SOUTH AFRICAN MNCS IN AFRICA – TRENDS IN 2011/2012

A report covering MNCs submitted by Global Unions

CONTENTS

INTRODUCTION TO THE PROGRAMME

This is the second report looking at trends in key indicators for South African Multinational Corporations operating in Africa. In 2011, following discussions with the Global Unions in Africa, it was decided that in order to engage strategically with multintional companies, key information concerning their performance, operations and governance should be tracked. This information should enable unions across Africa representing workers within these companies to organise, campaign and build solidarity more successfully, based on sound empirical information. With this information as a tool, unions, and workers, have a better chance for achieving victories at the bargaining table and for transforming the way companies operate on the continent. (LRS, 2011).

It is with this focus that the study in 2011 was conducted. The work this year updates that information on the same SA MNCs within the context of the 2011 / 2012 year.

Following the publication of the third King Committee Report on Corporate Governance, as well as the Code for Responsible Investing by Institutional Investors in South Africa (CRISA), there is greater pressure on companies to publish more extensive information on their social and environmental impact and responses in their annual report to shareholders. It was therefore decided to include key indicators of social and environmental reporting in the trend report in order to track company compliance with these recommendations and also begin to compare what companies are saying about their records in relation to the felt experience of them in their host countries of operation. This year therefore the report shows the first year of reporting on company CSR and environment. This is at a preliminary level and it is hoped that the focus and depth of the information will develop as the labour movement gathers behind these issues. The inclusion of information on MNC environmental reporting will also facilitate broader alliances with civil society in challenging company strategy and behaviour across operations. This is particularly relevant in the extractive industry sector which by its nature has a large environmental impact and where many South African MNCs are operating across the continent. Further it will assist trade unions with investments in companies to be able to assess company performance on another level. Workers in companies will be able to compare their experience in company operations to how environmental impact is reported on by management. Over time, improvements and changes in these conditions can be monitored.

Objective

The orientation of this report is, as last year, practical, aimed at giving aggregated feedback to the Global Unions on nominated SA MNCs operating on the continent so that this information can be used as a tool in their work. The ultimate aim then is to equip the people who face the problem to respond to the problem, that is the national affiliates of Global Unions organising in South African MNCs across Africa.

Overview – Foreign Direct Investment in Africa in 2011 / 2012

In updating the World Investment Report for 2011, published July 2012 UNCTAD notes that Global Foreign Direct Investment (FDI) inflows in 2011 have returned to pre-crisis levels despite turmoil in the global economy, although they are still 23 per cent short of the 2007 peak. MNCs (or Transnational Corporations (TNCs) as they are termed in the report)international production, that is, production in operations outside of the home country has grown considerably. Globally these host country operations now employ an "estimated 69 million workers, who generated $28 trillion in sales and $7 trillion in value added, some 9 per cent up from 2010". This statement underlines how important the foreign operations of multinationals are to both the MNCs and to the countries in which they operate. They would be even more important if the companies invested a greater deal of the value created by workers in those host countries. However, thus far, this extra value that has been created has not been invested but is, according to the report, being held in cash and we wait to see how the companies choose to invest their money.

As noted in 2011 and again this year foreign direct investment **into** Africa continues to decline for a third year. However, this decline is put down to very specific cases of "political instability" in North Africa, traditionally large receivers of global FDI. When sub-Saharan Africa is separated out from this it shows a real recovery from $29 billion in 2010 to $37 billion in 2011, a level comparable with 2008, this is attributed to a rebound of FDI to South Africa in particular. Other factors noted are the continuing rise in commodity prices and a relatively positive economic outlook for sub-Saharan Africa. Inward FDI is also becoming more diverse, growing beyond the traditional and still dominant investors in the extractive industries into services such as banking, retail and telecommunications, as witnessed by an increase in the share of services FDI in 2011. This is said to be due mainly to the rise of a middle class on the continent. This diversity is also evident in the group of companies chosen for the sample in this report.

FDI **from** Africa accounts for a much smaller share of outward FDI from developing economies than do Latin America, the Caribbean and developing Asia. It fell by half in 2011, to $3.5 billion, compared with $7.0 billion in 2010. Again, the report puts the majority of this fall down to the political instability in North Africa. Divestments by South African MNCsanother major outward investor in Africa, also pulled down the total. Despite this, it is noted that that developing countries are picking up the slack where developed countries have slowed their investment in Africa. South-South FDI is rising from 45 per cent of the total in 2010 to 53 per cent in 2011 in greenfield investment projects.

Despite this rise, given the economic uncertainty of the last 12 months, UNCTAD predicted the growth rate of FDI to slow in 2012, with flows levelling off at about $1.6 trillion for the year, the midpoint of the current range. Even so, half of that global total will flow to developing and transition economies. And amongst them Africa is seen as a promising though risky investment destination. Strong economic growth, on-going economic reforms and high commodity prices have improved investor perceptions of the continent. Investors see that FDI in Africa can produce high profits: a high extraction of surplus value for shareholders. Data on the profitability of United States FDI shows a 20 per cent return on investment in Africa in 2010, compared with 14 per cent in Latin America and the Caribbean and 15 per cent in Asia. While FDI is generally viewed as positive for the region, the repatriation of profits to investors means that much of the value of that investment leaves the host countries rather than fostering development. In some cases too, even the tax due to be paid in the host country is avoided. The Guardian newspaper has reported on the discovery by Action Aid that Associated British Foods, owner of Illovo is avoiding paying millions of pounds of tax in Zambia. The Zambian sugar-producing subsidiary of Associated British Foods, a FTSE100 company, contributed virtually no corporation tax to the state's exchequer between 2007 and 2012, and none at all for two of those years. The firm, Zambia Sugar, has recently posted record pre-tax profits and its huge plantation is increasing its capacity to produce more sugar for markets in Europe and Africa. Yet it paid less than 0.5% of its $123m pre-tax profits in corporation tax between 2007 and 2012[1].

Despite the above predictions, Africa does not feature strongly in the list of destinations in developing and transitional economies based on a survey of 174 MNCs for the UNCTAD report. Of the top 20 destinations for their business, only South Africa features, at number fourteen.

A further note of the long way that African countries have yet to run in the investment race is signified by the UNCTAD: UNCTAD FDI Contribution Index which ranks economies on the basis of the significance of FDI and foreign affiliates in their economy, in terms of value added, employment, wages, tax receipts, exports, research and development (R&D) expenditures, and capital formation (e.g. the share of employment in foreign affiliates in total formal employment in each country, and so forth). These variables are among the most important indicators of the economic impact of FDI. According to the index, in 2011 Index shows relatively higher contributions of foreign affiliates to local economies in developing countries, especially Africa, in value added, employment, export generation and R&D expenditures. The biggest contribution however remains in South Africa rather than in the rest of Africa where only Morocco and Egypt feature in the top 50.
African countries still feel highly dependent on foreign investment for development financing which can be a dangerous thing when developing and implementing labour and environmental laws that may restrict the freedom of foreign investors who put pressure on governments to be more liberal in this regard. How can unions assist and engage with governments to ensure that investment supports equitable and sustainable development in home and host countries while building or maintaining a generally favourable investment climate? On the other hand, the inability of countries to utilise or access the value of the FDI to nurture their development indicates the difficulty in turning jobs and research into the fruits of long-term value.

South Africa into Africa

It has been noted that In the past twenty years, the share of developing and transition countries in the global foreign direct investment (FDI) outflows has doubled, reaching 16 per cent of the total FDI outflow. Apart from China, Brazil, Hong Kong, India, Malaysia, Mexico, Russia, South Africa, South Korea, Singapore, and the UAE, together account for almost 80 per cent of the total FDI outflows from the South in 2010. Most of the investment flows from developing countries go to other developing and transition economies.

Significantly, although the numbers are not broken down to regional levels, the UNCTAD report notes that about half of greenfield investments in Least Developed Countries (LDCs) which includes most of Africa, came from other developing economies, mostly India and China but also South Africa which invested $2.3 billion in 27 projects. Although the numbers of projects reported by these three countries are the highest since data collection started in 2003, in value terms more than 70 per cent of investment from India and more than 80 per cent from South Africa were directed to two extractive projects in Mozambique.

The latest information shows that there is little to no slowing of MNC, both South African and beyond, activity on the continent. The value that is generated by workers on the continent must be made transparent so that progress can be made on aligning workers' wages and conditions to the value that they continue to increase for owners.

Research Process

1. The same companies that were used in last year's programme were again tracked for 2011/ 2012 results although their inclusion in the programme was confirmed with the African representatives of the Global Unions BWI, IndustriALL, IUF, ITF, PSI and UNI. This serves both to build a greater idea of the trends operating in the companies over time and should also assist in building relationships with the unions organising in the company operations and so facilitate the collection and analysis of worker data from Global Union Affiliates.

2. A similar template for information from Global Union Affiliates was designed although focused on fewer items and now distributed through an online survey mechanism in an attempt to garner a higher level of responses from

[1] Daniel Boffey, British sugar giant caught in global tax scandal, The Guardian, 9 Februry 2013, http://m.guardian.co.uk/business/2013/feb/09/british-sugar-giant-tax-scandal

Affiliates. Completed information was again input into the on the database. This activity again highlights some of the training needs in trade unions that will be picked up at a later stage.

3. As the database is now live online, the information included from both company reports and union information as well as sector and company reports is available immediately for free download from the LRS and FES websites at http://www.lrs.org.za/mnc

RESULTS

Companies, Sectors, GUFs and Year Ends Included in the research

TABLE 1: SOUTH AFRICAN MNCS SUBMITTED BY GLOBAL UNION REPRESENTATIVES TO BE INCLUDED IN THE STUDY

Company Name	Sector	Latest year end	Global Union	GA signed?
Standard Bank Group	Banking & Financial Services	31-Dec-11	UNI	No
WBHO	Construction	30-Jun-11	BWI	No
Illovo	Food & Beverage	31-Mar-12	IUF	No
SABMiller	Food & Beverage	31-Mar-12	IUF	No
Network Healthcare Holdings	Health	30-Sep-11	PSI	No
Sun International	Hospitality	30-Jun-11	UNI	No
Eskom Holdings Limited	Industrial	31-Mar-12	IndustriALL	No
AngloGold Ashanti	Mining	31-Dec-11	IndustriALL	Yes
De Beers Family of Companies	Mining	31-Dec-11	IndustriALL	No
Gold Fields	Mining	31-Dec-11	IndustriALL	No
Sappi	Paper & Packaging	30-Sep-11	IndustriALL	No
Massmart	Retail	30-Jun-11	UNI	No
Pick n Pay Stores Ltd	Retail	29-Feb-12	UNI	No
Shoprite	Retail	30-Jun-12	UNI	Yes
MTN Group	Technology & Telecomms	31-Dec-11	UNI	No
Vodacom Group Limited	Technology & Telecomms	31-Mar-12	UNI	No

The sample covers a range of sectors although most strongly represents mining and retail, two of the sectors that were first to make inroads into Africa.

Variables included in the study

The database generated reports based on the following company variables drawn from company Annual Reports and from the responses of questionnaires as submitted by the GUFs from their national affiliates. The two new areas included are the CSR reporting and the Environmental reporting.

TABLE 2: VARIABLES INCLUDED IN COMPANY ANALYSIS

Section	Variables	Source
Company Information	Contact details, SE listings, Main shareholders	Company Annual Reports, website
Company Performance	Revenue, Profit before tax	Company Annual Reports, website
Director Fees	Salary, benefits, bonus, Long term Incentives	Company Annual Reports, website
Operations	Locations, employment	Company Annual Reports, website
Unionisations	Unions organising, union density	National Affiliate Questionnaire
Worker Wages	By form of employment	National Affiliate Questionnaire
The Wage Gap	Workers' wages compared to the CEO	National Affiliate Questionnaire
CSR Reporting	Level and content of reports	Company Annual Reports, website
Environmental Reporting	Level and content of reports	Company Annual Reports, website

KEY INDICATORS

OWNERSHIP – MAJOR SHAREHOLDERS

In the majority of cases as previously, the **South African Government Employee Pension Fund** remains one of the top five shareholders in each of these companies, as is their policy for companies listed on the JSE. In three cases it is the largest single shareholder in the company. What this means is that government employees, and the unions they belong to, hold a significant stake in the MNCs that are spreading throughout Africa, and this capital power should be explored. In this case it is South African Government Employees including members of NEHAWU, SADTU, POPCRU and

SAPU that are not only members of the pension fund, and therefore the indirect owners of capital, but also sit on the board of trustees of the fund and so have a say in how it invests. How can unions leverage this investment power[2] not merely to protect workers, but to advance their interests? This share ownership entitles workers to the "economic franchise" - the right to a say in decision-making at the level of the company, the industry and the economy. To supplement the traditional collective bargaining strategy, unions continue to develop an economic, a political, and an investment strategy to achieve that goal[3].

In Eskom the South African Government is the sole shareholder. The other Government shareholder is the Government of Botswana which owns 15 per cent of the De Beers Group, the other 85 per cent owned by AngloAmerican following the buy-out of the Oppenheimer Family earlier in the year. Sun International is a listed company but is quite tightly held. Shareholding is dominated by the Sun International Investments No. 2 (treasury shares), a wholly owned subsidiary of the Company and Dinokana, a BBBEE consortium.

However, this is not as tight as the ownership hold which remains at the big retailers, Shoprite Checkers and Pick n Pay, and now also Massmart/Walmart where the biggest single shareholder is a single person or family heavily connected to the management and governance of the company. In the case of Shoprite Checkers it remains Chairman Christo Wiese (the CEO Whitey Basson is also a major shareholder), and in the case of Pick n Pay the Ackerman family holds more than half the voting shares through Pick n Pay Holdings which they dominate. Following the majority buy-out of the South African discount retailer Massmart by the retail giant Walmart from the USA, over 50 per cent of the company is now owned by a Walmart subsidiary. Walmart is in turn majority owned by its founding family, the Waltons, which means that Massmart is now likewise majority owned by this single family. This highly centralised form of ownership is reflected in how decisions concerning workers conditions in operations across Africa are made where every query and dispute must be taken up back at head office.

Foreign and Local Ownership

A with last year, the proportion of South African MNC shares that are foreign-held is large and rising. Massmart, before it was purchased by WalMart in 2010 / 2011, was already 72 per cent foreign owned according to their own reports and is by the latest calculations over 90 per cent foreign owned. Already last year we listed Standard Bank, SABMiller, Vodacom and Illovo as not only majority foreign owned but majority owned by a single foreign entity, in effect making them subsidiaries of those companies. While our focus up to now in MNC studies has been on SA MNCs as it was decided that it was here that unions could have the greatest impact on their behaviour in Africa, it is becoming less clear whether this is true as they themselves may be taking orders from elsewhere. Further, with such heavy foreign ownership, the question of repatriation of profits, not just from operations outside South Africa but from South Africa itself, the so-called home country, becomes a pressing issue as money generated in a host country does not necessarily stay there and benefit the local economy.

Operation locations

Apart from South Africa, the sample companies operate in 28 countries in Africa alone, indicating the increasingly wide reach of South African capital. The location of the operations of these companies has not changed much although the number of operations in existing locations may have increased. Small changes are noted however, where before five companies operated in Zimbabwe, the number is up to six for the latest year, a similar increase in the number of companies operating in Mauritius and Democratic Republic of Congo is noted.

However, the UNCTAD reports that only South Africa among African countries is listed in the top twenty developing nations as a likely destination for MNC investment in the medium term in a list compiled from surveying MNCs themselves. This may still indicate the role of South Africa as the gateway to Africa, with foreign companies seeking a secure foothold in South Africa prior to spreading their footprint across the continent. However, it may also be a result of the group of multinationals chosen for the survey which may not include South African multinationals among them.

TABLE 3: TOP AFRICAN LOCATIONS OF SOUTH AFRICAN MNCS OUTSIDE OF SOUTH AFRICA

Host country	Number of sample companies with operations	Number of sample companies with operations

[2] Young, G. 1993. "Will trade unions continue to play a progressive role in South African Society", South Africa, unpublished.
[3] ibid

	in country 2010/2011	in country 2011/2012
Swaziland	10	10
Zambia	10	10
Botswana	9	9
Lesotho	9	9
Ghana	8	8
Mozambique	8	8
Namibia	7	7
Tanzania	7	7
Malawi	6	6
Nigeria	6	6
Uganda	6	6
Zimbabwe	5	6
Mauritius	4	5
Angola	3	3
Congo, Democratic Republic	2	3

Other locations:

- Two companies - Guinea , Kenya, Madagascar, Mali
- One company - Benin, Cameroon, Ethiopia, Guinea-Bissau, Liberia, Rwanda, Sierra Leone, Southern Sudan, Sudan

Company Performance

Sales & Profit

Last year's reported hinted at an increase in profits for the sample companies in 2011. The full sample shows that indeed the SA MNCs showed a recovery in sales in the year, although these are still not up to pre-2008 levels. However profits in 2011 show an average forty per cent increase in 2011 building on strong results in 2010. This suggests that companies are extracting more value out of their sales than before, through cost cutting. Does this cost cutting include labour costs, the first place that companies try and save money? This needs to be investigated. In a small preliminary 2012 sample, revenue continues to make a strong recovery. Preliminary indications from the six companies that have reported show small decline in profit for the year, due to poor results at Pick n Pay and slightly weaker results at Illovo. However, it is probable that this will change when the whole sample, which includes the big resource companies which seem to have turned a corner in 2010, report.

TABLE 4: REVENUE AND PROFIT IN THE SAMPLE COMPANIES

	Number of companies in sample	Average Revenue ZAR	Average PBT ZAR	Change in Average Revenue	Change in Average Profit
2007	8	56,033,400,000	11,229,342,500		
2008	16	47,691,922,438	5,839,451,500	-15%	-48%
2009	16	52,638,673,500	4,995,826,813	10%	-14%
2010	16	44,502,107,188	5,830,308,938	-15%	17%
2011	16	46,304,144,250	8,165,389,625	4%	40%
2012	6	58,497,864,500	7,813,545,000	26%	-4%

FIGURE 1: AVERAGE REVENUE AND PROFIT CHANGES AT SA MNCS

	2007	2008	2009	2010	2011	2012
Average Revenue ZAR	R 56 033 40	R 47 691 92	R 52 638 67	R 44 502 10	R 46 304 14	R 58 497 86
Average PBT ZAR	R 11 229 34	R 5 839 451	R 4 995 826	R 5 830 308	R 8 165 389	R 7 813 545

Directors' Fees

The fortunes of the directors of the sample companies do not appear to be intimately tied to the fortunes of the companies they manage. Average Salaries for CEOs continued to climb in 2011 to around R7.5 million as a basic wage. In 2012 this trend looks set to continue as the smaller sample shows an average already pushing through to R9 million. As before benefits and bonuses more than double the income of CEOs to an average of R15.7 million in 2011. Although down on 2010, the third key component of executive pay, the pay-out from long-term incentives (LTI) or share plans, added, on average, another R12 million to CEO fees in 2011 so that the final average total of over nearly R28 million bares very little relation to the original "wage" which makes up only a quarter of that figure.

CEO fees in the sample group

TABLE 5: CEO FEES 2007 – 2011/2012

	No. of CEOS	Average Salary	Average Annual Remuneration	Average LTI payment	Average Total	Change in Salary	Change in Annual Remuneration	Change in Total
2007	8	5,997,518	14,065,417	8,532,773	22,598,190			
2008	17	5,254,527	11,445,885	2,082,352	13,528,239	-12%	-19%	-40%
2009	16	6,157,441	11,828,519	3,838,817	15,667,337	17%	3%	16%
2010	18	5,925,929	11,815,398	38,181,120	49,996,518	-4%	0%	219%
2011	15	7,418,726	15,703,083	12,076,060	27,779,144	25%	33%	-44%
2012	7	9,040,407	13,275,215	1,554,075	14,829,291	22%	-15%	-47%

➔De Beers figures not included as they do not report directors' fees.

TABLE 6: EXECUTIVE DIRECTORS' FEES 2007 - 2011

	No. of Executives	Average Salary ZAR	Average Annual Remuneration	Average LTI	Average Total ZAR	Change in Salary	Change in Annual Remuneration	Change in Total
2007	26	3,221,264	7,495,603	5,152,245	12,647,848			
2008	51	3,007,995	6,704,611.02	2,867,273	9,571,884	-7%	-11%	-24%
2009	54	3,176,239	6,621,344	4,467,585	11,088,930	6%	-1%	16%

2010	50	3,631,919	7,485,525	14,521,117	22,006,643	14%	13%	98%
2011	48	4,016,077	9,831,452	6,735,231	16,566,684	11%	31%	-25%
2012	27	3,884,898	6,675,908	532,015	7,207,924	-3%	-32%	-56%

➔De Beers figures not included as an unlisted company they do not report directors' fees.

Workers' Wages

In their latest Annual Reports, the MNCs included in the study reported a total of 560, 916 workers across operations, a slight decrease on 2010. However there is neither a standardised method used for categorising nor for counting workers in companies. This results in a profusion and confusion of labels which tell us very little about the actual workers performing tasks – full-time permanents, flexitimers, full-time equivalents, permanent flexi-timers, casuals, contractors, non-permanent workers, variable timers, labour brokers, service providers and more. The way that the number in the Annual Report is calculated leaves these categories opaque. For example, in the Massmart/Walmart report notes 32 439 FTEs (Full time equivalents) which are defined to 'include all permanent employees and the permanent equivalent of temporary employees and contracted workers". How many people this covers in each category is not disclosed and so how many more workers each year are working under more and more vulnerable contracts is not disclosed to stakeholders. Shoprite Checkers further talks about how many jobs they have created without noting the contract types and conditions of those jobs. There is also infrequently – although more commonly in resource companies – exact numbers for workers in various operations across countries. In many cases the number of employees is not even formally tabled in the accounts to allow for accurate year-on-year readings. While there is clearly no legal requirement for them to do so, this seemingly intentional opacity on employment and forms of employment is concerning in a context where workers report higher and higher numbers of informalised workers doing the same jobs as the shrinking core of permanent workers with some level of job security. While all workers must be organised it is also important that the shift in forms of employment is tracked.

What the numbers usually do exclude is workers who work at company operations but are paid by another employer - subcontractors, labour brokers and contract workers who are not discussed but are also workers that contribute to the value created by the MNC operations. A true reflection of the workforce that produces the value in a company is therefore difficult to ascertain.

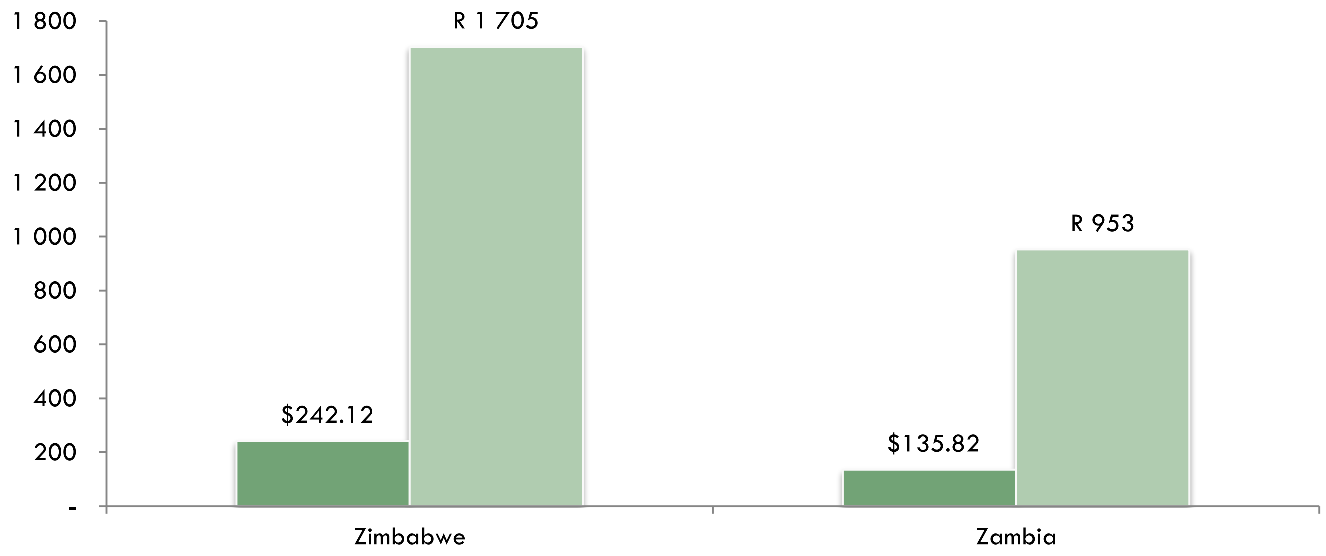
TABLE 7: REPORTED WORKFORCE AT MNCS ACROSS OPERATIONS IN MNC ANNUAL REPORTS

	Number of companies	Total Employees	Average Employees
2007	8	275 307	34 413
2008	16	517 378	32 336
2009	16	533 745	35 583
2010	16	563 034	37 536
2011	16	560 916	35 057
2012	6	276 994	46 166

Annual Reports seldom disclose further information concerning workers, and where they do, this is often limited to information concerning workers in the home country, South Africa. Working with Global Unions to collect, collate and analyse workers' information from their affiliates is therefore a key area of the research. The process for collecting this information has not proved very successful despite a new approach used to try and use internet surveying to gather the information. Further discussions with the Global Unions will follow to improve the system. Where wages from across operations have been submitted, these are included below.

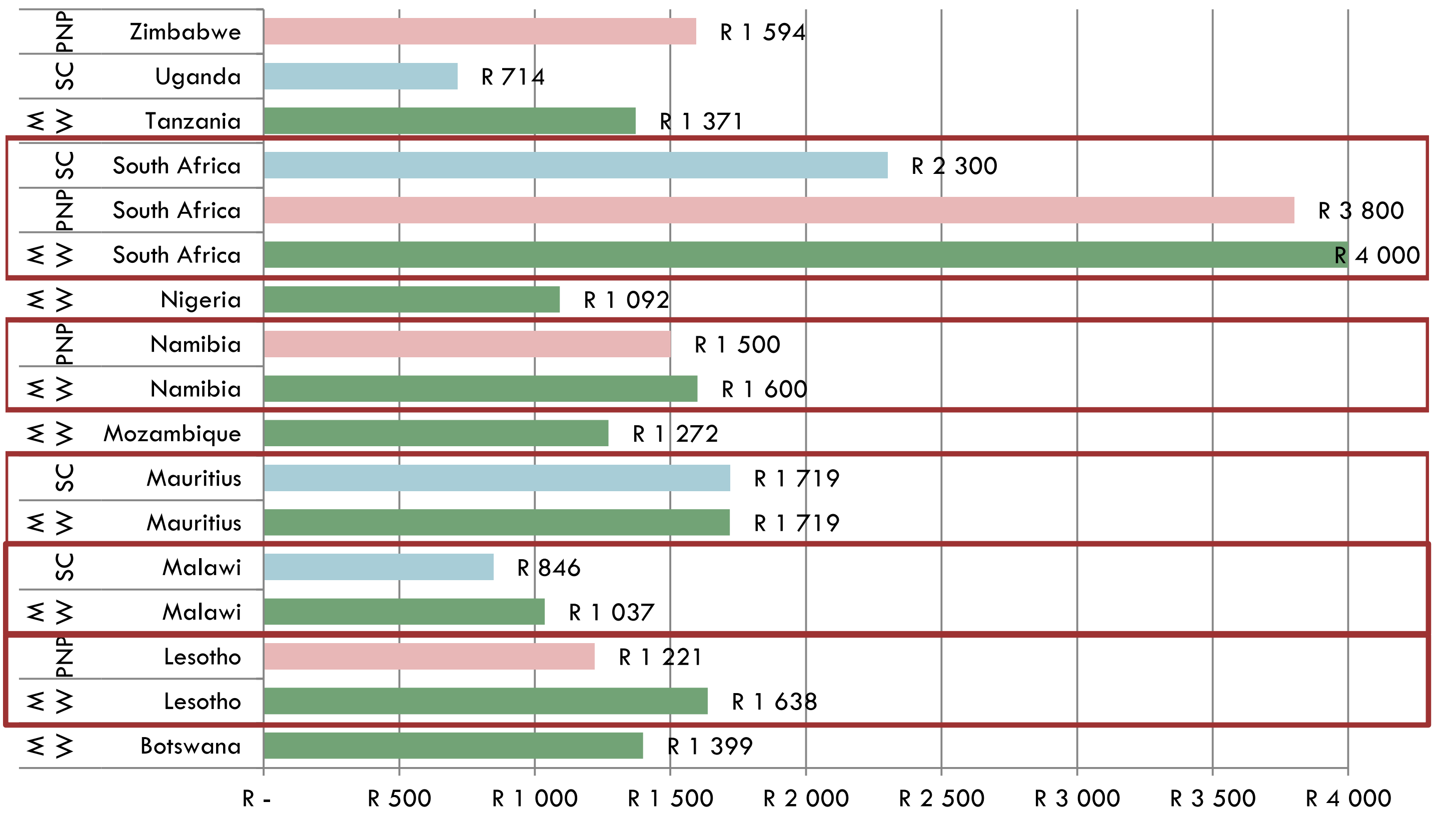
Wages across operations

FIGURE 2: MONTHLY WAGES AT WBHO OPERATIONS 2011 – USD AND ZAR



Coverage of the Retail sector proved quite successful and highlights the different wages not simply across countries but across the sector within host countries. While South African workers are clearly paid more than retail workers in foreign operations of the MNCs, work needs to be done within the South African sector also as the disparity between wages at Shoprite Checkers and Massmart is nearly R2,000 per month.

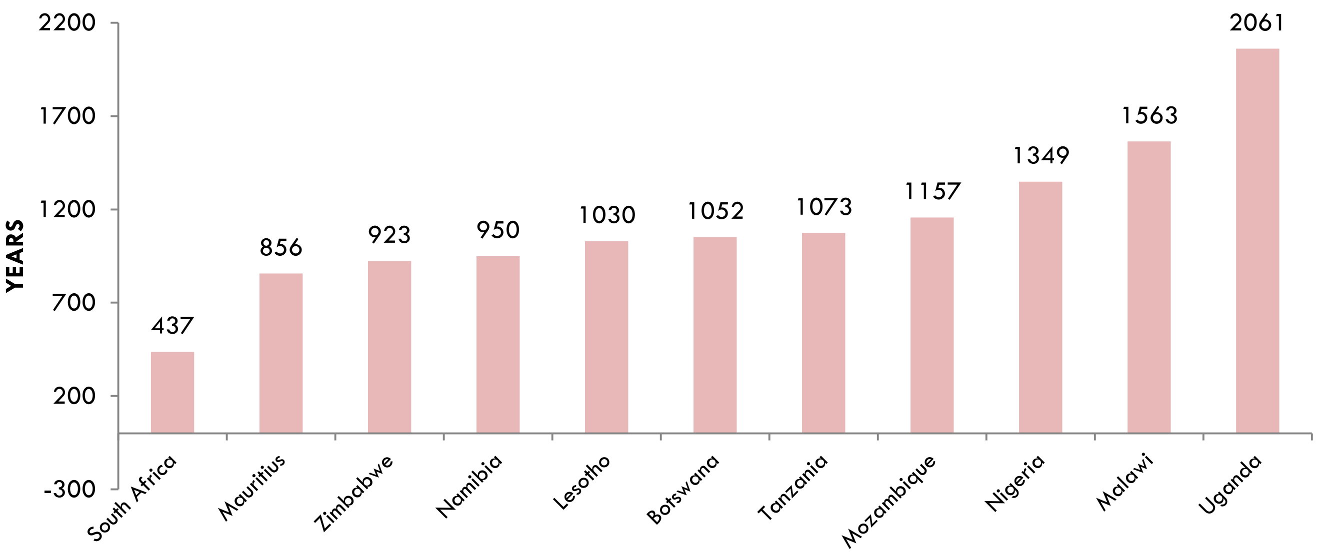
FIGURE 3: WAGES AT RETAIL OPERATIONS – USD AND ZAR:
MW – MASSMART/WALMART; PNP - PICK N PAY; SC - SHOPRITE CHECKERS



The Wage Gap

The wage gap across countries continues to grow. Looking just at the average retail workers wage compared with the income of the CEO, even in South Africa a worker would have to work at least six lifetimes to earn the CEO's pay while in Uganda no argument concerning the cheaper cost of living can excuse a gap that would cost a worker at least thirty lifetimes of work to take home the CEOs pay. As always, the question that arises with the wage gap is what gap would be acceptable. This continues to be a discussion that has to be had amongst labour activists and yet is somehow avoided. An interesting insight may be had from a recent article on the difference between pay and earnings[4]. What the article points out is that at the levels of upper management and the board, one is paid a lot more often than what one earns, or what one is "entitled to obtain as the reward for work or merit", whereas at the level of a general worker people are often paid less than they earn, they take home less than the value they create is worth, let alone what it costs to live. While the debate as to putting a monetary value on people's labour is valid, coming to an understanding of what each party earns and paying them something more closely aligned with that, the paper suggests, may go somewhat finding a way to close this pay gap.

FIGURE 4: THE AVERAGE RETAIL PAY GAP 2011 – COMPARING CEO TO WORKER WAGES ACROSS OPERATIONS: HOW MANY YEARS WOULD A GENERAL WORKER NEED TO WORK IN ORDER TO BE PAID THE CEOS ANNUAL PAY?



Corporate Social Responsibility and Environmental Reporting

For the first year we are now including corporate social responsibility and environmental reporting as part of the analysis of South African MNCs in Africa. As this is the first year for which an assessment is being made, it cannot rightly be called a trend report. However, looking at how these companies report on their activities beyond their core businesses seeks to set a baseline for trend reports to follow. Again, the issues discussed here are how the companies report on their own behaviour to their shareholders. The verity of these disclosures would be best tested on the ground with workers and communities in the areas of their operation. Further, whether the particular corporate social responsibility strategies are the most likely to produce sustainable development or are a soft-cover on corporate activities which have a more negative impact on communities and economies through poverty wages and anti-social working conditions is a further discussion to be had. It is noteworthy that of the sixteen companies in the sample, four fail to meet the criteria to be listed on the JSE SRI index which claims to measure the triple bottom line performance of companies in the FTSE/JSE All Share Index, with the aim of compiling an list comprising those companies that pass the Criteria requirements. Whether these criteria are sufficient to cause companies to behave in a socially, and environmentally decent way remains questionable. Up until now there has been some debate in both labour and environmental circles as to whether the Index has merit other than encouraging extensive internal reporting rather than external verification and action. Nonetheless the failure of four companies to reach even these standards is telling.

Corporate Social Responsibility

[4] Ann Crotty, "Capacity to organise is key to what one is paid", Business Report, December 5, 2012.

The analysis looks at how much is covered in the CSR reports of companies including community involvement, labour rights, labour relations, which CSR indices are mentioned and whether CSR outside of the home country – in this case, South Africa, is mentioned. Further, it looks at whether the CSR spend is quantified and if so, how.

All of the companies do, as per the JSE listing requirements, discuss their adherence to the guidelines of the Third King Committee on Corporate Governance. However, given the 'comply or explain' rules of the guidelines, closer inspection reveals that there are very few rules on corporate governance that are compulsory if an explanation for not following them is disclosed. For example, while Massmart/Walmart is recognised as one of the top performers on the JSE SRI Index the company lists ten exceptions to the King Committee Guidelines for Corporate Governance includinghe fact that the   Company's sustainability report is not audited by an independent external professional as required by the guidelines. The only explanation is that it is internally audited.

All of the companies in the sample discuss these all three areas of Corporate Social Responsibility and, unlike the case with the environmental reporting, almost all quantify the spend on CSR projects and programmes. This is most often done as a monetary amount although amounts as percentage of profits are also noted. In the majority of cases this amount comes to around one per cent of profits.

In terms of community support most of the companies make some contribution including Sports, Arts & Culture; Education, Community Development; HIV/AIDS and other contributions. A direct vision of addressing unemployment in communities is rare.

The core conventions looked at in terms of labour rights are those of the International Labour Organisations (ILO) that are almost universally acknowledged in Global Framework Agreements as key to decent work. These are the prohibition of child labour (ILO 138 and 192), the prohibition of forced labour (ILO 29 and 105), non-discrimination (ILO 100 and 111) and freedom of association and the right to collective bargaining (ILO 87, 98 and 135). The first three establish the minimum social standards expected from MNCs while the final one addresses the key area of trade union organisation. In these terms the most commonly noted commitment amongst the MNCs was the commitment is to diversity and equal opportunity and non-discrimination with the freedom of association and collective bargaining less often noted explicitly. Child labour and forced labour are noted only in the mining companies where this practice is sometimes noted in operations outside of South Africa.

Beyond a commitment to labour rights, companies also are explicitly committing to skills development and, in the main, to occupational health and safety standards. While it is widely included, a discussion of strategies for tackling HIV/AIDs in the workplace is not universal.

However, only half of the companies, most notably the resource companies, discuss any Corporate Social Responsibility activities or spending outside of South Africa. It is this situation that should be challenged. While the issue of whether soup kitchens and Sport's Centres as sufficient or correct social investment, the fact that social investment is not recorded outside of South Africa at all leaves the situation in host countries very opaque.

How can pressure be put on companies to use their corporate social responsibility spend in a way that makes the very act of doing business in a host country an investment that leads to sustainable development in economic growth, rather than handing out free meals once a year?

Environment

The environmental indicator again looked at how companies are reporting their environmental practice, rather than what is actually happening. It therefore looks at what codes the company claims to be implementing, what areas are covered in the reporting and most importantly whether the work it is doing is measured in a quantifiable way, with targets set and progress measured rather than just a statement of intent on the part of the policy. Further, given that these are multinational companies, we are also looking at the depth of the company organisational structure the reporting deals with. Of the companies in the sample, eleven are classified as high environmental impact companies as per the JSE environmental impact assessment criteria. This is unsurprising given the number of resource and energy companies in the list. Interestingly, retail supermarkets companies are also classed as high impact by the JSE. The higher the environmental impact of a company, the more important it is that it meets environmental reporting standards.

All of the companies bar three have stated environmental policies and the majority of reports appear to cover the whole group rather than just the South African operations. They also appear to acknowledge their key impact areas and to have quantifiable indictors of these such as energy use, waste, water usage, which are being tracked year on year. Despite this, fewer of the group have quantifiable goals for these indicators, although it is still the majority of ten. While ten companies also maintain stakeholder dialogue on environmental issues, less than half of the companies in the group confirm that there is external verification of their environmental report. Only four of the companies disclose the amounts that are committed to environmental processes and in most cases it is not on an annual basis but rather provisions set aside in the balance sheet for rehabilitation on the closure of a mine or in case of accident.

Recommendations

From the low response rate it is clear that further work needs to be done on strengthening the communication links between global unions and their affiliates and also in strengthening the understanding of the value of sharing information to national unions organising in multinational corporations. Can there be a commitment from the Global Unions to create the capacity for this level of engagement with affiliates, perhaps even opening the way for a position within the unions where affiliate information is captured onto the current MNC database? It is recommended that this discussion occurs in the coming year and that a practical way forward is agreed and planned. This issue confirms the recommendations from last's year's report for affiliates to monitor South African companies on the shop floor throughout operations and to share this information, through a website, database or other form of forum. This requires union activists on the shop floor to have the capacity, tools and communication channels to monitor and report. Once again more detailed discussions on the possibilities of this need to be investigated through the global unions in order to come up with a practical way forward.

Conclusion

As we continue to track the trends in South African Multinationals in Africa, it is hoped that we will begin to see the impact of increased trade union engagement – at a national and regional level – on key areas of corporate governance including pay and conditions and social and environmental responsibility. This is dependent not only on clear analysis of company documentation but on increasing union and global union capacity for communication and information sharing. Through these strategies of solidarity, companies will be forced into increased levels of transparency which is a key driver for focussed engagement. In the coming year new energy must be given to how this communication and capacity building can be achieved.

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Appendix: Questionnaire distributed to Global Union affiliates for completion through internet survey tool (Shoprite example)

SA MNC GUF UNION INFORMATION 2012 - Shoprite Checkers

1. Please complete the following questions concerning trade union organisation at Shoprite Checkers in your country and submit. Contact Labour Research Service - michelle@lrs.org.za - should you have any queries.

COUNTRY:

TRADE UNION:

NAME OF TRADE UNION CONTACT:

TRADE UNION POSITION OF CONTACT:

TELEPHONE:

EMAIL:

FAX:

2. List all the unions that organise at Shoprite Checkers in your country.

List all the unions that organise at Shoprite Checkers in your country.
Union 1:

Union 2:

Union 3:

Union 4:

3. Does your union have a recognition agreement with Shoprite Checkers?
Yes **No**
4. Does your union have a current collective bargaining agreement with Shoprite Checkers?
Yes **No**
If not, how does your union negotiate workers' wages?

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5. How many people work for Shoprite Checkers in your country? (If you only have a total, please fill this in)

How many people work for Shoprite Checkers in your country? (If you only have a total, please fill this in)
Men:

Women:

Total:

6. How many of these workers belong to your trade union? (If you only have a total please fill this in)

How many of these workers belong to your trade union? (If you only have a total please fill this in)
Men:

Women:

Total:

7. What is the current minimum wage paid at Shoprite Checkers? Please indicate (1) the amount (2) the currency (3) whether this refers to hourly / weekly / monthly wages

What is the current minimum wage paid at Shoprite Checkers? Please indicate (1) the amount (2) the currency (3) whether this refers to hourly / weekly / monthly wages Wage

Currency

Unit of measure (hour / day / week / month)

8. Any other comments:

Done

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