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Contents

INTRODUCTION TO THE THIRD REPORT

The third annual report into key indicators for South African Multinational Corporations operating in Africa begins to show longer term trends. This allows for a clearer understanding of the companies covered and stronger possibilities for engagement by both national unions, union networks and global unions.

From the start of the programme in 2011 this practical application of the information analysed has always been the key focus of the work. The database which underlies this and other reports was created to support global unions in campaigns, education and collective bargaining processes regionally and internationally through providing useful and relevant information on multinational companies (MNCs).

Further, by making the information in the database freely available through the online reporting tool which provides basic information on the companies included here, knowledge can be a tool not just of those that can afford to pay for information, but for all. This in turn enables everyone involved in discussions focussed on companies, economics and development to better share a level of knowledge which should in turn lead to richer and more useful social dialogue.

The work this year updates that information on the same SA MNCs within the context of the 2012 / 2013 year. It covers basic company performance, operations, directors' fees and worker wages.

In the 2012 report, for the first time, information that had been analysed and captured on the Corporate Social Responsibility reporting and the Environmental reporting was included for the first time. This year, following a second round of information capture on these issues, we are able to release a separate report on these important issues which are becoming increasingly relevant in boardroom, shareholder, and public discussions. By including these issues in the research work, we broaden the scope of what engagements are possible with companies and also open up the possibilities of joint engagement with the broader civil society as well as shareholders who are showing and increasing interest in these matters.

The Public Investment Corporation, chief asset manager for the R1 trillion Government Employee Pension Fund and a major investor in the Johannesburg Stock Exchange exemplifies this. It notes that its investments are made through the integration of Environmental, Social and Governance (ESG) issues incorporated into investment processes. The PIC and the Government Employees Pension Fund (GEPF) has also established an ESG Working Committee that look at ESG issues in investments. The PIC in consultation with the Centre for Corporate Governance in Africa at the Business School of the University of Stellenbosch has developed a Corporate Governance Rating Matrix. This matrix is used to measure ESG performance of the listed companies in which the PIC is invested. The matrix is updated and scored annually. These results form the basis of the PIC's engagement with investee companies.

The PIC recently signed-up for the Carbon Disclosure Project which will assist in ensuring that the PIC becomes a significant environmentally friendly investor with the ultimate aim of becoming a completely carbon neutral organisation in the near future[1].

Continuing the discussion of investor interest, a new focus in this year is on the shareholders in the companies included in the sample. In 2013 the Government Employee Pension Fund, through its asset manager the Public Investment Corporation, voted against the remuneration policies of more than 50 per cent of the companies in which they are invested on the Johannesburg Stock Exchange. More than half of the sample group for this report saw the PIC vote against their remuneration report. The report discloses some of the governance issues that have been raised by shareholders and the PIC in particular. Shareholder activism by pension funds is not a new trend globally but in South Africa it has taken some time to spread beyond a few individuals. This in itself may be a new trend which we will continue to watch.

OVERVIEW – INVESTMENT AND TRADE IN AFRICA 2012 / 2013

The 2013 World Investment Report from UNCTAD notes that while globally Foreign Direct Investment (FDI) declined in 2012 by 18 per cent on 2011 and looks set to remain at about the 2012 level for the 2013 period, at a regional level the picture is far more diverse. It notes that "for the first time ever – developing economies absorbed more FDI than developed countries, with four developing economies ranked among the five largest recipients in the world. Developing countries also generated almost one third of global FDI outflows, continuing an upward trend that looks set to continue."

In particular it notes that in terms of incoming FDI, Africa was the only region that saw a rise, from $48bn to $50bn – still small in global terms but breaking the current global pattern[2].

In terms of outflows too, while globally outflows decreased 17 per cent down from $1.7 trillion in 2011, this decline is mainly due to the fall in outflows from developed economies, most notably those in the European Union. In developing countries, investors are more confident, particularly those from the BRICS

[1] PIC website: http://www.pic.gov.za/?page_id=80

[2] UNCTAD (2013). World Investment Report 2012: Global Value Chains: Investment And Trade For Development. United Nations Conference on Trade and Development: Geneva, 3

countries. FDI flows from developing economies actually rose in 2012, amounting to $426 billion, increasing the global share of global FDI outflows to 31 per cent, the highest ever. Among developing regions, FDI outflows from Africa nearly tripled to $14 billion, was mainly due to large flows from South Africa in mining, the wholesale sector and health-care products.[3]

The five BRICS countries have escalated their investments in Africa from almost nothing in the 2000-2002 to 4 per cent of their outward FDI in 2009-2011, making Africa a much more important investment destination for them than it is for the European Union or the United States.

What is clear is that South Africa remains a key source and home for investment in Africa. But the space is filling up rapidly with big players entering the market both directly and through the acquisition of local companies. All this means that competition for markets and for profit is becoming more intense.

TABLE 1: FDI FLOWS BY REGION (2010 – 2012)

	FDI inflows			FDI outflows		
	2010	2011	2012	2010	2011	2012
World ($billion)	1409	1652	1351	1505	1678	1391
Developed Economies ($billion)	696	820	561	1030	1183	909
Developing Economies ($billion)	637	735	703	413	422	426
Africa ($billion)	44	48	50	9	5	14
Developed Economies (per cent)	49.4	49.7	41.5	68.4	70.5	65.4
Developing Economies (per cent)	45.2	44.5	52	27.5	25.2	30.6
Africa (per cent)	3.1	2.9	3.7	0.6	0.3	1

Source: World Investment Report 2013, UNCTAD

SOUTH AFRICA INTO AFRICA

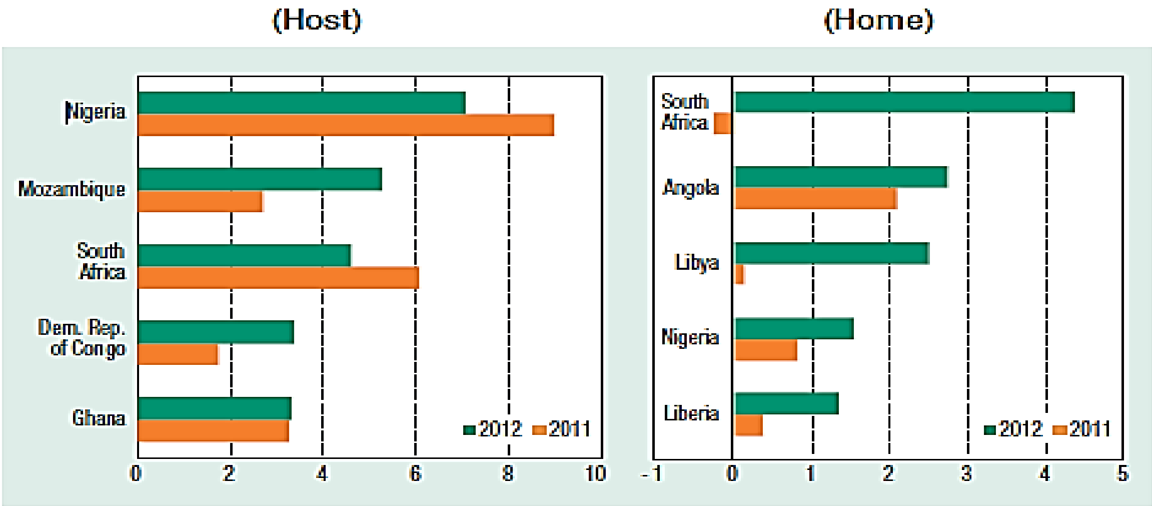
The UNCTAD report notes that Multinational Corporations (MNCs) from developing nations are increasingly active in Africa, building on a trend in recent years of a higher share of FDI flows coming from emerging markets. While Malaysia is the single biggest developing nation investor, South Africa, with an investment of $18 billion on 2011, was the second largest, followed by China and then India. The report notes that this investment is across all sectors, through both investment and acquisitions.

South African companies were active in acquiring operations in mining, wholesale and health-care industries, raising outflows from SA to $4.4 billion in 2012.[4]

While still a top destination for foreign direct investment, the chart below shows that South Africa is increasingly a home economy in the FDI game, rather than a host. It further shows how the situation for South Africa has turned around since 2011.

[3] UNCTAD, ibid. 32
[4] UNCTAD, ibid. 69

FIGURE 1: FDI FLOWS, TOP 5 HOST AND HOME ECONOMIES, 2011 - 2012 (BILLIONS OF USD)



Source: UNCTIAD World Investment Report 2013

ANNUAL RESULTS

The same companies that were used in last year's programme were again tracked for 2011/ 2012 results 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, http://www.lrs.org.za/mnc/?set=info&fes

COMPANIES, SECTORS AND GLOBAL UNIONS INCLUDED IN THE PROGRAMME

TABLE 2: SOUTH AFRICAN MNCS INCLUDED IN THE REPORT

Company Name	Sector	Latest year end	Global Union	GA signed?
Standard Bank Group	Banking & Financial Services	31-Dec-12	UNI	
WBHO	Construction	30-Jun-12	BWI	
Illovo	Food & Beverage	31-Mar-12	IUF	
SABMiller	Food & Beverage	31-Mar-12	IUF	
Network Healthcare Holdings	Health	30-Sep-12	PSI	
Sun International	Hospitality	30-Jun-12	UNI	
Eskom Holdings Limited	Industrial	31-Mar-12	IndustriALL	
AngloGold Ashanti	Mining	31-Dec-12	IndustriALL	Yes
De Beers Family of Companies	Mining	31-Dec-12	IndustriALL	
Gold Fields	Mining	31-Dec-12	IndustriALL	
Sappi	Paper and Packaging	30-Sep-12	IndustriALL	
Massmart	Retail	30-Jun-12	UNI	
Pick n Pay Stores Ltd	Retail	28-Feb-12	UNI	
Shoprite	Retail	30-Jun-12	UNI	Yes
MTN Group	Technology & Telecoms	31-Dec-12	UNI	
Vodacom Group Limited	Technology and Telecoms	31-Mar-12	UNI	

The sectors covered by the sample group speak to the main areas of FDI from South Africa in two instances noted in the WIR, mining and wholesale. No health care product companies have been included in the sample and it this may be a consideration for the relevant Global Union and national unions going forward.

VARIABLES INCLUDED IN THE RESEARCH

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. Two new areas were included in the 2012 report – Corporate Social Responsibility and Environmental Reporting. At that time a single year of information concerning the reported policies and practices of the sample had been analysed. This year, as two years of data have been accumulated, this area of policy has been given its own sister report and is therefore not included. A new area covered in this year's report concerns Corporate Governance and shareholder activism. Specifically the report notes some of the votes that the Public Investment Corporation has taken against companies in the sample as an indication of both the corporate governance issues that are arising and the increasing shareholder activism that may be taking hold in South Africa and could become a further form of engagement for unions.

TABLE 3: 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
GEPF / PIC votes	Where applicable, PIC votes at the company AGM	PIC reporting

KEY INDICATORS

OPERATION LOCATIONS

UNCTAD Data for the top 100 MNCs, mostly from developed economies, show that their international focus in 2012 slowed. Their foreign sales declined 2.1 per cent in 2012, while their domestic sales – largely in developed economies – remained stable. The same pattern is evident in their foreign employment and foreign assets which decreased, while their domestic employment and assets increased by 6.8 and 5 per cent, respectively. However, for those MNCs with home countries in the developing world, the levels of international activity increased in terms of assets and sales, in some cases faster than that of their domestic figures. The report notes however that 'the only area where this trend did not hold was in employment, where the growth of domestic jobs slightly outpaced that of foreign jobs in 2011. This trend suggests that while MNCs from developing countries and transition economies are quickly internationalizing their operations, the core of their production process is still based at home'.[5]

In terms of geographic distribution, the reach of the investment from developing nations is also seen as stretching beyond the obvious consumer markets into all areas of the continent. MTN and India-based Bharti Airtel are both present in at least 15 African countries. The Shoprite and Massmart have operations in 17 and 12 African markets, respectively.[6]

TABLE 4: AFRCAN HOST COUNTRIES OF THE SAMPLE MNCs

Host country	Number of sample companies with operations in country		
	2010/2011	2011/2012	2012/2013
Swaziland	10	10	9
Zambia	10	10	9
Botswana	9	9	9
Lesotho	8	8	9

[5] UNCTAD, ibid. 51

[6] UNCTAD, ibid. 71

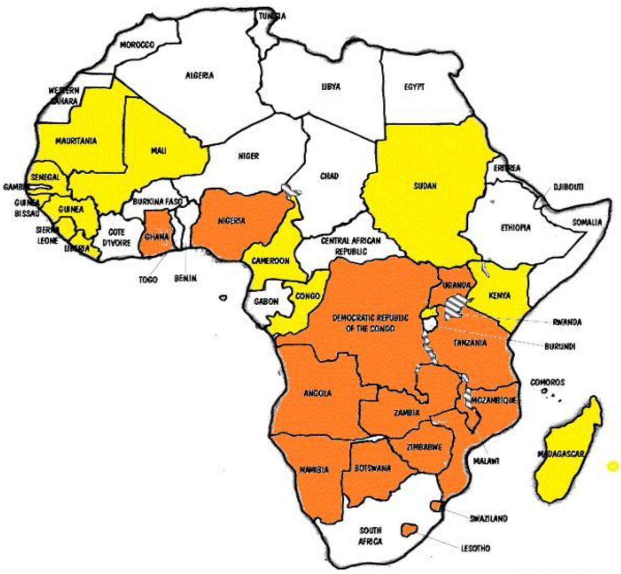
Ghana	8	8	8
Mozambique	8	8	8
Namibia	7	7	8
Tanzania	7	7	7
Malawi	6	6	5
Nigeria	6	6	7
Uganda	6	6	6
Zimbabwe	5	6	3
Mauritius	4	5	4
Angola	3	3	2
Congo, Democratic Republic	2	3	3
Guinea			3

Other locations:

- Two companies - Angola, Mali, South Sudan, Kenya
- One company – Benin, Cameroon, Congo – Brazzaville, Cote D'Ivoire, Guinea-Bissau, Kenya, Liberia, Madagascar, Mauritania, Rwanda, Senegal, Sierra Leone, Sudan

While Africa is the focus of this work, most of the companies sampled here are not limited to African operations on all the continents.

FIGURE 2: SA MNC HOST LOCATIONS



Countries in yellow host only one company.

OWNERSHIP – MAJOR SHAREHOLDERS

See appendix 1 for shareholder details

Thirteen of the sixteen companies in the sample list the South African Government Employee Pension Fund (GEPF) as one of the top five shareholders in the company generally holding over five per cent of the share capital. In two of the companies – MTN Group and Network Healthcare Holdings – the GEPF (or its asset manager the Public Investment Corporation) is the biggest single shareholder.

Employee trustees represent half of the board of trustees on the GEPF. Some of these trustees are representatives from public sector trade unions NEHAWU, SADTU, POPCRU and SAPU. Trade union members therefore have a voice and a vote in how this enormous fund is invested and how the power of these investments in wielded. In the 2013 proxy season the PIC voted against the executive remuneration reports of many of the companies in which it is invested, including those in this report. The section below on shareholder activism gives more details in this regard.

The GEPF is not a shareholder in Sun International, which does list another large worker pension fund, Transnet Pension Fund, as one of the major shareholders, or in De Beers, which since 2011 is 85 per cent owned by AngloAmerican (in which the GEPF has a near 6 per cent holding) and the government of Botswana. The state owned enterprise Eskom has only a single shareholder, the South African Government itself. The South African Government is also the second largest shareholder in Vodacom Group Limited. Between the GEPF and the government therefore they own nearly 20 per cent of the company, which is otherwise foreign owned by Vodafone.

As before, despite companies trading their shares on the JSE and other stock markets for public purchase, many of the companies in the sample are majority owned by a single shareholder. AngloAmerican is the largest of these but other companies with a single majority shareholder (with a holding of over 50 per cent of shares) is Illovo, 52 per cent owned by ABF overseas Limited, Massmart, 53 per cent owned by Walmart and Pick n Pay stores, 54 per cent owned by Pick n Pay Holdings Limited.

The retail industry is particularly tightly held, as noted in last year's report. 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.

While the Massmart Annual Report notes that "Massmart has 6,356 shareholders in South Africa and abroad ranging from major institutions to individuals". Real power though is held by only one shareholder, Walmart, with the majority holding. Further, as the Walton family alone owns over 50 per cent of Walmart shares, the majority shareholder in Massmart /Walmart is this single family.

Since the latest Walmart AGM this family seems intent on buying up even more of the Walmart shares, with hints that it may take the company private eventually and therefore out of reach of many of the corporate governance codes governing listed companies. Despite being a public company, control of the company rests with a very small group of people who have very clear interests to serve, their own. This is true, to a degree, of all the companies where a single shareholder is dominant.

Sun International is a listed company but remains 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.

FOREIGN AND LOCAL OWNERSHIP

We speak about South African direct foreign investment in Africa through multinationals; however, the purchase of South African companies by foreign companies is also understood as foreign direct investment in South Africa. This carries with it all the promise and risks of foreign money invested in a host country.

As with last year, six of the companies in the sample are largely owned by single overseas shareholder, perhaps, as in the case of AngloGold Ashanti, an overseas investment vehicle - The bank of New York Mellon, or, as in the case of De Beers, through its chief shareholder which is in turn mainly foreign owned.

COMPANY PERFORAMANCE

On average, revenue or sales at the sample companies rose by 13 per cent for the year. There was though no real increase in profit across the group. In a larger sample of 83 South African listed companies, a fall in profits of 25 per cent was recorded. The recovery of 2011 seems to have hit a hiccup. Half of the companies in the sample showed a fall in profits for the year. The overall average was heavily influenced by the notable loss at Network Healthcare Holdings which seems to have to do with refinancing activity but resulted in a 707 per cent drop in profits for the year. Despite this, the companies in the sample still showed on average a R10 billion profit, not back up to the levels of 2007, prior to the first wave of the financial crisis, and seeming to slow from the steady upward swing of the previous two years.

TABLE 5: AVERAGE REVENUES AND PROFITS AT THE SAMPLE MNCs 2007 - 2012

	No. companies in sample	Average Revenue ZAR	Average PBT ZAR	Change in Ave. Revenue	Change in Ave. 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	54 829 233 820	7 112 159 159	4%	42%
2011	16	59 254 895 594	9 966 124 098	8%	40%
2012	16	66 789 998 358	10 000 552 725	13%	0%

⇨ From 2012 – De Beers profit = Operating Profit

FIGURE 3: AVERAGE REVENUE IN SAMPLE GROUP 2007 – 2012

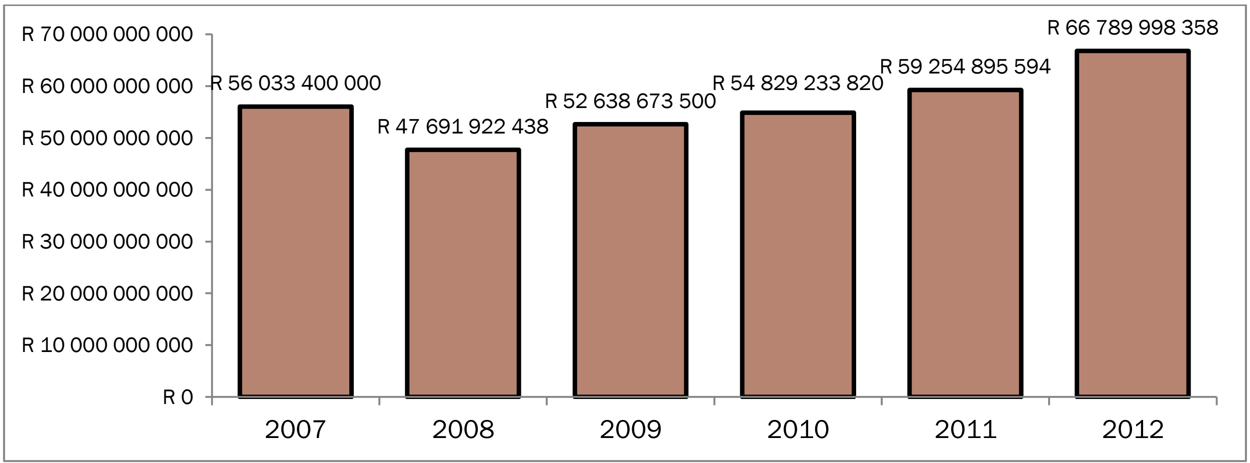
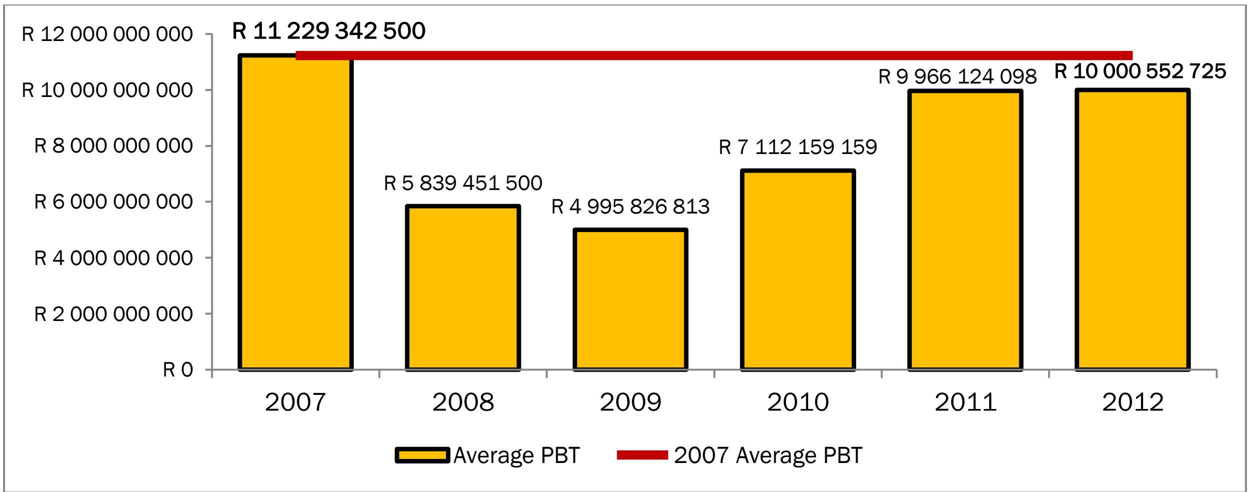


FIGURE 4: AVERAGE PROFIT IN SAMPLE GROUP 2007 – 2012



DIRECTORS' FEES

Those economists who reject the notion that there is any relation between the pay of a CEO and that of a general worker claim that CEO and executive remuneration should be linked to company performance[7]. However, even by this standard, much CEO pay seems to defy logic. While WBHO profits dropped by 5 per cent, the CEO received a bonus payment that increased his package by 750 per cent, this at a time when

[7] Financial Mail, Executive pay undergoes moderation, Max Gebhardt, http://www.financialmail.co.za/fm/Features/2013/07/25/executive-pay-undergoes-moderation, 25 July 2013

the company he runs has, along with its peers in the construction sector, been found guilty of massive collusion and price fixing.

CEOs in the sample received an average annual salary increase of 2 per cent in 2012, making the average annual salary R9 103 111, up from R 7 418 726 in 2011. This average though is dwarfed by what those at the top of the list are being paid. The company paying the highest CEO salary in 2012 is the same as that in 2011, Shoprite Checkers. This salary of R40 620 000 is a 27 per cent increase on that of R32 063 000 in 2011. The CEO of Shoprite, James 'Whitey' Basson, has not received a bonus in many years, his high pay is guaranteed each year, taking for granted that he will perform. The Shoprite Annual Report for 2013 shows that the CEO's salary rose by a further 22 per cent in 2013, to R49 656 000. The context of this salary is one where Shoprite workers in Zambia risked being fired in order to gain a wage of between R33 384 and R66 774 per year.

Even in the company of international mining corporations and the global manufacturer SABMiller, the Shoprite CEO's salary is double the next highest salary. The CEOs receiving the top salaries in the group all received comfortable double-digit increases and are dominated by the mining companies who claimed, amidst the strikes of 2012, that double digit increases for workers would cripple them.

CEO FEES IN THE SAMPLE GROUP

TABLE 6: 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	15	9 103 111	18 016 468	11 815 447	24 318 040	23%	15%	-12%

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

In the year that he left Pick n Pay, the departing CEO Nick Badminton received a restraint of trade agreement, effectively a payment to stop him getting another job in SA Retail for two years, of R10.1 million. He was therefore paid over R5 million a year for the next two years not to work.

The Labour Research Service Directors' Fees Survey 2013 of 83 South African companies showed a 25 per cent increase in the average executive director salary to over R 5 million. This average figure doubles when the average bonus and benefits are added, to over R10 million, a 6 per cent increase on the 2011 figure.

Directors' fees have for some time been an issue of worker and media criticism. Now the country's biggest investors, both pension funds and other equity funds are taking a stand on the issue.

TABLE 7: 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	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	52	5 033 944	10 586 247	6 619 811	17 206 058	25%	8%	4%

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

WORKERS

The number of companies reporting on their workforce in some quantitative way has dropped to 15 as De Beers Group has not disclosed the total number of workers in their operations for 2012 (Since its majority purchase by AngloAmerican, there appears to be even less detail in the De Beers reporting). The 15 companies report at total of 564 372 workers, an average of 37 625 workers per company. Eight of the sample companies report a drop in the number of employees since 2011, however they choose to count them. More importantly, six companies in the sample show a drop in employee numbers since 2009. It is difficult to draw conclusions about what this means for worker numbers as, as noted last year, 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 people doing jobs that add to the company's value. The issue of labour brokers and outsourced workers is a key part of this problem as often these, the lowest paid workers with the worst conditions, are kept "off the books" of the company where they work and it becomes very difficult to determine if these are in keeping with good corporate governance and how their pay and conditions compare to full employed workers, including management. It is difficult even to determine how many of them there are, and how these numbers change.

We argue that the number of workers in a company and their forms and locations of employment are vital company information, particularly in a country that is concerned with job creation, decent work, and a living wage. And yet this remains one of the most poorly reported on areas of company figures and there is very little information on forms of employment, worker numbers at different locations, and turnover in each of these categories. Where this is disclosed, it is seldom done so for operations outside of South Africa. If jobs are decreasing is it because they are being increasingly outsourced and therefore worker numbers are being kept off the books, or are numbers literally being reduced and workers having to perform more and more distinct 'jobs' in order to bring down wage costs and increase "productivity"? None of this can be calculated without accurate figures.

TABLE 8: 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	15	564 372	37 625

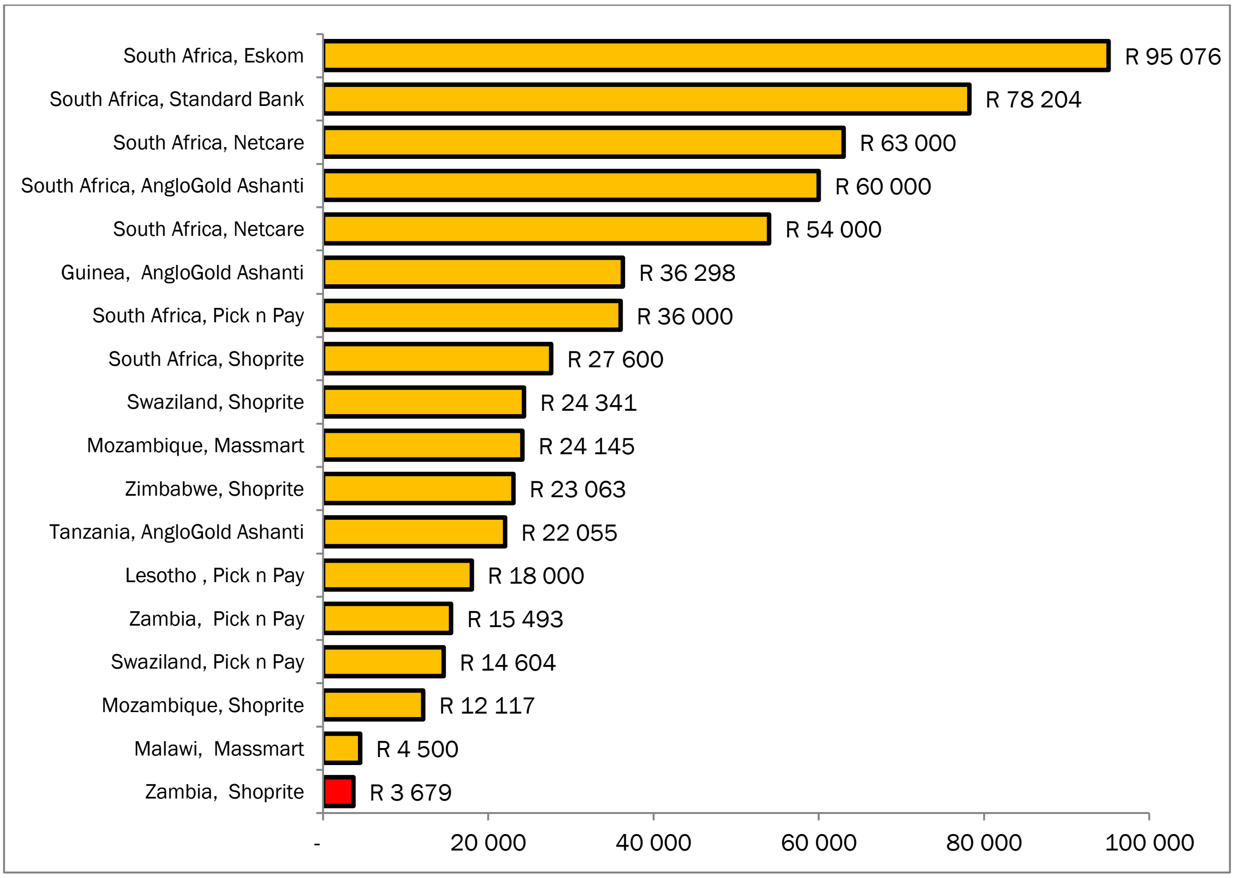
WORKERS' WAGES

While in South Africa there are some systems in place for collecting and analysing worker's wages through analysing collective bargaining agreements, the data in this area remains difficult to get though arguably some of the key data in any analysis of Multinational Corporations. The ability to compare the various wages and conditions of employment, as well as trade union rights as documented in recognition agreements, across a company's operations has proved a powerful tool in arguing for improvements at the shop floor and therefore a good tool also for organising workers by proving the strength of the union to improve their conditions. Collecting this information has been facilitated mainly through the Africa Shop Steward Networks in various South African multinationals. Where these are not present, collection has been hampered. The reasons for this range from a lack of internal communication, language barriers, lack of technological and human resources or commitment to the programme. All of these need to be faced if the programme is to gather more of this important data.

Despite the uneven coverage, the wages that have been collated indicate that Shoprite Zambia, the site of the October 2013 strike, dismissal and reinstatement over low wages, was far behind other companies and countries in the sample in terms of wages. Even within Shoprite, Zambian wages in 2012 were very low. It is hoped that the latest agreement can signal a change in fortunes for these workers but also a change in attitude from the MNC as to their willingness to comply with both legislation and the workers' need for a living wage and decent conditions.

As before, it is unsurprising that South African workers seem to dominate the high end of the scale when it comes to wages. However, given the average CEO remuneration in 2012 R18 016 468, it would still take the highest paid group of workers, Eskom workers in South Africa, nearly 190 years to earn what the average CEO in the sample took home in 2012 before long term incentive payments, 255 years when they are included For those at the bottom of the scale the situation is far worse, it would have taken a Zambian Shoprite worker nearly five thousand years to earn the average CEO remuneration and over ten thousand years to earn their own CEO, Whitey Basson's remuneration.

FIGURE 5: ANNUAL WAGES ACROSS OPERATIONS 2012 – IN ZAR – HIGH TO LOW



SHAREHOLDERS' SAY ON SOUTH AFRICAN COMPANIES

While not a new concept, the idea of shareholder activism – that is, shareholders being actively engaged with the companies in which they are invested – has not, until recently, taken hold in South Africa. The idea behind it is that companies with such interested and vocal shareholder are more likely to uphold good corporate governance practices and ultimately be more successful in the long term than those that are left to do what they choose.

In South Africa, shareholders have up to now seemed content to vote with management and allow management free reign as long as they receive their dividends. However, in the face of a strained economy, poor industrial relations, rampant executive pay and threats to their investments, this is beginning to change.

As noted above, the Public Investment Corporation (PIC) is one of the largest investors in South African listed companies, with investments contributing towards approximately 13 per cent of the market capitalisation of JSE Limited. The PIC's largest client is the Government Employee Pension Fund (GEPF).

In the 2012 and the 2013 proxy season the PIC voted against the executive remuneration reports of many of the companies in which it is invested, including eight of those in this sample. The reasons for the vote concerned different aspects of the reports. Some were to do with the value of the pay packets of executives; some were because companies failed to properly track company performance and to show the relation between performance and pay, which is, as noted above, how many companies justify the pay of executives. This report will continue to track these votes and see if they lead to any changes in the governance and remuneration structure of the sample.

At Standard Bank the complaint was that the total wage bill was deemed too large and costly as top executive structure is full and hence costly. When compared to other banks that each have one deputy CEO, Standard bank has significant costs.

At the 2012 AGM of WBHO, the PIC voted against the remuneration policy as the performance targets for executives were note clear. The same protest vote was made at Netcare.

At Sappi the vote against the remuneration policy was focused on the fact that the share price and the company performance were both "very bad" yet executives took home significant bonuses, highlighting the lack of alignment between performance and pay.

At AngloGold Ashanti 2013 AGM the vote against the Remuneration Policy centred on a lack of disclosure concerning the performance measures for executive incentives as well as the overall high pay for the CEO.

The lack of disclosure of performance measures was the same complaint against the GoldFields policy in 2012 and 2013 – showing no improvement despite the protest vote. Further, in 2013 pay given to the non-executive chairman at R2.4 million was deemed too high compared to its peers.

Goldfields as well as other mining companies faced far greater protest not from pension funds and workers, but from large mining investors. At the 'Investing in Resources and Mining in Africa' conference in Johannesburg in October 2013, fund managers were very clear that the dangerous place that mining companies find themselves in at the moment is, to a large degree, down to the disparity between company performance and executive pay. Gold Fields CEO Nick Holland's R45m pay packet last year was a particular case in point.

*"The mining industry is heading in the wrong direction and very rapidly I shall say," said Mike Schroder, portfolio manager of Old Mutual's gold fund. "My advice to the CEOs: julle bly fokken lekker. R45m? Bliksem! (You're sitting f*** pretty. Damn!) Your personal greed is the biggest obstacle for the turning of this trend. Come down with the pay packages or get out…South Africa's mining industry is going through a very, very hard period. Costs are going up at double-digit rates, margins are not coming in yet, we are seeing big, big rises in executive pay at a time when trade unions are asking for a lot of money. In the gold industry it is surprising that some CEOs are getting huge salaries in bonuses when there is no free cash flow," added Mr Madavo of the PIC*[8].

The PIC has taken issue with all of the retailers in the report.

In 2012 it voted against the remuneration report of Pick n Pay due to the incentive plan which diluted the value of shares for other shareholders. They were also concerned with the lack of challenging performance conditions put to directors in order to make gains from the plans. In 2013 the PIC again voted against the remuneration report for the same reason. Further, in 2013 they protested against the chairman's fee was seen as too high compared to peers. With respect to the proposed fees for 2014 that fee was again seen as higher than his peers.

At Shoprite in 2012 the complaint again was against the lack of performance targets disclosed for the directors' incentives a well as the salary of R40.6 million for the CEO.

[8] City Press, 'Mining bosses' pay questioned', 31 October 2013, http://www.citypress.co.za/news/mining-bosses-pay-questioned/

In both of the cases of Pick n Pay and Shoprite, the company can ignore these complaints partly because the chief shareholder for each of them is inside the company, the founding family and chairman.

Further, as an attempt to keep the company accountable to shareholders, at the 2012 Massmart AGM, the PIC voted against the authority for Massmart to buy back its own shares as this would strengthen the voting power of Walmart, the controlling shareholder. At the 2013 AGM it voted against a new executive incentive plan as the performance conditions did not seem demanding enough and the possible gains excessive. It was not possible for the PIC or anyone to vote on the Massmart remuneration policy as Massmart does not put this to the vote.

In South Africa, under the King Code of Corporate Governance, companies are only requested, not compelled, to put their remuneration reports to a shareholder vote. It is unsurprising that even this minimal request is refused by some companies, including Massmart, now a division of Walmart. Even where these votes are available, shareholder votes on remuneration in South Africa remain advisory, not binding. It is a statement of confidence, or lack thereof, in the work of the remuneration committee, but has no mandatory power. A statement that is clearly ignored by some companies.

KEY ISSUES

Key issues arising out of the study include the continuing matter of the low response rate raised in last year's report. This remains a key challenge for this and other information sharing work. For this and for trade union work in general improved internal communication and information storing, sharing and mining need to be developed and understood. It is recommended that this discussion occurs in the coming year and that a practical way forward is agreed and planned.

Other issues include encouraging greater shareholder activism from worker owned investment vehicles.

Further, lobbying for legislation which will force companies to properly disclose worker numbers and conditions of employment of all operations could be considered.

South Africa likewise needs to take action. Shareholder recommendations are not enough. We face a continued slump in economic growth, high unemployment, on-going retrenchments and increasing social instability rooted in high levels of inequality. Our country rates second highest in the global measure of inequality with a gini coefficient of 0.69. Economic forecasts for 2013 show growth of only 2 per cent. With unemployment remaining at 25 per cent and retrenchments being negotiated throughout the year in every sector, an urgent response is required by leaders of all social constituencies. Rather than waiting for diverse interest groups to bring their individual power to bear, leaders in government, business and labour need to reach a consensus on policies and measures to stem this growing inequality and open the possibilities for sustainable, fair, economic development.

CONCLUSION

The World Investment Report notes a rising optimism, particularly in developing economies, in terms of FDI inflows, although in this regard the only African country that features in the global top 20 in the medium term remains South Africa. South African firms themselves though, continue to dominate Africa. In the 'The Brand Africa 100 table' South Africa dominated the top most valuable brands list with six companies, namely MTN, Woolworths, Shoprite, Pick N Pay, Castle and Tiger Brands, followed by Nigeria with three giant firms -Dangote, Globacom and Guarantee Trust Bank, while Kenya's Tusker, a beverages firm, was the only firm from Kenya.

What is clear from the research is that Africa is increasingly playing host to a far more diverse and competitive group of countries and companies that are after the one billion apparently underserved consumers on the continent. As competition increases it is essential that the actions and strategies of these companies are monitored so that they can be challenged and engaged in promoting decent working conditions and enhancing rather than endangering the sustainable development of the continent.

REFERENCES

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APPENDICES

Appendix 1: Major Shareholders

Company Name	SABMiller	Pick n Pay Stores Ltd	Network Healthcare Holdings	MTN Group	Massmart	Illovo	Gold Fields	Eskom Holdings Limited	Sappi
Sector	Food & Beverage	Retail	Health	Technology & Telecomms	Retail	Food and Beverage	Mining	Industrial	Paper & Packaging
Shareholder 1	Altria Group Inc.	Pick n Pay Holdings Ltd	SA Gvt Employee Pension Fund	SA Gvt Employee Pension Fund	Walmart - subsidiary Main Street 830 (Pty) Ltd	ABF Overseas Limited	Tradewinds Global Investors LLC	South African Gvt	Allan Gray Limited
Shareholder 1%	27.1	53.6	21.86	17.63	53.2	51.5	6.54	100	22.5
Shareholder 2	BevCo Ltd	SA Gvt Employee Pension Fund	Coronation Fund Managers	Lombard Odier Darier Hentsch & Cie (M1 Limited)	Aberdeen Asset Mgmt Group	Allan Gray Limited	Investec Asset Mgmt		Investec Asset Mgmt
Shareholder 2%	14.18	10.2	14.58	9.78	13.4	21.1	5.91		12.9
Shareholder 3	SA Gvt Employee Pension Fund	Liberty Life Assurance of Africa Ltd	Allan Gray		SA Gvt Employee Pension Fund	SA Gvt Employee Pension Fund	First Eagle Investment Mgmt		SA Gvt Employee Pension Fund
Shareholder 3%	5.12	1.7	12.73		6.6	5.9	5.82		11.9
Shareholder 4	Allan Gray Investment Council	Sanlam	Old Mutual Investment Group		JP Morgan Asset Mgmt		Mvelaphanda Gold		Capital Group Companies Inc
Shareholder 4%	4.97	1	7.75		4.3		4.56		8.4
Shareholder 5	Black Rock Inc		Stanlib Asset Mgmt		Baillie Gifford & Co Ltd		SA Gvt Employee Pension Fund		Old Mutual Investment Group South Africa
Shareholder 5%	3.09		6.65		3.5		4.49		7.7

Appendix 1....

Company Name	WBHO	De Beers Family of Companies	AngloGold Ashanti	Vodacom Group Limited	Sun International	Standard Bank Group	Shoprite
Sector	**Construction**	**Mining**	**Mining**	**Technology & Telecomms**	**Hospitality**	**Banking & Fin. Services**	**Retail**
Shareholder 1	Akani Investment Holdings	Anglo-American plc	Bank of New York Mellon	Vodafone Group	Sun International Investments No. 2	Industrial & Commercial Bank of China	Wiese, CH (Non-Executive Chairman)
Shareholder 1%	15.22	85	40.1	65	9.5	20.1	16.54
Shareholder 2	SA Gvt Employee Pension Fund	Botswana Gvt	Paulson & Co	South African Gvt	Dinokana Investments (Pty) Ltd#	SA Gvt Employee Pension Fund	SA Gvt Employee Pension Fund
Shareholder 2%	14.53	15	7.46	13.91	6.05	13.3	13.63
Shareholder 3	Old Mutual		Allan Gray Unit Trust Mgmt	SA Gvt Employee Pension Fund	Investment Solutions	Tutuwa participants	Capital Group
Shareholder 3%	4.72		5.35	5.36	4.94	5.6	11.5
Shareholder 4	Sanlam		Investec Asset Mgmt		Sanlam	Dodge & Cox	Shoprite Checkers (Pty) Ltd
Shareholder 4%	4.09		5.25		4.82	2.8	6.87
Shareholder 5	Fidelity		SA Gvt Employee Pension Fund		Metal & Engineering Industries	Old Mutual Group	Lazard
Shareholder 5%	3.19		5.23		4.1	2.5	3.37

Appendix 2: Revenue at Sample Companies 2009 – 2012

	2009 ZAR	2010 ZAR	2011 ZAR	2012 ZAR	2009-2012
AngloGold Ashanti	31 961 000 000	40 135 000 000	50 411 000 000	54 382 400 000	70%
De Beers Family of Companies	32 409 600 000	43 137 180 000	52 700 000 000	50 616 666 667	56%
Eskom Holdings Limited	53 826 000 000	71 209 000 000	91 447 000 000	114 760 000 000	113%
Gold Fields	29 087 000 000	31 565 300 000	41 876 800 000	28 915 800 000	-1%
Illovo	8 601 700 000	8 467 900 000	8 107 900 000	9 173 200 000	7%
Massmart	43 128 700 000	47 451 000 000	53 089 500 000	61 362 900 000	42%
MTN Group	111 947 000 000	114 684 000 000	121 884 000 000	135 112 000 000	21%
Network Healthcare Holdings	23 232 000 000	22 474 000 000	22 584 000 000	25 174 000 000	8%
Pick n Pay Stores Ltd	50 135 800 000	49 323 800 000	51 455 600 000	55 634 400 000	11%
SABMiller	165 895 610 000	140 781 250 000	139 625 899 281	161 185 185 185	-3%
Sappi	48 393 000 000	49 044 776 119	50 597 222 222	51 185 483 871	6%
Shoprite	59 318 559 000	67 402 440 000	72 297 777 000	82 730 587 000	39%
Standard Bank Group	106 286 000 000	109 895 000 000	107 387 000 000	144 091 000 000	36%
Sun International	8 041 000 000	7 961 000 000	8 651 000 000	9 494 000 000	18%
Vodacom Group Limited	55 187 000 000	58 535 000 000	61 197 000 000	66 929 000 000	21%
WBHO	14 768 807 000	15 201 095 000	14 766 631 000	17 893 351 000	21%
Average	52 638 673 500	54 829 233 820	59 254 895 594	66 789 998 358	27%
Median	45 760 850 000	48 247 888 060	52 077 800 000	55 008 400 000	20%

Appendix 3: Profit at Sample Companies 2009 – 2012

	2009 ZAR	2010 ZAR	2011 ZAR	2012 ZAR
AngloGold Ashanti	-1 173 000 000	3 036 000 000	16 961 000 000	9 602 200 000
De Beers Family of Companies	784 920 000	6 334 420 000	9 107 142 857	6 791 666 667
Eskom Holdings Limited	-12 986 000 000	5 866 000 000	11 673 000 000	18 407 000 000
Gold Fields	4 207 600 000	7 155 700 000	12 141 400 000	6 497 200 000
Illovo	1 202 500 000	1 302 700 000	962 500 000	951 200 000
Massmart	1 902 000 000	1 820 000 000	1 504 100 000	1 834 100 000
MTN Group	25 773 000 000	28 095 000 000	39 640 000 000	36 981 000 000
Network Healthcare Holdings	1 467 000 000	1 754 000 000	1 931 000 000	-11 729 000 000
Pick n Pay Stores Ltd	1 734 800 000	1 812 000 000	1 356 100 000	1 170 000 000
SABMiller	26 237 460 000	22 882 812 500	26 086 330 935	41 503 703 704
Sappi	-1 965 000 000	641 791 045	-1 534 722 222	1 112 903 226
Shoprite	3 018 116 000	3 399 088 000	3 876 368 000	4 481 707 000
Standard Bank Group	16 676 000 000	18 006 000 000	20 856 000 000	24 051 000 000
Sun International	1 456 000 000	1 250 000 000	1 091 000 000	1 305 000 000
Vodacom Group Limited	10 237 000 000	8 945 000 000	12 638 000 000	15 933 000 000
WBHO	1 360 833 000	1 494 035 000	1 168 766 000	1 116 163 000
Average	4 995 826 813	7 112 159 159	9 966 124 098	10 000 552 725
Median	1 600 900 000	3 217 544 000	6 491 755 429	5 489 453 500

Appendix 4: Employee Numbers

	2009	2010	2011	2012	2011 - 2012	2009 - 2012
AngloGold Ashanti	63 364	62 046	61 242	65 822	4 580	2458
De Beers	13 320	Not disclosed	12 124	Not disclosed		
Eskom Holdings	37 857	39 222	41 778	43 473	1 695	5616
Gold Fields	49 715	57 000	46 378	48 120	1 742	-1595
Illovo	12 362	12 031	12 159	12 456	297	94
Massmart	24 518	26 585	27 729	32 126	4 397	7608
MTN Group	34 543	34 558	24 252	26 716	2 464	-7827
Netcare	29 648	30 096	28 199	28 032	-167	-1616
Pick n Pay Stores	53100	49000	49 200	42 400	-6 800	-10700
SABMiller	68 635	69 741	69 212	71 144	1 932	2509
Sappi	16 427	15 586	14 862	14 039	-823	-2388
Shoprite	83 886	88 000	95 000	100 000	5 000	16114
Standard Bank Group	29 477	53 351	51 656	49 017	-2 639	19540
Sun International	9342	10 372	10897	10 866	-31	1524
Vodacom Group	7 551	7 310	7 513	7 503	-10	-48
WBHO	Not disclosed	8 136	6 985	12 658	5 673	Not disclosed