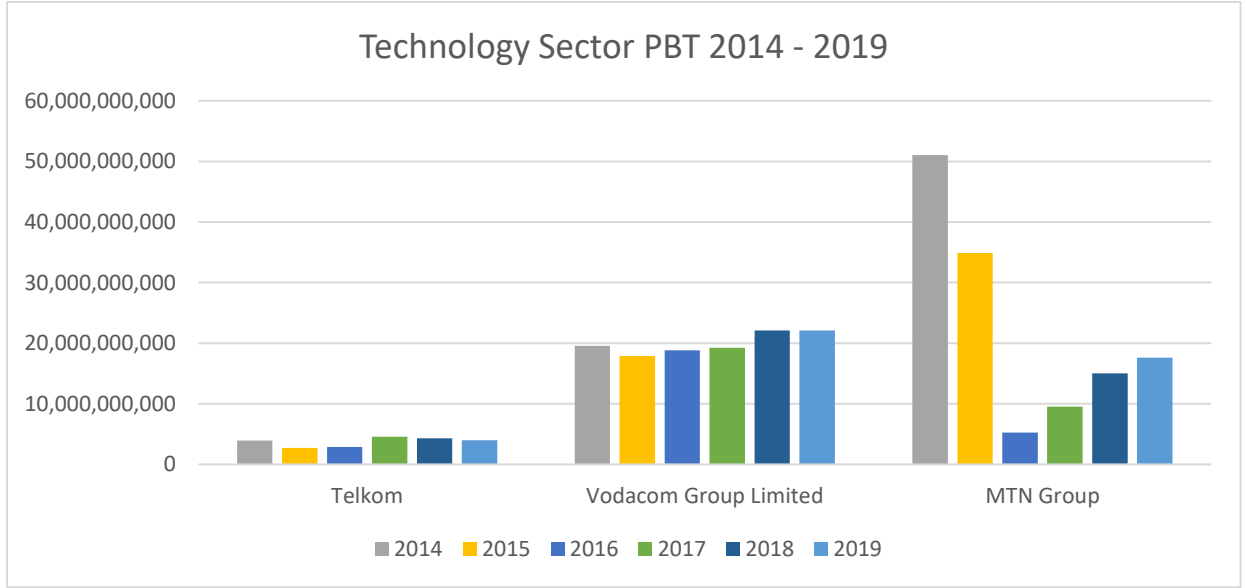


Figure 85 Technology and Communications Sector Profit Before Tax 2014-2019

Notwithstanding that Vodacom reported no positive increase in profit, average profit in the sector increased by 5% from R13,7 billion in 2018 to R14,5 billion in 2019. This is largely attributable to the growth in MTN’s profits which are steadily increasing after they dropped in 2015.

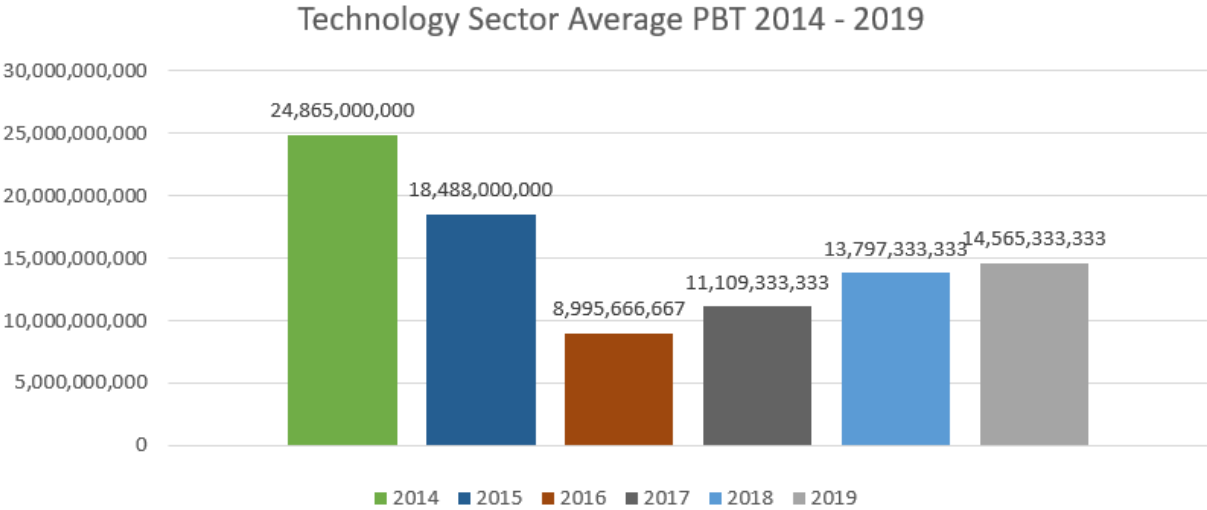


Figure 86 Technology and Communications Sector Average Profit Before Tax 2014-2019

Directors’ Remuneration

MTN Group CEO Rob Shutter received total remuneration of R58,2 million in the 2019 financial year. In addition to a R17 million annual salary, he received a cash bonus over R27 million and a long-term incentive payment of R10 million. Vodacom’s chief executive officer Aziz Joosub to home R43 million owing to a R21,5 million LTI and a cash bonus and salary of roughly the same amount.

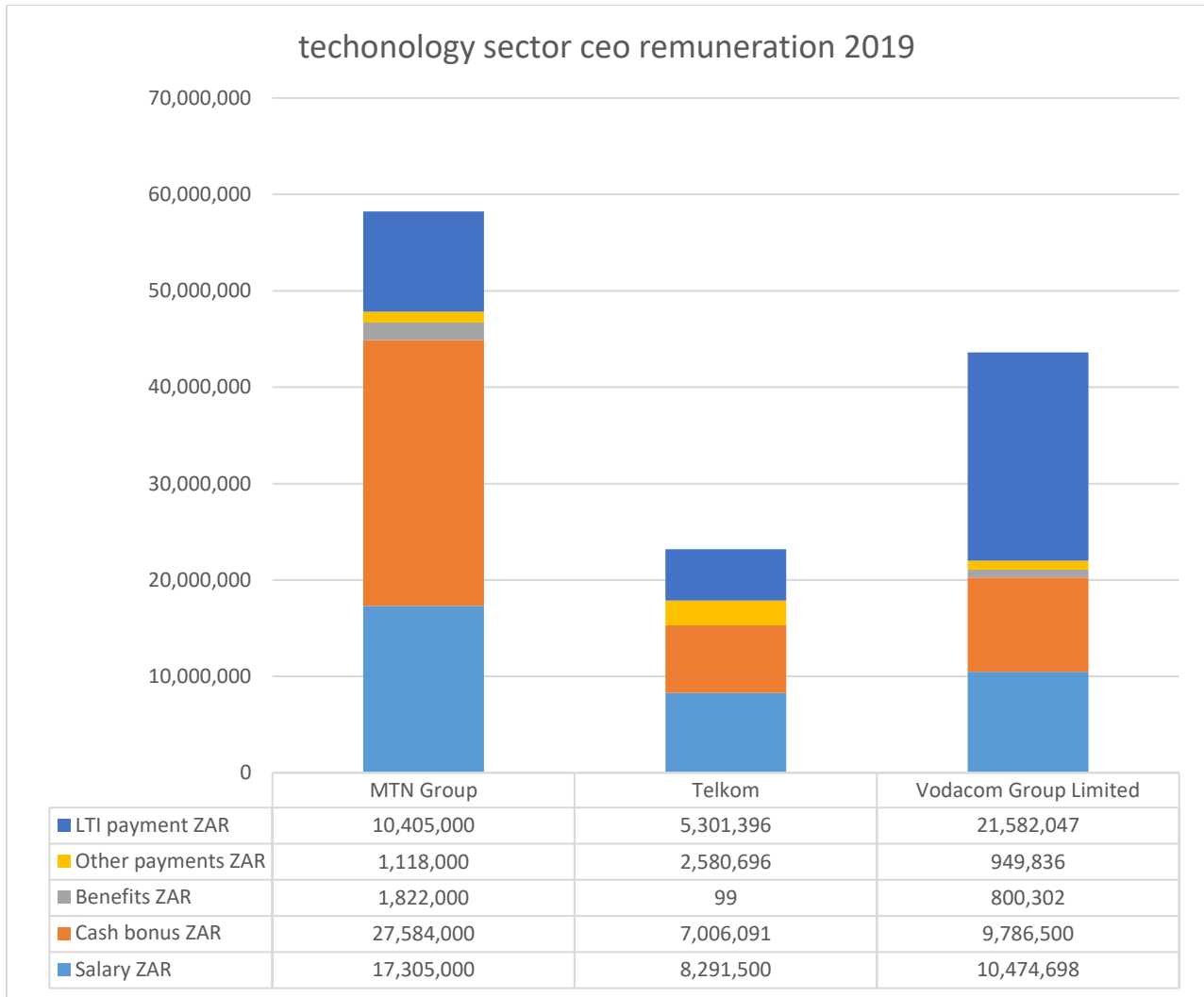


Figure 87 Technology and Communications Sector 2019 CEO Remuneration

There are seven executive directors in the sector and their average salary decreased by 8% in the 2019 financial year from R8,7 million to R8 million in 2019. Total executive remuneration decreased on average by 16% from R30,1 million to R25, 2 million in the current financial year.

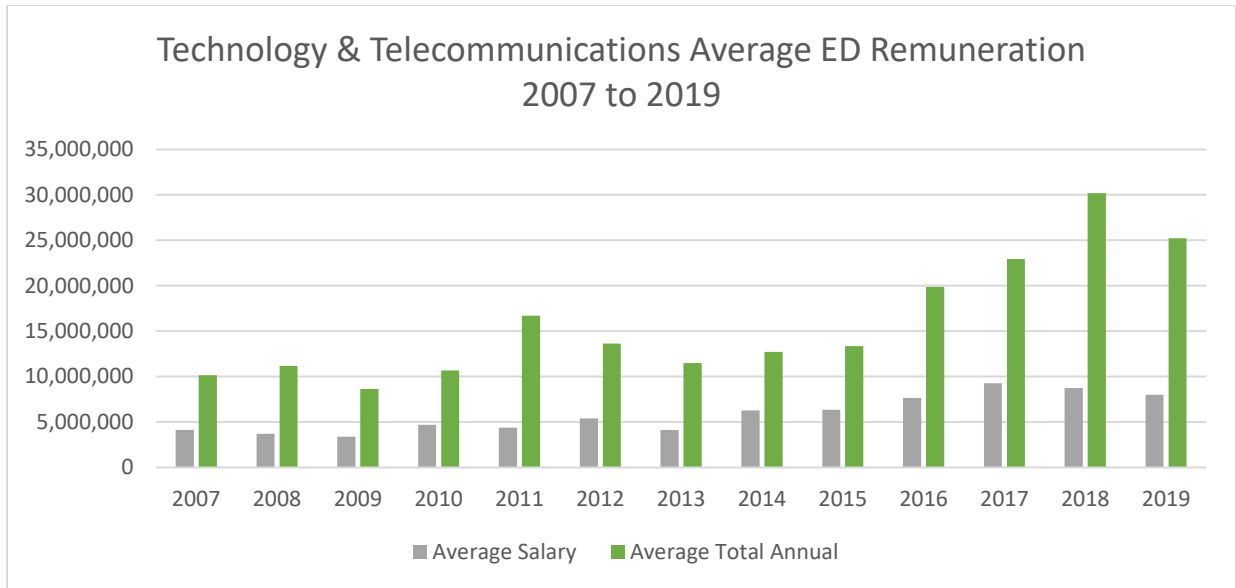


Figure 88 Technology and communications sector average executive directors' remuneration 2007-2019

Non-executive directors' average remuneration for the 45 non-execs increased by 6% from R1,1 million in 2018 to R1,2 million in 2019.

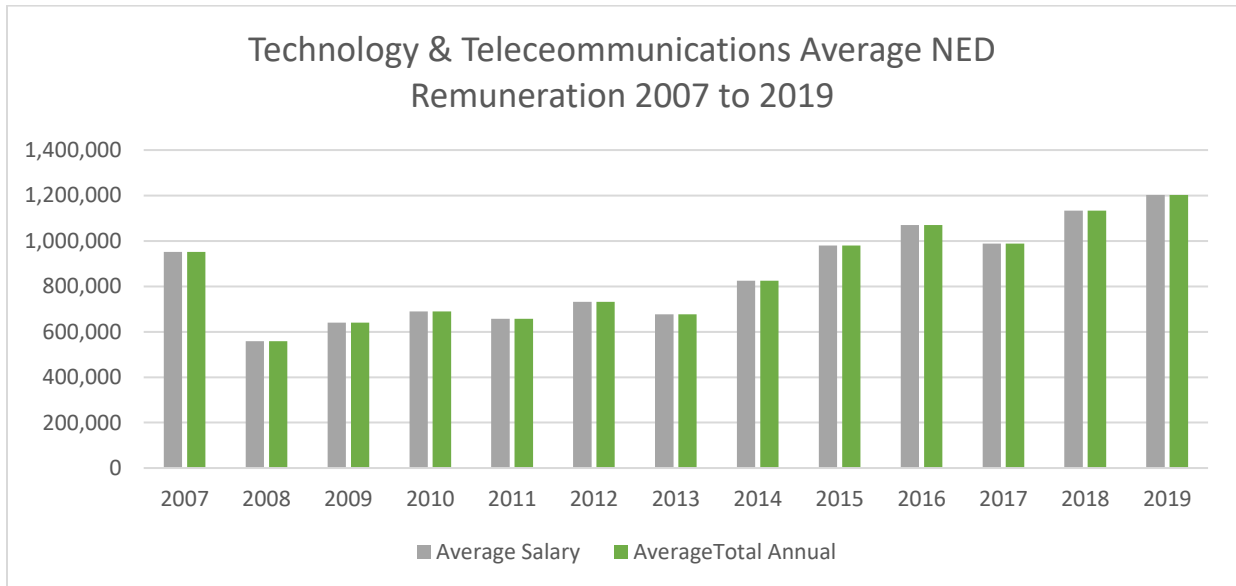


Figure 89 Technology and Communications Average Non-Executive Directors' Remuneration 2007-2019

Conclusion

South Africa's global ranking for internet speed was at 96 for fixed bandwidth and 60 for mobile broadband³². This was despite increasing calls for data prices to fall owing to the increased cost

³² <https://www.icasa.org.za/uploads/files/State-of-the-ICT-Sector-Report-March-2020.pdf>

of accessing the internet³³. Telecommunications companies MTN and Vodacom continue to play a key role in providing network coverage and control at least 70% of the cellular industry³⁴. Following the competition commission's ruling ordering MTN and Vodacom to cut their data prices by 30 to 50 percent, the sector may adjust to these changes in ways which could involve job losses owing to decreasing revenue.

³³ <https://www.iol.co.za/business-report/economy/data-must-fall-vodacom-mtn-called-out-on-data-prices-spectrum-issue-brushed-aside-38503614>

³⁴ <https://mg.co.za/article/2019-12-06-00-from-data-must-fall-to-data-for-all/>

SECTOR REPORT: TRANSPORT

Overview

South Africa’s commercial activity and economic performance are closely linked to its ability to transport goods both within and beyond its borders. Although South Africa’s transport infrastructure is among the best on the continent, lack of investment in recent years has led to high usage costs.

Revenue

This sample of companies represent a mix of industrial transportation and general retailers, all operating in the transport sector. We have added government-owned Transnet. In terms of revenue, on average these companies reported a decrease 30.28%. Grindrod reported an increase in revenue of 12%. Transnet reported year on year revenue increase of 1.62%. Cargo Carriers delisted from the JSE and is therefore not included in this report.

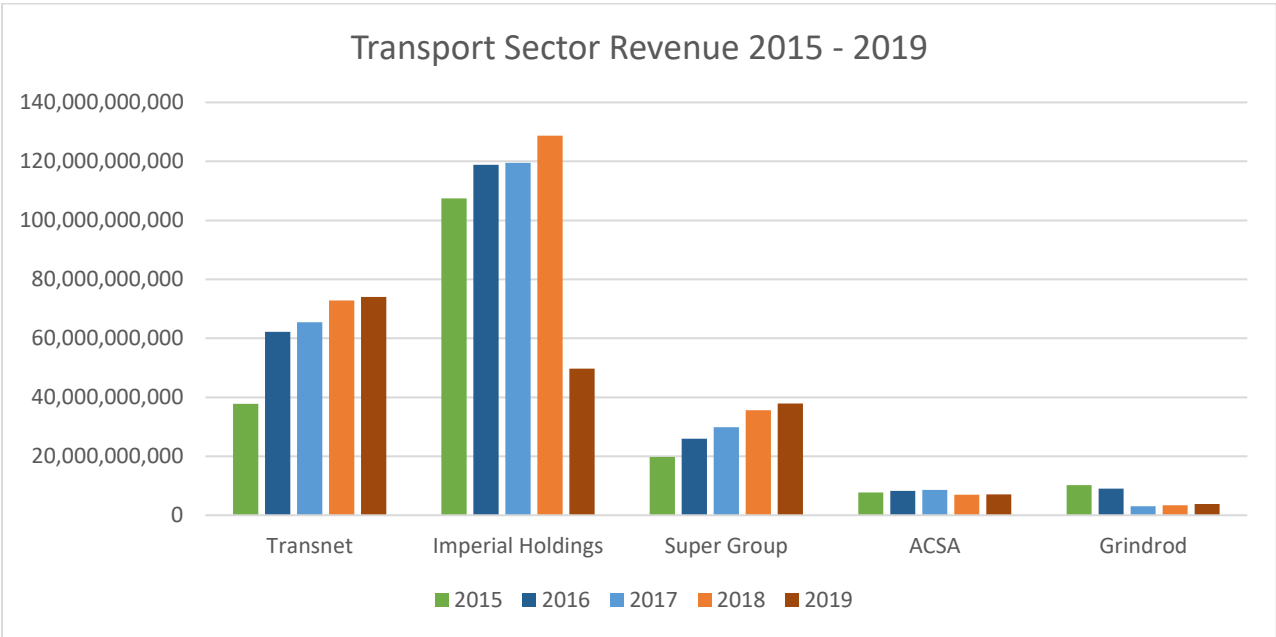


Figure 90 Transport Sector Revenue 2015 - 2019

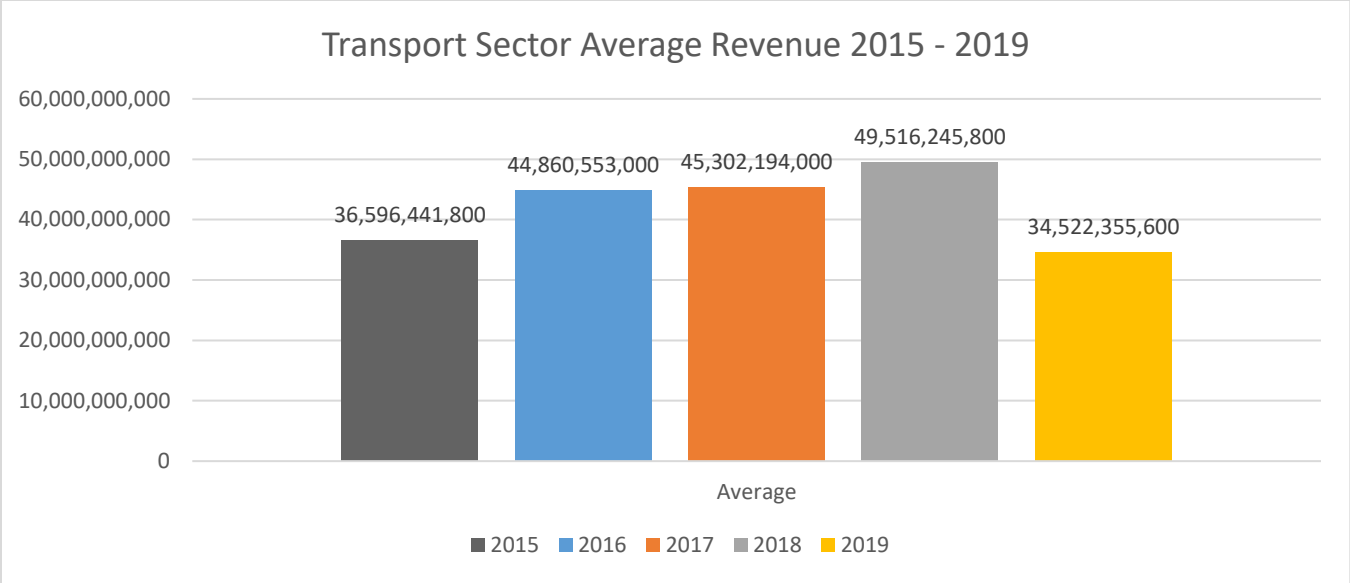


Figure 91 Transport Sector Average Revenue 2015 - 2019

Profit

All companies in the sample aside from ACSA and Imperial Holdings reported an increase in profit before tax. Grindrod re-presented the 2018 profit before tax for the impact of the International Financial Reporting Standards (IFRS) 5 Non-Current Assets Held for Sale and Discontinued Operations, which gives a 52.1% increase in 2019. Transnet reported an increase in profit of 12.48%.

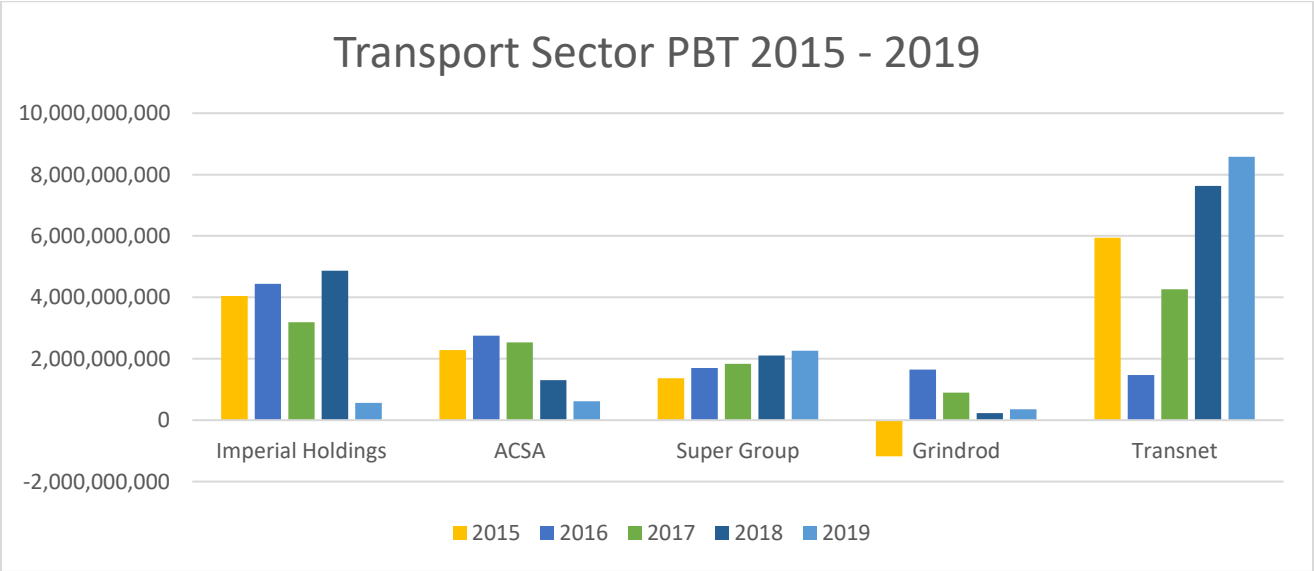


Figure 92 Transport Sector PBT 2015 - 2019

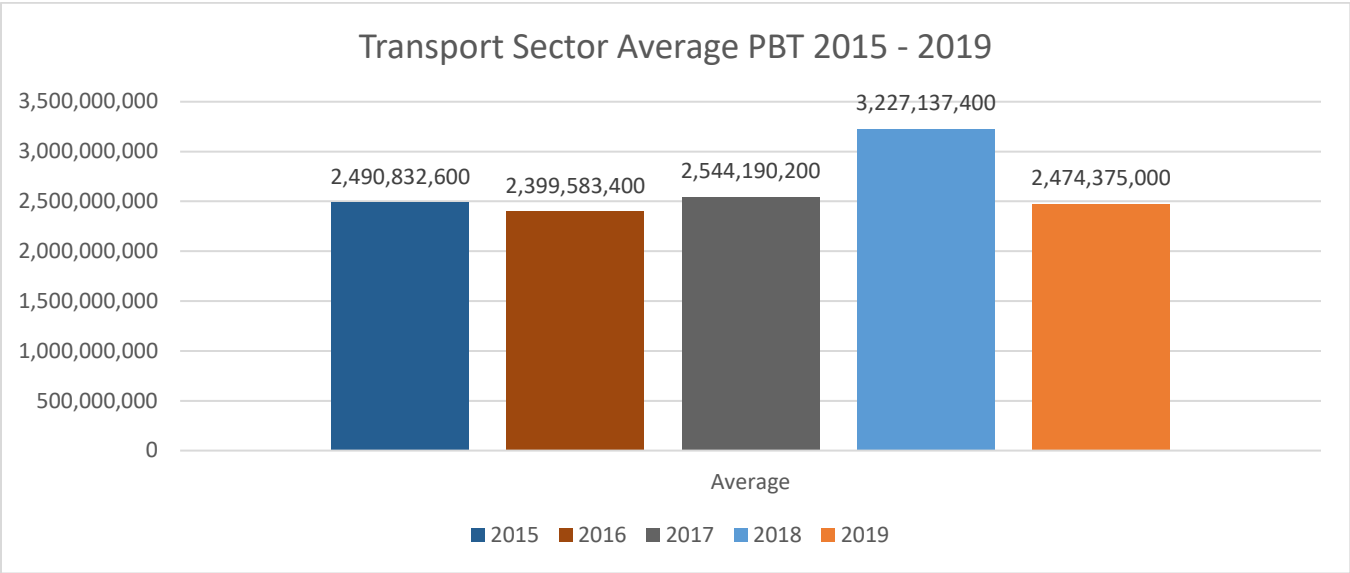


Figure 93 Transport Sector Average PBT 2015 - 2019

Directors' Remuneration

In the transport sector, CEOs earned on average total remuneration of ZAR 10.8 million. At the top of this list is Imperial Holdings CEO Mohammed Akoojeewho received a total remuneration paycheck of ZAR 23.7 million. Average non-executive remuneration went up by 10.5%, while average executive remuneration went down by almost 5%.

Transport Sector Annual CEO Remuneration 2019



Figure 94 Transport Sector Annual CEO Remuneration 2019

Transport Average ED Salary 2007 - 2019

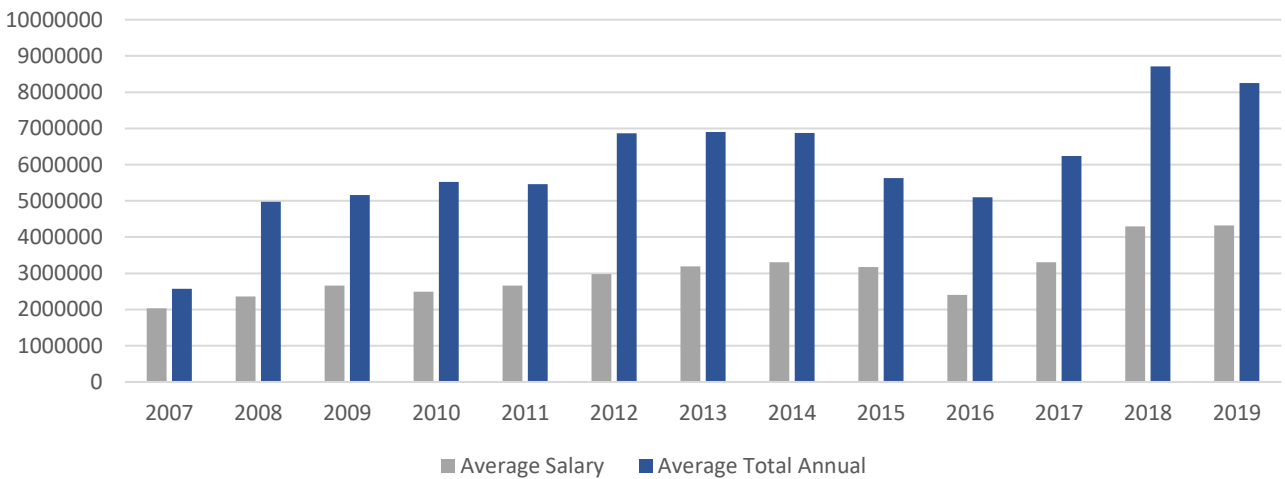


Figure 95 Transport Average ED Salary 2007 - 2019

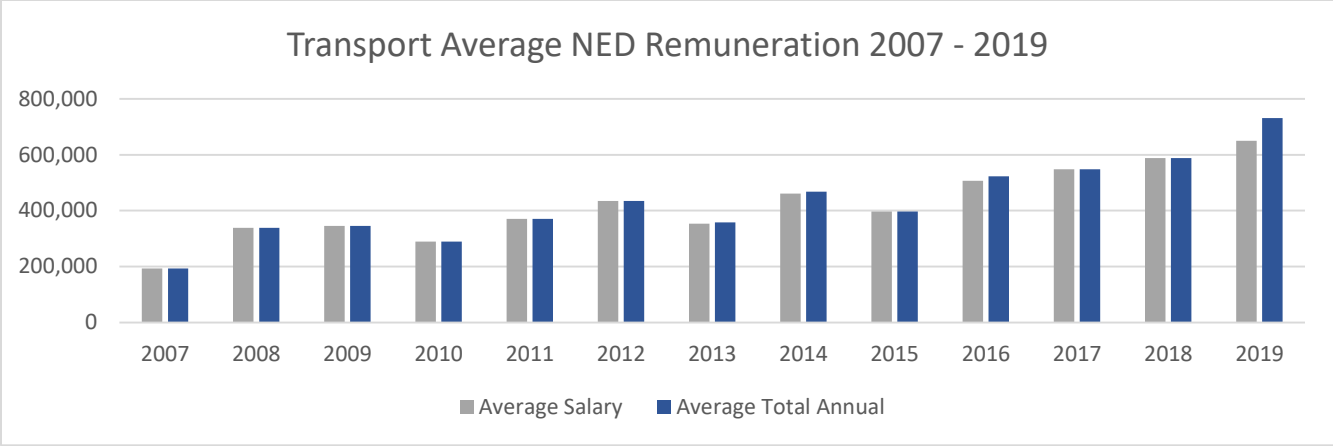


Figure 96 Transport Average NED Remuneration 2007 - 2019