



CLOSING THE REMUNERATION GAP

SOUTH AFRICAN MULTINATIONAL CORPORATIONS IN AFRICA

- Trends in 2016

LRS Labour
Research
Service

**This research contained in this report was
conducted by the Labour Research Service (LRS)
and made possible through the support of the
Friedrich Ebert Stiftung Trade Union Competence
Centre for Sub-Saharan Africa (FES-TUCC)**

CONTACT DETAILS

34 Bompas Road
Dunkeld West
Johannesburg

T +27 11 341 0270
F +27 11 341 0271

E info@fes-southafrica.org

W <http://www.fes-tucc.org/>



CONTACT DETAILS

Marie Daniel

No. 7 Community house, 41
Salt River Road, Salt River,
Cape Town, 7915

T +27 (0) 21 486-1100

F +27 (0) 21 447 9244

C +27 (0) 82 906 2490

E marie@lrs.org.za

W <http://www.lrs.org.za/>

LRS Labour
Research
Service

Contents

ABBREVIATIONS	v
EXECUTIVE SUMMARY	1
1. INTRODUCTION	3
2. APPROACH	4
3. GEOGRAPHICAL OVERVIEW	6
4. REVENUE AND PROFITS WITHIN MNCs	8
5. DIRECTOR’S REMUNERATION	22
5.1. INTRODUCING KING IV	22
5.2. EXISTING LACK OF TRANSPARENCY	23
5.3. SECTORAL OVERVIEW: DIRECTOR REMUNERATION	23
5.4. SUMMARY OF FINDINGS	36
6. THE WAGE GAP - ADVOCATING FOR MORE INTELLIGENT REPORTING ON EMPLOYEES	40
6.1. REPORTING ON EMPLOYEES: RESEARCH FINDINGS	40
6.2. THE WAGE GAP	43
7. CONCLUSION	46
ANNEXURE I: Utilising Individual Company Information from the SA MNC Database in Bargaining Preparations and Processes	47

List of Figures

Figure 3-1: Geographical Sales Distribution and above Average Sales.....	6
Figure 5-1: Reporting on Directors Remuneration: Number of Companies	23
Figure 6-1: MNC’s reporting on employees beyond a total number	41

List of Tables

Table 2-1: Companies analysed as part of the 2016 SA MNC Trend Report – grouped according to economic relevant sector	4
Table 5-1: Revenue and profit year-on-year growth rates compared to Executive Director Remuneration changes	36
Table 5-2: Highest total remuneration overview.....	37

List of Boxes

Box 3-1: Africa Operations and Planned Operations of Sampled Companies	7
Box 4-1: Revenue and Profit - Mining Sector.....	9
Box 4-2: Revenue and Profit - Construction Sector	10
Box 4-3: Revenue and Profit – Food and Beverage Sector	11
Box 4-4: Revenue and Profit - Industrial Sector.....	12
Box 4-5: Revenue and Profit – Paper and Packaging Sector.....	13
Box 4-6: Revenue and Profit - Transport Sector	14
Box 4-7: Revenue and Profit – Banking and Financial Sector	15
Box 4-8: Revenue and Profit – Diversified Holdings	16
Box 4-9: Revenue and Profit – Training and Health Sectors	17
Box 4-10: Revenue and Profit – Hospitality and Media Sectors	18
Box 4-11: Revenue and Profit – Retail Sector	19
Box 4-12: Revenue and Profit - Technology and Telecommunications Sector.....	20
Box 5-1: Director Remuneration – Mining Sector.....	24
Box 5-2: Director Remuneration – Construction Sector	25
Box 5-3: Director Remuneration – Food and Beverage Sector.....	26
Box 5-4: Director Remuneration – Industrial Sector.....	27
Box 5-5: Director Remuneration – Paper and Packaging Sector	28
Box 5-6: Secondary Sector Director Remuneration – Transport Sector	29
Box 5-7: Director Remuneration – Banking and Financial Services	30
Box 5-8: Director Remuneration – Diversified Holdings	31
Box 5-9: Director Remuneration – Training and Health Sectors.....	32
Box 5-10: Director Remuneration – Hospitality and Media Sectors.....	33
Box 5-11: Director Remuneration – Retail Sector.....	34
Box 5-12: Director Remuneration – Technology and Telecommunications	35
Box 6-1: Average Number of Employees per Sector.....	42
Box 6-2: Identifying the Wage Gap: Retail Example	44

ABBREVIATIONS

CEO	Chief Executive Officer
CFO	Chief Financial Officer
FES-TUCC	Friedrich Ebert Stiftung Trade Union Competence Centre for Sub-Saharan Africa
GUF	Global Union Federation
HR	Human Recourses
LRS	Labour Research Service
LTI	Long-Term Incentives
MNC	Multinational Corporation
PBT	Profit before Tax
SAA	South African Airways
SOE	State Owned Entity
STI	Short-Term Incentives

EXECUTIVE SUMMARY

The Labour Research Service (LRS) Multinational Corporation (MNC) Database was created in partnership with the Friedrich-Ebert-Stiftung Trade Union Competence Centre for Sub-Saharan Africa (FES-TUCC) and is now entering its seventh year of existence. The aim of the South African MNC Database and relevant MNC Trend Report is to broaden support for Global Union Federations (GUFs), national federations and unions to build alliances for regional and international campaigns; to support efforts of workers to transform Governance and Industrial Relations policies and practices of South African MNCs in which they organise through the provision of relevant information and by building capacity within the unions to research and monitor these companies.

The 7th MNC Trend Report provides an overview of the company information contained in the SA MNC Database. The Database is populated with the company finances, operations, geographical spread and remuneration policies of 91 South African MNC's operating across the continent. Given that the MNC Database has been in existence for a number of years, the report provides a unique overview of financial trends across companies and economic sectors from as far back as 2008.

The purpose of the 7th Annual MNC Trend Report is twofold. It firstly promotes an awareness of MNC's expansion strategies, financial positions and remuneration strategies. With regards to expansion strategies it is seen that Africa is increasingly playing host to a far more diverse and competitive group of countries and companies. 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. Although the financial position and decreasing revenue would often be used as motivations for why companies cannot allow remuneration increases for workers this report argues that such statements cannot be defended. It was shown that regardless of revenue and profit levels, directors are remunerated handsomely. Even in cases where the company would be losing billions under a CEO, the CEO would receive a remuneration package to the value of more than R 84 million.

Linking to the findings of the first objective of the MNC Trend Report, the second intention is to advocate for more intelligent reporting on employees. It is crucial to at all times remember and emphasise that "all jobs are not equal". A part-time position, for example, cannot be counted as the equivalent of a full-time position. While the King IV principles are highlighting the need to close the "gap between the remuneration of executives and those at the lower end of the pay scale", much still needs to be done in terms of reporting on employees.

Income inequality is a reality across the African continent and affects the ability of workers to maintain a decent standard of living for themselves and their families. The MNCs reviewed as part of this research are proof of how remuneration structures within companies exacerbate income inequalities. MNCs who pay their director's excessively high salaries were identified with the objective of advocating for more accountability within companies. It became apparent that there is little observable and comparable logic within the remuneration approaches of MNCs. Questioned must be raised as to why the remuneration packages of CEO's are structured in the way that they are. Across companies minimum wages are located

within a comparable small wage bracket whereas this is by no means the case within directors' remuneration – why does the same logic not apply at director level?

The fact that an Executive Director could earn as much as 1 763 times that of an entry-level worker is unacceptable and illustrated why companies would prefer to under-report on the remuneration structures of workers below directors level. Unions and GUFs, however, encourages information sharing and makes it possible to generate information on worker remuneration across borders. Such information, in turn, makes it possible to identify the true remuneration gap that companies are encouraged to bridge. This report thus advocates for more intelligent reporting on employees through the availing of information and transparency regarding employees. All jobs are not equal and employees need to be considered and reported on according to the different employment types found within a company.

1. INTRODUCTION

Global capitalism is driven by the need to accumulate, compete and reduce turnover time. The African continent has been utilized as a space in which Multinational Corporations (MNCs) have the opportunity to decrease their production costs through lower input costs, especially labour. In the process, it has become evident that where the global economy has granted MNC's the free trading opportunities it has not been accompanied by a similar globalization of social rights, labour rights and ultimately human rights to provide workers and their families with a decent standard of living.

The Labour Research Service (LRS) Multinational Corporation (MNC) Database was created in partnership with the Friedrich-Ebert-Stiftung Trade Union Competence Centre for Sub-Saharan Africa (FES-TUCC) and is now entering its seventh year of existence. The aim of the South African MNC Database and relevant MNC Trend Report is to broaden support for Global Union Federations (GUFs), national federations and unions to build alliances for regional and international campaigns; to support efforts of workers to transform Governance and Industrial Relations policies and practices of South African MNCs in which they organise through the provision of relevant information and by building capacity within the unions to research and monitor these companies.

The 7th MNC Trend Report provides an overview of the company information contained in the SA MNC Database. The Database is populated with the company finances, operations, geographical spread and remuneration policies of 91 South African MNC's operating across the continent. Given that the MNC Database has been in existence for a number of years, the report provides a unique overview of financial trends across companies and economic sectors from as far back as 2008.

The 7th Annual Trend Report is focused on three key points of analyses. The first (Section 3) provides an overview of the operations of 33 sampled companies across the African continent. Africa is increasingly playing host to a far more diverse and competitive group of countries and companies. 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.

The second point of analyses is based on a sectoral classification of the 91 MNCs that form part of the Database. The overview of financial performances (Section 4) and remuneration strategies (Section 5) are conducted according to 14 economic sectors. Within this context, the third analyses focus on the remuneration strategies of directors are compared to that of workers (Section 5). The research found that companies under report on employees but that unions, GUFs and social movements are in a position to collect detailed information on issues, such as wages, pertaining to workers. Through such information sources, it was possible to take the retail sector and show that an MNC Executive Director is on average being paid 613 times the salary of workers across Southern Africa. In Malawi, for instance, employees are paid such low salaries that Executive Directors are being paid 1 763 times the salary of an entry-level worker. This MNC Trend Report subsequently advocates for more intelligent reporting on employees towards addressing income inequalities.

The LRS MNC Database can be found online – the information found in this report is available immediately for free download from the LRS and FES-TUCC websites at <http://www.lrs.org.za/mnc> and <http://www.lrs.org.za/mnc/?set=info&fes>

2. APPROACH

Maintaining, updating and making the information available online is a key part of the work of sharing information beyond boardrooms. Within the context the objective of the SA MNC Database is the following:

*To provide global and national unions with **up to date relevant reports** of companies in their sector so as to improve their strategies for building regional trade union alliances and campaigns as well as alliances with NGOs and CSOs for broader sustainability campaigns. Global unions, national federations and trade unions, supported by timely and relevant reports, have the capacity to engage with MNCs nationally, regionally and globally.*

A total of 91 companies listed on the Johannesburg Stock Exchange (JSE) from 14 sectors were reviewed as part of the SA MNC Database for the 2016 period. While it is not a comprehensive sample, it does include a wide range of the top listed companies according to market capitalization.

The table below identifies the relevant companies according to the sectors in which they were analysed.

Table 2-1: Companies analysed as part of the 2016 SA MNC Trend Report – grouped according to economic relevant sector

Sector	Company Name	Financial Year End	Sector	Company Name	Financial Year End	
PRIMARY SECTOR			Transport	ACSA	3/31/2016	
Mining	African Rainbow Minerals	6/30/2016		Cargo Carriers*	2/29/2016	
	Anglo American Platinum	12/31/2016		Grindrod	12/31/2016	
	Anglo American plc	12/31/2016		Imperial Holdings	6/30/2016	
	AngloGold Ashanti	12/31/2016		South African Airways	3/31/2016	
	Assore limited*	6/30/2016		Super Group*	6/30/2016	
	BHP Billiton	6/30/2016		Transnet	3/31/2016	
	Exxaro*	12/31/2016		TERTIARY SECTOR		
	Glencore Xstrata	12/31/2016		Banking and Financial Services	Barclays Africa Group*	12/31/2016
	Gold Fields	12/31/2016			Discovery	12/31/2016
	Harmony Gold	6/30/2016			FirstRand Bank	6/30/2016
	Impala Platinum	6/30/2016			Investec	3/31/2016
	Kumba Iron Ore Limited	12/31/2016			Liberty Holdings	12/31/2016
	Lonmin plc	9/30/2016			Nedbank	12/31/2016
	Petra Diamonds	6/30/2016	RMB Holdings		6/30/2016	
Sibanye Gold	12/31/2016	Sanlam	12/31/2016			
Trans Hex	3/31/2016	Standard Bank Group*	12/31/2016			
SECONDARY SECTOR			Diversified Holdings		Barloworld Limited*	9/30/2016
Construction	Aveng	6/30/2016		Bidvest*	6/30/2016	
	Basil Read	12/31/2016		Hosken Consolidated	3/31/2016	
	Group Five*	6/30/2016		Remgro	6/30/2016	
	Murray & Roberts*	6/30/2016		Sear del Investments	3/30/2016	
	Pretoria Portland Cement*	3/31/2016		Steinhoff International	9/30/2016	

Sector	Company Name	Financial Year End	Sector	Company Name	Financial Year End
Food and Beverage	WBHO	6/30/2016	Training and Health**	Adcorp Holdings limited*	2/29/2016
	Anglo-Vaal Industries*	6/30/2016		Adcock Ingram*	6/30/2016
	Astral Foods	9/30/2016		AfroCentric Investments	6/30/2016
	Clover Industries*	6/30/2016		Aspen Holdings	6/30/2016
	Crookes Brothers*	3/31/2016		Life Healthcare Group*	9/30/2016
	Distell	6/30/2016		Mediclinic	3/31/2016
	Illovo	3/31/2016		Network Healthcare Holdings	9/30/2016
	Pioneer Foods	9/30/2016		Hospitality and Media***	City Lodge Hotels*
	RCL Foods	6/30/2016	Sun International		6/30/2016
	SABMiller	3/31/2016	Tsogo Sun Holdings*		3/31/2016
	Tiger Brands	9/30/2016	Caxton CTP*		6/30/2016
	Tongaat Hulett	3/31/2016		Naspers*	3/31/2016
Industrial	AECI	12/31/2016	Retail	Cashbuild*	6/30/2016
	African Oxygen*	12/31/2016		Foschini*	3/31/2016
	Altron	2/29/2016		Massmart*	12/25/2016
	ArcelorMittal SA	12/31/2016		Mr Price	3/31/2016
	Denel	3/31/2013		Pick n Pay Stores Ltd*	2/28/2016
	Eskom Holdings Limited	3/31/2016		Shoprite*	6/30/2016
	Invicta Holdings	3/31/2016		Spar*	9/30/2016
	Reunert	9/30/2016		Truworths	6/26/2016
	Sasol*	6/30/2016		Woolworths*	6/26/2016
Paper and Packaging	Mondi Group*	12/31/2016	Technology and Telecommunications	MTN Group*	12/31/2016
	Nampak	9/30/2016		Telkom	3/31/2016
	Sappi*	9/30/2016		Vodacom Group Limited*	3/31/2016

*Companies sampled for the African Expansion analyses (Section 3)

** The training sector and health sector are two separate sectors which were combined for the purposes of the report

*** The hospitality sector and media sector are two separate sectors which were combined for the purposes of the report

It must be noted that sector coverage is not uniform as there is a focus on those sectors and companies of most interest to unions. 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 to negotiators. This does result in companies of vastly varying sizes being grouped together which should also be borne in mind when considering remuneration packages.

The data has been extracted from the most recently published Annual Reports and Annual Financial Statements as of June 2017 and therefore includes year ends from the end of February 2016 to the end of December 2016. Likewise, with the year ends in February and March 2016, the pay packages disclosed in Section 4 would have been set over two years ago In February and March 2015. Though some companies do disclose the agreed salaries of executives for the coming year this remains a rare occurrence.

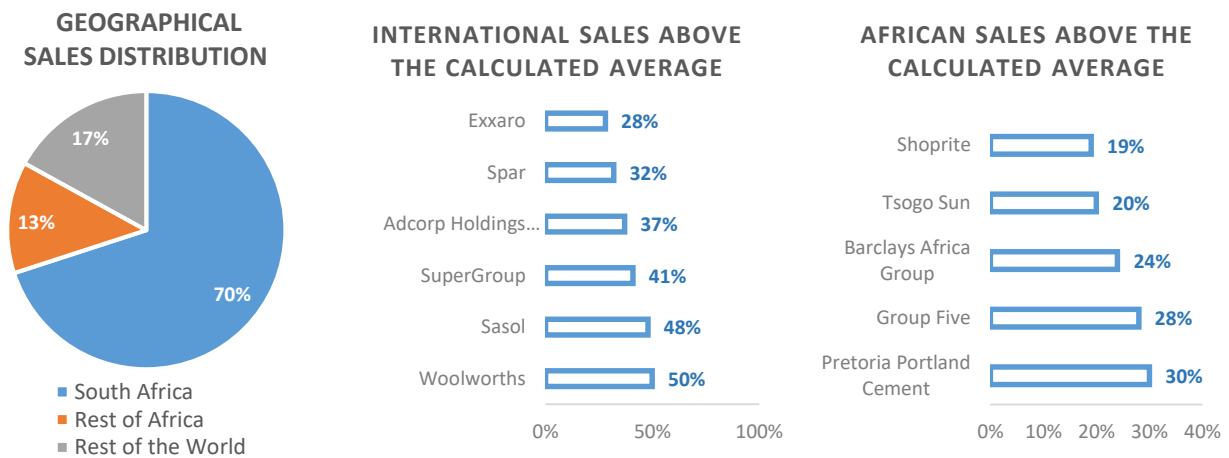
In some cases, company profit and director's fees are not disclosed in South African Rand. In these cases, the annual average exchange rate for the financial year in question has been calculated from the currency converter website. These, of course, vary depending on the financial year-end.

3. GEOGRAPHICAL OVERVIEW

Brand Africa 100® ranks the top 100 African and non-African brands across the African continent. In the recent 'Brand Africa 100 table' South Africa had five of its companies listed as one of the most valuable brands on the continent. MTN, Shoprite, Tiger Brands, DSTV/Multichoice, Pick n Pay and Sasko all ranged between the 47th and 82nd positions¹. While this may be true, reporting on geographical operations and expansion strategies vary between companies. Where some MNCs would provide a detailed account of the sales and profits generated within their countries of operations, others would disclose limited information on their operations outside of South Africa. For the purpose of a geographical overview, 33 companies were sampled to develop insights into MNCs current operations as well as possible future expansion strategies. GUFs needs to be aware of operational approaches for them to remain ahead of expansion strategies and establish their presence.

Within the sampled companies, 70% of their sales were reported to be in South Africa, 13% in the rest of Africa and 17% in the rest of the world. The companies with sales above the calculated averages are illustrated below.

Figure 3-1: Geographical Sales Distribution and above Average Sales



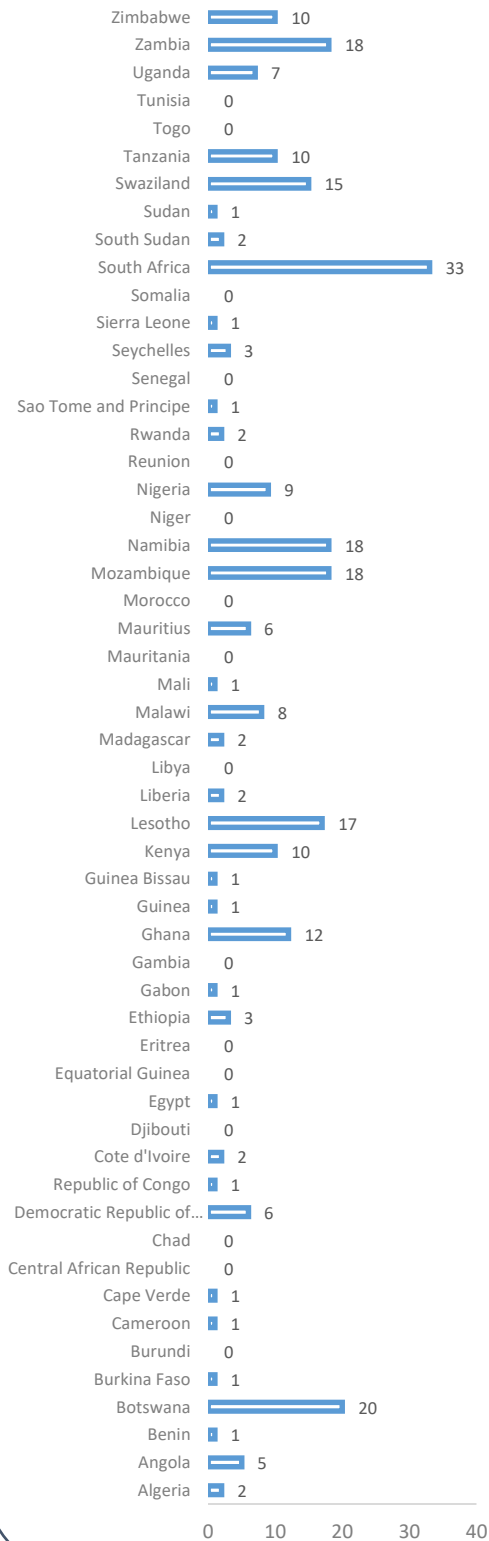
It was further observable that those companies who did have a portion of their revenue generated outside of South Africa saw an increase in sales. This could in part be due to the currency fluctuations although companies such as Shoprite showed an increase of more than 5% across Africa. Spar and SuperGroup experienced considerable growth in their international sales with 9% and 16% growth respectively.

The Box below illustrates the companies in which the sampled MNCs have a presence, the number of stores in each country and countries they are looking to develop in after 2016. With regards to the number of stores in each country, South Africa was not included for illustrative purposes. South Africa had a total of **9 103** stores. This number is much higher than the number of stores found in the other African countries and if included in the figure removes the visibility of the relevant numbers in other countries.

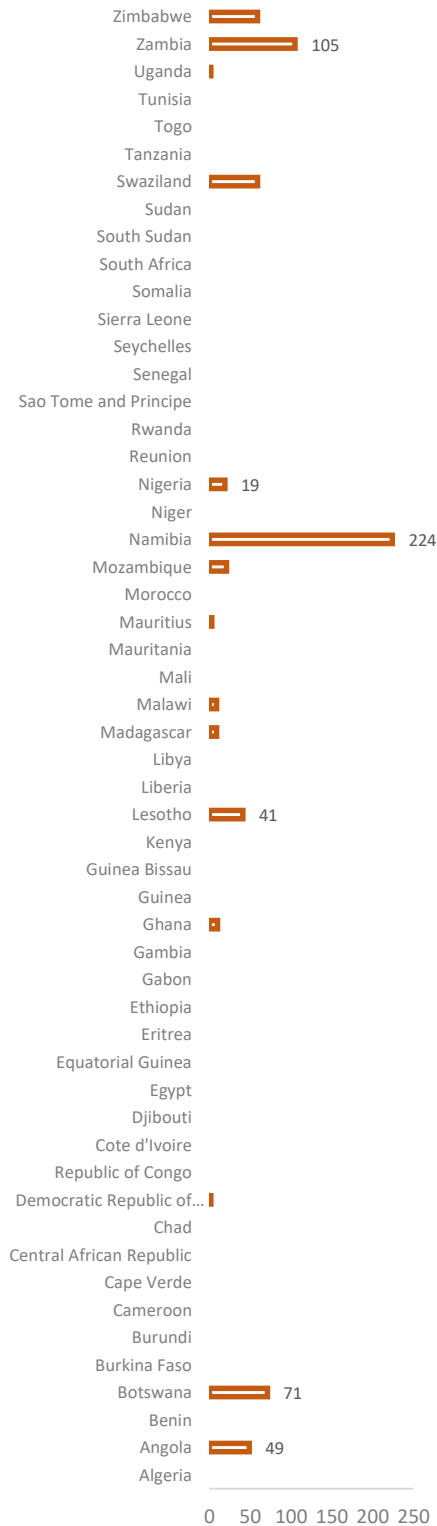
¹ Brand Africa. 2017. Most Valuable Brands. <http://www.brandafrica.net/Rankings.aspx> Date of Access: 15 July 2017.

Box 3-1: Africa Operations and Planned Operations of Sampled Companies

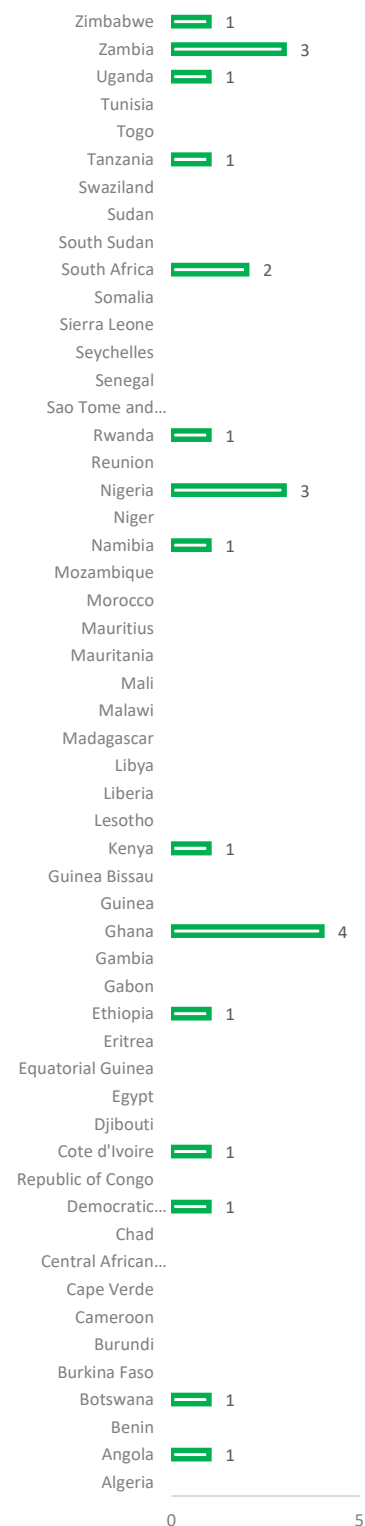
2016 Number of MNC Companies operating in African Countries



2016 Number of actual MNC operations across Africa - excluding South Africa



Number of MNC's planning operations after 2016



Outside of South Africa, the countries which hosted the highest number of the sampled MNC's are Zambia, Swaziland, Namibia, Mozambique, Lesotho and Botswana. During the research, it became apparent that companies will often indicate that they operate in a particular country without specifying their actual number of operations. From those companies that did specify their numbers of operations, it can be seen Namibia has a particularly high number followed by Zambia, Botswana and Angola. These are all countries in close proximity to South Africa. Looking forward, the expansion strategies noted in the sampled company's Annual Reports indicated towards Zambia, Nigeria and Ghana being viewed as opportunities for growth. Other countries in which expansion was noted are Zimbabwe, Uganda, Tanzania, South Africa, Rwanda, Namibia, Kenya, Ethiopia, Ivory Coast, Democratic Republic of Congo, Botswana and Angola.

It has to be noted that the findings represent a sampled number of companies. However, it does indicate expanding interest outside of South Africa. As companies set up to drive more deeply into Africa, it is essential that labour rights, good corporate governance and social responsibility move with it.

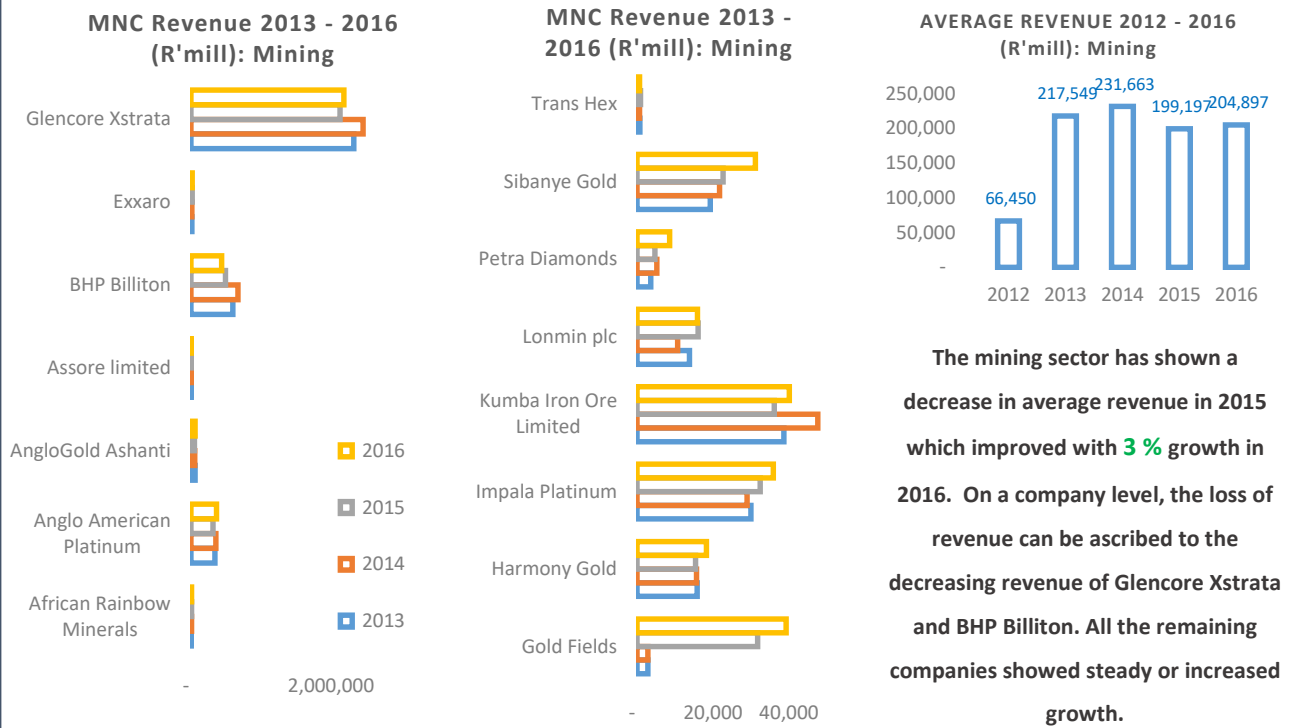
Africa is increasingly playing host to a far more diverse and competitive group of countries and companies that are after the apparently underserved consumers on the continent. As competition increases it is essential that the actions and strategies of these companies are monitored so that they can be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

4. REVENUE AND PROFITS WITHIN MNCs

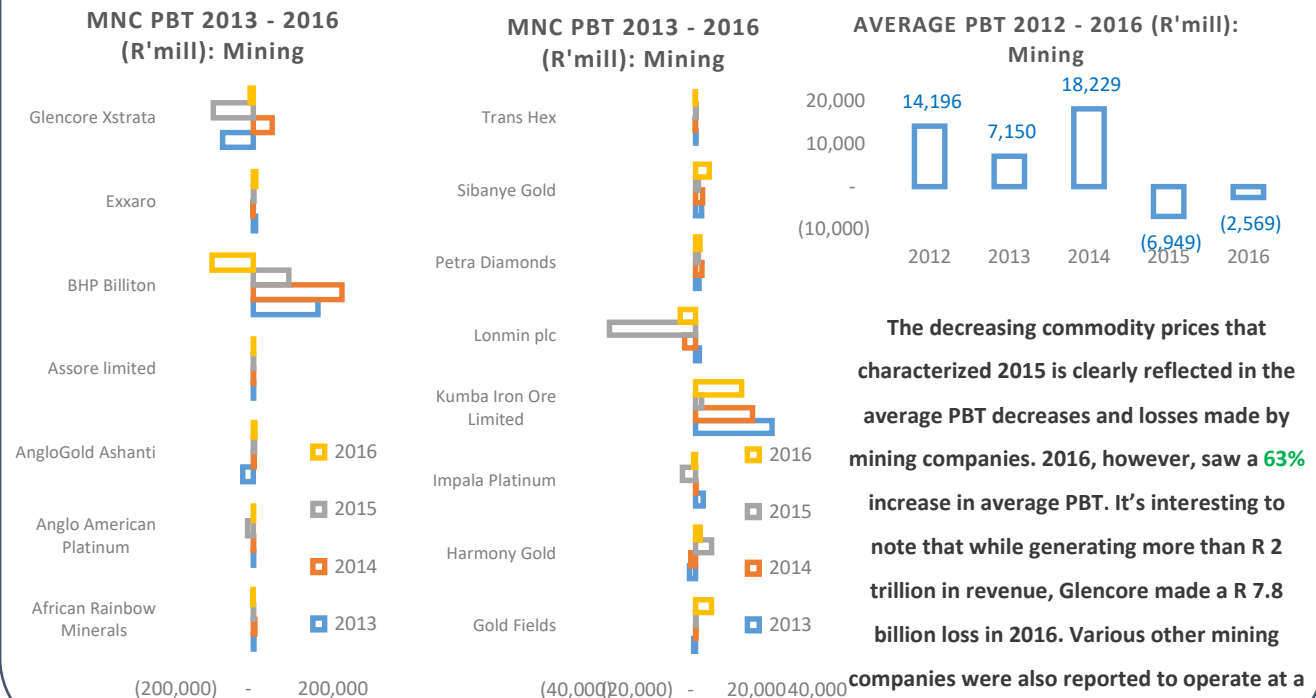
A decrease in revenue or profits is often cited by companies as a reason why wage and labour related demands cannot be met. A company could, for example, state that in 2016 they experienced -5% decrease in revenue. While such a number might reflect as negative, it does not mean that there was an actual loss. It rather indicates that growth was slower than the previous years but that growth still took place. Given such tactics, this section provides an overview of the revenue and profits generated by the MNCs under review. The objective is to avail information that will enable unions to establish to what extent claims of lowered revenue and profit are in fact true and to monitor the company performance. The revenue and profit section is presented through "Boxes" that represents fact sheets of the sectors identified in Section 3.

Box 4-1: Revenue and Profit - Mining Sector

REVENUE:



PROFIT BEFORE TAX:



Box 4-2: Revenue and Profit - Construction Sector

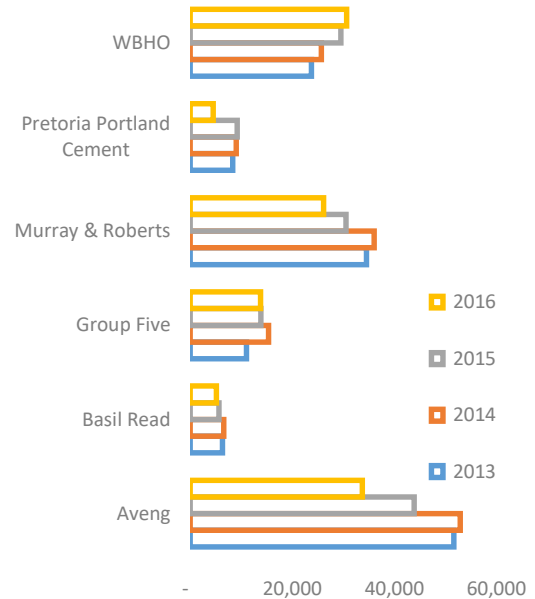
REVENUE:

Average Revenue 2008 - 2016 (R'mill): Construction



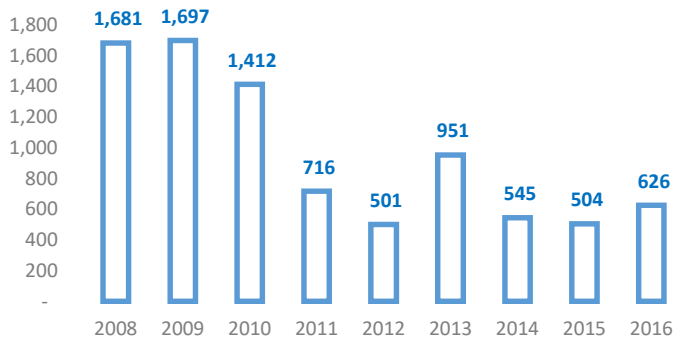
Average revenue within the construction sector has decreased slightly since 2013. In the 2015/16 period, a **-14%** decrease in annual growth rate took place. While all the companies are still operating with positive revenue, WBHO is the only company that has seen a steady increase since 2016.

MNC Revenue 2013 - 2016 (R'mill): Construction



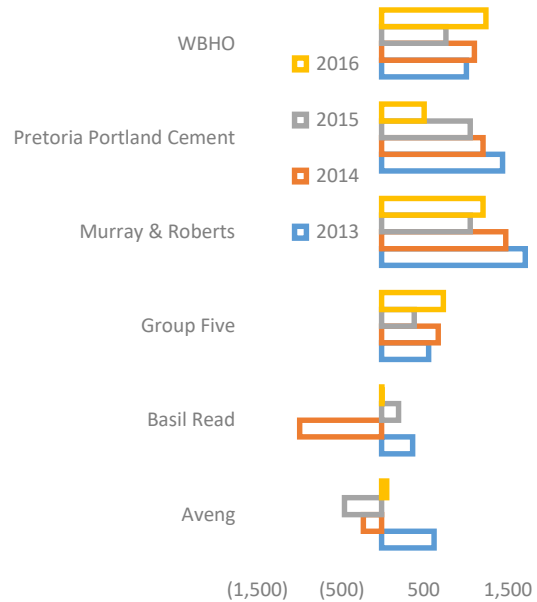
PROFIT BEFORE TAX:

Average PBT 2008 - 2016 (R'mill): Construction



While PBT in the construction sector has seen a steady decrease since 2009, 2016 experienced a **24%** average increase. This increase in PBT can be explained by the growth in profit within WBHO, Murray & Roberts, Group Five and Aveng.

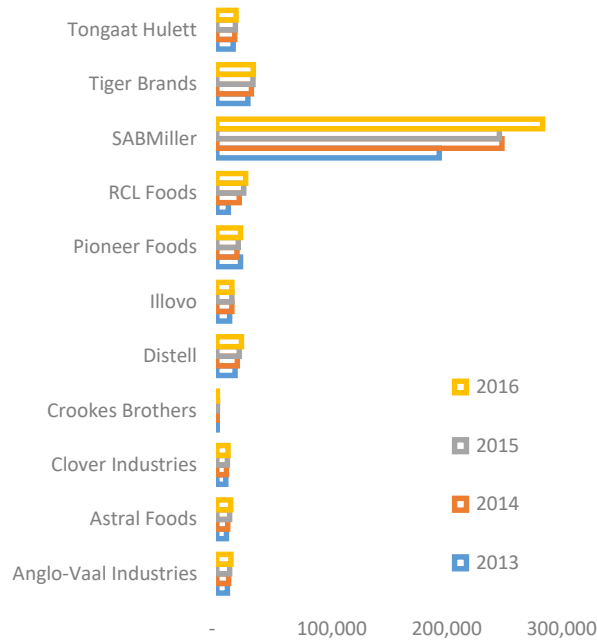
MNC PBT 2013 - 2016 (R'mill): Construction



Box 4-3: Revenue and Profit – Food and Beverage Sector

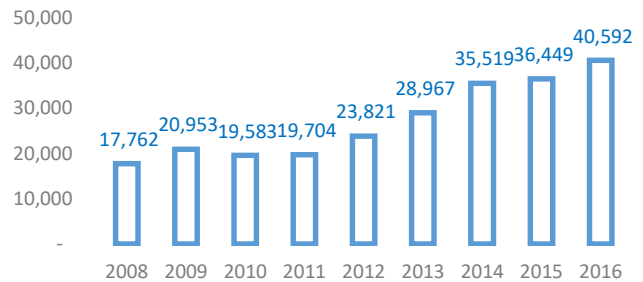
REVENUE:

MNC Revenue 2013 - 2016 (R'mill): Food and Beverage



In the food and beverage sector, SABMiller far outdid the other companies in terms of revenue margins. It is further observable that there has been an overall **11%** increase in average revenue between 2015 and 2016. This increase builds on the increasing revenue levels experienced since 2008.

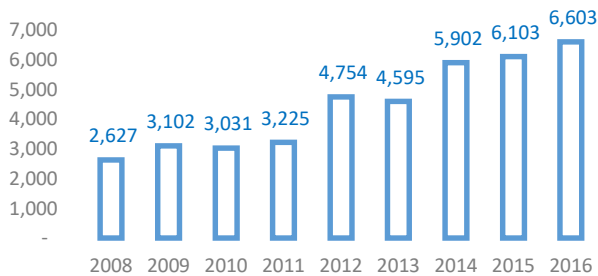
Average Revenue 2008 - 2016 (R'mill): Food and Beverage



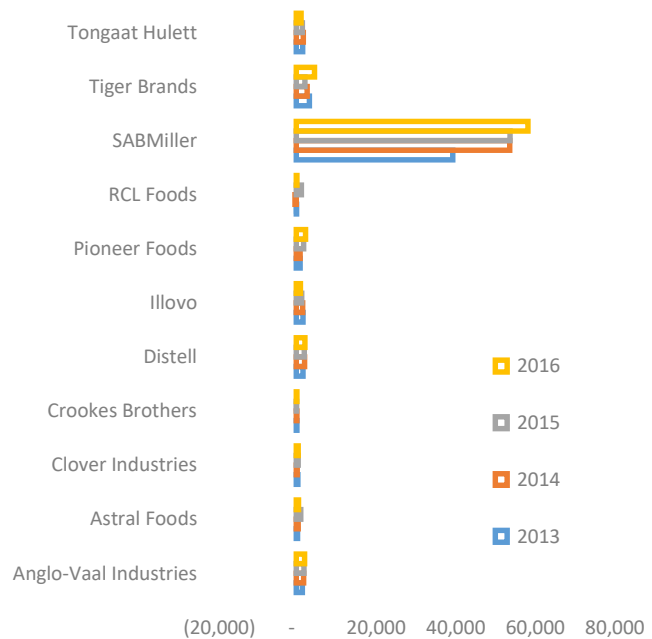
PROFIT BEFORE TAX:

The PBT in the food and beverage sector shows a similar trend to that of the revenue illustrated above. An **8%** increase in PBT was experienced between 2015 and 2016.

Average PBT 2008 - 2016 (R'mill): Food and Beverage



MNC PBT 2013 - 2016 (R'mill): Food and Beverage

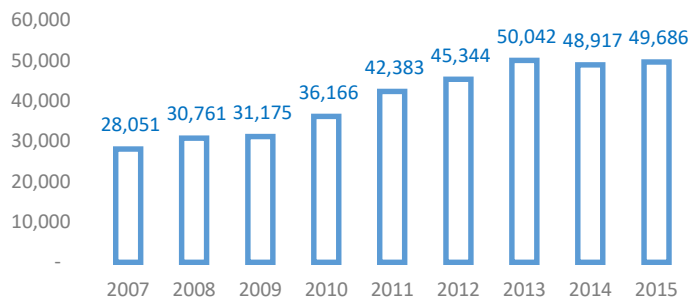


Box 4-4: Revenue and Profit - Industrial Sector

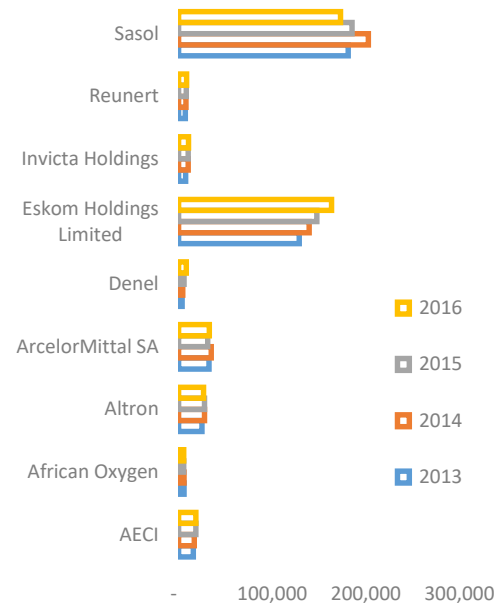
REVENUE:

The companies that form part of the industrial sector have cumulatively developed an average revenue increase of **2%** between 2015 and 2016. The two State Owned Entities (SOEs) within this group, Eskom and Denel have both shown an increase since 2013. All the companies have, in fact, been experiencing positive revenue growth since 2013.

Average Revenue 2008 - 2016 (R'mil): Industrial



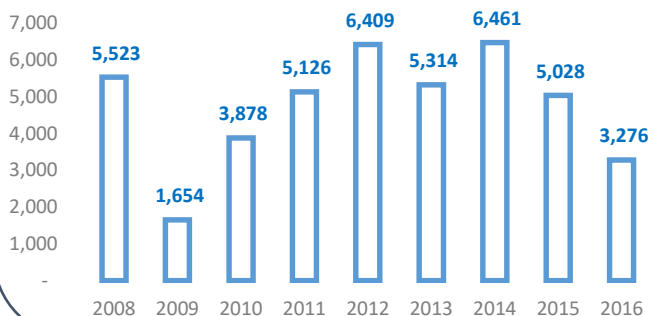
MNC Revenue 2013 - 2016 (R'mill): Industrial



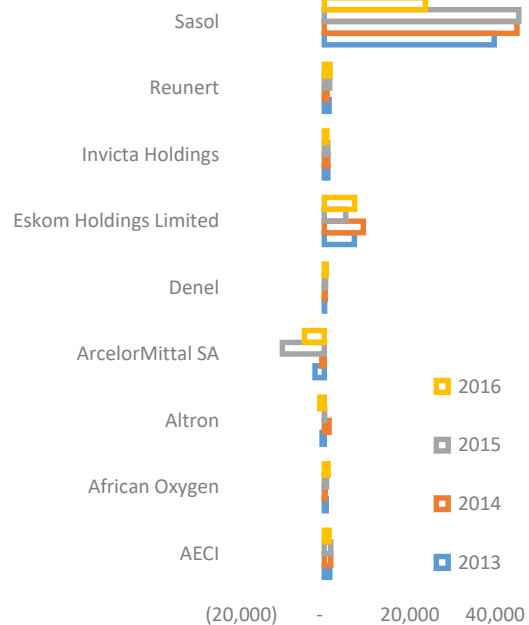
PROFIT BEFORE TAX:

On average, companies grouped in the industrial sector has shown a **-35%** decrease in the annual PBT growth rate. Altron and ArcelorMittal SA both operated at a loss during 2016. Sasol also showed a sharp decrease in profit although it is still operating in within positive PBT margins.

Average PBT 2008 - 2016 (R'mill): Industrial



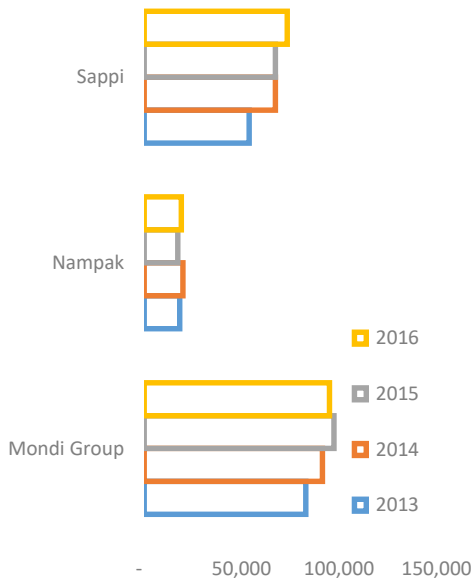
MNC PBT 2013 - 2016 (R'mill): Industrial



Box 4-5: Revenue and Profit – Paper and Packaging Sector

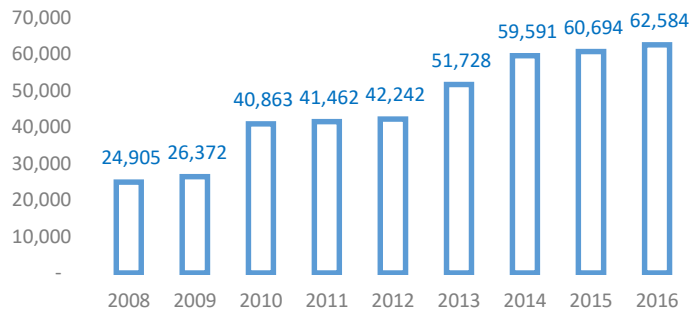
REVENUE:

MNC Revenue 2013 - 2016 (R'mill):
Paper and Packaging



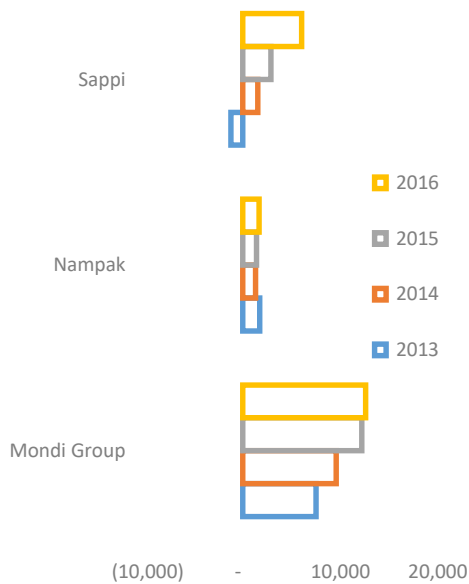
In the paper and packaging sector, Mondi Group showed the highest revenue margins. It is further observable that there has been an overall **3%** increase in average revenue between 2015 and 2016. This increase builds on the increasing revenue levels experienced since 2008.

Average Revenue 2008 - 2016 (R'mill): Paper and Packaging



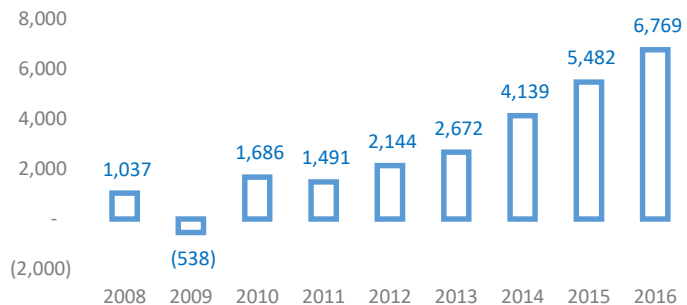
PROFIT BEFORE TAX:

MNC PBT 2013 - 2016 (R'mill): Paper
and Packaging



The PBT in the paper and packaging sector shows a similar trend to that of the revenue illustrated above. A **23%** increase in PBT was experienced between 2015 and 2016.

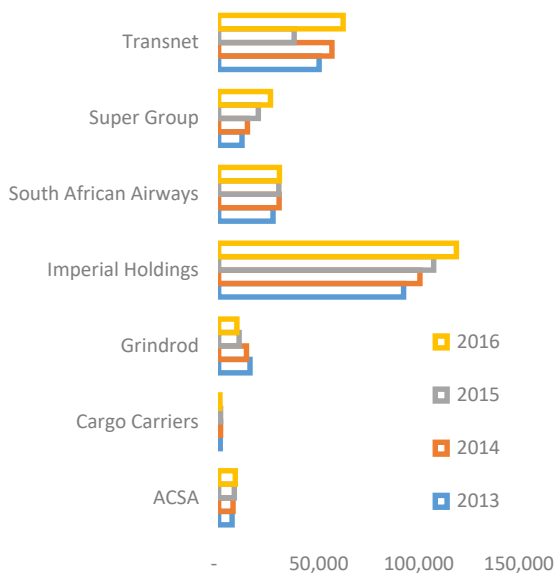
Average PBT 2008 - 2016 (R'mill): Paper and Packaging



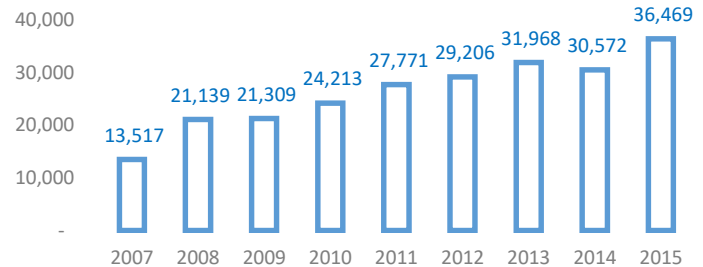
Box 4-6: Revenue and Profit - Transport Sector

REVENUE:

**MNC Revenue 2013 - 2016 (R'mill):
Transport**



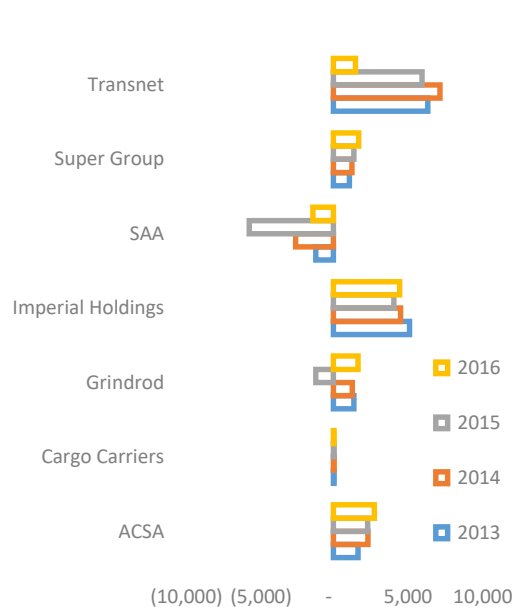
Average Revenue 2008 - 2016 (R'mill): Transport



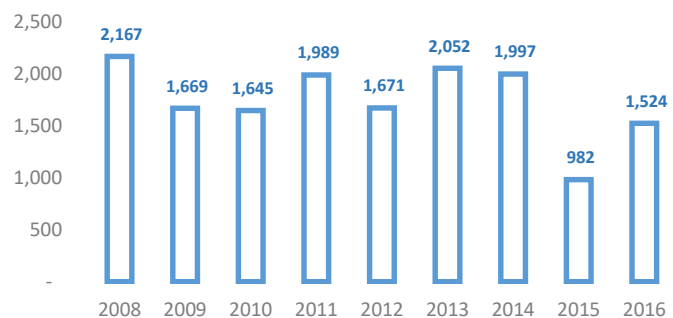
Average revenue within the transport sector has been increasing steadily since 2007. In the 2015/16 period, a 19% increase in the revenue growth rate took place. On an individual basis, the only company that experienced a decrease in revenue was Grindrod.

PROFIT BEFORE TAX:

**REVENUE 2013 - 2016 (R'mill):
Transport**



**AVERAGE REVENUE 2008 - 2016 (R'mill):
Transport**

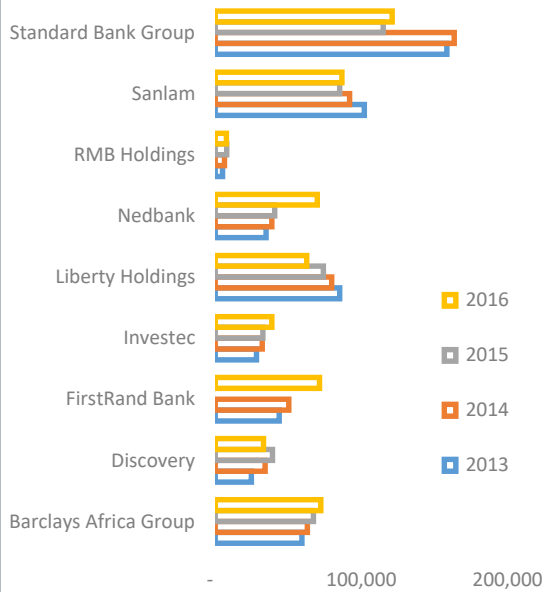


The overall PBT within the MNC sampled in the transport sector has shown a 55% increase. This is in large due to the slight recovery of the losses made by South African Airways (SAA). Transnet, another South African SOE, is still making a profit but has shown a drastic decrease since 2015.

Box 4-7: Revenue and Profit – Banking and Financial Sector

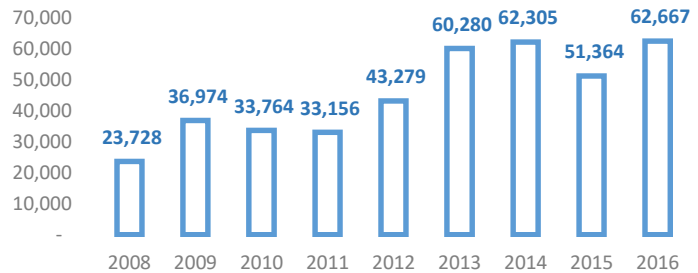
REVENUE:

**MNC Revenue 2013 - 2016 (R'mill):
Banking and Financial**



The banking and financial sector has shown positive growth in revenue since 2007 despite a slight decrease in 2015. As a result of the decrease, a growth rate of **22%** was experienced between 2015 and 2016. Nedbank and FirstRand bank have both shown considerable increases in revenue between 2015 and 2016.

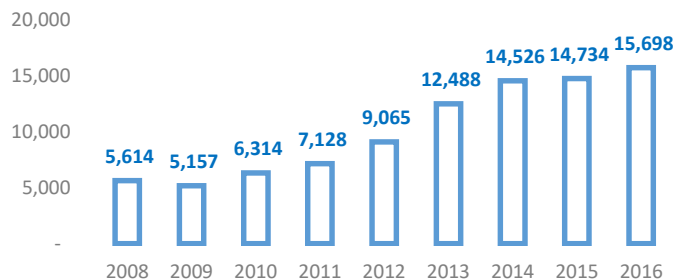
Average PBT 2008 - 2016 (R'mill): Banking and Financial



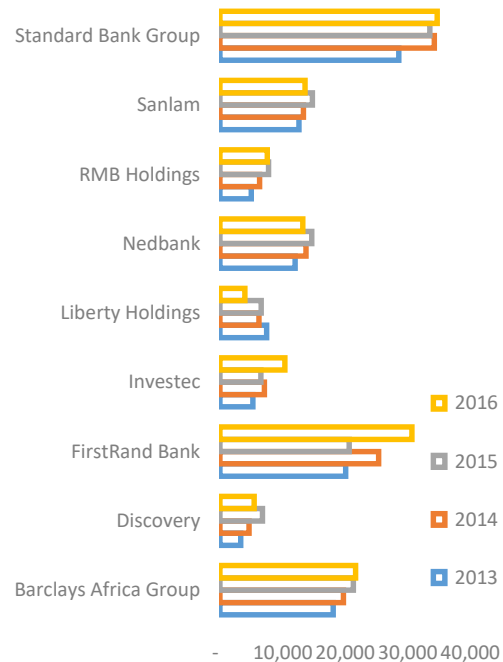
PROFIT BEFORE TAX:

All the companies within the banking and financial sector had positive PBT levels and there was an average overall increase of **7%**.

Average PBT 2008 - 2016 (R'mill): Banking and Financial



**MNC PBT 2013 - 2016 (R'mill):
Banking and Financial**

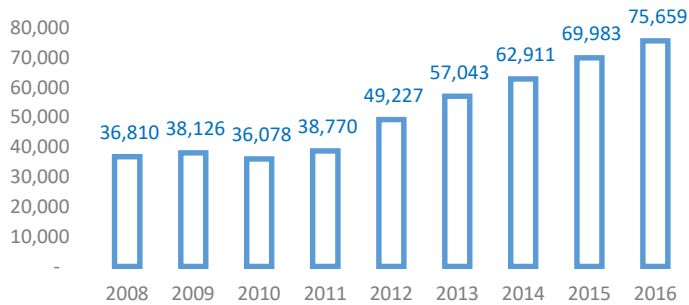


Box 4-8: Revenue and Profit – Diversified Holdings

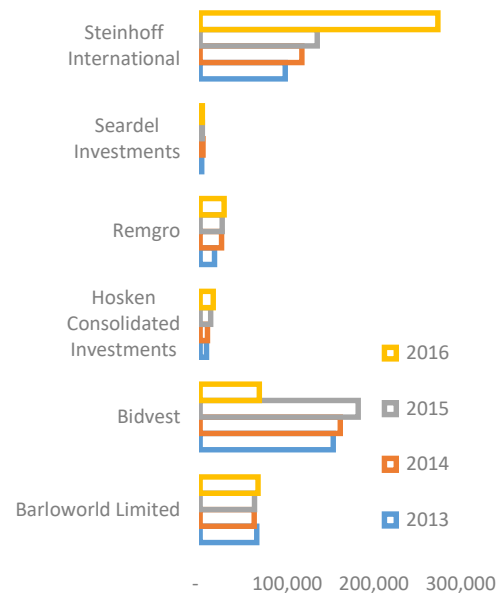
REVENUE:

On average the companies within the diversified holdings sector experienced an average revenue growth rate of **8%**. On a company level, it is seen that Steinhoff International nearly doubled its revenue. *This is, however, due to the fact that the company changed its financial year-end.* The revenue accounted for is thus for a period of 15 months instead of twelve. The dramatic decrease in revenue at Bidvest can also be explained due to the fact that the company *unbundled the Group's food services businesses.*

Average Revenue 2008 - 2016 (R'mill): Diversified Holdings



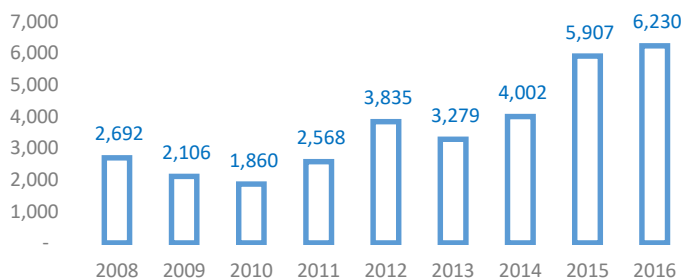
MNC Revenue 2013 - 2016 (R'mill): Diversified Holdings



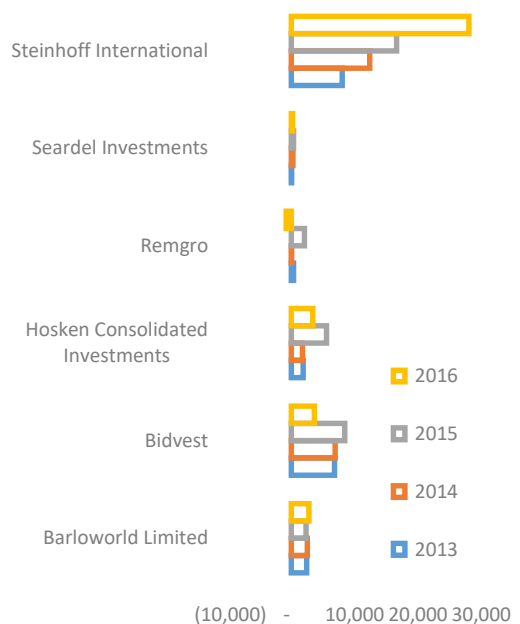
PROFIT BEFORE TAX:

PBT within the diversified holdings companies has increased by **5%** on average. As previously stated, Steinhoff International had high profit levels based on changes in the manner in which they report. Remgro experienced negative PBT during 2016.

Average PBT 2008 - 2016 (R'mill): Diversified Holdings



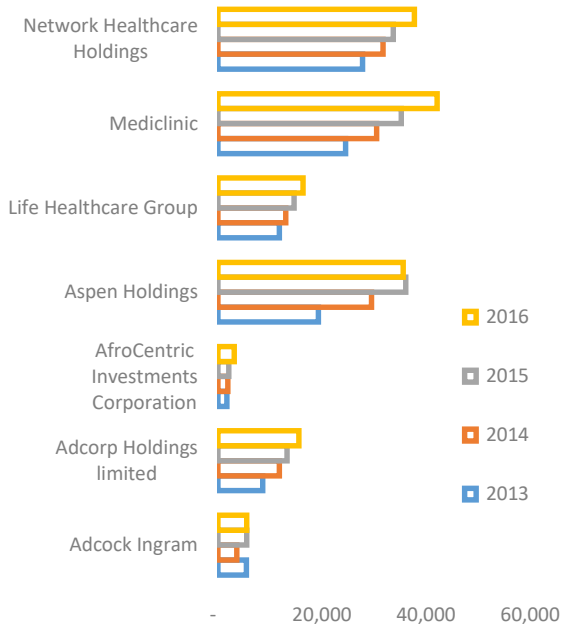
MNC PBT 2013 - 2016 (R'mill): Diversified Holdings



Box 4-9: Revenue and Profit – Training and Health Sectors

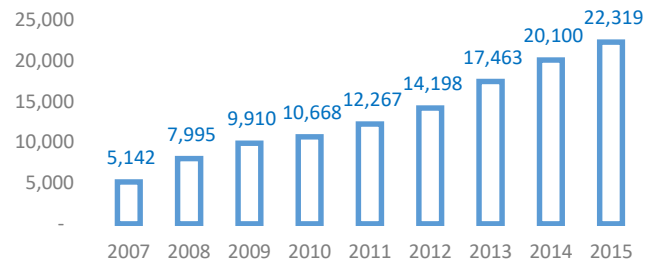
REVENUE:

**MNC Revenue 2013 - 2016 (R'mill):
Training and Health**



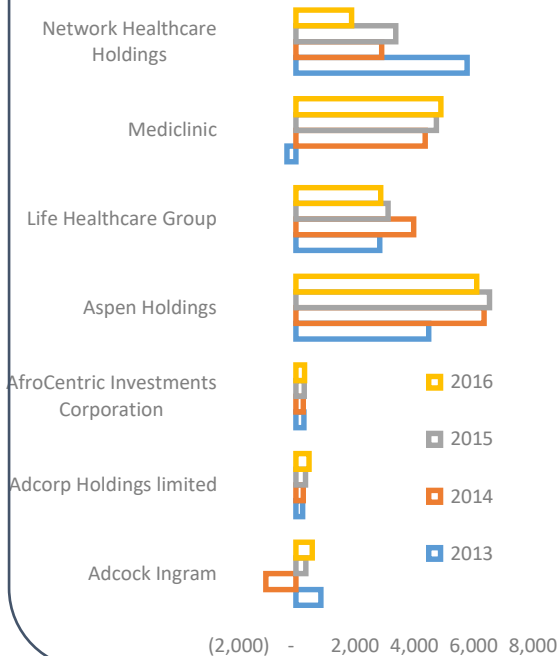
In the training and health sectors, Mediclinic showed the highest revenue margins. It is further observable that there has been an overall **11%** increase in average revenue between 2015 and 2016. This increase builds on the increasing revenue levels experienced since 2007.

Average Revenue 2008 - 2016 (R'mil): Training and Health



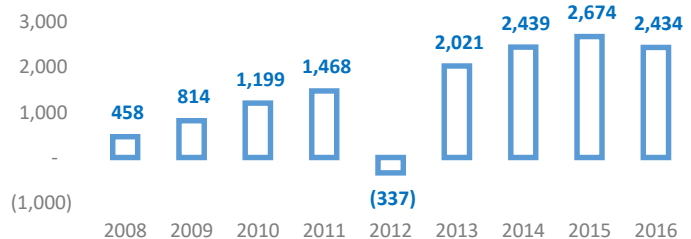
PROFIT BEFORE TAX:

MNC PBT 2013 - 2016 (R'mill): Training and Health



The PBT in the training and health sectors shows a similar trend to that of the revenue illustrated above although a slight annual year-on-year growth rate decrease of **-9%** took place in 2016. During 2012 there was a sharp decrease in the average profit made as a result of the Network Healthcare Holdings that made an R 11 billion loss.

Average PBT 2008 - 2016 (R'mill): Training and Health

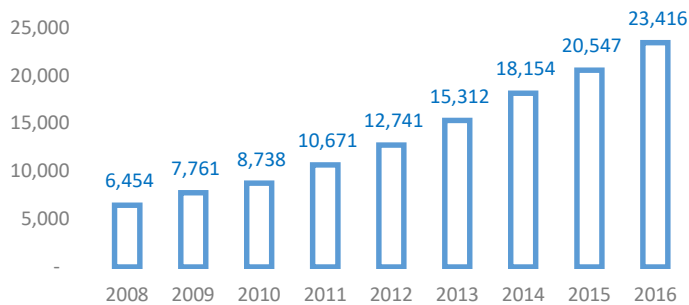


Box 4-10: Revenue and Profit – Hospitality and Media Sectors

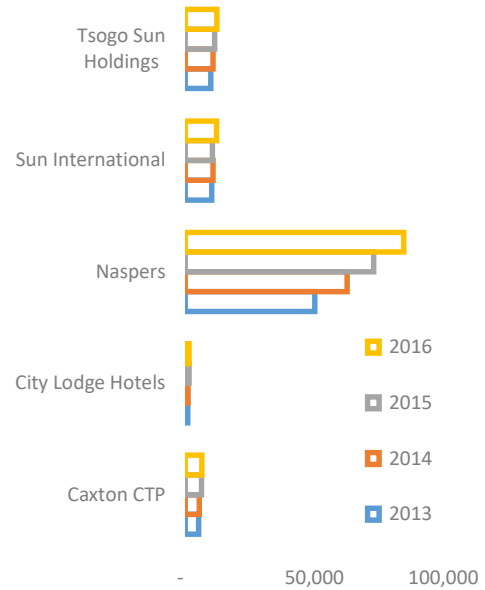
REVENUE:

In the hospitality and Media sectors, there has been an overall **14%** revenue growth rate between 2015 and 2016. This increase builds on the increasing revenue levels experienced since 2008.

Average Revenue 2008 - 2016 (R'mill): Hospitality and Media

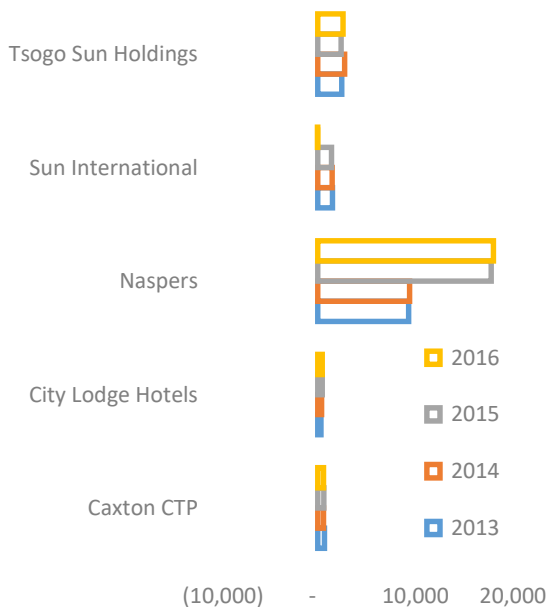


MNC Revenue 2013 - 2016 (R'mill): Hospitality and Media



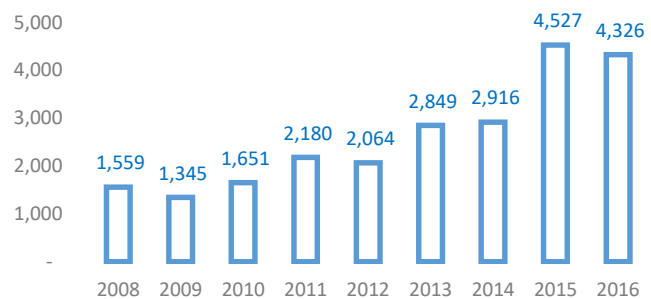
PROFIT BEFORE TAX:

MNC PBT 2013 - 2016 (R'mill): Hospitality and Media



The average year-on-year PBT growth rate has been increasing steadily since 2008. There was a marginal year-on-year growth rate decrease of **-4%** between 2015 and 2016 due to Sun International that operated at a loss.

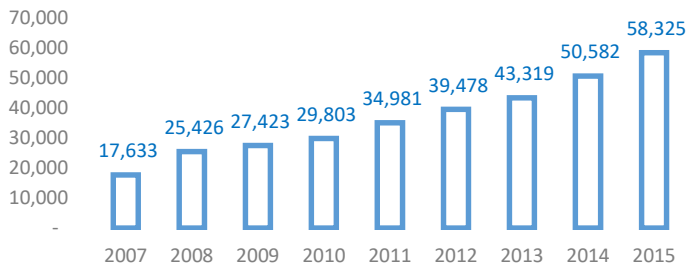
Average PBT 2008 - 2016 (R'mill): Hospitality and Media



Box 4-11: Revenue and Profit – Retail Sector

REVENUE:

Average Revenue 2008 - 2016 (R'mil): Retail

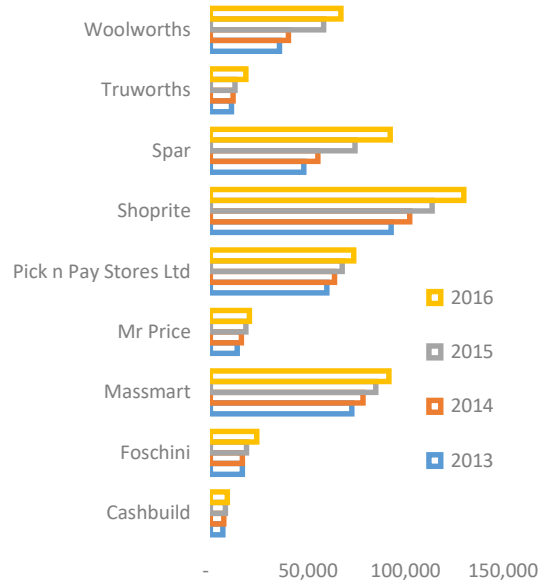


Revenue across the retail sector reflects a positive picture

of growth across all companies. Between 2015 and 2016

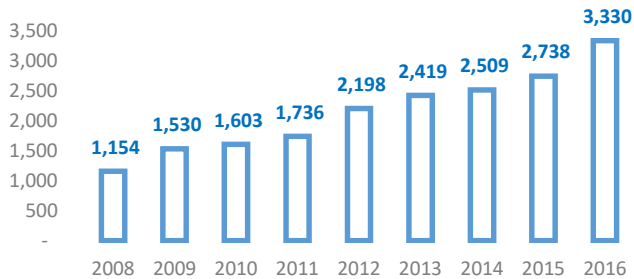
alone there was a **15%** average increase.

MNC Revenue 2013 - 2016 (R'mill): Retail



PROFIT BEFORE TAX:

Average PBT 2008 - 2016 (R'mill): Retail



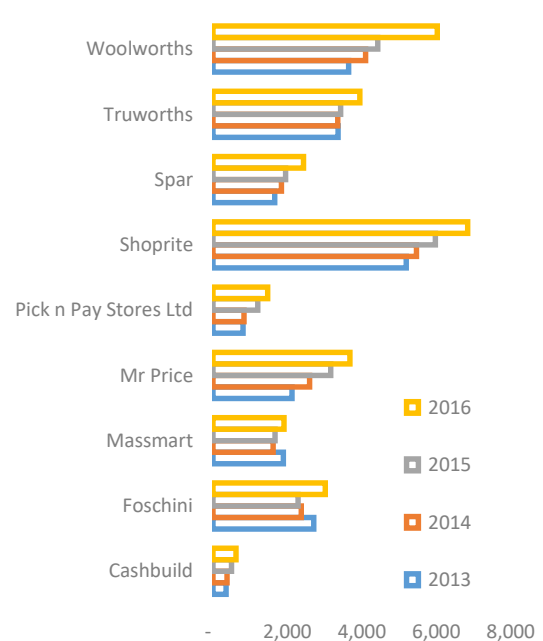
The PBT in the retail sector shows a similar trend to

that of the revenue illustrated above. A **22%** PBT year-

on-year growth rate was experienced between 2015

and 2016.

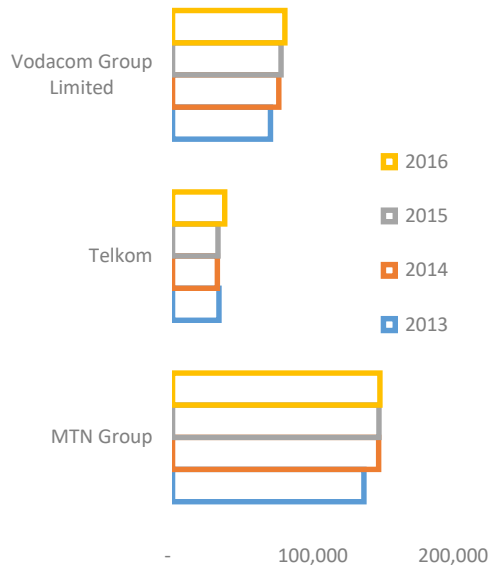
MNC PBT 2013 - 2016 (R'mill): Retail



Box 4-12: Revenue and Profit - Technology and Telecommunications Sector

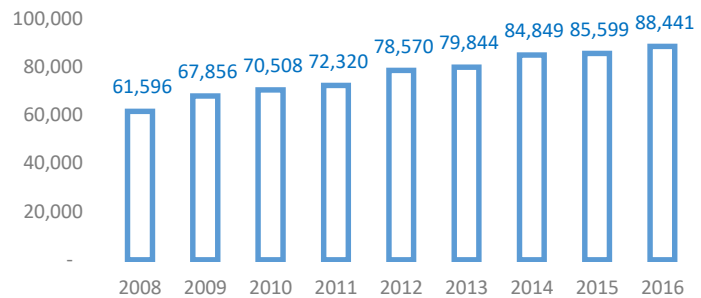
REVENUE:

**MNC Revenue 2013 - 2016 (R'mill):
Technology and
Telecommunications**



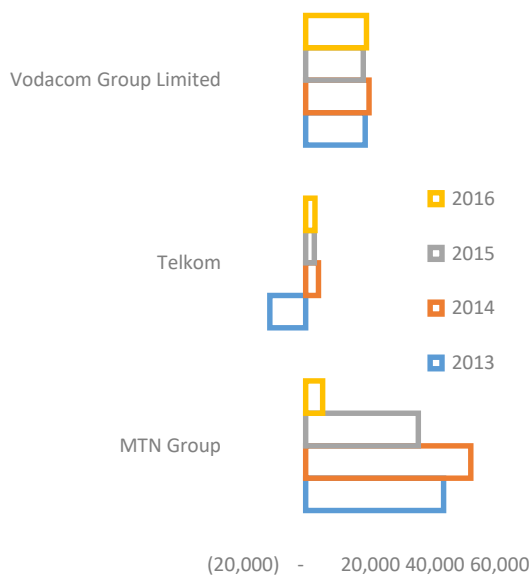
Average revenue growth within the technology and telecommunications sector was found to be **3%** between 2015 and 2016. None of the relevant companies saw any decreases in their revenue streams.

Average Revenue 2008 - 2016 (R'mill): Technology and Telecommunications



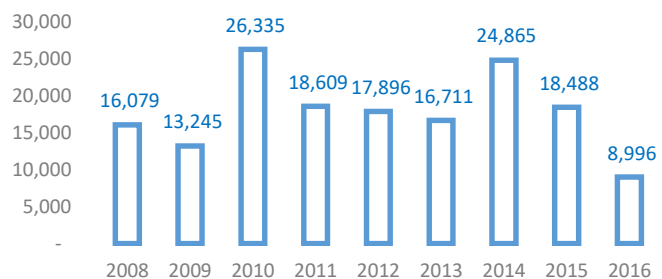
PROFIT BEFORE TAX:

**MNC PBT 2013 - 2016 (R'mill):
Technology and Telecommunications**



The average PBT levels in the technology and telecommunications sector have been decreasing steadily since 2014 although all companies were still operating at a profit. The average year-on-year PBT growth has decreased by **-51%** in 2016.

Average PBT 2008 - 2016 (R'mill): Technology and Telecommunications



The fact sheets presented in this section showed that revenue across the various sectors has been increasing. In sectors such as the food and beverages sector; banking and financial sector; training and health sector; and retail sector, both revenue and profit have been increasing positively with no companies experiencing any losses. In a sector such as mining which is subject to international commodity prices, there has been more volatility with regards to profits in particular. The case of Glencore Xstrata illustrates to what extent revenue and profit can deviate. While making a more than R 2 trillion in revenue, Glencore made a R 7.8 billion loss in 2016. A negative gross profit margin occurs when costs exceed revenue. There are a few possible reasons why a company might experience a negative gross profit margin including raw material cost increases, technology disruption and macroeconomic shock. Negative gross profit margins can thus be improved on once the disruptions that took place eases away.

Across all the sectors and companies identified above an average annual year-on-year revenue growth rate of 7% was calculated between 2015 and 2016. The PBT year-on-year growth rate was found to be -15%. While this number may reflect negative, it still represents positive profit levels. No loss was experienced – growth only took place at a slower rate than the previous year. The importance of the information presented in this section is to further analyse it in terms of director and worker remuneration as presented in the following section. This exercise reveals how despite decreased rates of growth in some years, directors are still being rewarded handsomely.

5. DIRECTOR'S REMUNERATION

One of the key differences between the remuneration of directors and that of workers is that the largest component of the former's is located in additional benefits. Apart from benefits including medical aid, car allowances, pension contributions and other expenses, a large part of director remuneration is "performance pay". These cover both annual performance and short-term incentives (STIs), in the form of bonuses and also the paying out of long-term incentive plans (LTIs). With regards to LTIs, in particular, there is often a lack of transparency. LTIs can be masked in, among others, shares that were exercised in a certain year. Some companies do not reflect such payments as part of director's remuneration packages.

In addition, it was found that there is limited reporting on the remuneration of employees compared to that of directors. This creates a situation where the actual wage gap between remuneration at the higher levels and those of workers cannot be identified. This section thus provides an analysis of director remuneration within the MNCs under review before the following section unpacks the manner in which reporting on employees are done within companies.

5.1. INTRODUCING KING IV²

"Remuneration of directors is one of the most debated topics in the corporate governance arena, due to the tension between stakeholders demanding to understand directors' remuneration and the directors' desire for the privacy of their financial affairs. In line with international developments, remuneration is receiving far greater prominence in King IV" (Institute of Directors Southern Africa, 2016).

The King Report on Corporate Governance is a ground-breaking booklet of guidelines for the governance structures and operation of companies in South Africa. MNC's in South Africa are obliged to report according to the King Principles. The King IV Principles built on the King III Principles and pays much attention to the gap between the remuneration of Executive Director's remuneration and that of workers:

"An important introduction in King IV is that the remuneration of executive management should be fair and responsible in the context of overall employee remuneration. It should be disclosed how this has been addressed. This acknowledges the need to address the gap between the remuneration of executives and those at the lower end of the pay scale" (Institute of Directors Southern Africa, 2016).

The King IV Principles were released in 2016. Within the 2016 Annual Reports under review, the MNCs that did report on King IV indicated these will be implemented during 2017 or 2018. The next SA MNC Trend Report will thus be able to report on the extent to which companies are implementing King IV although it is regretful that some companies will only implement the principles in 2018. Within such a timeframe, companies can avoid the prescribed level of transparency for another year.

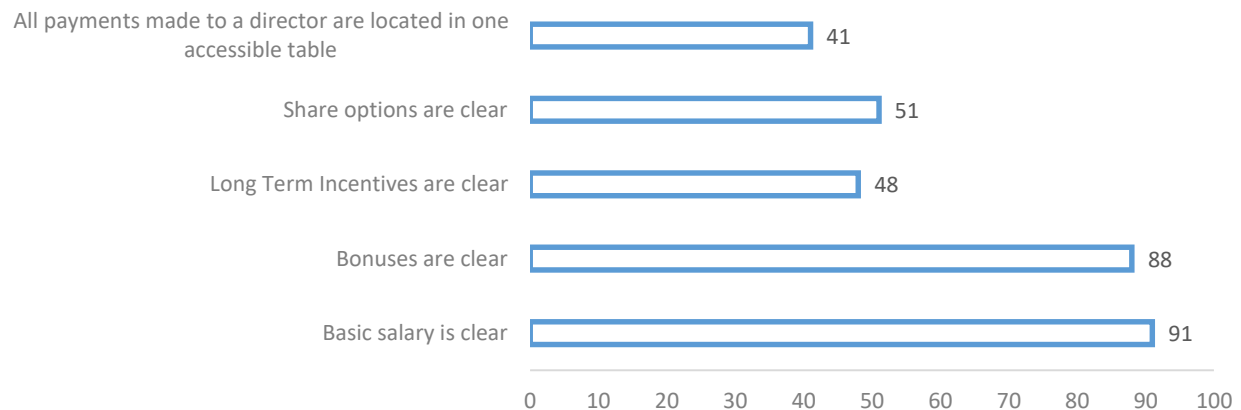
² Institute of Directors Southern Africa, 2016. King IV Report on Corporate Governance for South Africa, 2016.
http://c.ymcdn.com/sites/www.iodsa.co.za/resource/resmgr/king_iv/King_IV_Report/IoDSA_King_IV_Report_-_WebVe.pdf
Date of access: 25 July 2017.

5.2. EXISTING LACK OF TRANSPARENCY

Long-term incentives (LTI) can constitute a large part of director's remuneration packages. These are, most commonly, paid through share options, but increasingly also through other plan types like performance share plans and share matching plans. Bonuses too are increasingly being used as long-term retention plans where a portion of the bonus earned is deferred for three years and possibly also matched in value at that point with or without further performance conditions attached. While this may be true, such payments are not always clearly provided in the sections within Company Annual Reports that report on director's remuneration. Such reporting approaches could prohibit members of the public and union members to access the full remuneration package of directors.

The research findings with regards to the manner in which the companies disclose director's remuneration is illustrated below.

Figure 5-1: Reporting on Directors Remuneration: Number of Companies



It can be seen that within all the MNCs the basic salary of directors is clear and easy to extract. Within 88 companies additional bonuses and STIs were easily discernable. It then becomes apparent that the LTIs of directors are not reported on to the same extent as STIs as only 48 companies reported on the former in an easily obtainable format. In 41 companies, which represents less than half of the companies researched, all the payments made to a director were located in one accessible table. Such lack of transparency will need to be improved on going forward and given the recommendations made in King IV.

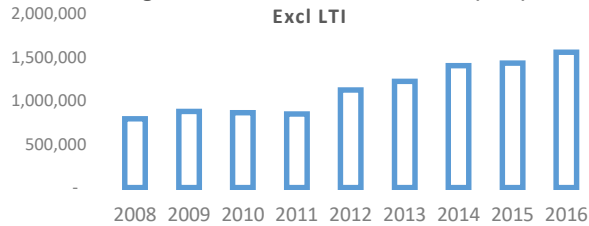
METHODOLOGICAL NOTE: Within this report, remuneration is considered including and excluding LTI. This is done given the fact that LTIs are not exercised to the same extent in every year and could, therefore, distort the true nature of remuneration packages and trends.

5.3. SECTORAL OVERVIEW: DIRECTOR REMUNERATION

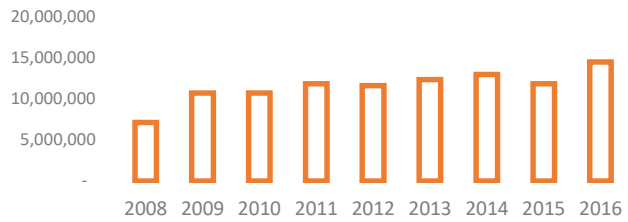
The following boxes analyses director remuneration approaches according to the identified economic sectors.

Box 5-1: Director Remuneration – Mining Sector

Average Non-Executive Remuneration (ZAR): Excl LTI

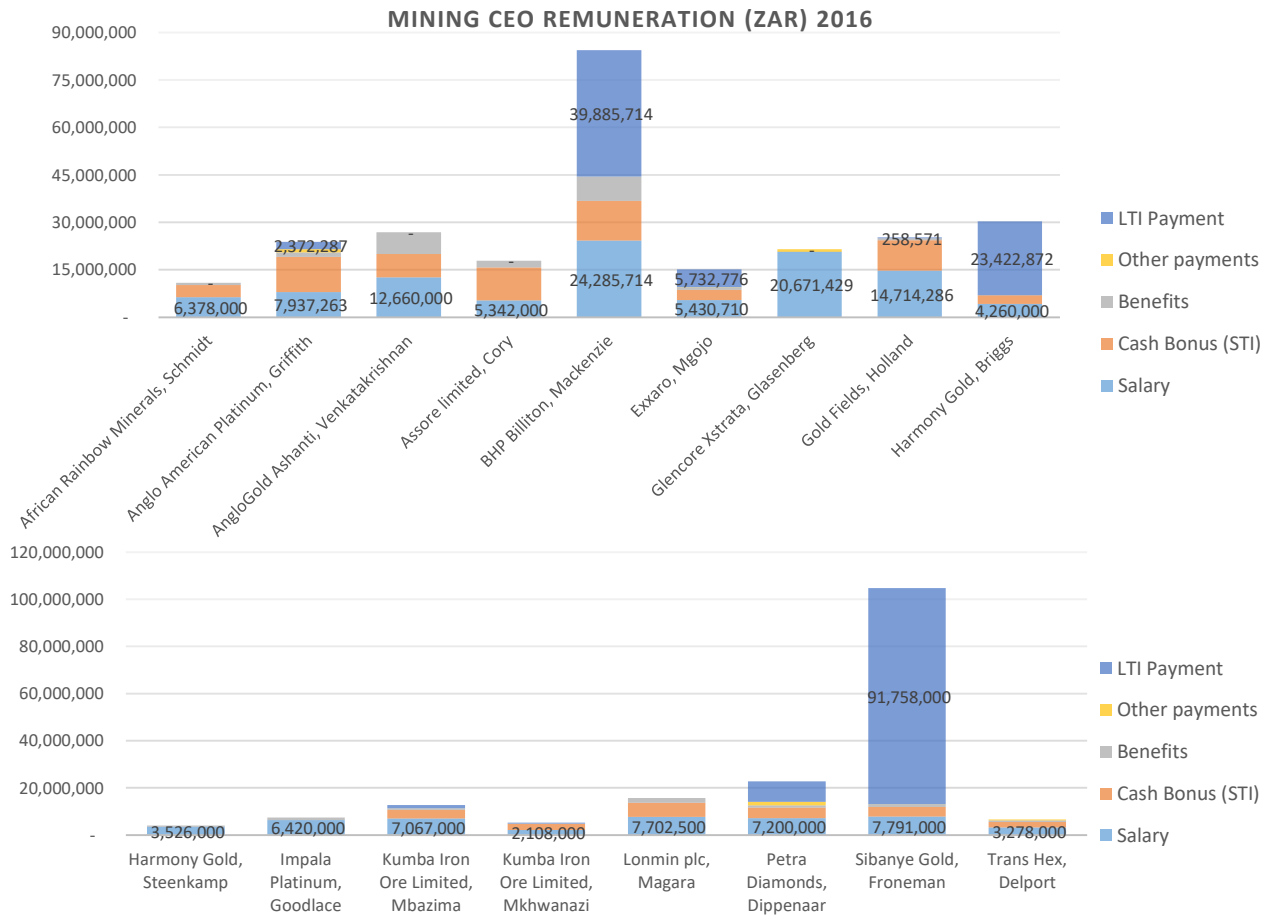


Average Executive Remuneration (ZAR): Excl LTI

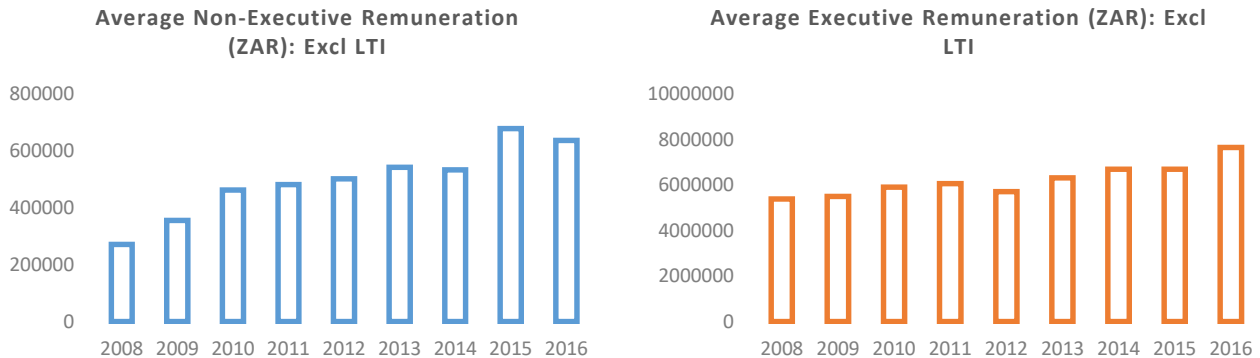


Executive and Non-Executive Director's remuneration has been increasing at **22%** and **9%** respectively between 2015 and 2016. The highest remuneration package (excluding LTI's) was awarded to the BHP Billiton CEO, Ken Mackenzie to the amount of **R 44 500 000**. In addition, he also received an LTI of nearly **R 40 million**. When further taking into consideration the LTI payments made in addition to remuneration packages it can be seen that the **Sibanye Gold CEO, Neal Froneman** was paid a **R 91 758 000** LTI. This amounts his total payment to the highest within the sector at **R 104 727 000**. The research also found that despite dramatic losses made by a company such as **Glencore Xstrata**, their CEO was still paid a salary of more than **R 20 000 000**.

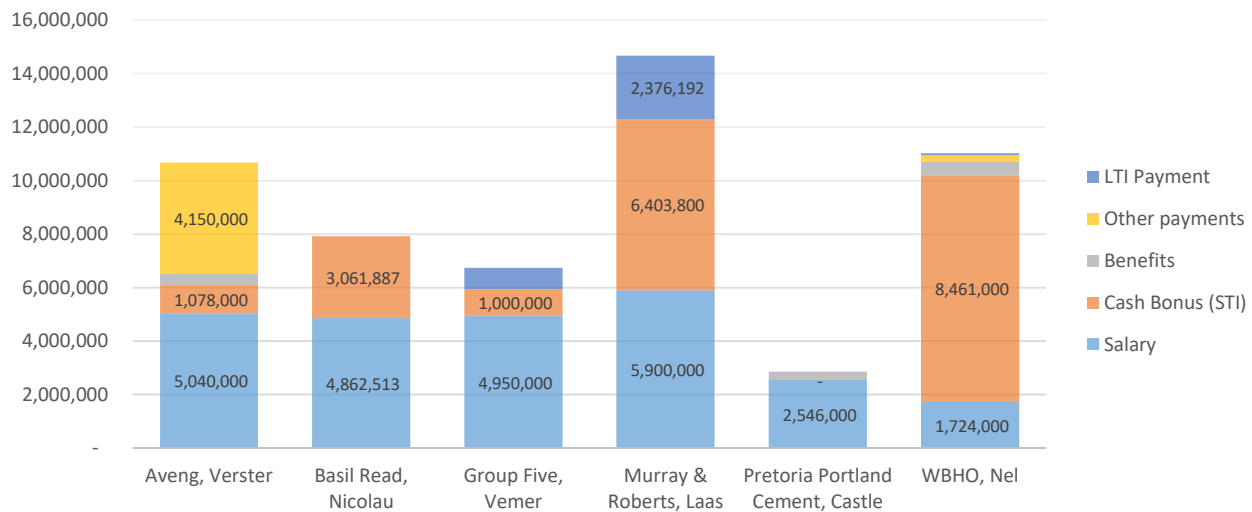
Both **Kumba Iron Ore** and **Harmony Gold** changed CEO's in the year under review. The companies within which LTI's payments were not clearly stated and who needs to improve their reporting methodologies are **African Rainbow Minerals, Assore Limited, Harmony Gold and Trans Hex**.



Box 5-2: Director Remuneration – Construction Sector



CONSTRUCTION SECTOR CEO REMUNERATION (ZAR) 2016

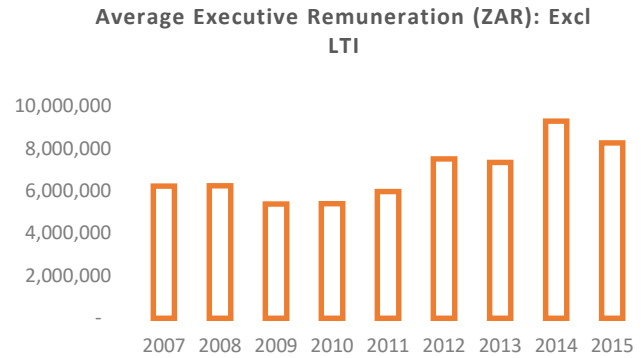
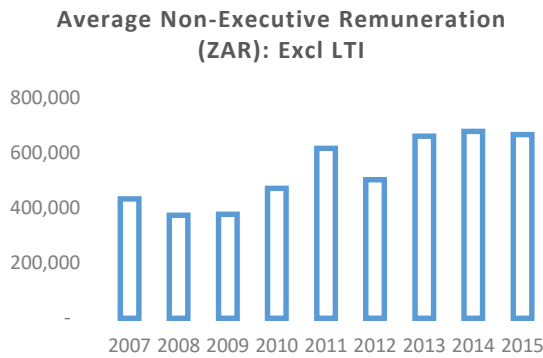


Construction sector Non-Executive Directors: **-6%** average decrease in year-on-year remuneration growth rate between 2015 and 2016.

Construction sector Executive Directors: **14%** average increase in year-on-year remuneration growth rate between 2015 and 2016.

All the CEO's reviewed as part of the construction sector served a full year in their positions. It can be seen that STI played a more apparent role than LTI's in the sector. The **WBHO CEO, Louwtjie Nel** received an **R 8 461 000** STI in 2016. The highest overall remuneration was rewarded to the **Murray and Roberts CEO, Henry Laas** and amounts to **R 14,679,992**.

Box 5-3: Director Remuneration – Food and Beverage Sector

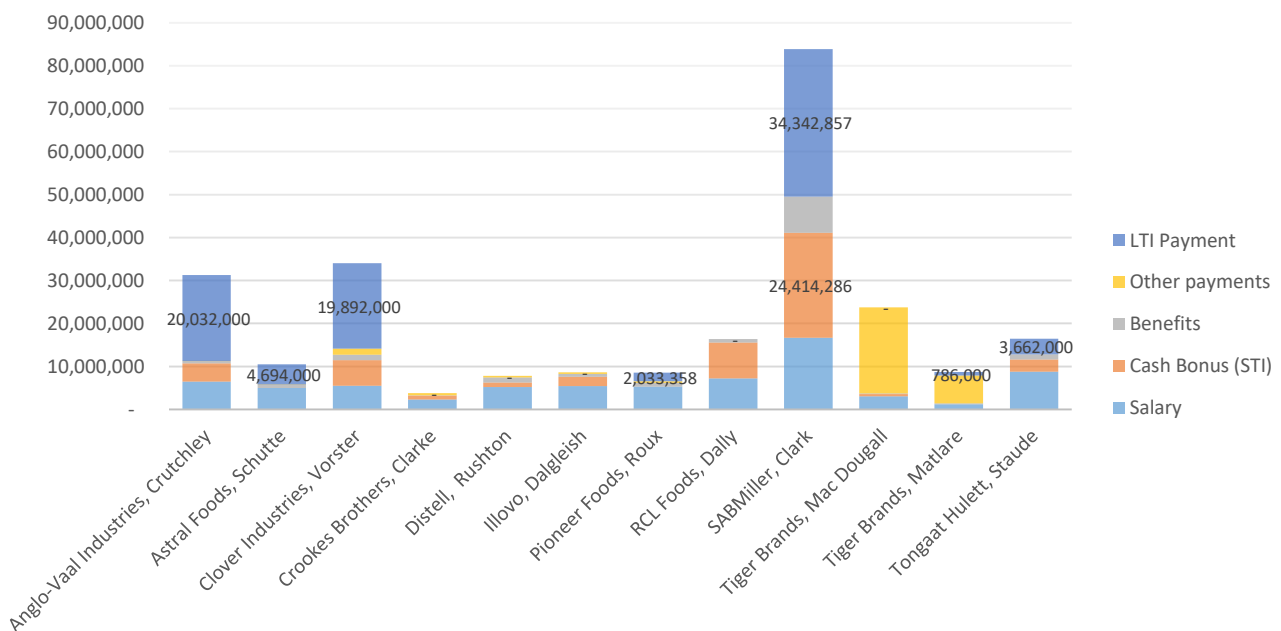


There was a slight decrease in the year-on-year average remuneration growth rate for Non-Executive (-2%) and Executive Directors: (-11%).

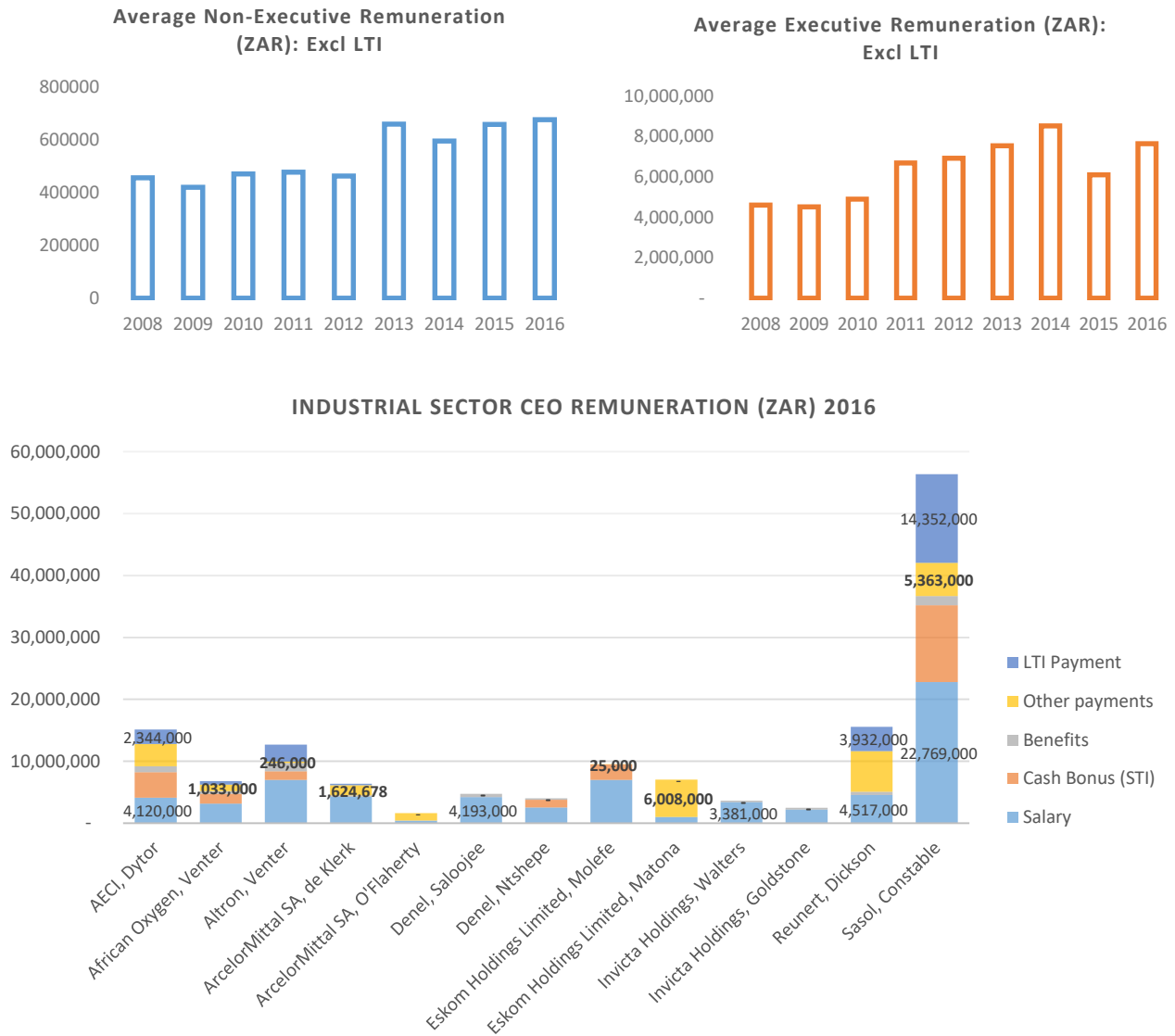
Among the companies reviewed as part of the food and beverages sector, *Distell and Illovo* were identified as two MNC's that need to improve on their transparency regarding the total remuneration packages rewarded to their Executive Directors. It was further noted that Tiger Brands appointed a new CEO during 2016.

SAB Miller CEO, Alan Clark, received the highest remuneration package of R 49,557,143 topped up by an LTI payment of R 39 342 857. As a result, he took home R 83,900,000 in 2016.

FOOD AND BEVERAGES CEO REMUNERATION (ZAR) 2016



Box 5-4: Director Remuneration – Industrial Sector

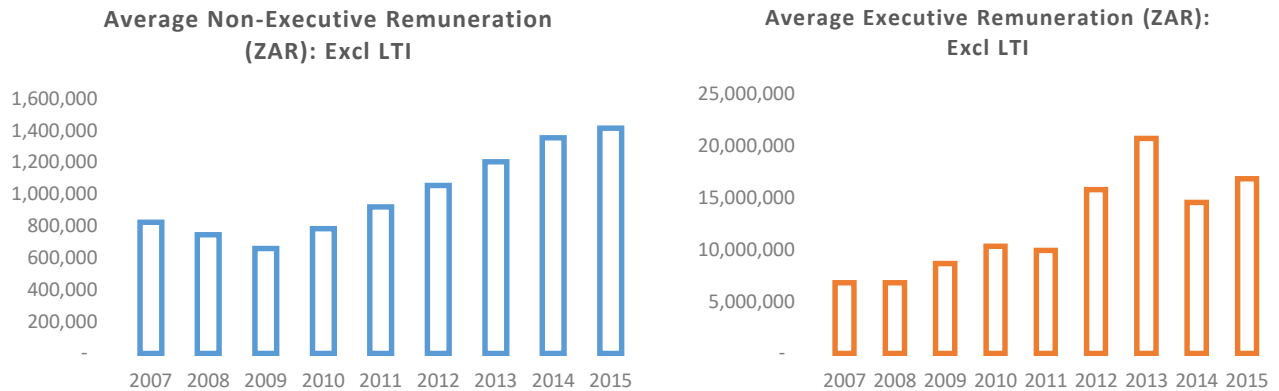


Executive and Non-Executive Director's remuneration has been increasing at 25% and 3% respectively between 2015 and 2016. The highest remuneration package (excluding and including LTI's) was awarded to the **Sasol CEO, David Constable** to the amount of **R 84,074,000**. This includes an LTI payment of over **R 14 million**.

ArcelorMittal SA, Denel and Eskom Holdings Limited changed CEO's in the year under review.

Invicta Holding was identified as one of the MNCs in which LTI payments were not clearly stated and who will thus need to improve their reporting approach.

Box 5-5: Director Remuneration – Paper and Packaging Sector

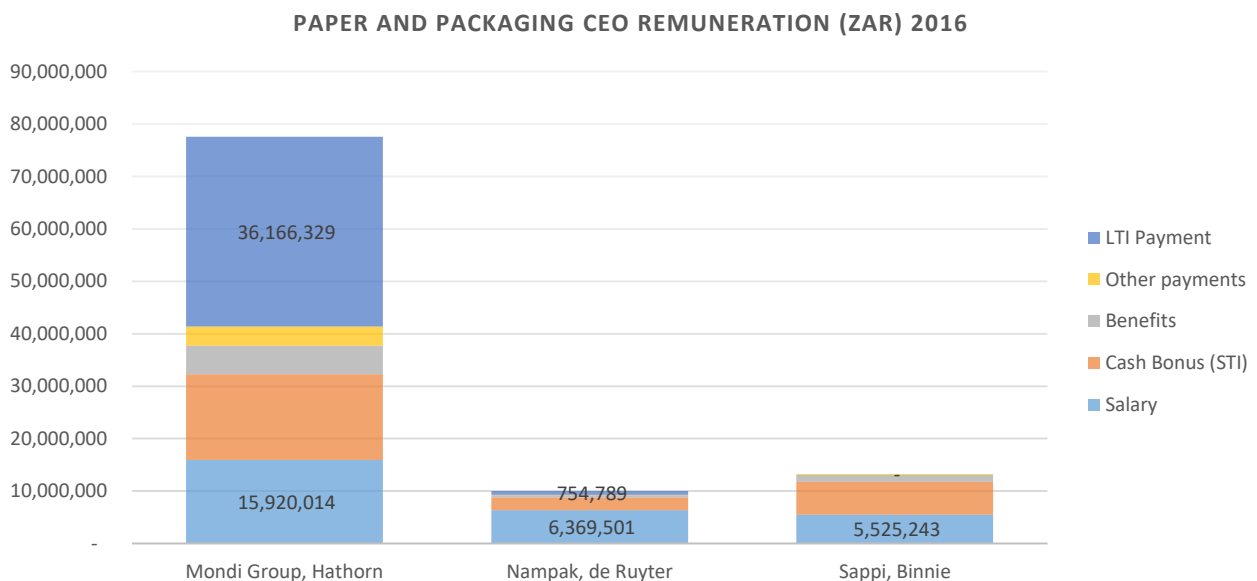


Paper and packaging sector Non-Executive Directors: **4%** average decrease in year-on-year remuneration growth rate between 2015 and 2016.

Paper and packaging sector Executive Directors: **16%** average increase in year-on-year remuneration growth rate between 2015 and 2016.

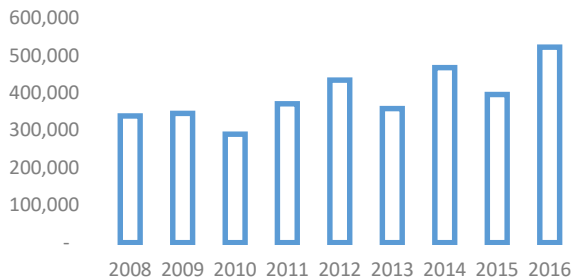
All the CEO's reviewed as part of the paper and packaging sector served a full year in their positions. The **Mondi Group CEO, David Hathorn** received a total remuneration package (including LTI) of **R 77,522,514** in 2016. As part of this, he received an LTI payment of **R 36,166,329**.

Among the companies reviewed as part of the paper and packaging sector, **Sappi** was identified as an MNC that need to improve on transparency on the total remuneration packages rewarded to their Executive Directors.

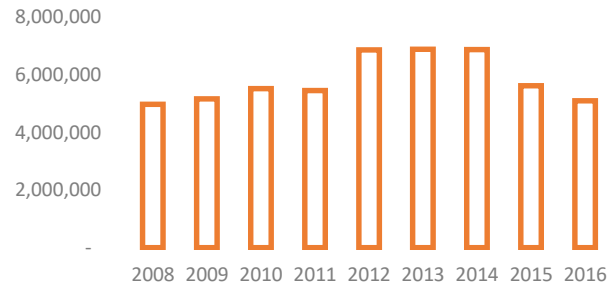


Box 5-6: Secondary Sector Director Remuneration – Transport Sector

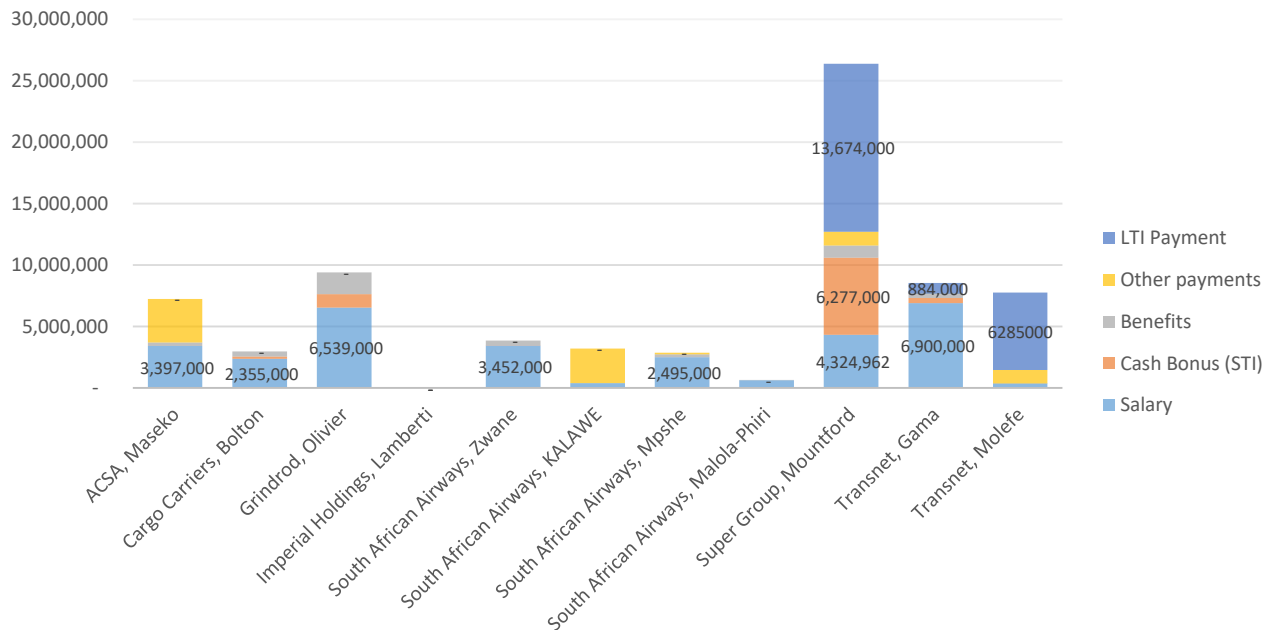
Average Non-Executive Remuneration (ZAR): Excl LTI



Average Executive Director Remuneration (ZAR): Excl LTI



TRANSPORT SECTOR CEO REMUNERATION (ZAR) 2016



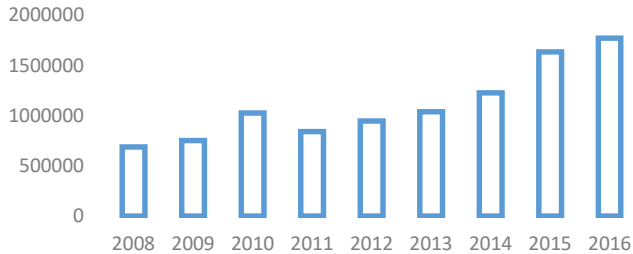
On average, annual growth in Executive Director remuneration has been decreasing (-9%) since 2014 while Non-Executive Remuneration increased between 2015 and 2016 (32%). The highest remuneration package (including LTI) was awarded to the **Super Group CEO, Peter Mountford** to the amount of **R 26,372,463**. He also received the highest LTI payment of **R 13,674,000**.

In the case of Imperial Holdings, no remuneration was reported for the CEO, Mark Lamberti. SAA had four CEO's during 2016 and Transnet had two. It is thus difficult to compare the remuneration packages of these companies to that of the other MNC's in the sector.

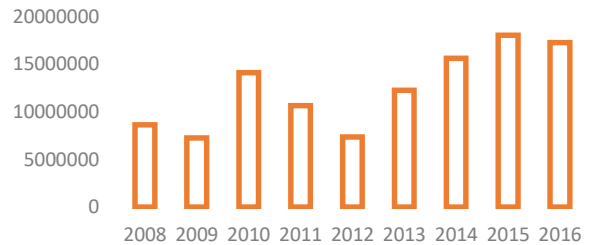
The companies within which LTI's payments were not clearly stated and who need to improve their reporting methodologies are **Cargo Carriers, SAA and Super Group**.

Box 5-7: Director Remuneration – Banking and Financial Services

Average Non-Executive Remuneration (ZAR):
Excl LTI



Average Executive Remuneration (ZAR):
Excl LTI

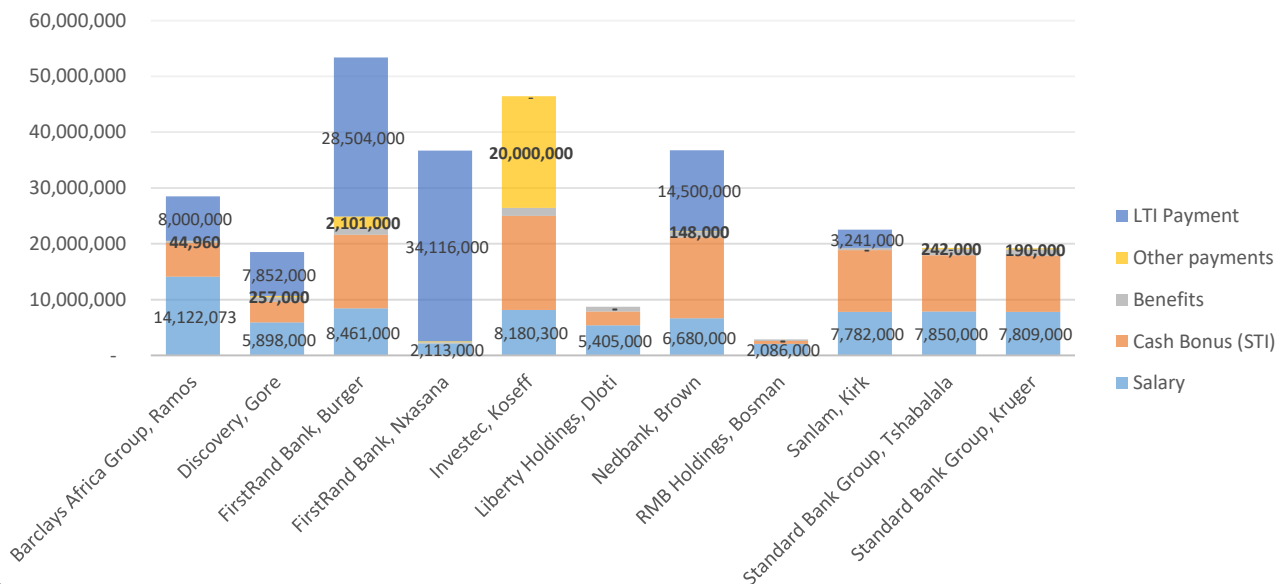


Banking and financial services sector Non-Executive Directors: **8% increase in average year-on-year remuneration growth rate between 2015 and 2016.**

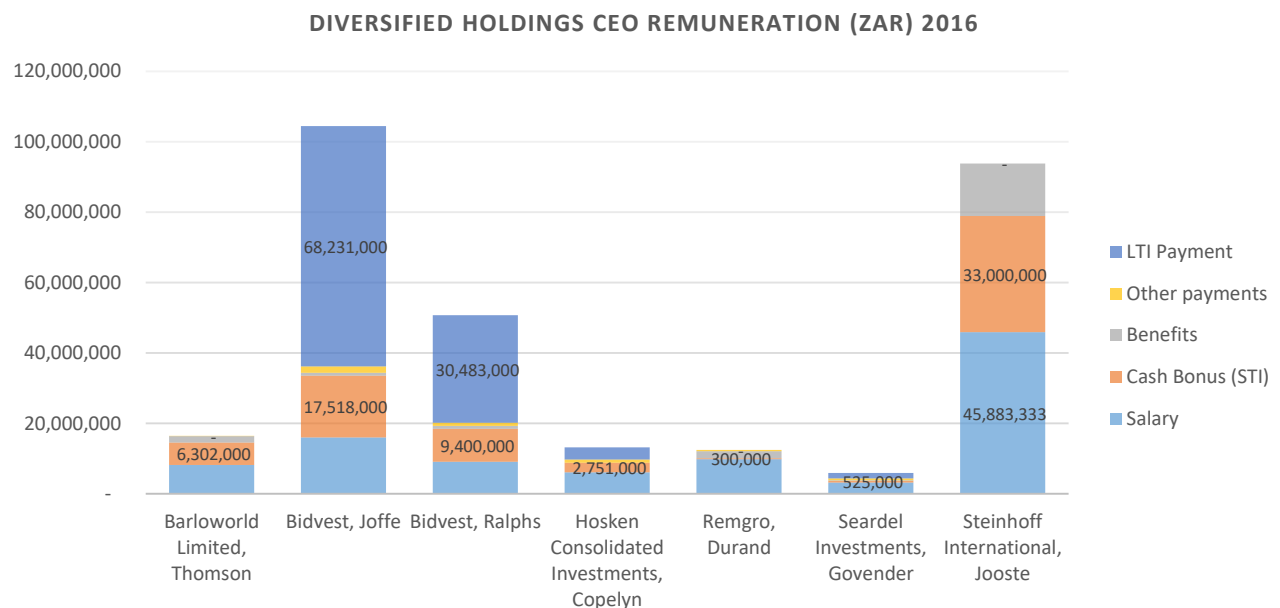
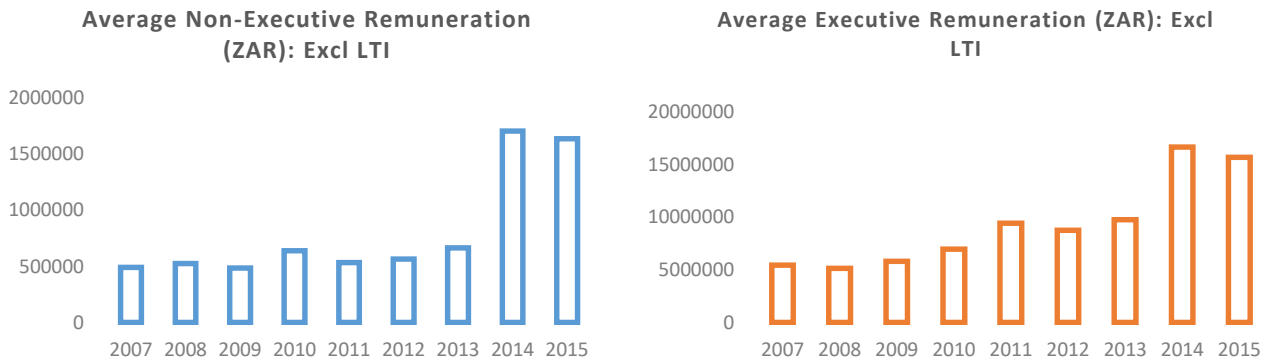
Banking and financial services sector Executive Directors: **-4% decrease in average year-on-year remuneration growth rate between 2015 and 2016.**

FirstRand Bank changed their CEO during 2016 and it was noted that Standard Bank has two CEOs. It can be seen that STI played a more apparent role than LTI's in the sector. The highest remuneration package (excluding LTI) was paid the **Investec CEO, Stephen Koseff** to the value of **R 46,488,000**. Despite only being in his position for nine months, the **FirstRand bank CEO, Johan Burger** received an **LTI of R 28,504,000** and total remuneration of **R 53,387,000** which is the highest within the sector. The previous **FirstRand bank CEO, Sizwe Nxasama** also received an LTI of R 34 116 000 for three months' worth of work.

BANKING AND FINANCIAL SERVICES SECTOR CEO REMUNERATION (ZAR) 2016



Box 5-8: Director Remuneration – Diversified Holdings

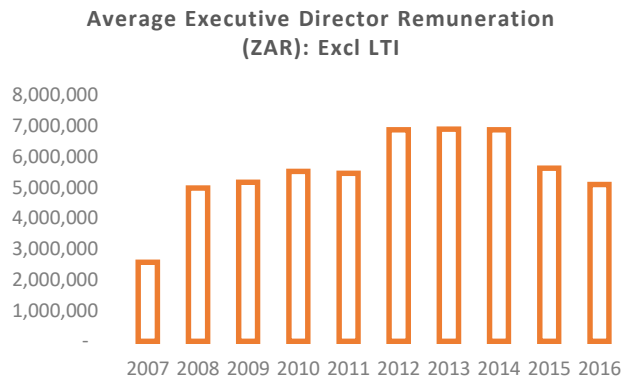
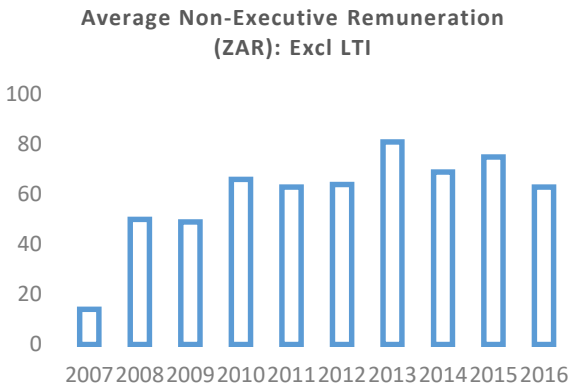


The companies within the diversified holdings sector which LTIs payments were not clearly stated and who need to improve their reporting methodologies are **Steinhoff and Barloworld**.

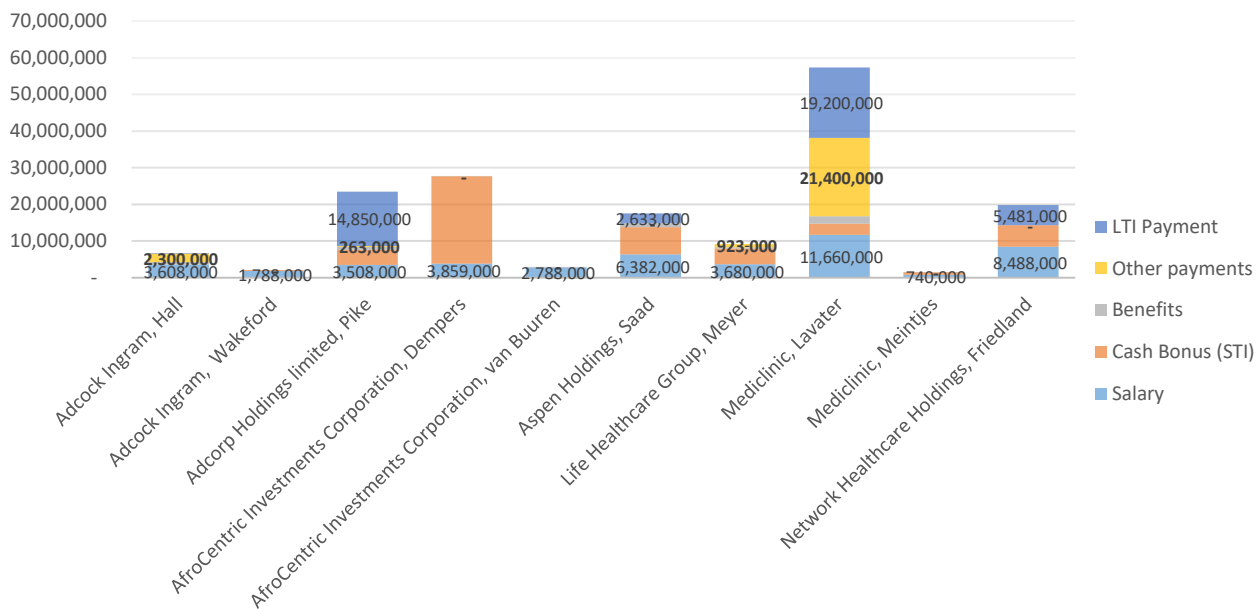
The unbundling that took place in Bidvest during 2016 saw the previous **CEO, Brian Joffe** retire on 23 May 2016 and **Lindsay Peter Ralphps** appointed as new CEO. Brian Joffe received an LTI of **R 68,231,000** and Lindsay Peter Ralphps who exercised the position for only a month received an LTI of **R 30,483,000**. As a result, **Brian Joffe** had the highest overall remuneration in the sector with a **R 104,389,000** payment. The **Steinhoff International CEO, Markus Jooste** boasted with the second highest remuneration package (excluding LTI) across the entire research. In total his remuneration package amounted to **R 93,750,000** which comprised of a **basic salary of R 45,883,333**.

The average annual growth rate of Executive and Non-Executive Director's remuneration has been decreasing at **-6%** and **-4%** respectively between 2015 and 2016.

Box 5-9: Director Remuneration – Training and Health Sectors



TRAINING AND HEALT SECTORS CEO REMUNERATION (ZAR) 2016

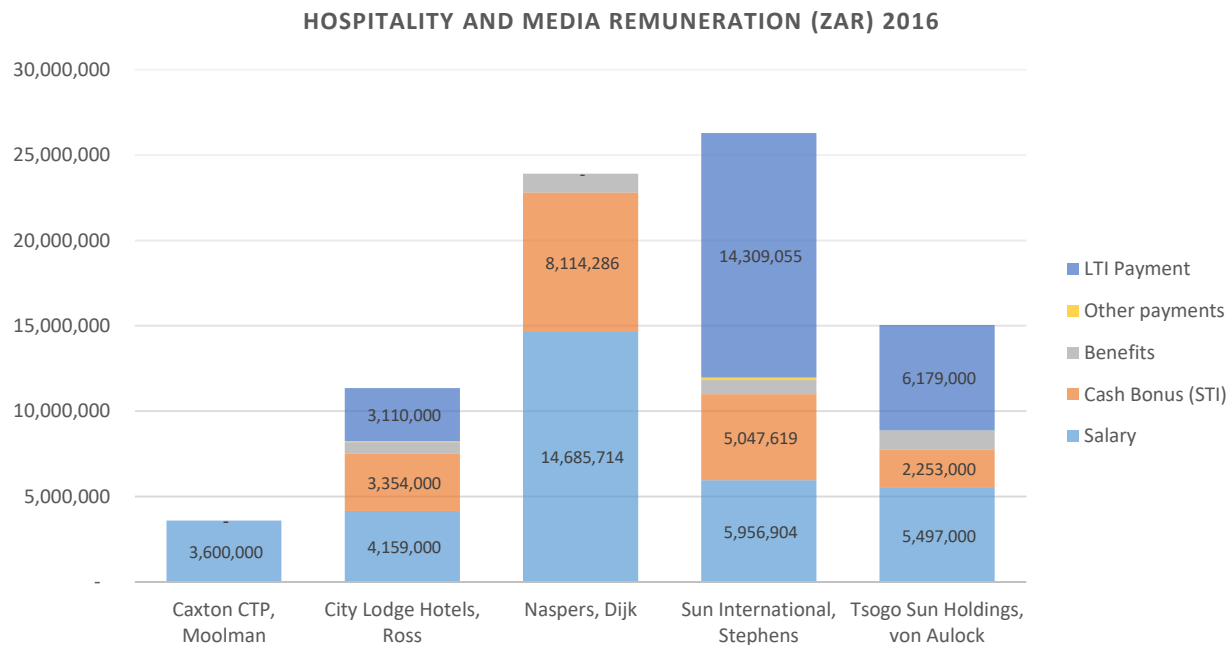
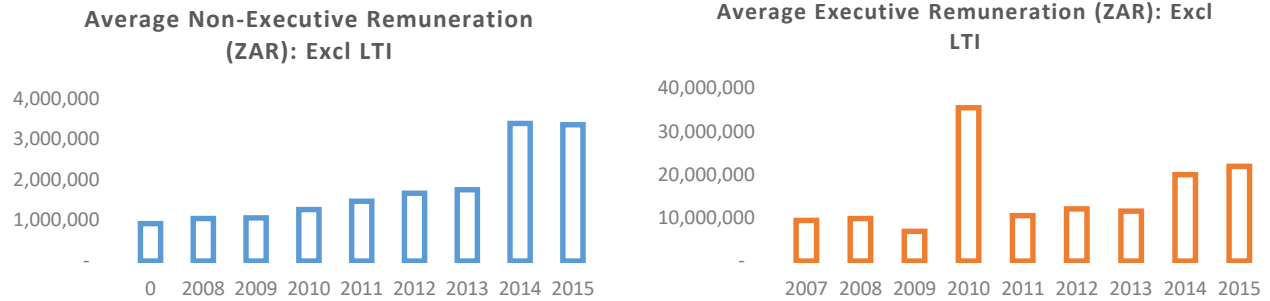


There was a slight decrease in the year-on-year average remuneration growth rate for Executive Directors (-9%) and an increase in that of Executive Directors (32%).

Among the companies reviewed as part of the training and health sectors, **AfroCentric Investments Corporation** was identified as an MNC in which there is room for improvements regarding executive remuneration transparency. It was further noted that AfroCentric Investments Corporation, Aspen Holdings, Life Healthcare Group and Mediclinic appointed a new CEO during 2016.

Mediclinic CEO, Ronald Lavater, who resigned in February 2016, received the highest remuneration package (excluding LTI) of **R 38,140,000**. This was topped up by an LTI payment of **R 19,200,000**. As a result, he took home a total package of **R 57,340,000** in 2016.

Box 5-10: Director Remuneration – Hospitality and Media Sectors

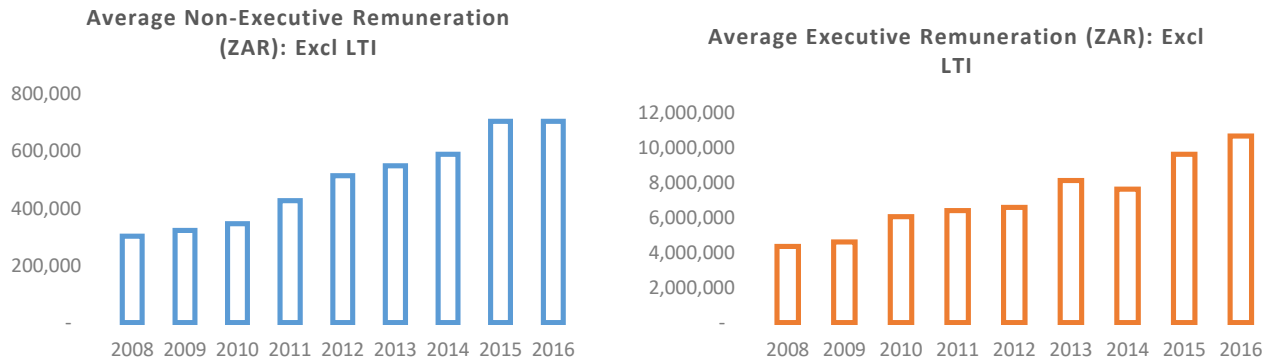


Hospitality and media sector Non-Executive Directors: **-1% average decrease in year-on-year remuneration growth rate between 2015 and 2016.**

Hospitality and media sector Executive Directors: **10% average increase in year-on-year remuneration growth rate between 2015 and 2016.**

In terms of remuneration packages awarded without an LTI, **Naspers CEO, Bob van Dijk**, received the highest at **R 23,900,000**. When adding LTI payments to the package, **Sun International CEO, Graeme Stephens** received a **R 14,309,055 LTI** which gives him the highest overall payment at **R 26,286,003**. It can be seen that no LTI's were clearly reported for **Naspers and Caxton CTP**. These two companies were also during the research reported as the companies that need to improve on their approach to executive remuneration.

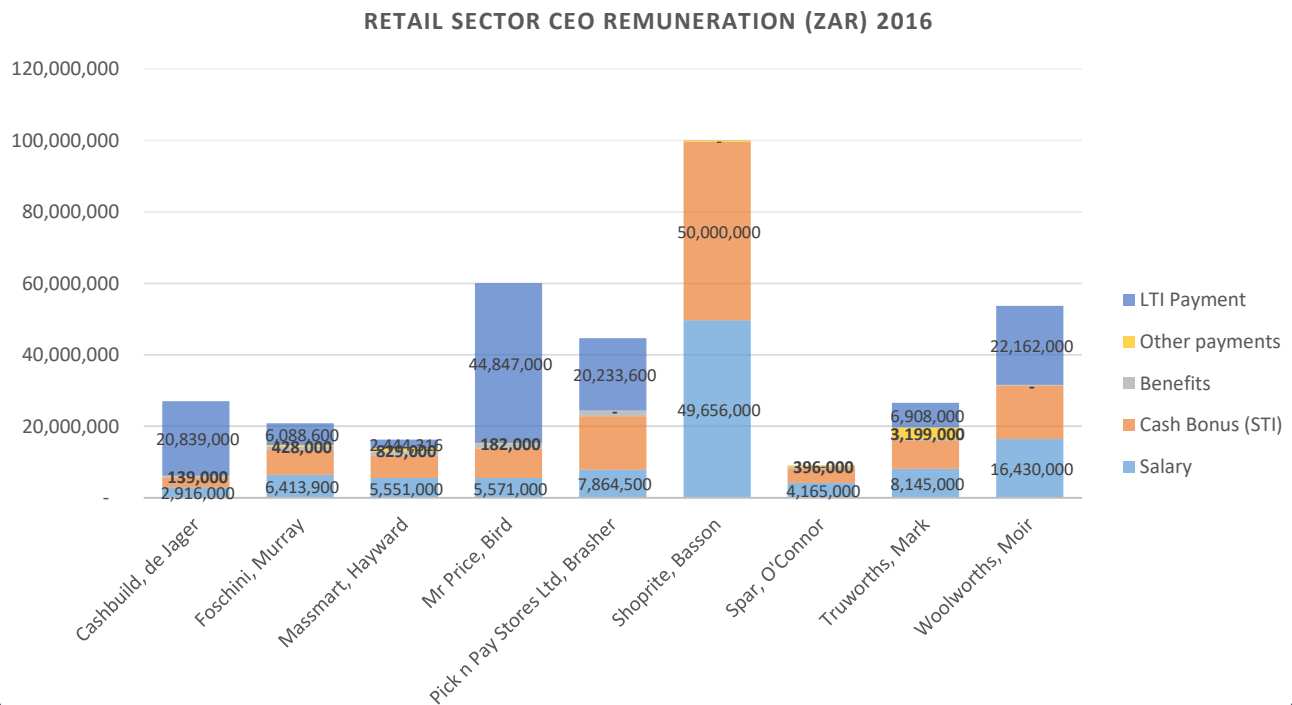
Box 5-11: Director Remuneration – Retail Sector



The highest executive remuneration (excluding LTI) across all sectors can be found in the retail sector. In 2016, the **Shoprite CEO, Whitey Basson**, received a remuneration package of **R 100,082,000**. This was based on a **R 50,000,00** cash bonus in addition to his **R 49,656,000 basic salary**. Towards the end of 2016, it became apparent that Whitey Basson was, in fact, retiring from his position. Within the retail sector as substantial LTI payment was further made to the **Mr Price CEO, Stuart Bird**. His LTI payment for 2016 was nearly **R 45,000,000**. These two stores were also identified as two companies in which transparency can be improved.

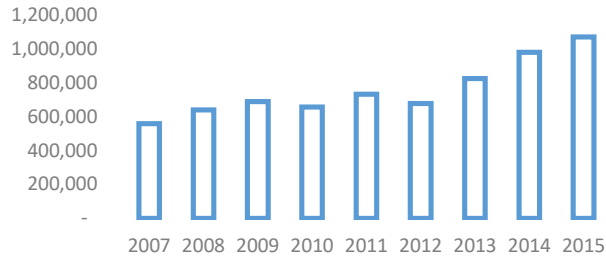
Retail sector Non-Executive Directors: **0%** average increase in year-on-year remuneration growth rate between 2015 and 2016.

Retail sector Executive Directors: **11%** average increase in year-on-year remuneration growth rate between 2015 and 2016.



Box 5-12: Director Remuneration – Technology and Telecommunications

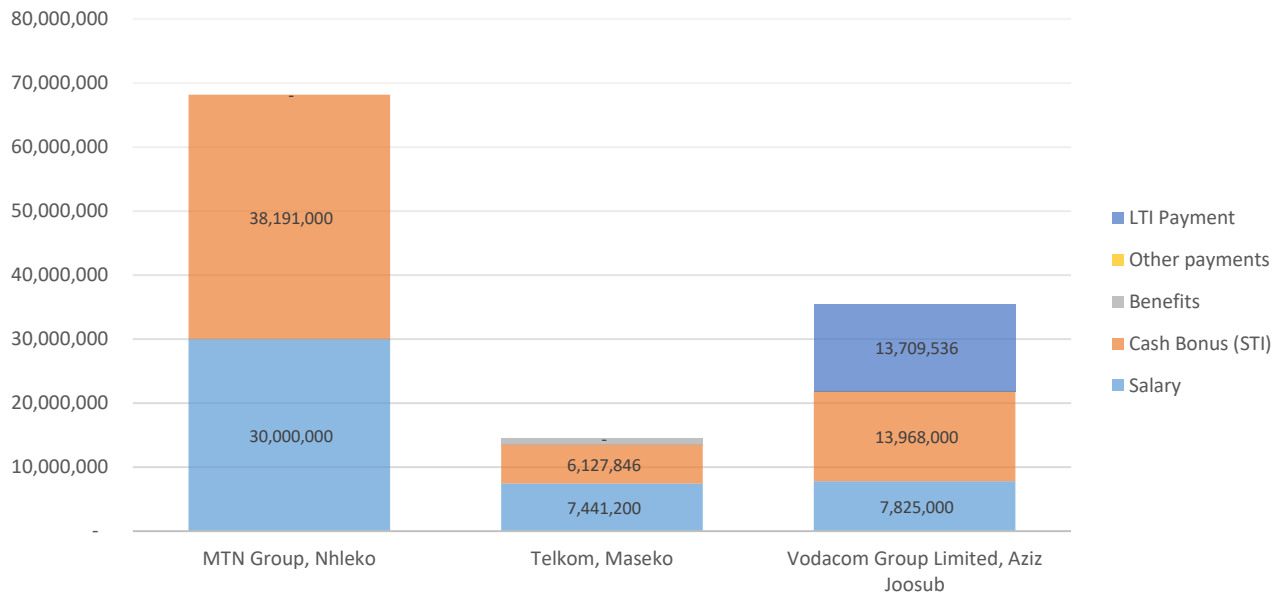
Average Non-Executive Remuneration (ZAR):
Excl LTI



Average Executive Remuneration (ZAR): Excl
LTI



TECHNOLOGY AND TELECOMMUNICATIONS CEO REMUNERATION (ZAR) 2016



The companies within which LTI's payments were not clearly stated and who need to improve their reporting methodologies were **Telkom and Vodacom**.

Non-Executive Directors: **9%** average increase in annual remuneration between 2015 and 2016.

Executive Directors: **49%** average increase in annual remuneration between 2015 and 2016.

All the CEO's reviewed as part of the technology and telecommunications sector served a full year in their positions. It can be seen that STI played a more apparent role than LTI's in the sector. The **MTN Group CEO, Phuthuma Nhleko** received a **R 38 191 000** STI in 2016. The highest overall remuneration was also rewarded to him and amounts to **R 68,191,000**.

5.4. SUMMARY OF FINDINGS

The SA MNC Database makes it possible to compare the changes in revenue and profit compared to that of director's remuneration. Table 5-1 illustrates these results in an attempt towards interpreting the changes in revenue and remuneration.

Table 5-1: Revenue and profit year-on-year growth rates compared to Executive Director Remuneration changes

2015-2016	Year-on-year growth in Revenue	Year-on-year growth in Profit	Year-on-year growth in ED Salary	Year-on-year growth in ED Remuneration
Mining	3%	-83%	4%	22%
Construction	-14%	24%	-10%	14%
Food and Beverage	11%	8%	-6%	-11%
Industrial	2%	-35%	13%	25%
Paper and Packaging	3%	23%	22%	16%
Transport	19%	55%	-24%	-9%
Banking and Financial Services	22%	7%	15%	-4%
Diversified Holdings	8%	5%	-18%	-6%
Training and Health	11%	-9%	29%	-15%
Hospitality and Media	14%	-4%	33%	10%
Retail	15%	22%	2%	11%
Technology and Telecommunications	3%	-51%	21%	49%

Source: 2017 SA MNC Database

The fortunes of the directors within the sample companies do not appear to be intimately tied to the fortunes of the companies they manage. Although the analyses identified above is done on a sectoral level, it clearly illustrates a lack of coherence. The mining sector and technology and telecommunications are two sectors, in particular, that prove that there is no correlation between a decrease in year-on-year profits and director remuneration. Both have in fact resulted in the Executive Director's remuneration packages. The industrial sector and the retail sector could be argued to be more balanced in terms of comparative increases but as the relevant table is based on aggregates it is not to say that all companies within the sector follow suit. It is rather the objective to prove the lack of alignment between year-on-year growth in revenue and profit compared to remuneration. 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 performance³. However, even by this standard, much CEO pay seems to defy logic.

Table 5-2 provides a summary of the findings relating to the highest CEO remuneration.

³ 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

Table 5-2: Highest total remuneration overview

	Highest Remuneration (excluding LTI)	Amount	Highest LTI	Amount	Highest Total Remuneration (including LTI)	Amount	Highest Total Rem as a % of MNC Revenue
Mining	BHP Billiton, Mackenzie	44,500,000	Sibanye Gold, Froneman	91,758,000	Sibanye Gold, Froneman	104,727,000	0.34%
Diversified Holdings	Steinhoff International, Jooste	93,750,000	Bidvest, Joffe	68,231,000	Bidvest, Joffe	104,389,000	0.15%
Retail	Shoprite, Basson	100,082,000	Mr Price, Bird	44,847,000	Shoprite, Basson	100,082,000	0.08%
Industrial	Sasol, Constable	42,037,000	Sasol, Constable	42,037,000	Sasol, Constable	84,074,000	0.05%
Food and Beverage	SABMiller, Clark	49,557,143	SABMiller, Clark	34,342,857	SABMiller, Clark	83,900,000	0.03%
Paper and Packaging	Mondi Group, Hathorn	41,356,186	Mondi Group, Hathorn	36,166,329	Mondi Group, Hathorn	77,522,514	0.08%
Technology and Telecommunications	MTN Group, Nhleko	68,191,000	Vodacom Group Limited, Aziz Joosub	13,709,536	MTN Group, Nhleko	68,191,000	0.05%
Training and Health Sectors	Mediclinic, Lavater	38,140,000	Adcorp Holdings limited, Pike	19,200,000	Mediclinic, Lavater	57,340,000	0.14%
Banking and Financial Services	Investec, Koseff	46,448,000	FirstRand Bank, Nxasana	28,504,000	FirstRand Bank, Burger	53,387,000	0.07%
Transport	Super Group, Mountford	12,698,463	Super Group, Mountford	13,674,000	Super Group, Mountford	26,372,463	0.10%
Hospitality and Media Sectors	Naspers, Dijk	23,900,000	Sun International, Stephens	14,309,055	Sun International, Stephens	26,286,003	0.22%
Construction	Murray & Roberts, Laas	12,303,800	Murray & Roberts, Laas	2,376,192	Murray & Roberts, Laas	14,679,992	0.06%

From the table above and the broader research findings, it can be concluded that there is little observable and comparable logic within the remuneration approaches of MNCs. A company such BHP Billiton which operated at a loss during 2016, paid their CEO the highest remuneration (excluding LTI) within the mining sector at R 44 500 000. In addition, the CEO also received an LTI of R 39 885 714. This illustrates how a loss of profit does not affect director's remuneration.

The Steinhoff International CEO, Markus Jooste boasted with the second highest remuneration package (excluding LTI) across the entire research. In total his remuneration package amounted to R 93,750,000 which comprised of a basic salary of R 45,883,333. The only remuneration package (excluding LTI) higher than this was that of the Shoprite CEO, Whitey Basson. Basson, however, received an STI, whereas the majority of Markus Jooste's remuneration was located in a basic salary of R 45,883,333.

Sasol is another example of a company that showed a decrease in revenue between 2014 and 2016 as well as a sharp decrease in profits between 2015 and 2016. Despite this, the company awarded its CEO, David Constable a total remuneration package (including LTI) of R 84,074,000. This is further despite media

critique of him being “SA’s worst CEO” for the billions the company lost under him (News24, 2016⁴). He has since vacated the position.

Decreasing revenue would often be used as a reason why companies cannot allow remuneration increases for workers. Such arguments cannot be defended when company behavior shows that regardless of revenue and profit levels, directors are remunerated handsomely. It was seen that even in cases where the company would be losing billions under a CEO, the CEO receives a remuneration package of more than R 84 million.

Within the construction sector, the lowest overall remuneration packages were reported. Companies such as Basil Read stated that they did not have any LTI plan in place during 2016. This being said, it was noted that STI future quite high within the remuneration packages of CEOs.

SABMiller managed to have the highest paying CEO in the food and beverages sector which amounts to the lowest percentage of revenue (0.03%) across the various sectors. Although Sun International (hospitality sector) had the second lowest overall remuneration package, they are the company that contributed the second highest percentages of their revenue (0.22%) to director’s remuneration. It was also noted that although Sun International operated at a loss during 2016, they paid the highest overall remuneration within the hospitality sector.

Another observable trend is that the exit and entering incentives for CEOs are very high. Despite only being in his position for nine months during 2016, the FirstRand bank CEO, Johan Burger received an LTI of R 28,504,000 and total remuneration (including LTI) of R 53,387,000 - which is the highest of the companies reviewed within the banking sector. The previous FirstRand bank CEO, Sizwe Nxasama also received an LTI of R 34 116 000 based on three months’ worth of work. The unbundling that took place in Bidvest during 2016 also saw the previous CEO, Brian Joffe retire on 23 May 2016 and Lindsay Peter Ralphs appointed as new CEO. Brian Joffe received an LTI of R 68,231,000 and Lindsay Peter Ralphs who only exercised the position for a month received an LTI of R 30,483,000. The R 50,000,000 cash bonus awarded to the Shoprite CEO was also paid the year before his retirement. In addition to such payments, it was also reported in 2017 that Shoprite bought back R 1.75 billion worth of shares from the former CEO⁵. Whitey Basson has thus entered his retirement more comfortable than most workers in Shoprite could dream of.

Disproportional director payments are especially evident in cases where CEO are about to vacate their positions. It was even found that entering CEO's can be awarded high LTI's of more than R 30 million when only in a position for as long as a month. Such behavior should be noted and questions need to be raised as to why similar benefits are not made available to employees below director level.

⁴ News24, 2016. SA’s worst CEO – paid R50m a year; lost his company billions. <https://www.fin24.com/BizNews/sas-worst-ceo-paid-r50m-a-year-lost-his-company-billions-20160608> Date of Access: 15 August 2017.

⁵ Cohen, M. and Kew, J. 2017. <https://www.fin24.com/Companies/Retail/shoprite-buys-back-r175bn-of-shares-from-ex-ceo-whitey-basson-20170906> Date of Access: 15 September 2017.

While the retail sector paid the third highest overall remuneration package it only amounts to 0.08% of Shoprite's revenue during 2016. As shown in the previous section, the sector has been experiencing increased revenue and profit growths – to such an extent that a R 100 million remuneration package reflects a small percentage of the overall revenue compared to other sectors. The Mr Price CEO, Stuart Bird, also operating within the clothing sector similarly received an LTI payment of R 45 000 000.

This section of the report identified companies who pay their director's excessively high salaries with the objective of advocating for more accountability within companies. It became apparent that there is little observable and comparable logic within the remuneration approaches of MNCs. Questioned must be raised as to why the remuneration packages of CEO's are structured in the way that they are. Across companies minimum wages are located within a small wage bracket whereas this is by no means the case within directors' remuneration – why does the same logic not apply at director level?

6. THE WAGE GAP - ADVOCATING FOR MORE INTELLIGENT REPORTING ON EMPLOYEES

While the previous section illustrated that despite a lack of transparency in some cases, companies do unpack director remuneration to a certain level of detail. The same, however, cannot be said for reporting on employee remuneration. This creates a situation where the actual wage gap between remuneration at the higher levels and those of workers cannot be identified. This section of the report thus advocates for more intelligent reporting on employees through identifying the complete lack of reporting and transparency with regards to employees.

While the King IV is an improved step towards transparency in the reporting on director's remuneration, this report goes a step forward and argues that companies are underreporting on employees. The gap between the remuneration of directors and workers will never be closed if both are not clearly disclosed.

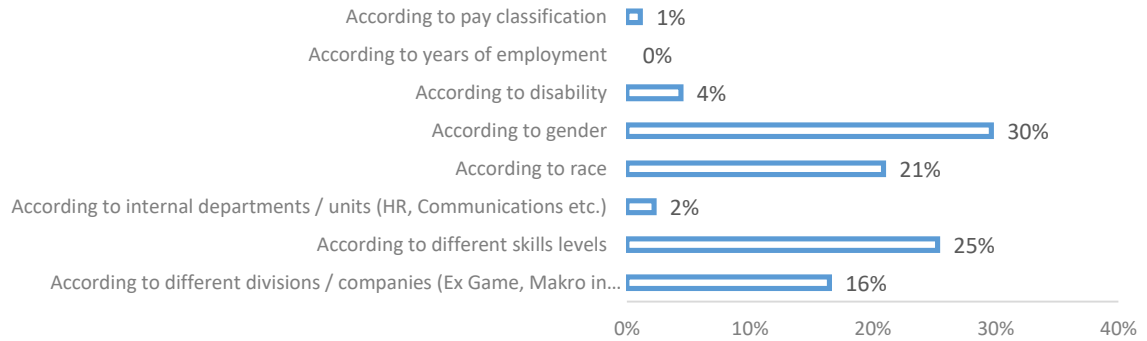
6.1. REPORTING ON EMPLOYEES: RESEARCH FINDINGS

During the research, it became evident that compared to the attention given to directors and their remuneration packages, employees receive very little attention. As part of the African Expansion overview (section 2), the question was also analysed if companies report on the union density within them. Only 13 of the 33 companies reported on union density and the average union density among them was calculated to be **40.5%**.

With regards to employee numbers, **91%** of the companies gave a clear total number of employees. While this may be true, there was often no further distinction between temporary and permanent employees. Only **28%** of the MNC's reported on the number of temporary workers they employee. Within these cases, it was not clear whether these include subcontractors, labour brokers and contract workers.

Further examples were companies distinguished between employees beyond a total number are illustrated below.

Figure 6-1: MNC's reporting on employees beyond a total number



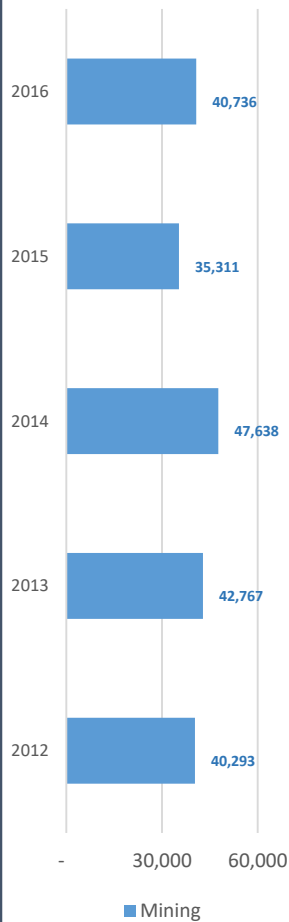
It can be concluded that some companies will distinguish employee numbers according to gender (30%), race (21%), skills level (25%) and divisions within the company (16%). These reporting methodologies, however, only relates to employee numbers and there were no remuneration packages linked to the various classifications. It can be seen that only 1% had any form of pay classification when reporting on employees. The rest presented employee remuneration as one total lump some.

The existing reporting methodologies of companies are limited in the manner in which it reports on different groups of employees. In addition to this, remuneration of employees beyond director level is neglected to an alarming extent. Remuneration of employees is given as one lump sum in which no distinctions are made between different skills levels, gender groups etc.

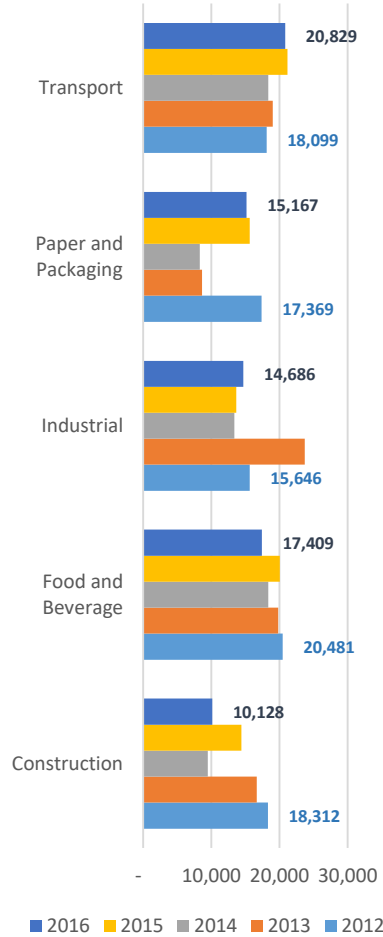
The Box below illustrates the trends that could be extracted given the limited information available on employees within company Annual Reports.

Box 6-1: Average Number of Employees per Sector

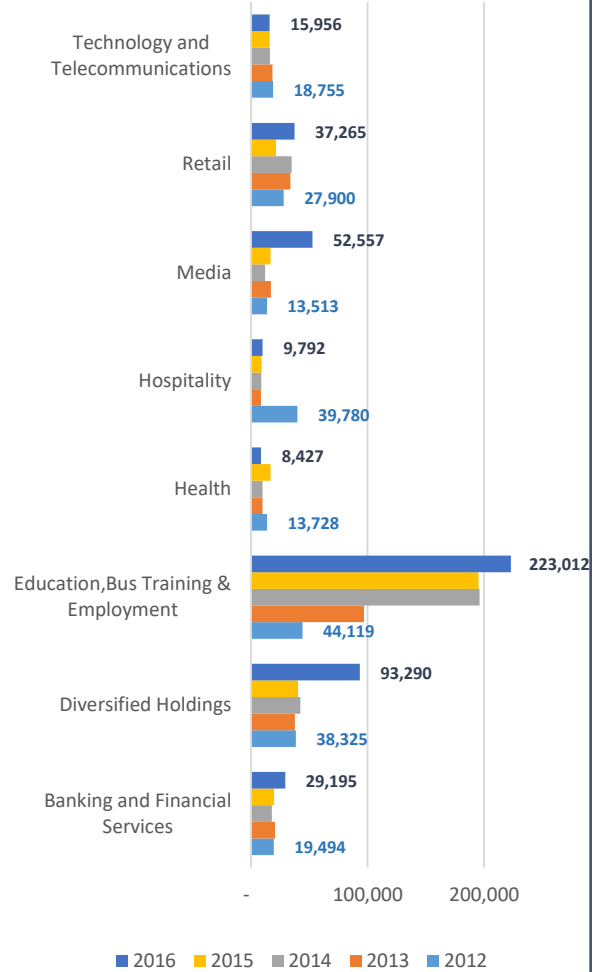
AVERAGE NUMBER OF EMPLOYEES PER SECTOR: Primary Sector - Mining



AVERAGE NUMBER OF EMPLOYEES PER SECTOR: Secondary Sector



AVERAGE NUMBER OF EMPLOYEES PER SECTOR: Tertiary Sector



The number of employees per sector has either decreased, remained stable or decreased between 2012 and 2016. With regards to an increase in employee numbers, education, diversified holdings and the banking sector stand out. These are all located in the tertiary sector. The secondary sector has remained quite stable while some sectors such as paper and packaging; food and beverages; and construction experiencing a steady decrease over the last five years.

The latter has shown a particular decrease from **18 312 workers in the relevant companies in 2012 to 10 128 in 2016**. Although there was an increase in the mining sector between 2012 and 2014, the total number of employees has decreased since. Between **2014 and 2016 nearly 7 000 jobs were lost** between the companies analysed within the mining sector.

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 to 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 is 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.

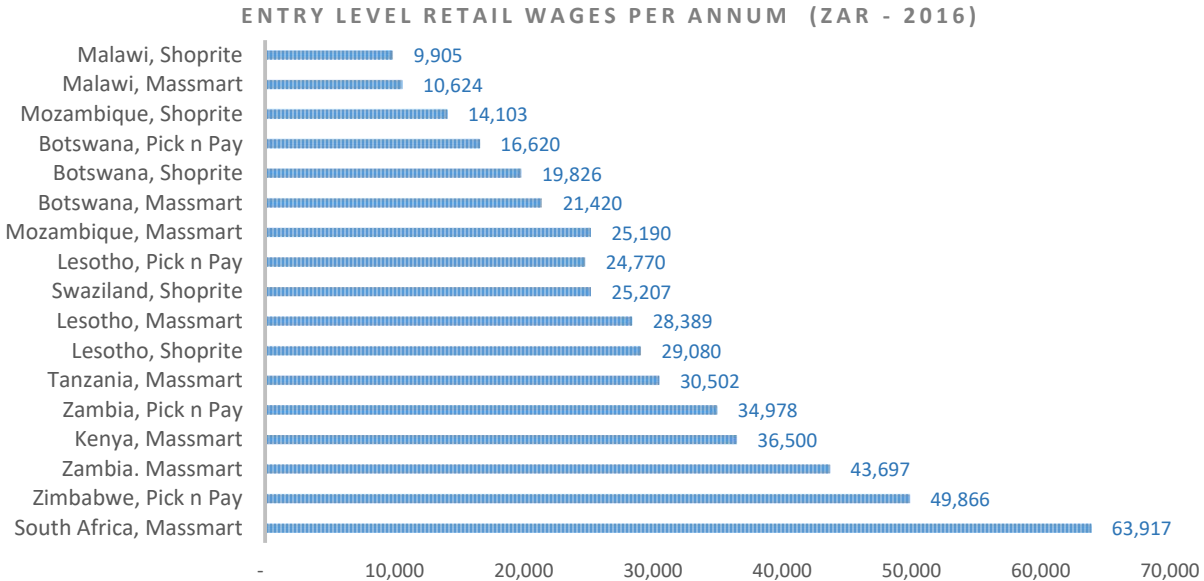
6.2. THE WAGE GAP

The wage gap is the number of times the average CEO remuneration is paid an entry-level workers' wage. The wage gap figure is useful because it gives a real feel to the difference in income between the high paid executives and the workers. A director's remuneration figure may be high but perspective is gained on just how high it is when it is compared to the income of other employees – the average workers - in the company. Then it becomes clear that the same principles of pay are not applied across the board and a person can begin to ask questions about how low wage increases are justified.

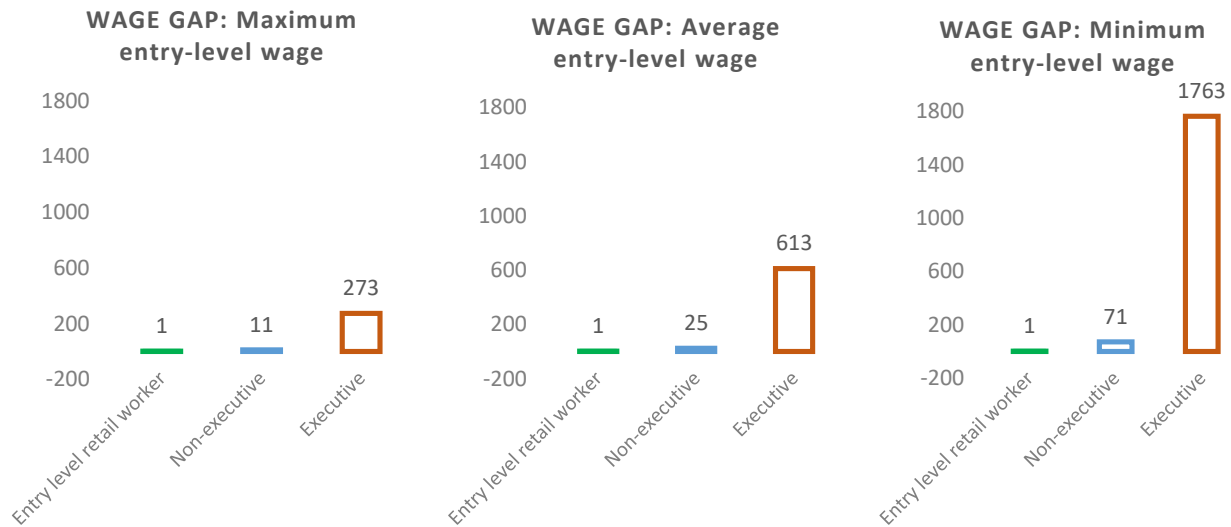
Given the limited reporting on employees by the MNCs under review, it becomes questionable how the wage gap will be closed it cannot even be identified. It thus becomes necessary to collect information regarding minimum wages from alternative sources. In this regard, unions are well located as they have direct access to workers and company Human Resources (HR) Departments. This section is based on information retrieved from the Country Reports submitted by unions during different UNI AFRICA Retail Shop Steward Alliance Meeting in 2017.

Box 6-2: Identifying the Wage Gap: Retail Example

The average annual income for an entry-level worker within the retail sector in Southern Africa accounts to **R 28,506**. This ranges from **R 9,905** in Malawi to in South Africa **R 63,917**.



The average annual income for a Non-Executive Director is **R 706,019**. While an Executive Director in the retail sector will on average earn **R 17,467,403**. The latter is including LTI's.



Compared to the average minimum entry-level salary in the retail sector, a Non-Executive Director earns **25 times** that of a worker and an Executive Director **613 times**. It has been seen that wages outside of South Africa are lower than inside the country and therefore the average salary of an Executive Director can be as high as **1 763 times** that of an entry-level worker.

In the case of retail, the research shows that the largest wage gap exists outside of the home country of the MNC – as high as 1 763 times the salary of an entry-level worker. This re-emphasises the role of GUFs in revealing such cross-border labour disparities. Only through sharing information in a retail network was it possible to determine that the same company pay much lower wages in a different setting. While this may be true, this should not undermine the struggle of workers in the home country for improved wages and conditions as a wage gap of 273 times is hardly acceptable. In South Africa unemployment and poverty has grown in the last 20 years while real wages remain stagnant in a context of declining job security. In other words, South African workers may have much in common with workers in the region, especially workers working for the same companies and that cooperation is needed to address these worsening conditions.

The fact that an Executive Director could earn as much as 1 763 times that of an entry-level worker is a matter of great concern.

While the wage gap information was only based on the retail sector it provides sufficient proof that companies hide great injustices through their under-reporting on employees. Although principles such as King IV speaks to the imbalances in remuneration, this report argues that not enough is being done to reveal the real wage gap within companies. There is a need to, within GUFs, collect accurate information on worker remuneration to continuously illuminate the remuneration gap and in the process advocate for more intelligent reporting on employees.

7. CONCLUSION

Income inequality is a reality across the African continent and affects the ability of workers to maintain a decent standard of living for themselves and their families. The MNCs reviewed as part of this research are proof of how remuneration structures within companies exacerbate income inequalities. MNCs who pay their director's excessively high salaries were identified with the objective of advocating for more accountability within companies. It became apparent that there is little observable and comparable logic within the remuneration approaches of MNCs. Questioned must be raised as to why the remuneration packages of CEO's are structured in the way that they are. Across companies minimum wages are located within a small wage bracket whereas this is by no means the case within directors' remuneration – why does the same logic not apply at director level?

The fact that an Executive Director could earn as much as 1 763 times that of an entry-level worker is unacceptable and illustrated why companies would prefer to under-report on the remuneration structures of workers below directors level. Unions and GUFs, however, encourages information sharing and makes it possible to generate information on worker remuneration across borders. Such information, in turn, makes it possible to identify the true remuneration gap that companies are encouraged to bridge. This report thus advocates for more intelligent reporting on employees through the availing of information and transparency regarding employees. All jobs are not equal and employees need to be considered and reported on according to the different employment types found within a company.

Unless trade unions at a national, regional and global level understand the companies and sectors in which they work as well as understanding their own strengths and organisational needs, patterns of exploitation is set to continue through the well-organised and focused machines of capital.

LRS ONLINE TOOLS:

Online tools are instruments which provide information to not just of those that can afford to pay for information, but for all. This, in turn, enables everyone involved in discussions focused on companies, economics and development to better share a level of knowledge which should lead to richer and more useful social dialogue.

Unions are invited to make use of the Labour Research Service's online support services at

<http://www.lrs.org.za/mnc/> and <http://www.lrs.org.za/agreed> .



The SA MNC Database includes the information discussed in this report as well as additional individual company information unions can utilise. The Agreed website is an additional online tool developed for the sharing of Agreements between unions. Annexure I provides guidelines on how individual company information on director's remuneration can be utilized.

ANNEXURE I: Utilising Individual Company Information from the SA MNC Database in Bargaining Preparations and Processes

Depending on how director fees have been structured in the year, different elements of director pay will be most useful in highlighting the variance between theirs and workers' wages. Negotiators need to look at all the angles before deciding which will best support their demands for more equitable wage structures.

1. First look at the percentage increase in salary as salaries are the most comparable to worker's wages and most likely to see a steady rise year-on-year. If directors' salaries have increased by a greater percentage than that of workers that is a strong position to bargain from as it shows that the guaranteed pay of the directors is increasing at the higher rate.
2. If the salary is not showing a high increase look at **the percentage increase in remuneration**. That is the increase in director's full annual package including salary, bonus, benefits and the like. A high increase here can be used in negotiations instead of the salary increase. It would also indicate that in the year the directors received substantial bonuses.
3. These bonuses can be interrogated further as shown in the research:
 - What percentage of salary do they represent? Do they double or even triple the director's annual income?
 - What are the limits on the amounts (as a percentage of salary) that directors can receive in bonuses and how different are these from the limits for workers?
 - If directors can receive such high percentage bonuses then can workers not also receive substantial rewards for the year's work?
 - What were the performance criteria for those bonuses and how have the directors met those goals?
4. If both salary and remuneration increases for directors are high then both these figures; can be used to highlight that not only is guaranteed pay increases for directors but that bonuses are following the same trend leading to substantial packages.
5. Question how the increases for directors compared to the fortunes of the company. Company profits are often cited as a reason for restricting wages. Looking at company performance in the form of profits can give an indication of whether it has any impact on director remuneration: when company profits fail, can we expect to see the same in director bonuses in particular? Will director salaries be affected by a bad year? Do workers receive the benefits of company profits in a good year?
6. If the company is showing a good profit for the year is this reflected in the director's bonuses? If so, why it should not also be reflected in workers income. If the profit is down, have the directors' still taken substantial rewards? If so, this should be explained, particularly if they are then arguing for lower worker wage increases.

7. If both salary and remuneration increases for executives are low for the year then look at the actual Rand figures for those increases as these will show how much these increases mean in real terms even if the percentages are not high. A ten percent increase on a director's salary is a lot more money than a twelve percent increase on the average worker's wage.
8. Although not considered annual income, the gains made by directors when exercising long-term incentives [LTIs] should be analysed. As shown above, these can be more than substantial and should be highlighted in negotiations if companies are arguing from a position that all employees including directors are taking a hit.

Looking beyond one year's figures can be a powerful negotiating tool. Profits may be down slightly in one year but if you look back over the trend of three to five years you will get a better idea of company performance. The same method can be applied to director's salaries, bonuses and LTI payments. Salary plus bonus, benefits and other payments [excluding long-term incentives] indicate how much the company has spent on director positions in the year. This may vary from year to year. The totals may increase massively in one year on the back of a good bonus and then seem to decrease when bonuses are less generous. The negative percentages should be seen in this light and figures can be compared to earlier years as well as viewing the totals those percentages represent.

In this survey, we have analysed director fees for 2015/16 as these are the latest publically available. This is useful in order to identify trends and to note bonus, benefit and LTI payment levels. However, to make the best comparison unions need to know the salary increases that directors will be getting for the same year for which they are negotiating - the year going forward. These are not published in the annual reports and should be requested well in advance of negotiations so that they can be properly analysed. If these cannot be obtained use the latest available figures. If the company states that these are out of date then note with them that more up to date figures were requested and denied.