

MNC TRENDS REPORT

2021

LRS Labour
Research
Service

**FRIEDRICH
EBERT
STIFTUNG**
TRADE UNION COMPETENCE CENTRE
SUB-SAHARAN AFRICA



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ACRONYMS

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

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METHODOLOGICAL NOTE

There are currently 346 companies listed on the Johannesburg Stock Exchange (JSE). Our sample includes 78 companies listed on the JSE from 14 sectors, as well as three state owned enterprises (Eskom, Denel and Transnet). Clover was delisted from the JSE, and Group Five is in business rescue, which has meant that these companies were excluded from our sample.

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

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

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

INTRODUCTION

Along with a massive international public health crisis, the covid-19 pandemic brought about a economic depression similar to the Great Depression of the 1930s.¹ The pandemic has disrupted economies and societies, and exacerbated the gap between the rich and the poor.

The pandemic has forced businesses to change their way of working in a very short time. A lot of businesses have had to shift to remote operations and changing schedules. Workers were already hurting from the existing challenges in the labour sector. Their situation has been worsened by the coronavirus response measures, which have harmed the economy, businesses and the regional supply chains. There is tension in workplaces as workers contend with a slew of issues, including long hours, lack of personal protective equipment, wage cuts, the threat of retrenchment and wage freezes.²

Economists are worried about what will happen in South Africa after the initial lockdown periods; alcohol bans, dramatic changes in tourism and restriction of movement. Many businesses have been closed already, many in the hospitality industry, which means many workers are left without pay. This is not the only thing we should be worried about. It is estimated that one million jobs will be lost, that there will be more social and political tension, that our GDP will shrink by around 7% and that state debt will exceed 80% of GDP in the next two years.³ The International Labour Organisation (ILO) has released a report warning of the potential loss of up to 25 million jobs globally amid the economic effects of the COVID-19 crisis.⁴

The 2021 MNC Trends report reviews this year in light of the challenges posed globally and in South Africa, with specific focus on sectors that have been the most effected by the pandemic. This sector specific information is designed to assist unions in shaping bargaining demands given

¹ <https://www.guardianlife.com/coronavirus/covid19-and-the-future-of-work>

² <https://www.lrs.org.za/2020/08/25/collective-bargaining-agreements-during-covid-19-2/>

³ <https://www.lrs.org.za/2020/04/21/retail-industry-after-covid-19/>

⁴ <https://www.businesstoday.in/latest/world/story/coronavirus-outbreak-could-destroy-up-to-25-million-jobs-ilo-252329-2020-03-18>

the financial situation and also the executive remuneration of these companies. The information also serves as a precursor of companies and sectors that may continue to suffer in the coming year, and with this in mind hopes to inform trade unions' responses to possible retrenchments and refusals to accede to bargaining demands.

HIGHLIGHTS

Employees

By Company

Company	Sector	Employees
Glencore Xstrata	Mining	145000
Shoprite	Retail	141452
Bidvest	Diversified Holdings	132870
Pick n Pay Stores Ltd	Retail	90000
Sibanye Gold	Mining	84775
Anglo American plc	Mining	64000
Transnet	Transport	56414
Impala Platinum	Mining	50744
Standard Bank Group	Banking and Financial Services	50115
RMB Holdings	Banking and Financial Services	48780

By Sector

Sector	Employees
Mining	522189
Retail	396641
Banking and Financial Services	180273
Diversified Holdings	175553
Industrial	108638
Transport	101157
Food and Beverage	89233

Health	73654
Technology and Telecommunications	42028
Paper and Packaging	41325
Construction	29078
Hospitality	15632

Revenue

Top 10 companies by Revenue

The top ten companies by revenue is dominated by mining this year. Mining company Glencore Xstrata took the top spot with 2020. One of the biggest retailers in Africa, Shoprite, came in at number seven in terms of revenue.

Company	Sector	Average Revenue
Glencore Xstrata	Mining	2,033,400,000,000
BHP Billiton	Mining	715,516,666,667
Anglo American plc	Mining	441,457,142,857
Eskom Holdings Limited	Industrial	199,468,000,000
Sasol	Industrial	190,367,000,000
MTN Group	Technology and Telecommunications	179,361,000,000
Shoprite	Retail	156,855,000,000
Anglo American Platinum	Mining	137,804,000,000
Mondi Group	Paper and Packaging	133,260,000,000
Sanlam	Banking and Financial Services	132,866,000,000

Average Revenue

Sector	Average Revenue
Banking and Financial Services	73,997,315,721
Construction	23,759,248,750
Diversified Holdings	60,319,193,666

Food and Beverage	25,023,282,458
Health	26,705,089,051
Hospitality	3,907,761,000
Industrial	53,558,848,444
Media	36,127,846,166
Mining	292,296,468,864
Paper and Packaging	73,784,888,889
Retail	68,925,266,666
Technology and Telecommunications	104,383,333,333
Transport	33,421,965,800

Profit before Tax

Top ten companies by Profit before Tax

When it comes to Profit before Tax, BHP Billiton and Anglo American PLC take the top spots with over ZAR 200 billion and ZAR 78 billion in profit before tax respectively. Naspers, the international media company with shares in Chinese tech giant Tencent, comes in at number three with profit before tax of ZAR 60 billion.

Company	Sector	Profit before Tax
BHP Billiton	Mining	225,166,666,667
Anglo American plc	Mining	78,057,142,857
Naspers	Media	60,583,333,333
Kumba Iron Ore Limited	Mining	41,204,000,000
Anglo American Platinum	Mining	40,858,000,000
Sibanye Gold	Mining	35,480,000,000
RMB Holdings	Banking and Financial Services	32,961,000,000
MTN Group	Technology and Telecommunications	29,086,000,000
FirstRand Bank	Banking and Financial Services	23,628,000,000
Vodacom Group Limited	Technology and Telecommunications	23,058,000,000

Average Profit before Tax

Sector	Average Profit before Tax
Mining	32,517,915,750
Media	30,057,667,166
Technology and Telecommunications	17,683,333,333
Banking and Financial Services	12,260,331,185
Paper and Packaging	3,230,000,000
Retail	2,202,755,555
Transport	1,479,537,800
Health	464,410,484,5
Food and Beverage	441,602,250
Diversified Holdings	95,651,000
Education, Bus Training & Employment	-524,305,000
Construction	-971,548,000
Hospitality	-1,121,571,666
Industrial	-16,209,562,444

REMUNERATION

TOP TEN CEOS BY REMUNERATION

CompName	Director Surname	Salary	Cash Bonus	Benefits	Other	LTI Payment	Total Including LTI
Naspers	Dijk	22700000	19666667	1483333	1033333	221400000	266283333
Anglo American plc	Cutifani	27420000	31480000	820000	8140000	88520000	156380000
BHP Billiton	Mackenzie	14166667	10883333	2066667	23583333	33966667	84666667
MTN Group	Shuter	18154000	30104000	1997000	17807000	5713000	73775000
Sasol	Cornell	20808000	24332000	21658000	0	1861000	68659000
Gold Fields	Holland	16774286	310000	12918571	28274286	0	58277143
Sibanye Gold	Froneman	13336000	13405000	30292000	940000	0	57973000
BHP Billiton	Henry	14166667	10883333	1433333	9900000	19050000	55433333
AngloGold Ashanti	Dushnisky	21657000	25809000	5266000	1759000	0	54491000
Mondi Group	King	19781860	17157640	4086900	1421740	11762120	54210260

CEO Average Remuneration

Sector	Average Salary	Average of Total inc LTI
Media	7,821,722	88,121,833
Technology and Telecommunications	10,478,636	52,869,900
Mining	9,396,873	51,780,055
Paper and Packaging	7,718,772	35,751,656
Banking and Financial Services	6,295,620	32,940,865
Food and Beverage	5,227,210	22,270,157
Retail	5,229,805	20,348,385
Diversified Holdings	4,931,500	19,836,928
Health	5,209,644	19,503,162
Industrial	4,819,209	19,142,268
Education, Bus Training & Employment	3,549,500	18,748,500
Construction	5,185,307	18,375,923
Transport	3,377,210	13,057,543
Hospitality	2,267,923	7,432,153

Executive Director Average Remuneration

Sector	Average Salary	Average Total inc LTI
Banking and Financial Services	6,295,620	32,940,865
Construction	5,185,308	18,375,923
Diversified Holdings	4,931,500	19,836,929
Food and Beverage	5,227,211	22,270,158
Health	5,209,644	19,503,163
Hospitality	2,267,923	7,432,154
Industrial	4,819,209	19,142,269
Media	7,821,722	88,121,833
Mining	9,396,873	51,780,055
Paper and Packaging	7,718,772	35,751,656

Retail	5,229,806	20,348,385
Technology and Telecommunications	10,478,637	52,869,900
Transport	3,377,210	13,057,544

Non-executive Director Average Remuneration

Sector	Average of Total inc LTI
Media	4,718,543
Banking and Financial Services	2,531,209
Mining	2,016,389
Paper and Packaging	1,648,080
Technology and Telecommunications	1,302,349
Industrial	1,220,908
Health	926,690
Retail	904,763
Diversified Holdings	847,769
Construction	824,570
Transport	711,478
Food and Beverage	667,623
Hospitality	474,607

SECTOR REPORTS

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

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

1. Banking and Financial Services
2. Construction
3. Diversified Holdings
4. Food and Beverage
5. Health
6. Hospitality
7. Industrial
8. Mining
9. Paper and Packaging
10. Retail
11. Technology and Telecommunications
12. Transport

SECTOR REPORT: BANKING & FINANCIAL SERVICES

Introduction

This report analyses eight companies from banking, life insurance and the financial services sector as listed on the Johannesburg Stock Exchange (JSE).

Standard Bank Group
FirstRand Bank
Sanlam
Nedbank
Investec
RMB Holdings
Discovery
Liberty Holdings

The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

In its 2019/2020 annual report, the South African Reserve Bank's Prudential Authority reported that the country's five biggest banks (Standard Bank Group, FirstRand Bank, Nedbank, Investec) continue to dominate the sector, despite an increase in competition. Four of these banks are included in the sample, along with some smaller players in the sector.⁵

Despite significant disruptions caused by the COVID-19 pandemic, measures taken by the South African government (including a reduction in interest rates and regulatory relief for banks)⁶ helped to stabilise markets. Government data and financials released by banks in Kenya,

⁵ <https://businesstech.co.za/news/banking/416057/south-africas-banking-sector-is-dominated-by-5-names-who-control-almost-90-of-all-assets/>

⁶ <https://businesstech.co.za/news/banking/416057/south-africas-banking-sector-is-dominated-by-5-names-who-control-almost-90-of-all-assets/>

Morocco, Nigeria, and South Africa show that ‘the pandemic’s impact on African banks in 2020 was less severe than initially expected’.⁷

In the South African banking sector, non-traditional players are increasingly exploring new opportunities which challenges traditional banking. These includes things like digital banking and low-cost operating models.⁸ This has forced banks like Standard Bank, Nedbank and Firstrand to respond by finding new and progressive ways to stay relevant. These banks have a distinct advantage over newer players, by harnessing the power of data mining and by leveraging their existing relationships with businesses in South Africa.⁹

Financials

Revenue

The 2020 financial year saw a significant downturn in the sector’s revenue. On average, revenue decreased by 8,8% in the sample. Of the eight companies in our list, only three reported increases in revenue: Firstrand Bank (1,35%); Investec (9,51%); and Discovery (15,66%). RMB Holdings reported a dramatic loss of revenue (from ZAR 10 billion in 2019 to a loss of ZAR 100 million in 2020). However, the company has reported some improvements to the loss in March 2021.¹⁰ Two of the biggest banks in the sector, Standard Bank and Nedbank, reported decreases in revenue of 14,16% and 13,6% respectively.

⁷ <https://www.mckinsey.com/featured-insights/middle-east-and-africa/african-banking-in-the-new-reality>

⁸ <https://www.pwc.co.za/en/publications/the-future-of-banking.html>

⁹ <https://www.businesswire.com/news/home/20210428005701/en/South-Africa-Banking-Industry-Report-2021-Comprehensive-Information-on-Commercial-and-Central-Banking-Stokvels-and-Other-Credit-Granting-and-Lease-Financing-Organisations---ResearchAndMarkets.com>

¹⁰ <https://www.iol.co.za/business-report/companies/rmh-narrows-its-loss-despite-macroeconomic-challenges-7c712855-de3c-475a-9531-828028a9c13c>

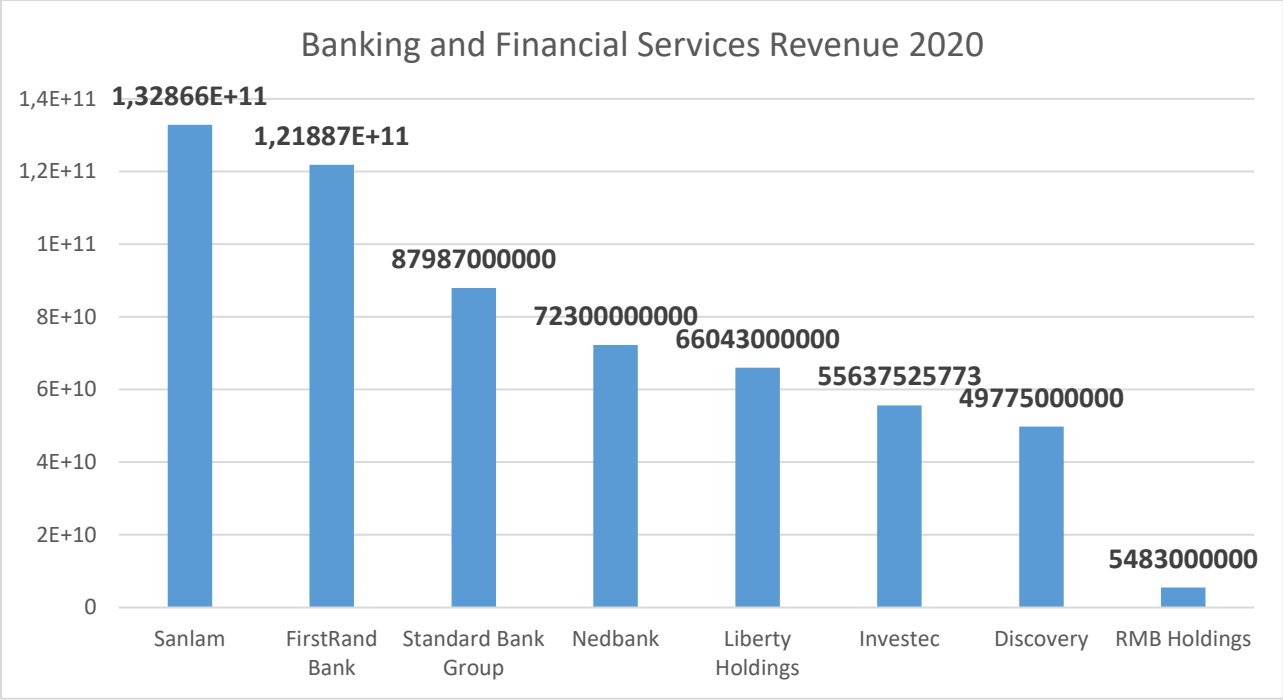


Figure 1 Banking and Financial Services Revenue 2020



Figure 2 Banking & Financial Sector by Revenue 2020

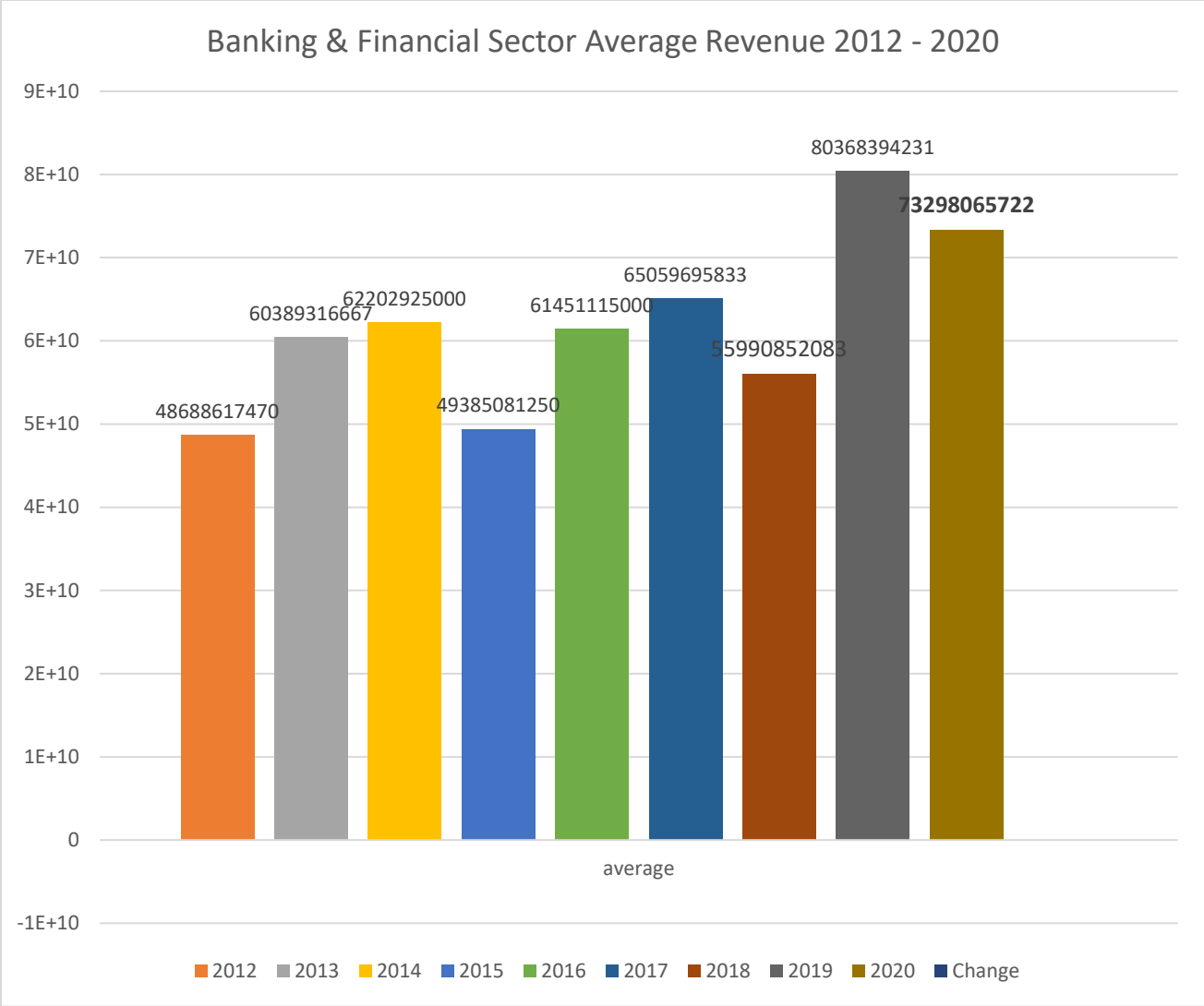


Figure 3 Banking & Financial Sector Average Revenue 2012 - 2020

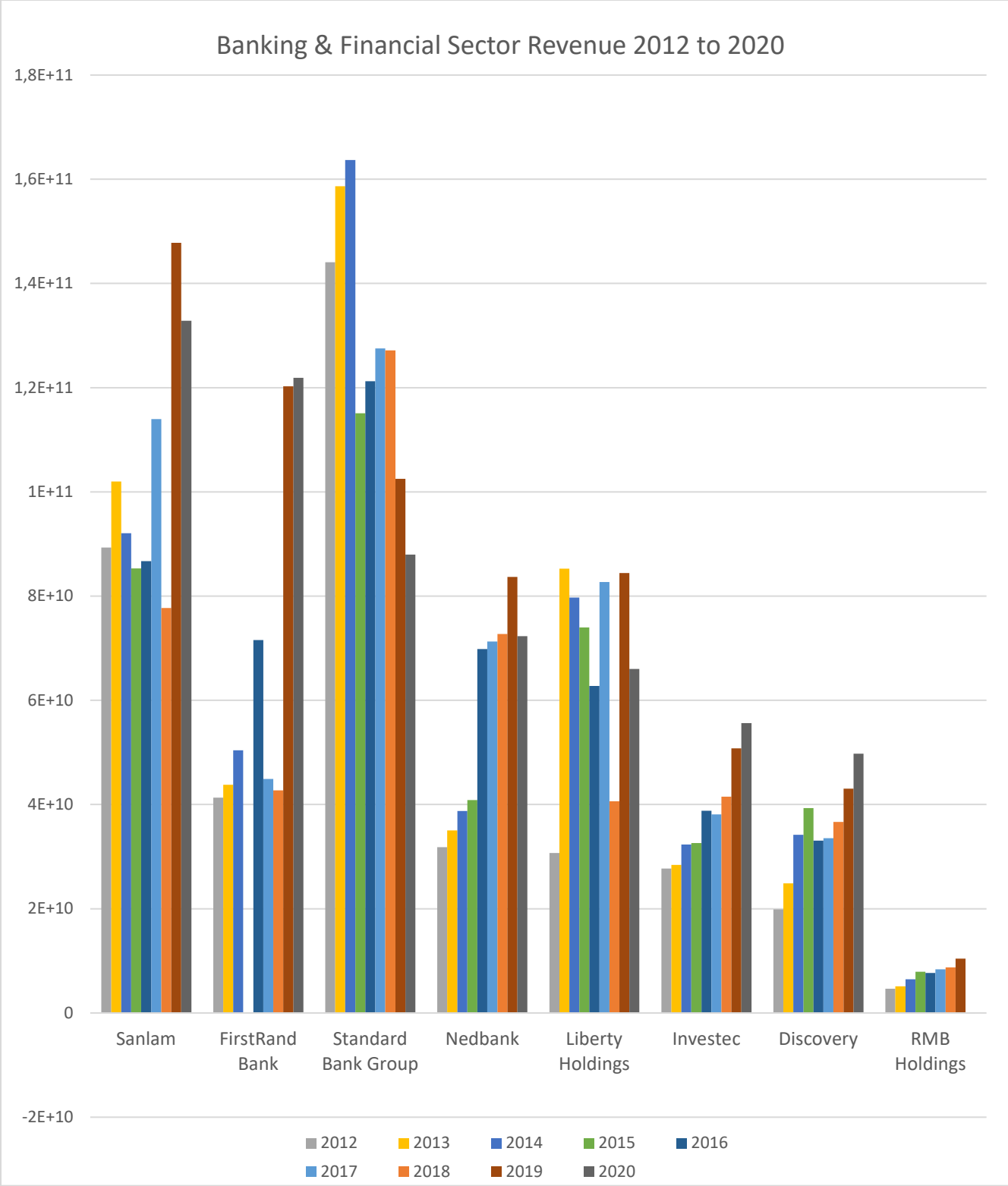


Figure 4 Banking & Financial Sector Revenue 2012 to 2020

Profit before Tax

Every company in the sample reported a decrease in Profit before Tax for 2020, aside from RMB Holdings that reported a noteworthy increase in PBT. However, the increase is a reflection of discontinued operations and not of actual PBT made. On average, these companies reported a 35% decrease in PBT for 2020.

Liberty Holdings is the only company that reported a loss for the period, the first time reporting a loss since 2014 when we started reporting on them. Standard Bank Group has proposed to buy 100% of Liberty Holdings and to integrate it wholly into Standard Bank Group (The deal is subject to shareholder and regulatory approvals and will lead to the de-listing of Liberty).¹¹

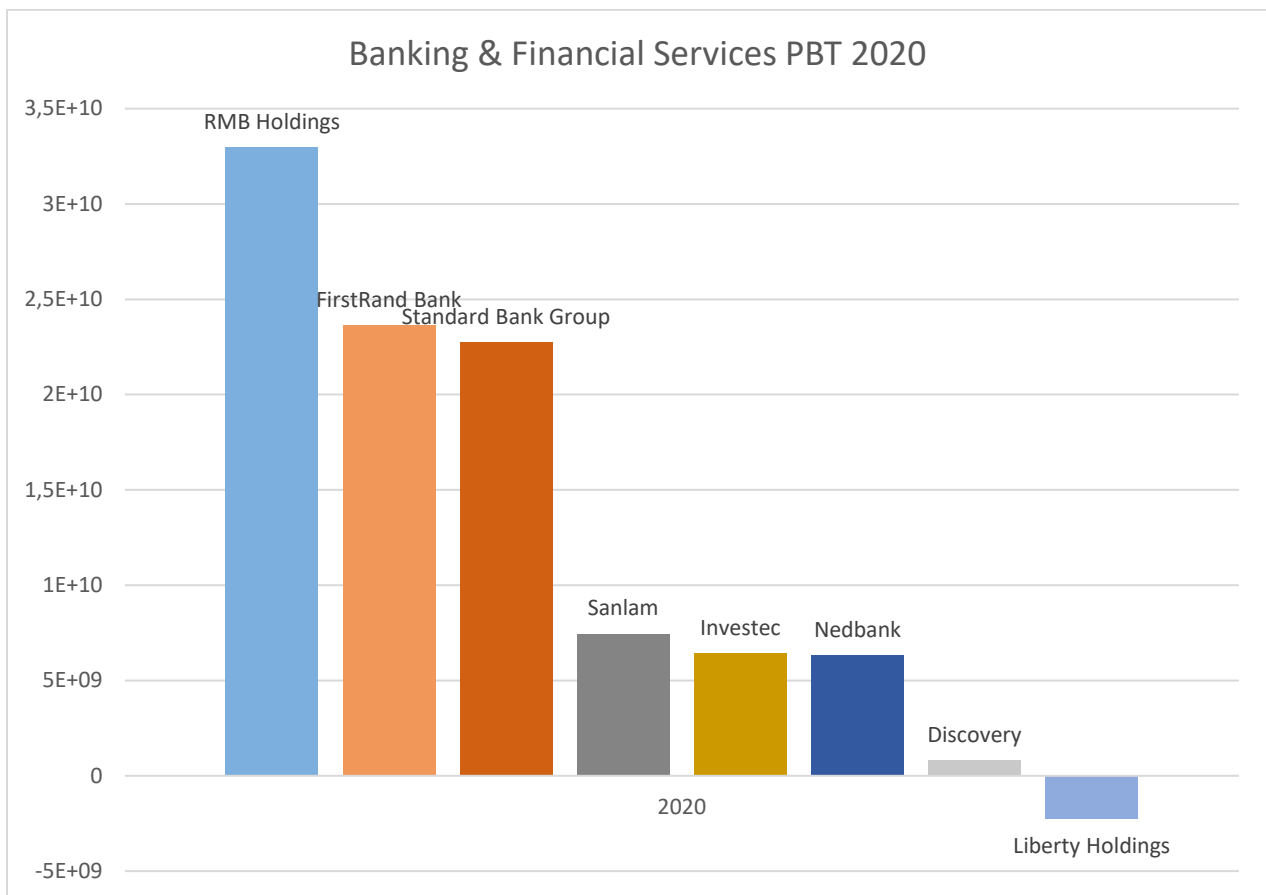


Figure 5 Banking & Financial Services PBT 2020

¹¹ <https://businesstech.co.za/news/banking/506282/standard-bank-in-buyout-offer-for-liberty-holdings/>

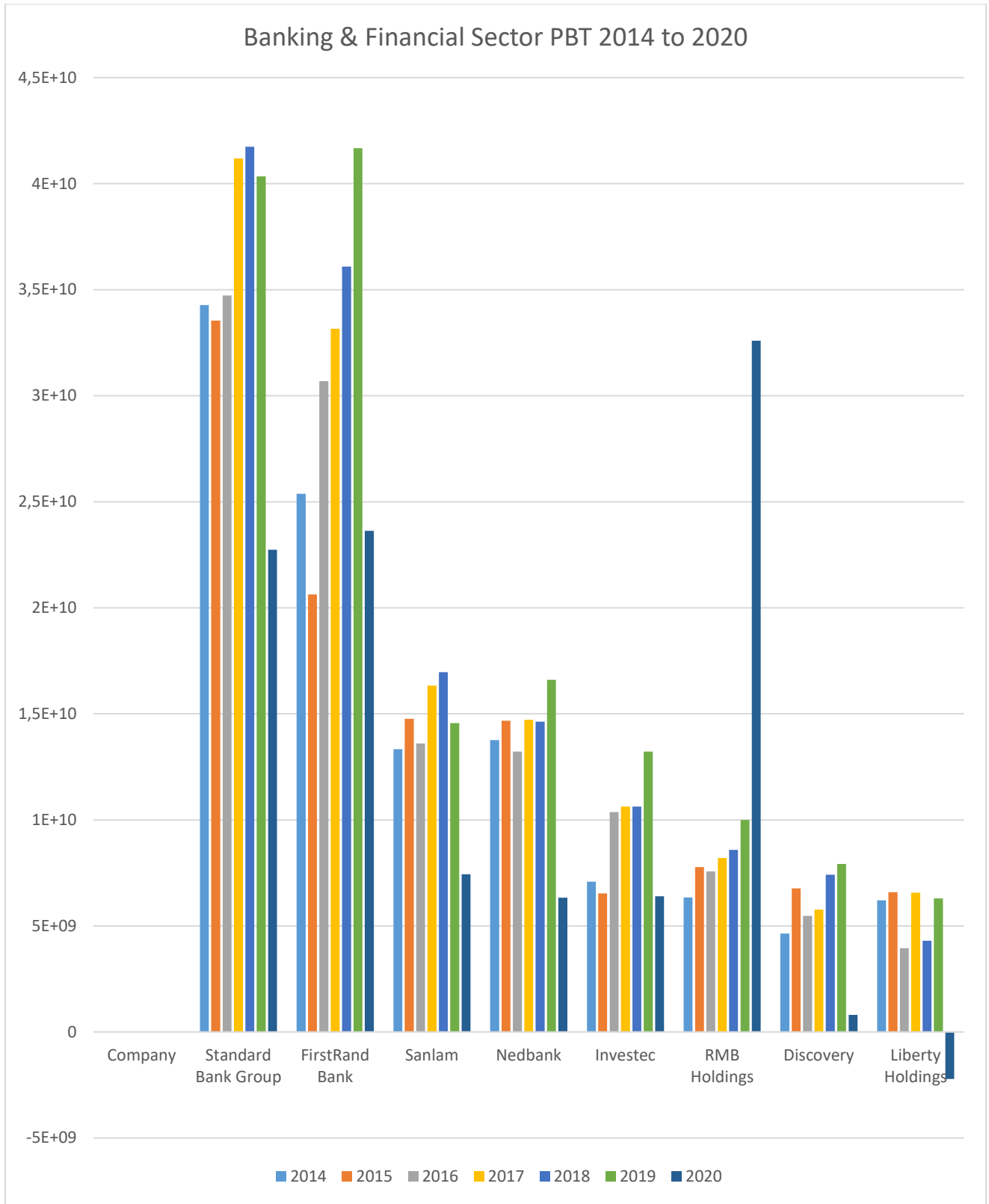


Figure 6 Banking & Financial Sector PBT 2014 to 2020

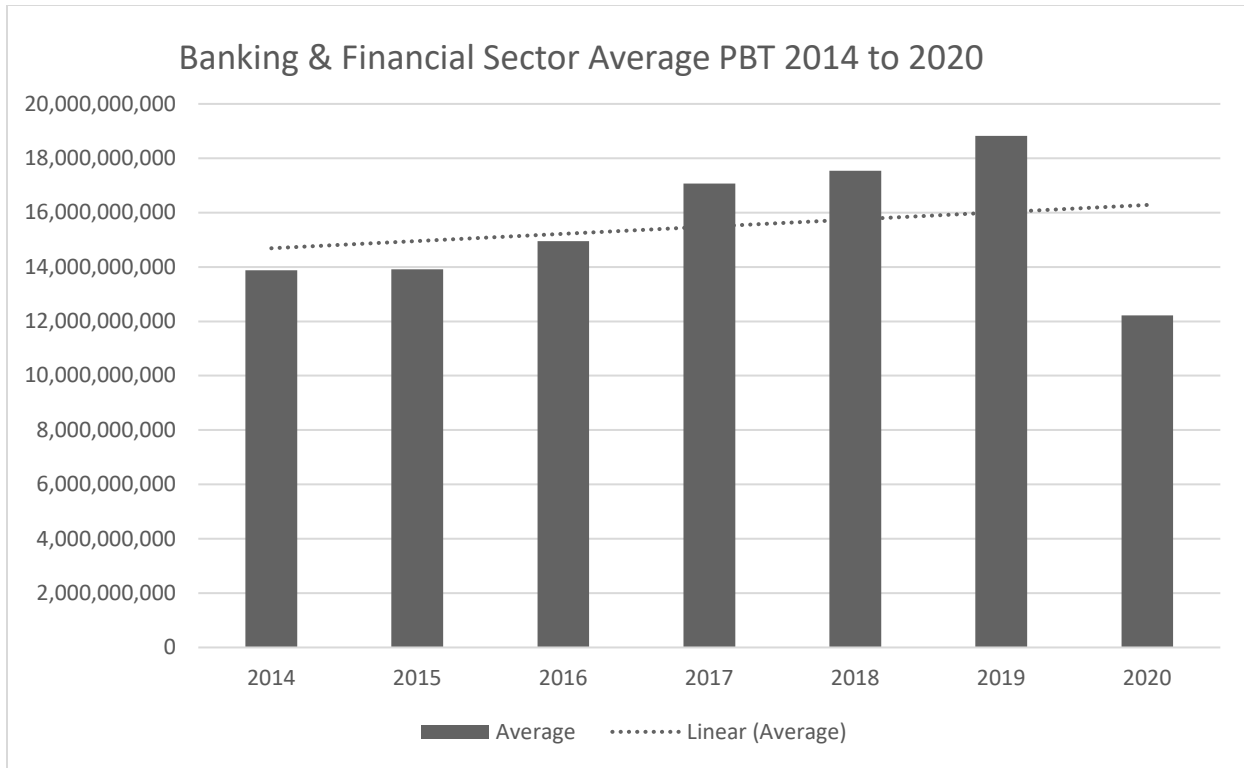


Figure 7 Banking & Financial Sector Average PBT 2014 to 2020

Directors' Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years.

In the Banking & Financial sector, and our sample specifically, we see the general trend over time being upwards, with a large spike in 2015 with a big LTI pay-out. However, from 2017 there is a small downward trend in CEO remuneration in the sector. The gap between the average total remuneration without LTI and total remuneration including LTI shows us the significance of LTI payments and why they are important to take into account.

This gap gets a little smaller 2020, which was arguably a very difficult year for the Banking & Financial sector. From 2019 to 2020, average total remuneration (including LTI) went down by about 30%. We expect to see these LTIs increase when the industry has stabilised.

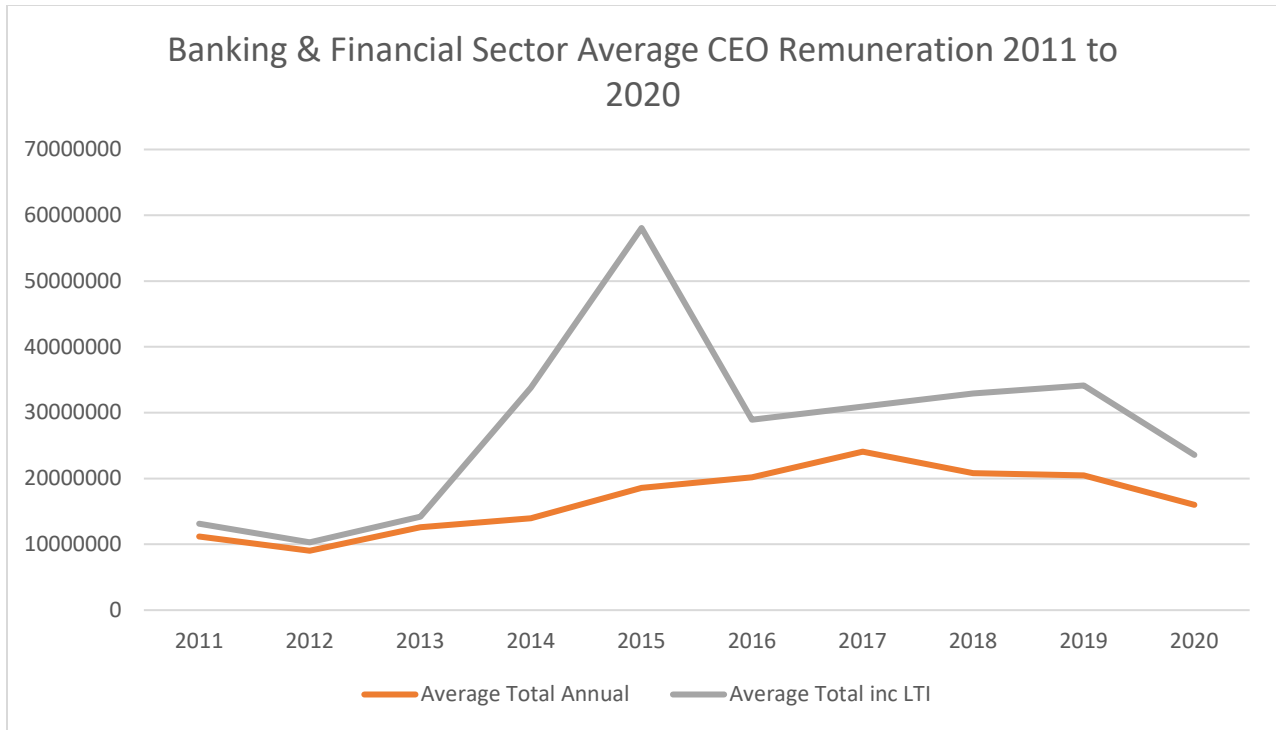


Figure 8 Banking & Financial Sector Average CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In the Banking & Financial sector, the CEO of Nedbank received the highest reported remuneration at ZAR 43 million. This includes an LTI of ZAR 26 million. Pullinger, CEO of Firststrand Bank, received an LTI of ZAR 20 million, which brings his total remuneration for the 2020 financial year to ZAR 39 million. RMB Holdings CEO Bosman received a small package at around ZAR 3 million, which will likely change as the company recovers.

On average, executive remuneration in the sample decreased by around 25%, indicative of the associated performance of the companies. However, non-executive remuneration on average increased by over 30%, which is mainly due to Sanlam non-executive directors receiving LTIs.

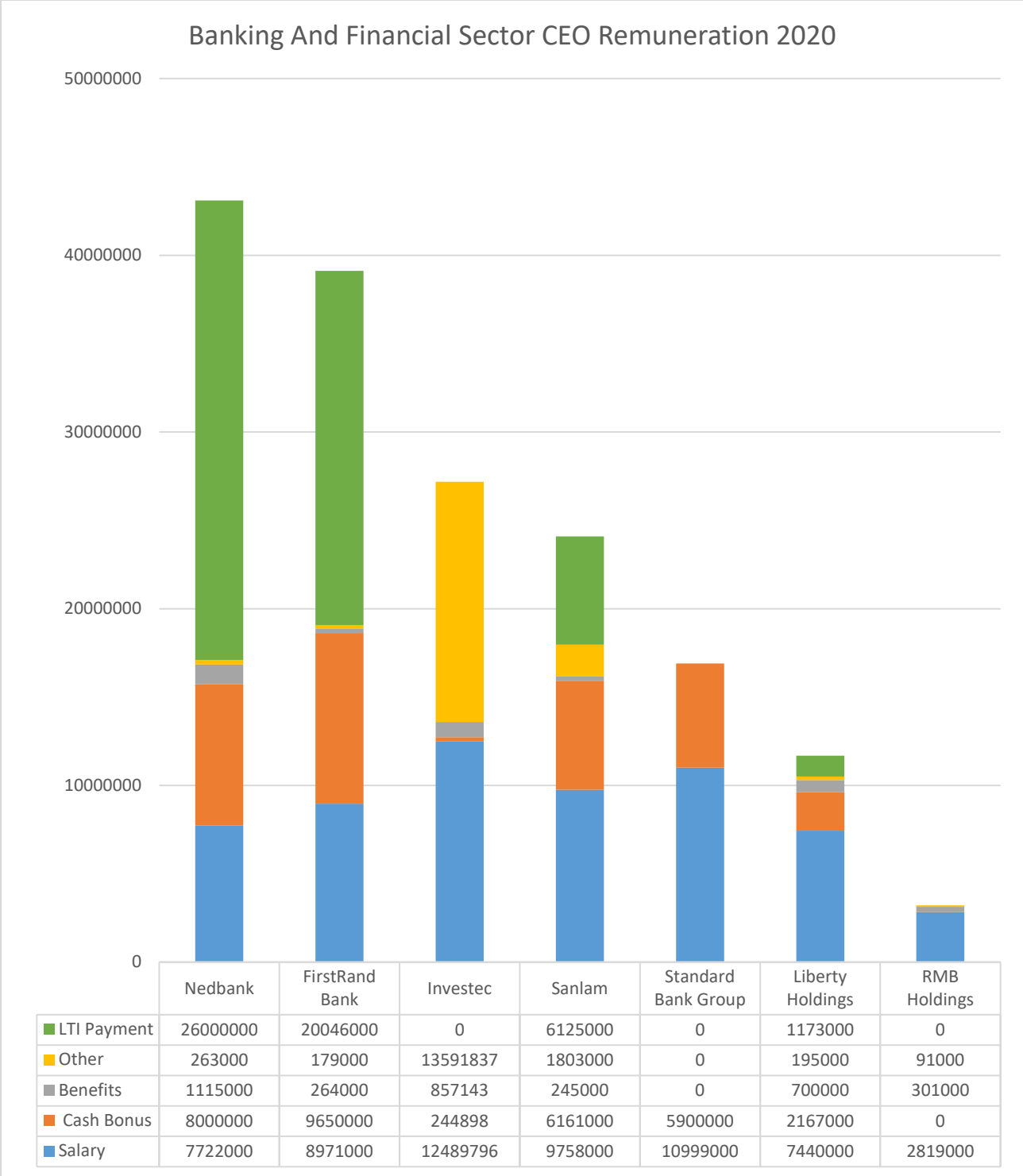


Figure 9 Banking And Financial Sector CEO Remuneration 2020

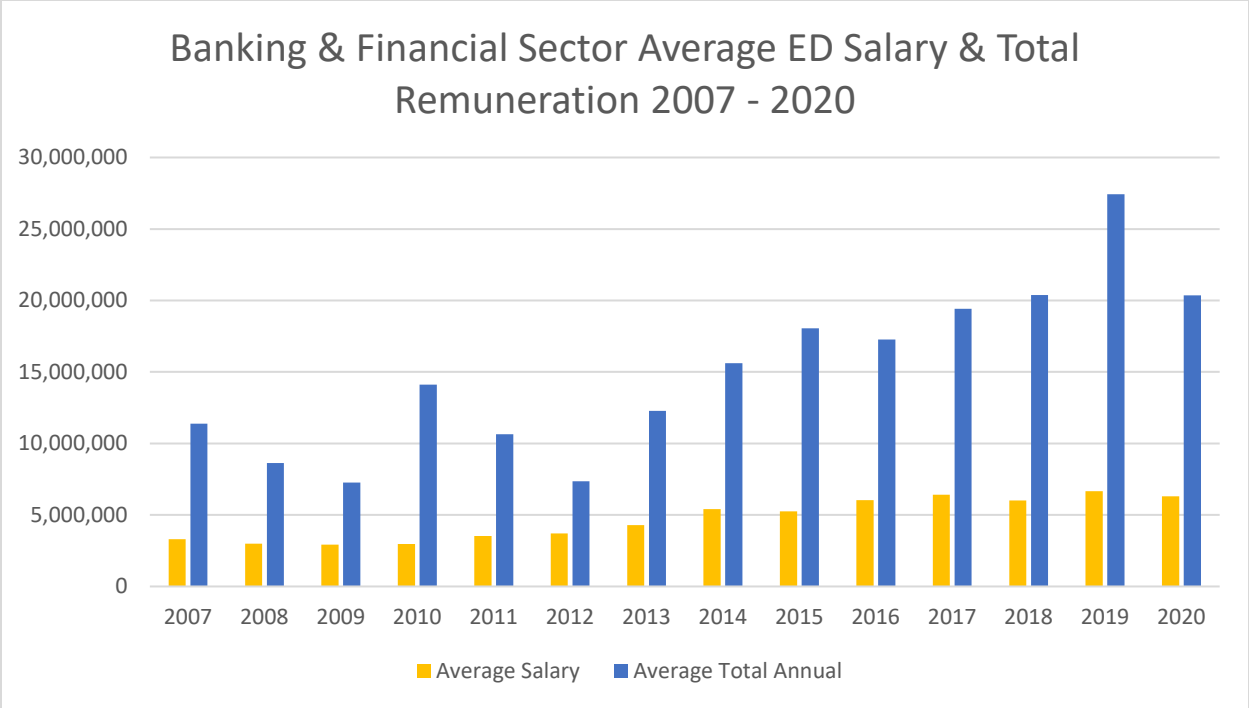


Figure 10 Banking & Financial Sector Average ED Salary & Total Remuneration 2007 - 2020

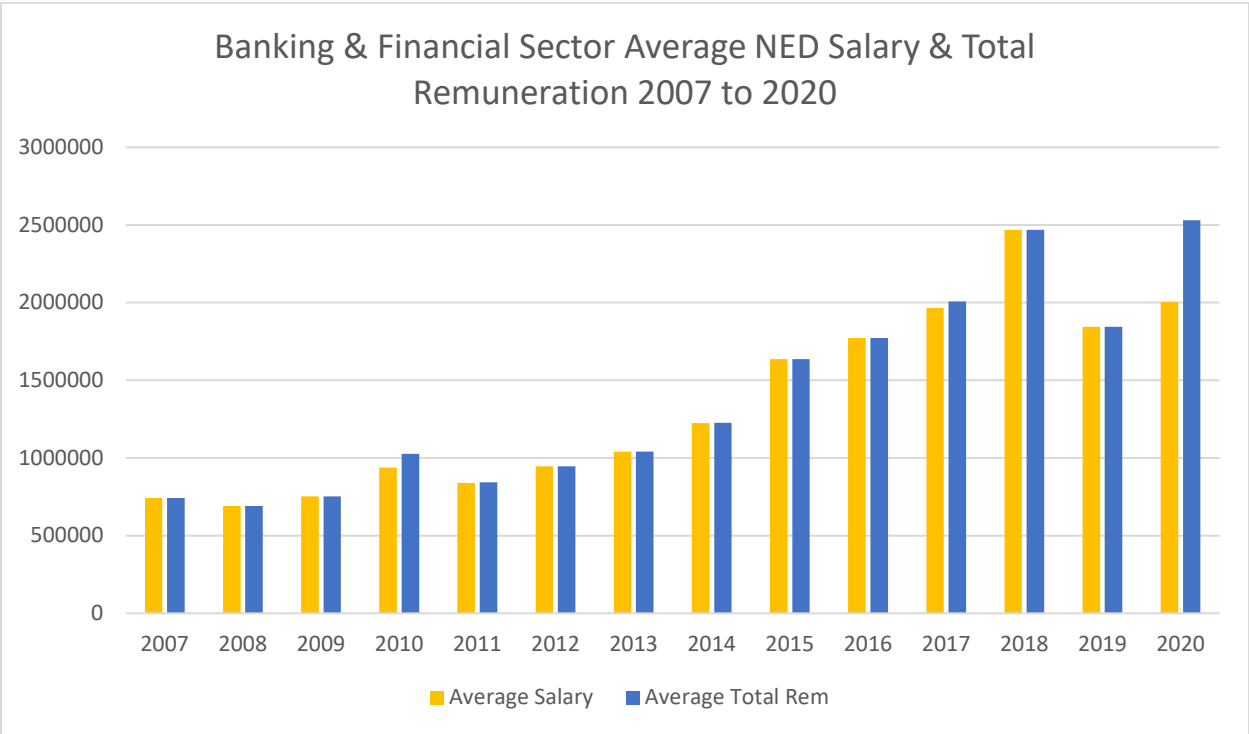


Figure 11 Banking & Financial Sector Average NED Salary & Total Remuneration 2007 to 2020

SECTOR REPORT: CONSTRUCTION

Introduction

The JSE lists 17 companies in the Construction & Materials sector. There are five construction companies included in this report. This sample constituted 30% of the JSE listed companies under construction. However, on 11 March 2019, the board of Group Five adopted a resolution to commence business rescue proceedings. The company did not publish a set of 2019 or 2020 financial statements and therefore this report does not have include Group Five results for the those financial years.

WBHO
Aveng
Murray & Roberts
PPC
Group Five

The rich data extracted from the LRS's [MNC Database](#) enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

Over the course of the last year and a half, COVID-19 has caused a significant slowdown in world trade and disrupted global supply chains. In addition to these disruptions, South Africa's national lockdowns over the course of 2020 and 2021 have severely impacted businesses.

According to Aon South Africa's Construction & Engineering Broking Centre, Government is the biggest spender on infrastructure in SA's construction industry. The centre reports that along with national lockdowns in South Africa, 'government diverted infrastructure spending to alleviate the economic and social crisis facing the country, cutting traditional expenditure by 80%. This brought a large portion of the country's economy, including the construction industry, to a grinding halt. At the same time, restrictions on construction activity under lockdown regulations

added further pain. Projects were left standing, deadlines were missed – the consequences of which are enormous.’¹²

The same report lists some worrying trends in the construction industry, including issues with supply which results in issues with pricing; the Rand’s declining value against USD; and skills shortages¹³. This was echoed by PPC’s MD, Njombo Lekula, who said that skills retention and transfer are two of the many problems the industry is hoping to resolve.

However, some research studies¹⁴ estimate growth in the next few years for the industry, partially due to government’s plans to spend significantly on infrastructure development over the course of the next few years.¹⁵ Between 2022 and 2025, South Africa’s construction industry ‘is expected to experience an average yearly growth of 3.4%, as the government increases its focus on infrastructure and energy sector investment initiatives.’¹⁶

Financials

Revenue

On average, this list of companies reported a 2% decrease in revenue in what could be termed one of the most difficult years in construction (however, some companies’ 2020 financial year end did come before the worst of the pandemic could be felt, and these effects will be more easily seen in 2021 financials). Aveng reported a 19% drop in revenue, and Pretoria Portland cement reported a 2% decrease. WBHO and Murray & Robert reported a 6% and 3% increase in revenue respectively.

¹² <https://aon.co.za/insights/construction-sector-is-critical-to-sa-s-post-covid-economic-recovery/>

¹³ <https://www.news24.com/fin24/companies/ppc-warns-of-looming-skills-shortage-in-sa-construction-industry-20210729>

¹⁴ <https://www.businesswire.com/news/home/20210423005326/en/South-Africa-Construction-Market-2021-2025-Key-Trends-and-Opportunities-Post-COVID-19---ResearchAndMarkets.com>

¹⁵ <https://iclg.com/alb/17074-south-africa-set-for-construction-sector-revival>

¹⁶ <https://iclg.com/alb/17074-south-africa-set-for-construction-sector-revival>



Figure 12 Construction Sector Revenue 2020

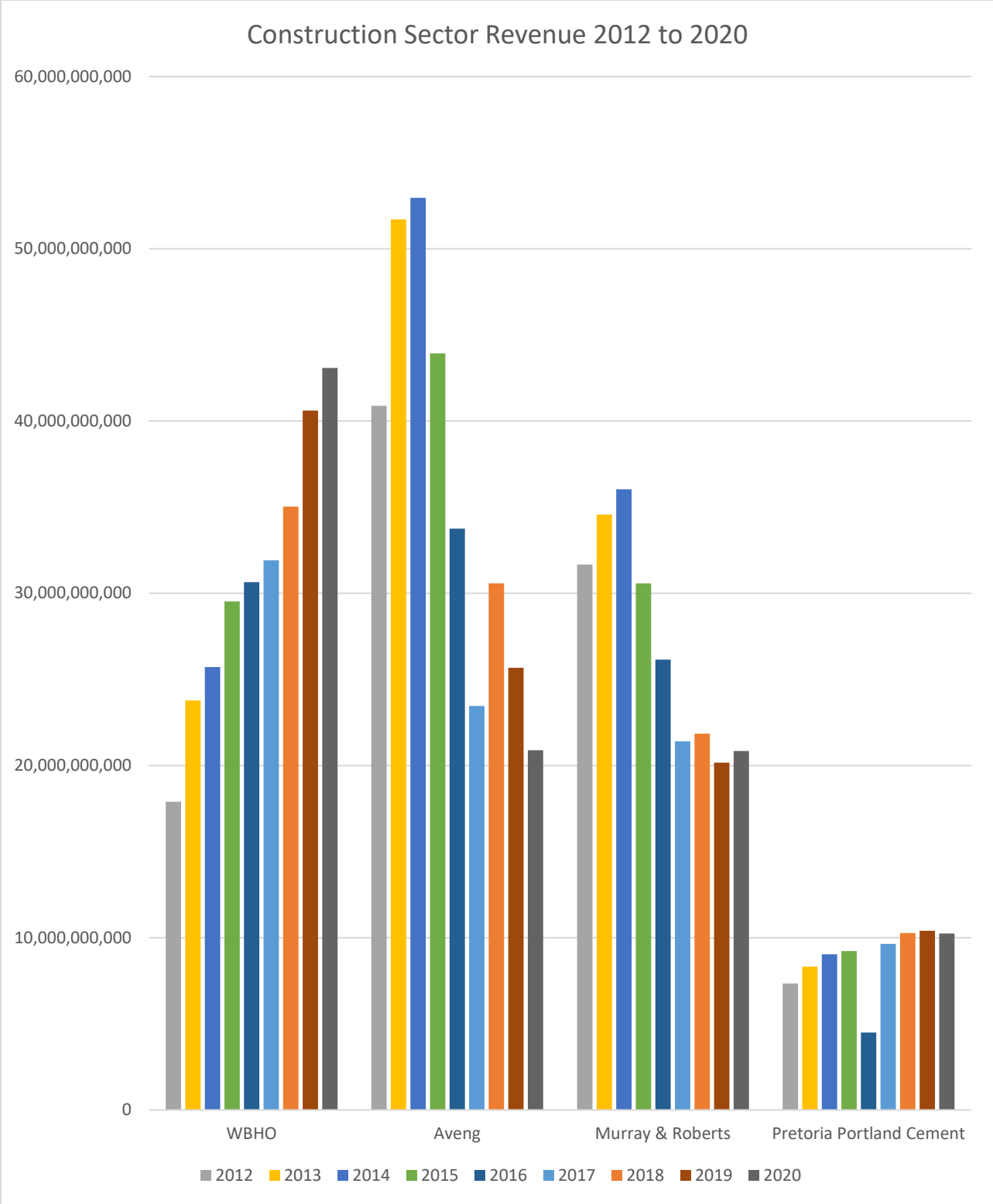


Figure 13 Construction Sector Revenue 2012 to 2020

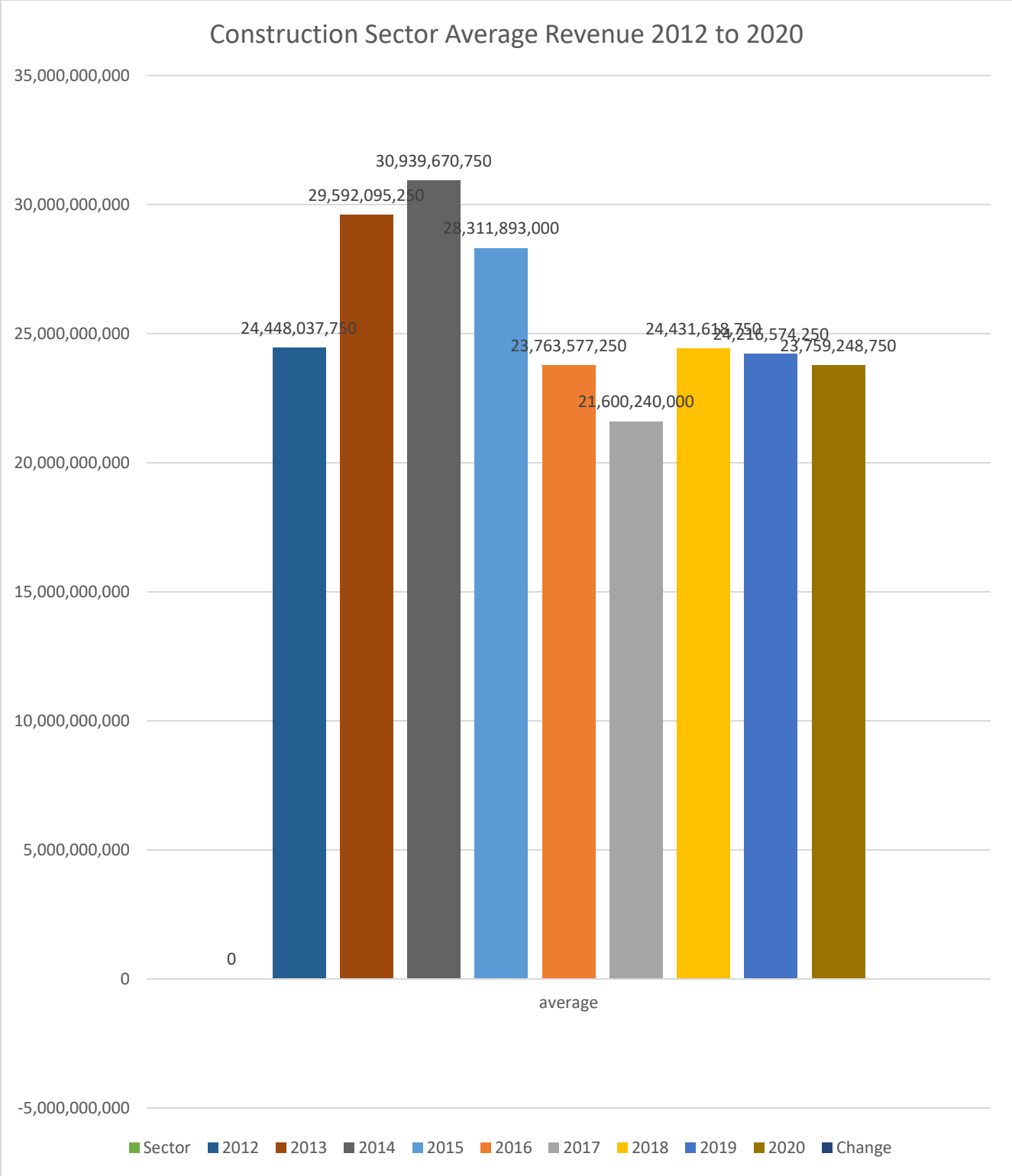


Figure 14 Construction Sector Average Revenue 2012 to 2020

Profit before Tax

When reporting Profit before Tax, all four companies in the sample reported large losses, in line trends in the Construction sector as outlined above. WBHO, the biggest company in the sample, reported a downturn in PBT of over 140% from a PBT of almost ZAR 800 million in 2019 to a loss of over ZAR 300 million in 2020. Pretoria Portland Cement reported a substantial loss of over ZAR 2 billion, and faced an uncertain future. However, in September 2021 the company announced improvements in what had been a significant debt burden caused by borrowing money to expand into Africa.¹⁷

Murray & Roberts reported a loss of over ZAR 200 million, a 132% decrease in PBT; while Aveng reported a loss of over ZAR 1 billion (compared to a loss of ZAR 1,4 billion in 2019).

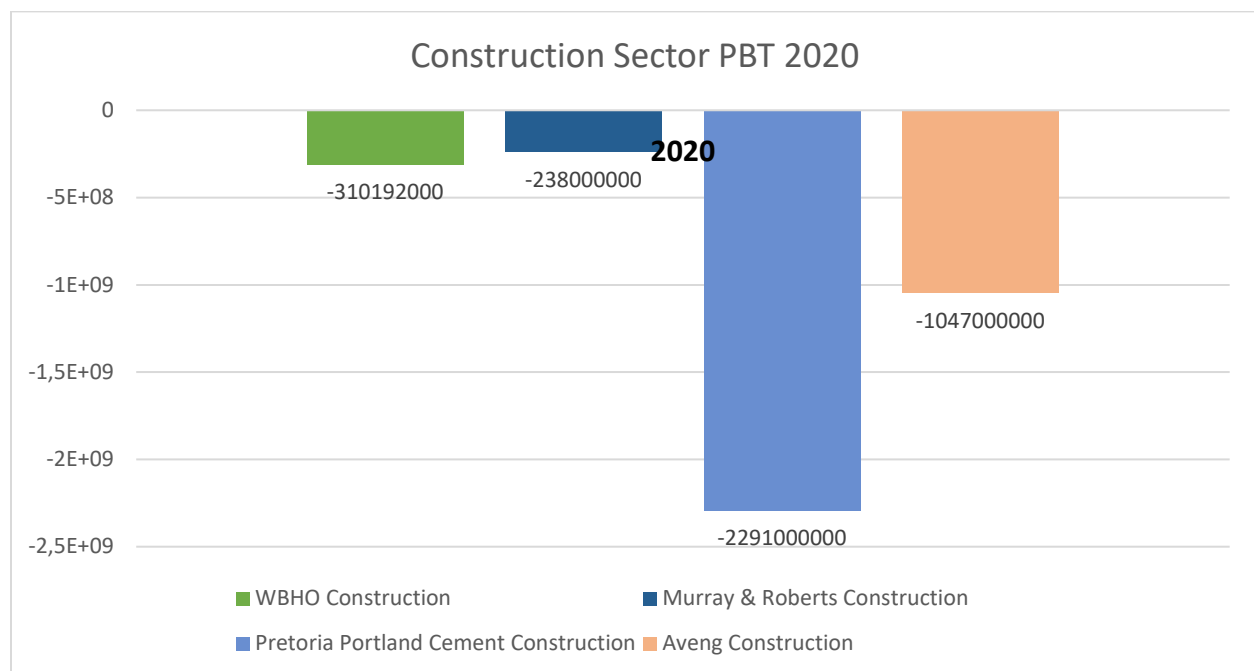


Figure 15 Construction Sector PBT 2020

¹⁷ <https://www.news24.com/fin24/companies/interview-ppc-is-back-from-the-debt-20210929>

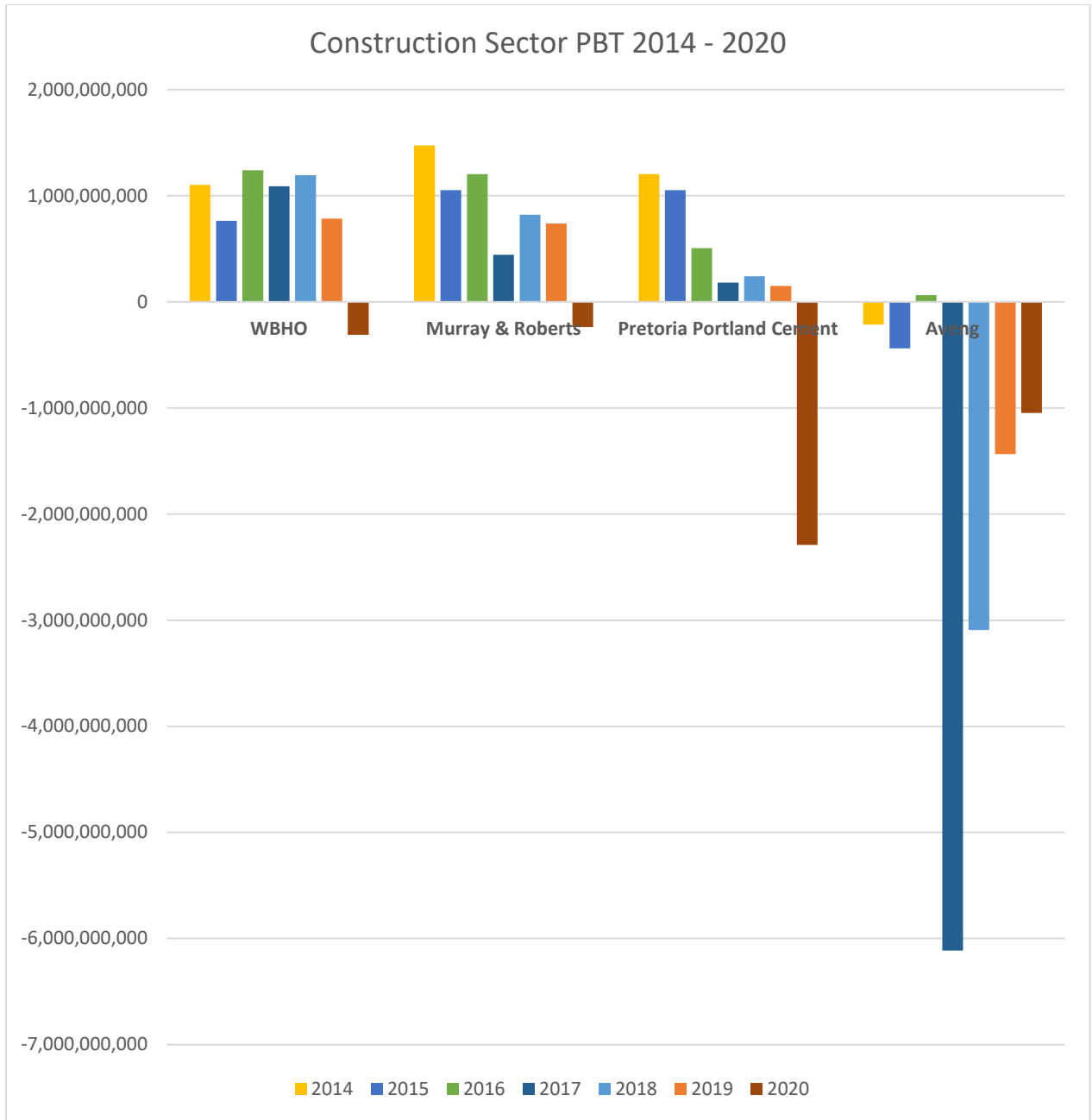


Figure 16 Construction Sector PBT 2014 - 2020

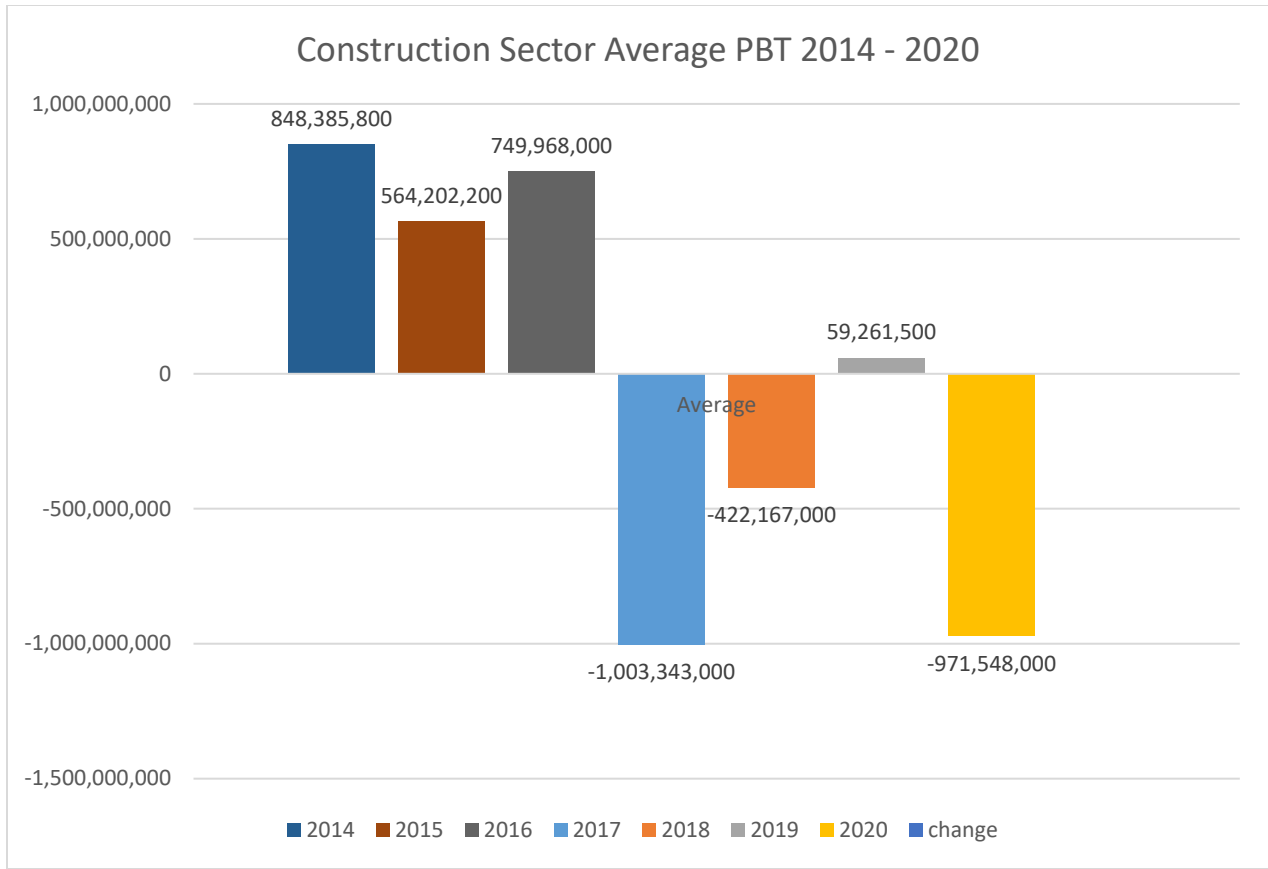


Figure 17 Construction Sector Average PBT 2014 - 2020

Directors' Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the construction sector, and our sample specifically, we see an erratic trend with relatively low LTIs. In 2020, only two CEOs received LTIs of comparatively small amounts. Neff of WBHO received an LTI of ZAR 1,2 million and the PPC CEO received an LTI of about ZAR 1,7 million. This partially reflects the tumultuous nature of the sector over the course of the last 10 years. From 2019 to 2020, average CEO remuneration went down by just over 17%.

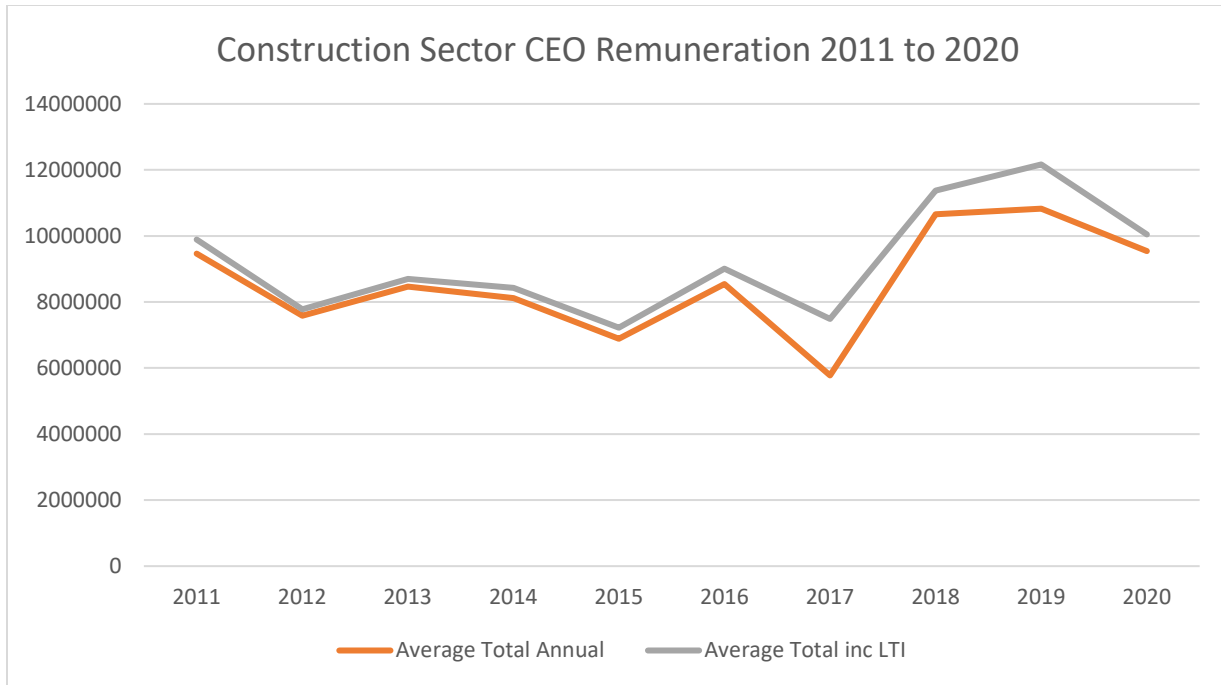


Figure 18 Construction Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In our sample of the construction sector, Murray & Roberts CEO Henry Laas received the highest remuneration for the 2020 financial year. He has been CEO since 2011. His remuneration is mainly made up of a large salary of ZAR 18,5 million. In his time as interim CEO, PPC CEO Claassen receive the second highest remuneration in the sample, which included an LTI of ZAR 1,7 million.

On average, executive director remuneration in the sample went down by 17,5% from 2019 to 2020, reflective of the losses made in the sector. Non-executive director remuneration went down by 12,6% in the same period. The small spike witnesses in 2019 (see figure below) reflects the exit of Group Five from the JSE and from our sample.

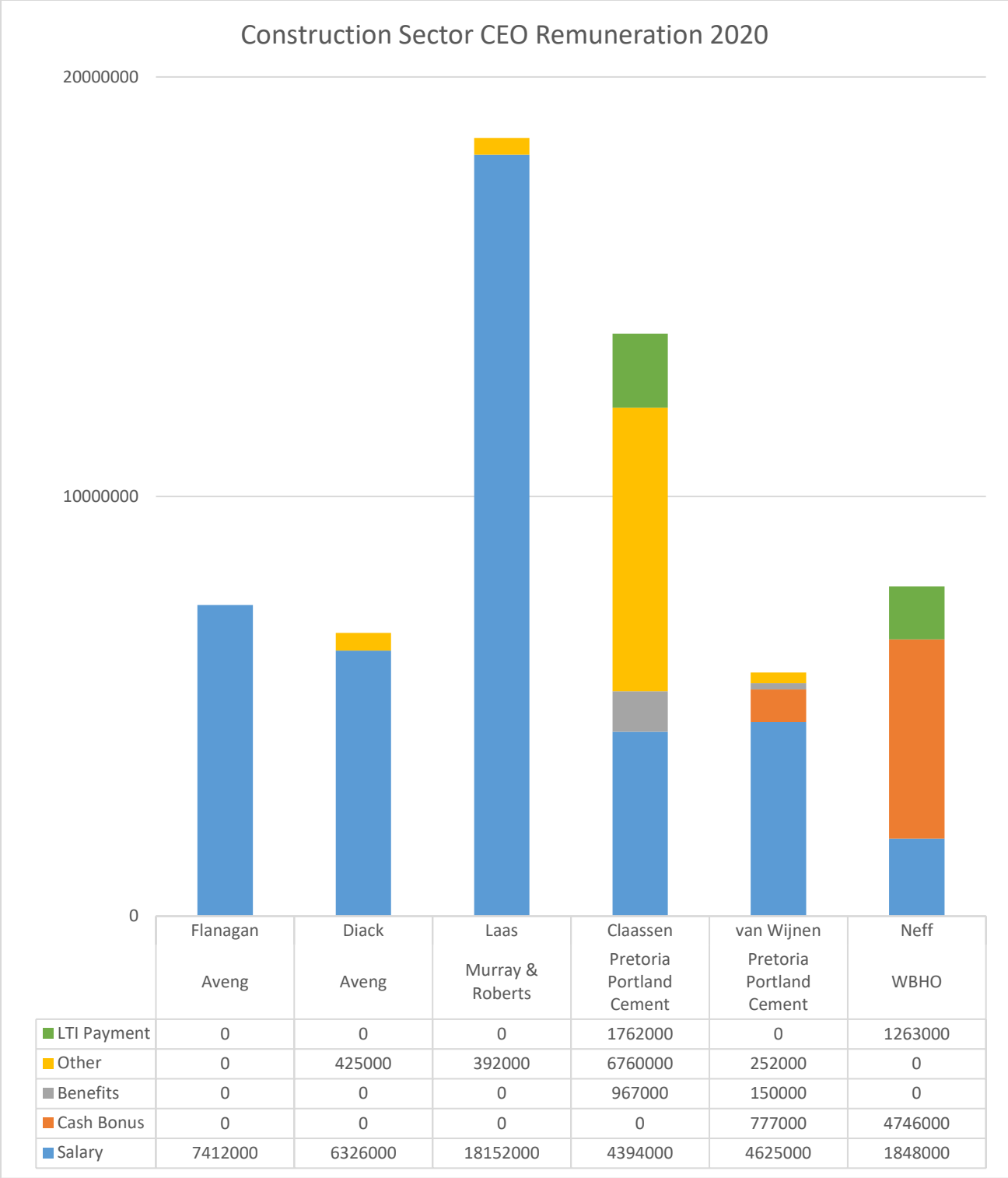


Figure 19 Construction Sector CEO Remuneration 2020

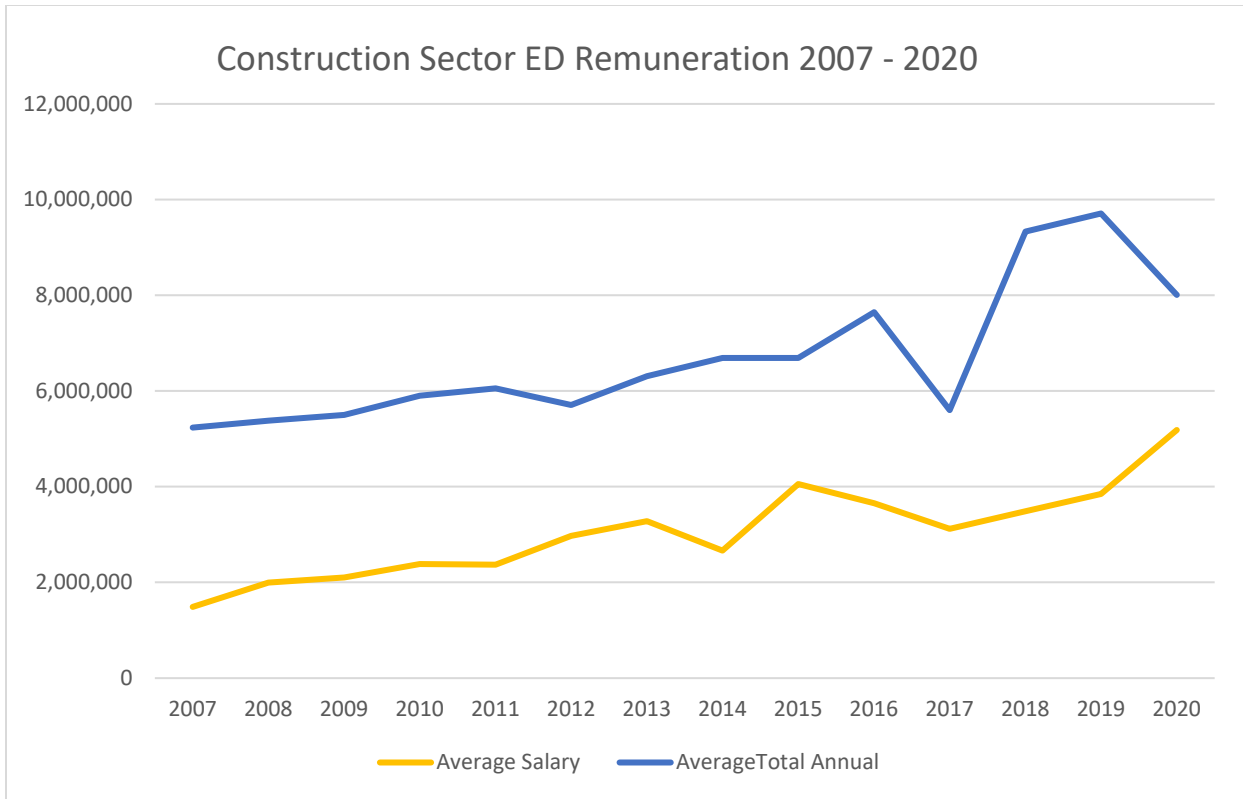


Figure 20 Construction Sector Average Executive Director Remuneration 2007 to 2020

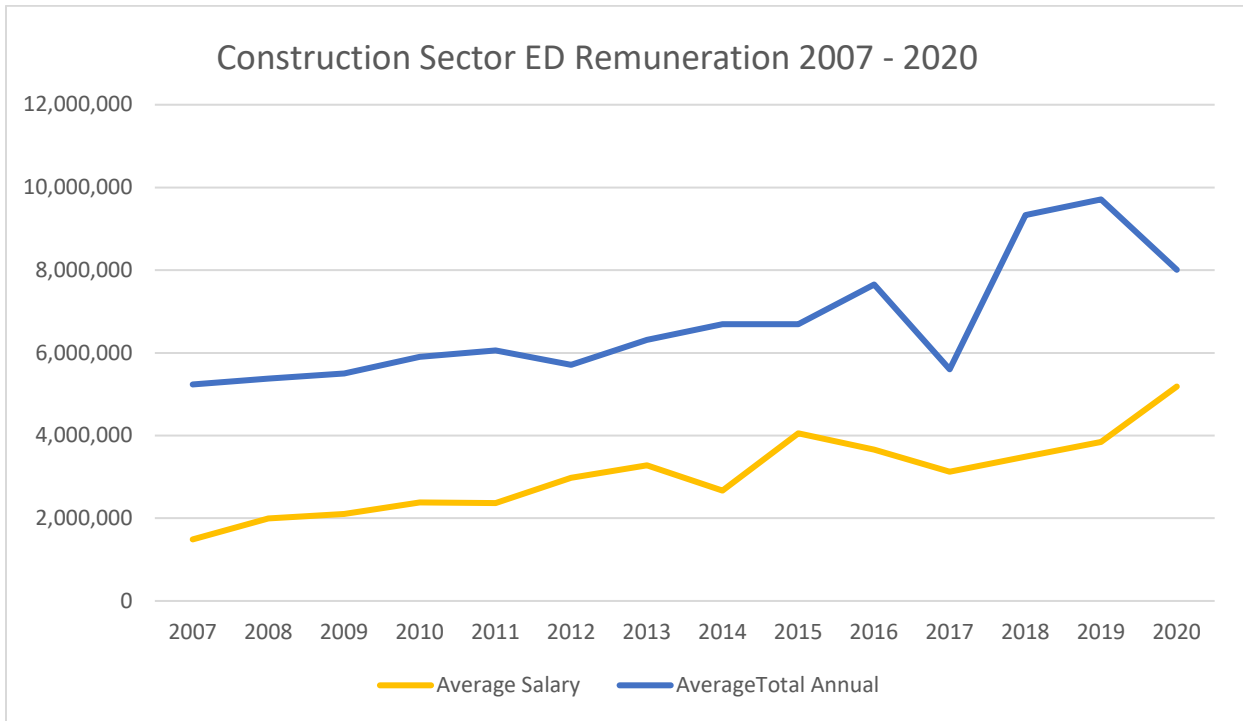


Figure 21 Construction Sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: DIVERSIFIED HOLDINGS

Introduction

This small group of companies fall within the ‘general industrials’ sector on the JSE. Our sample includes four companies, namely:

Barloworld Limited
Bidvest
Hosken Consolidated Investments
Remgro

The rich data extracted from the LRS’s [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

Over the course of the last year and a half, COVID-19 has caused a significant slowdown in world trade and disrupted global supply chains. In addition to these disruptions, South Africa’s national lockdowns over the course of 2020 and 2021 have severely impacted businesses. No sector has been untouched by the global COVID-19 pandemic.

As this group of companies operates in various sectors, we can take a look at some of the companies’ individual struggles as well as gains during the last financial year. Barloworld Limited, a global industrial company, has recovered from a loss in 2020 during the worst of the pandemic with what has been deemed a ‘phenomenal run’.¹⁸ The loss was mainly attributed to the global hits to the transport sector. The company has since exited vehicle Diversified Holdings by selling its stake motor Diversified Holdings business. The company said that along with austerity measures, its equipment business in Southern Africa and globally has improved its performance.¹⁹

¹⁸ <https://www.businesslive.co.za/fm/money-and-investing/2021-11-25-barloworlds-phenomenal-run/>

¹⁹ [https://www.news24.com/fin24/companies/barloworld-anticipates-massive-jump-in-earnings-for-the-year-](https://www.news24.com/fin24/companies/barloworld-anticipates-massive-jump-in-earnings-for-the-year-20211110)

20211110

The negative impact of COVID-19 on travel and services to hotels and offices on Bidvest was offset partially by new business opportunities (like decontamination and cleansing services).²⁰ Bidvest's healthcare company, Adcock Ingram, suffered from supply chain challenges and fluctuating currencies, but the company said that through 'expense control' it managed to keep the part of the business profitable. In its automotive division, the company lost some market share but are focused on growing its used car division.²¹ The company's many other divisions suffered to varying degrees, very much disrupted by global supply chains.

Hosken Consolidated Investments, with stakes in both Tsogo Sun Hotels and Tsogo Sun Gaming, was hit hard by the restrictions put in place to curb the spread of the pandemic. The company already had a lot of debt going in to the difficult 2020 financial year.²²

Remgro, the investment holding company, with interests in banking, financial services, packaging, glass products, medical services, mining, petroleum, beverage, food and personal care products. Many of these sectors were severely impacted by global supply shortages, lockdowns and trading restrictions over the course of 2020 and into 2021. By September 2021, the company's share price had yet to recover from these effects.²³ However, the company had seen some recovery in businesses Distell, RCL Food and TotalEnergies.²⁴

Financials

Revenue

From 2018 to 2019, this group of companies reported an average increase in revenue of just over 10%. However, from 2019 to 2020, reported revenue decreased by 4,5%, in line with general

²⁰ <https://www.moneyweb.co.za/news/companies-and-deals/bidvest-shrugs-off-covid-woes-with-record-profit/>

²¹ <https://www.moneyweb.co.za/news/companies-and-deals/bidvest-shrugs-off-covid-woes-with-record-profit/>

²² <https://www.businesslive.co.za/bd/companies/financial-services/2021-05-28-hosken-holds-on-to-dividend-as-covid-19-hits-hotels-and-gaming/>

²³ <https://www.moneyweb.co.za/news/companies-and-deals/remgro-still-trading-at-a-significant-discount-durand/>

²⁴ <https://www.news24.com/fin24/companies/industrial/johann-rupert-chaired-remgro-swings-into-covid-19-recovery-20210922>

trends for 2020. Some companies' 2020 financial year end did come before the worst of the pandemic could be felt, and these effects will be more easily seen in 2021 financials.

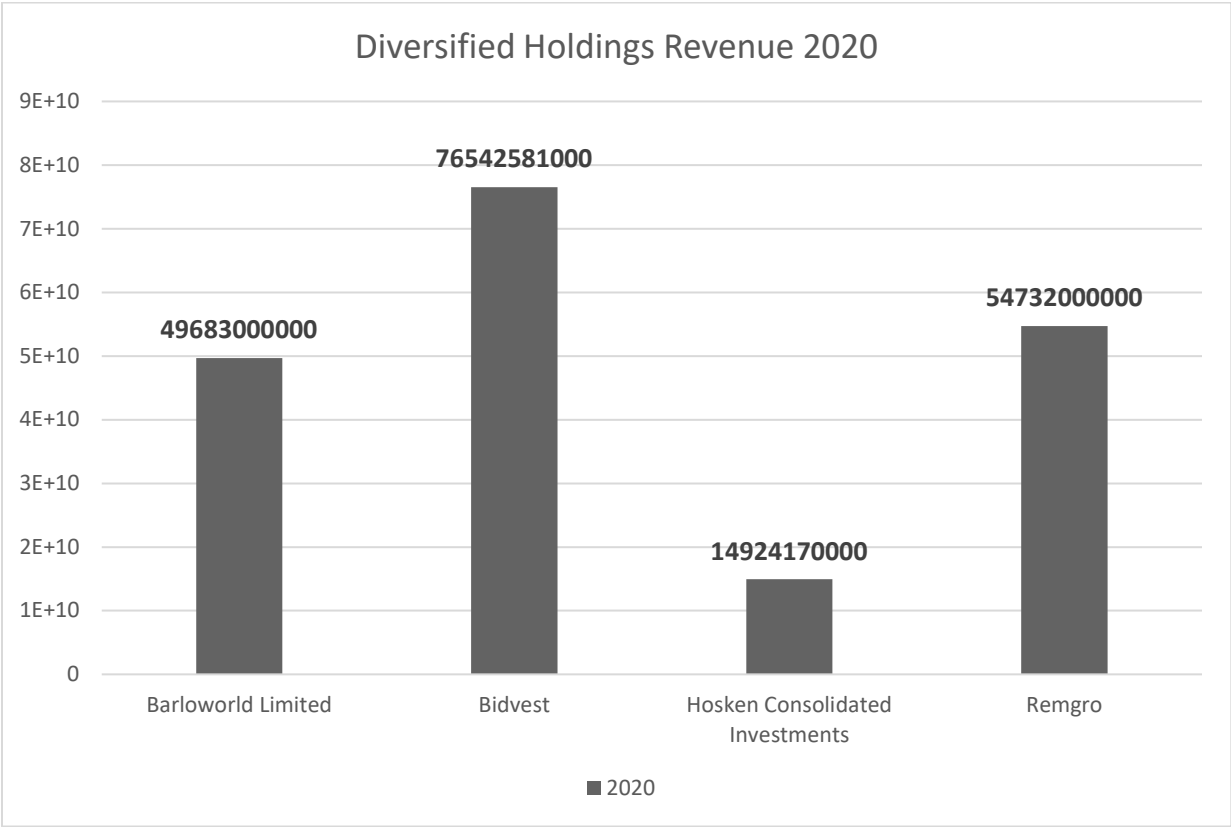


Figure 22 Diversified Sector Revenue 2020

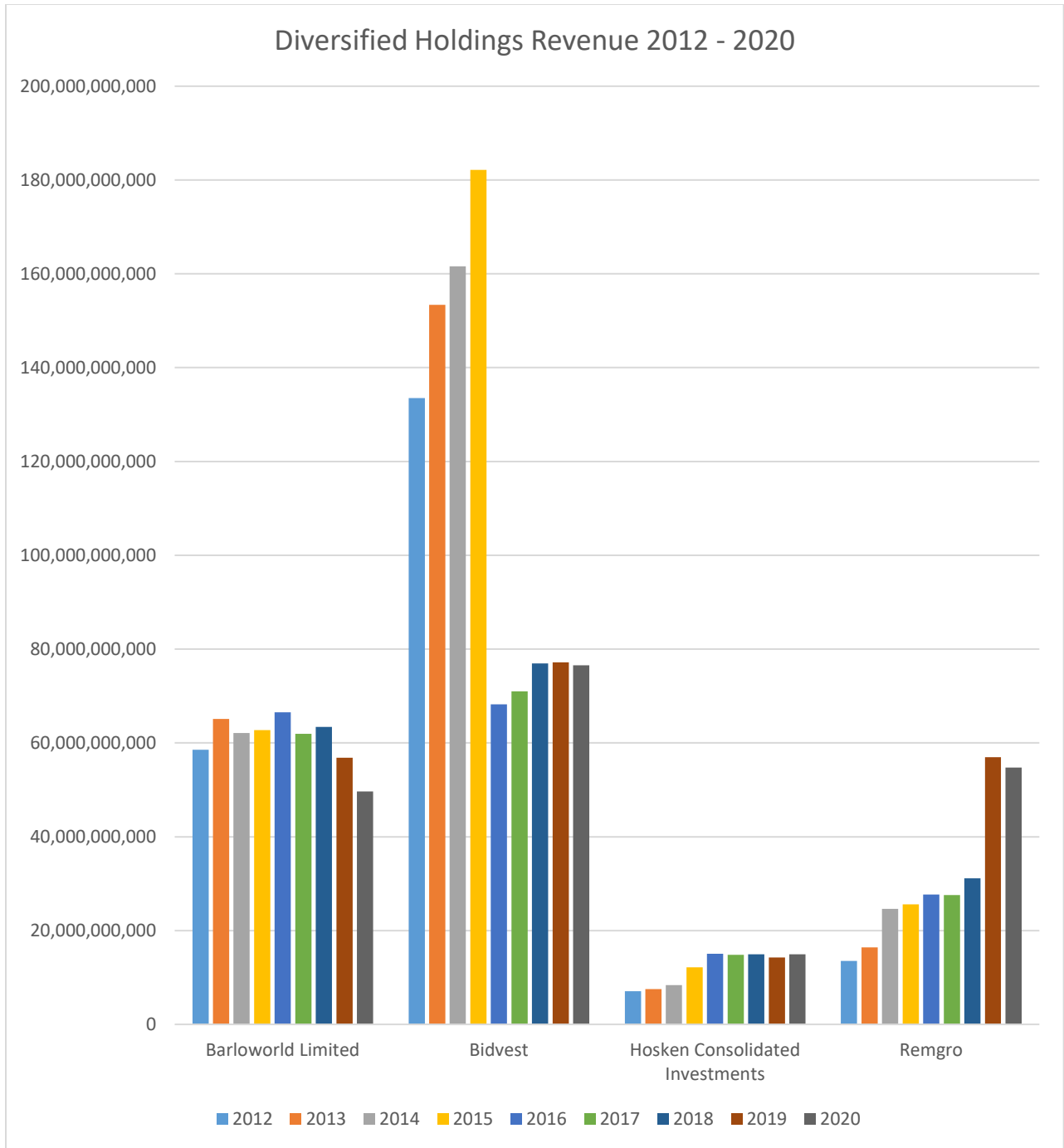


Figure 23 Diversified Holdings Sector Revenue 2012 to 2020

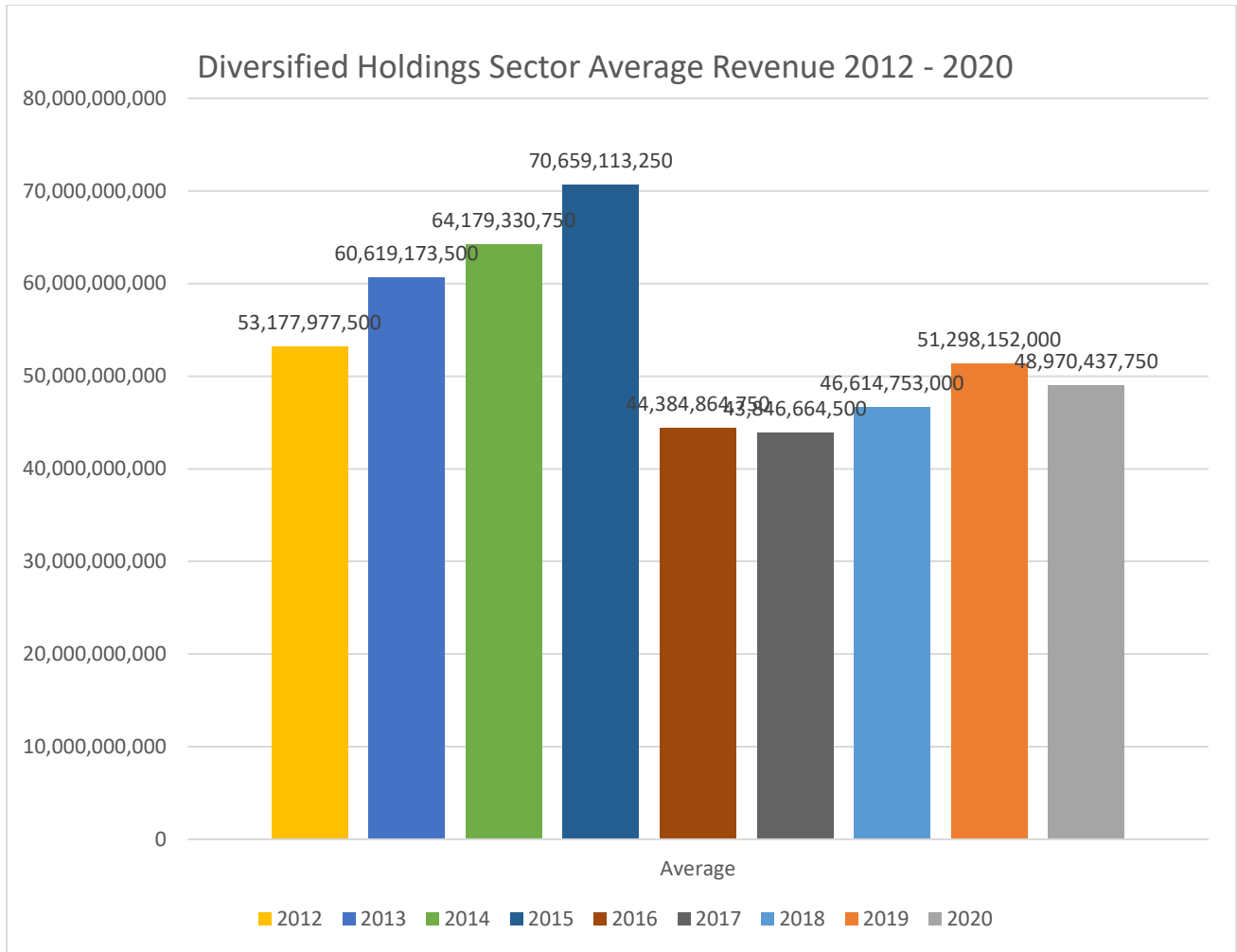


Figure 24 Diversified Holdings Sector Average Revenue 2012 to 2020

Profit before Tax

In 2019, Profit before Tax in this sector took a big hit. On average, reported PBT went down by over 70% (mainly due to significant losses reported by Remgro). From 2019 to 2020, PBT went down a further 92% with companies reporting losses. Hosken Consolidated Investments reported the biggest loss at over ZAR 8 billion, followed by Barloworld limited which reported a loss of ZAR 1,5 billion. Bidvest reported a 75% drop in PBT from ZAR 5 billion in 2019 to ZAR 1,2 billion in 2020. Remgro reported a small profit of ZAR 550 million after reporting a loss in 2019, a significant improvement.

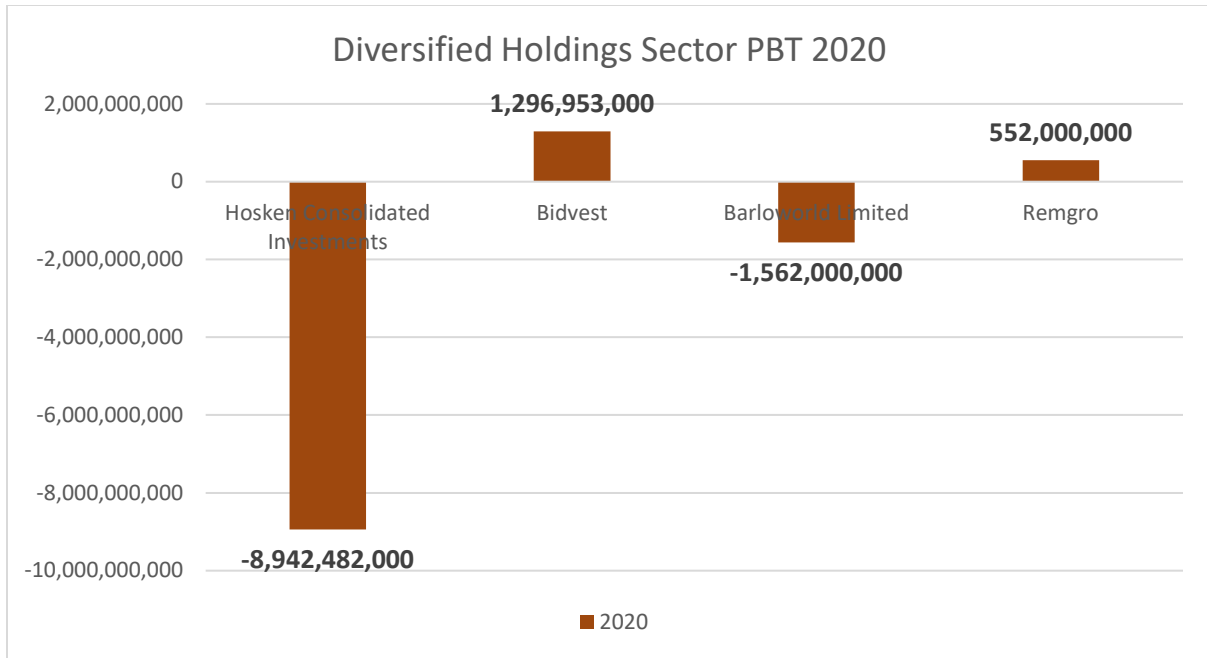


Figure 25 Diversified Holdings Sector Profit before Tax 2020

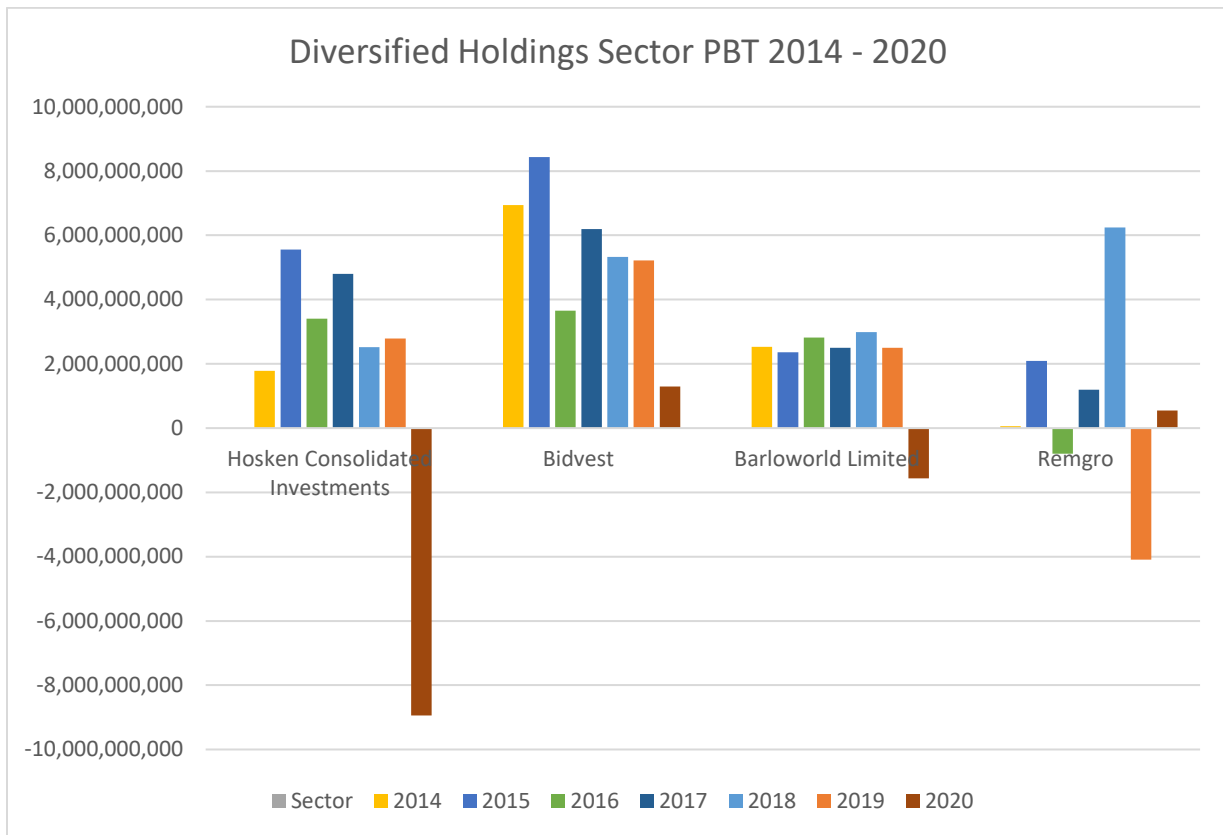


Figure 26 Diversified Holdings Sector Profit before Tax 2014 to 2020

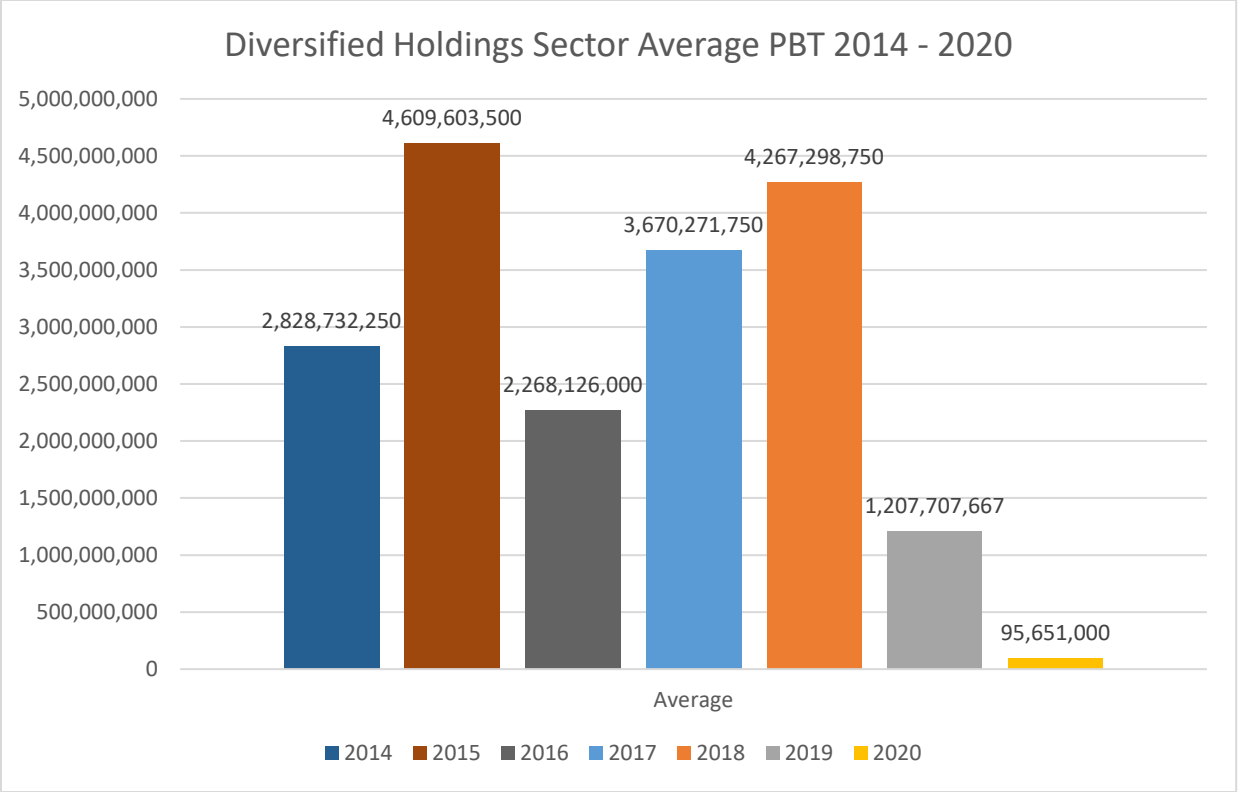


Figure 27 Diversified Holdings Sector Average PBT 2014 - 2020

Directors' Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the Diversified Holdings sector, and our sample specifically, we see the general trend over time being flat, with a large spike in 2015 and 2016 when the CEOs of both Bidvest and Steinhoff International (which was then included in our sample) received large LTIs (ZAR 26 million and ZAR 69 million respectively).

When looking at *Figure 7*, we see that in 2015, 2016, and 2017 we can see a large gap between the average total remuneration without LTI and total remuneration including LTI.

This shows that large LTIs were paid in these three years. This gap closes in 2018. From 2019 to 2020, average total remuneration (including LTI) went up by 31%. From 2019 to 2020, this number decreased by 31%, back to similar numbers as 2018. Given the losses reported by the companies in 2020, this is not surprising.

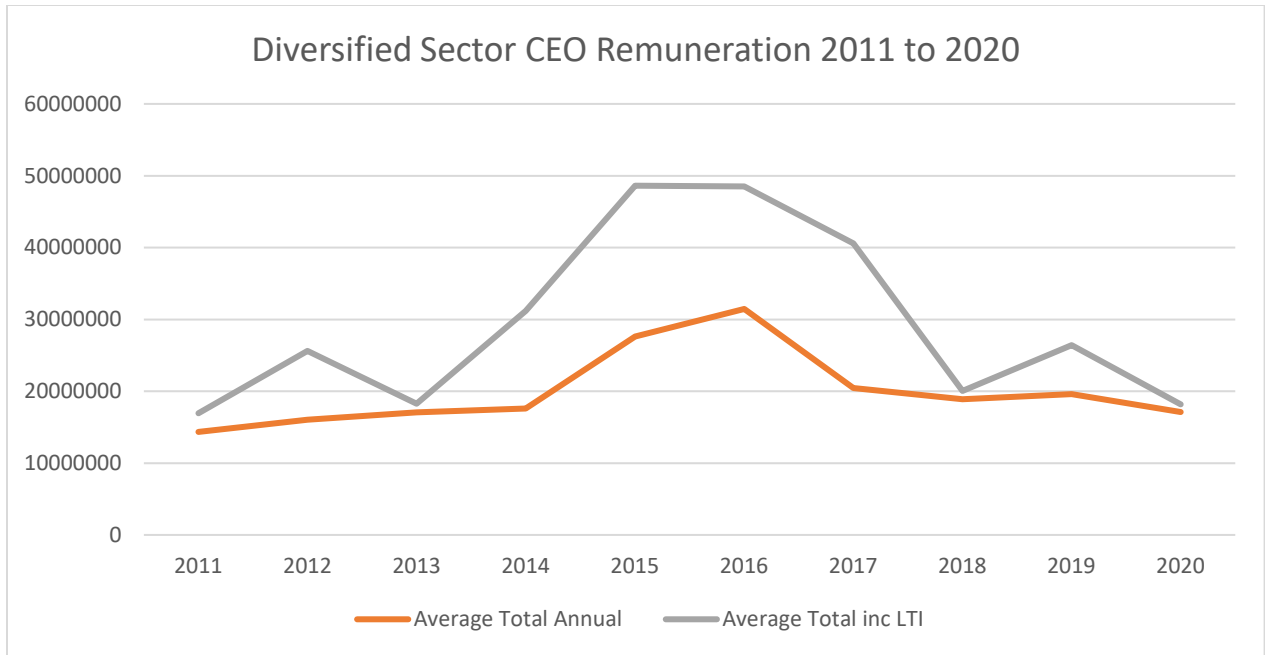


Figure 28 Diversified Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In October 2020, Bidvest CEO Lindsey Ralphs stepped down and was replaced by new CEO, Mpumi Madisa.²⁵ In the financial year, Ralphs received total remuneration of over ZAR 36 million, which will likely be supplemented in the 2021 financial year.

The average CEO remuneration went down during this time. The only LTI paid in our sample was to Hosken Consolidated Investments CEO, Copelyn, of just over ZAR 5 million. This brings his total remuneration for the year to ZAR 13 million. In general, CEOs in the sector were not paid extremely large remuneration packages considering the operating environment. On average, executive remuneration in this sample went by over 25% in 2020 (from 2018 to 2019 this number went down by approximately 0,4%). In the same time period, non-executive remuneration went down by about 4% (it had increased by 11% from 2018 to 2019).

²⁵ <https://www.news24.com/fin24/companies/interview-ceo-mpumi-madisa-plans-for-a-little-more-speed-in-bidvests-acquisition-drive-20210302>

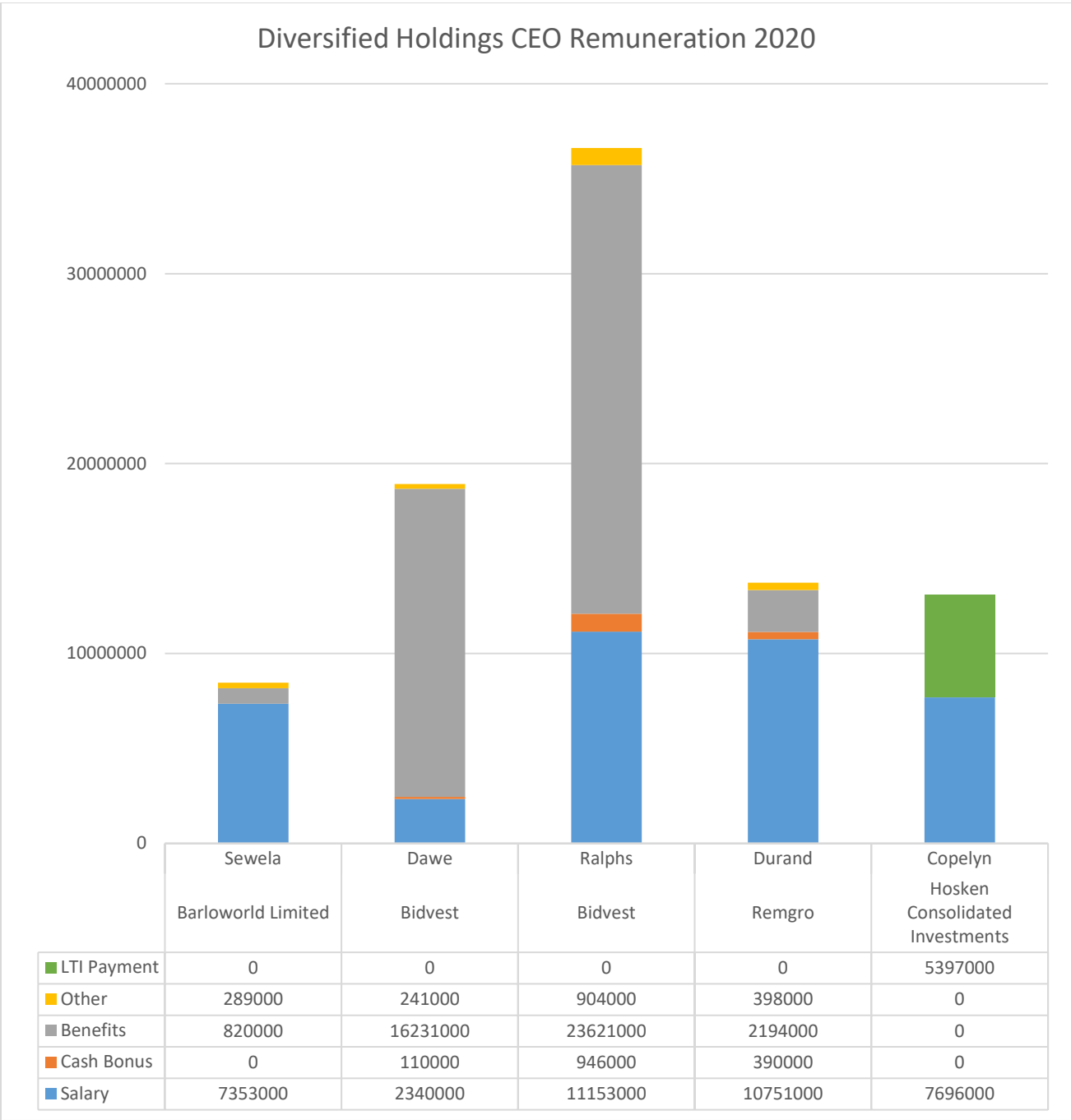


Figure 29 Diversified Holdings Sector CEO Remuneration 2020

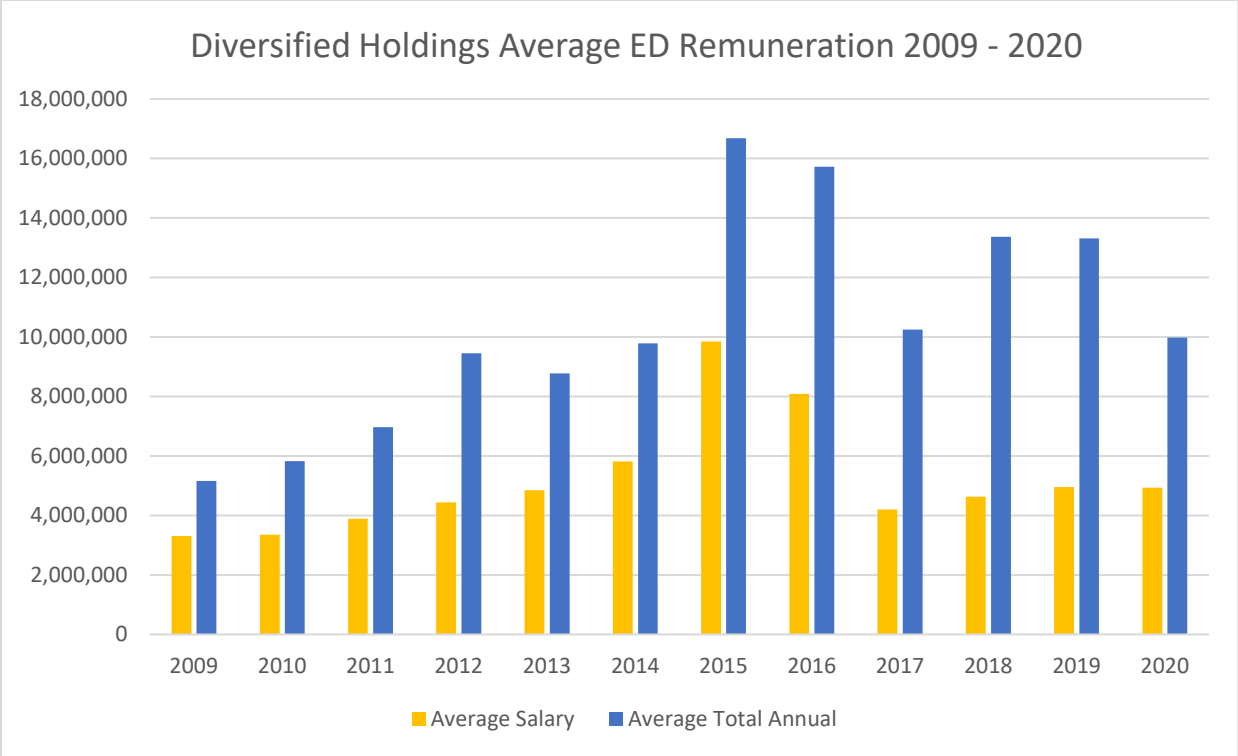


Figure 30 Diversified Holdings Sector Average Executive Director Remuneration 2007 to 2020

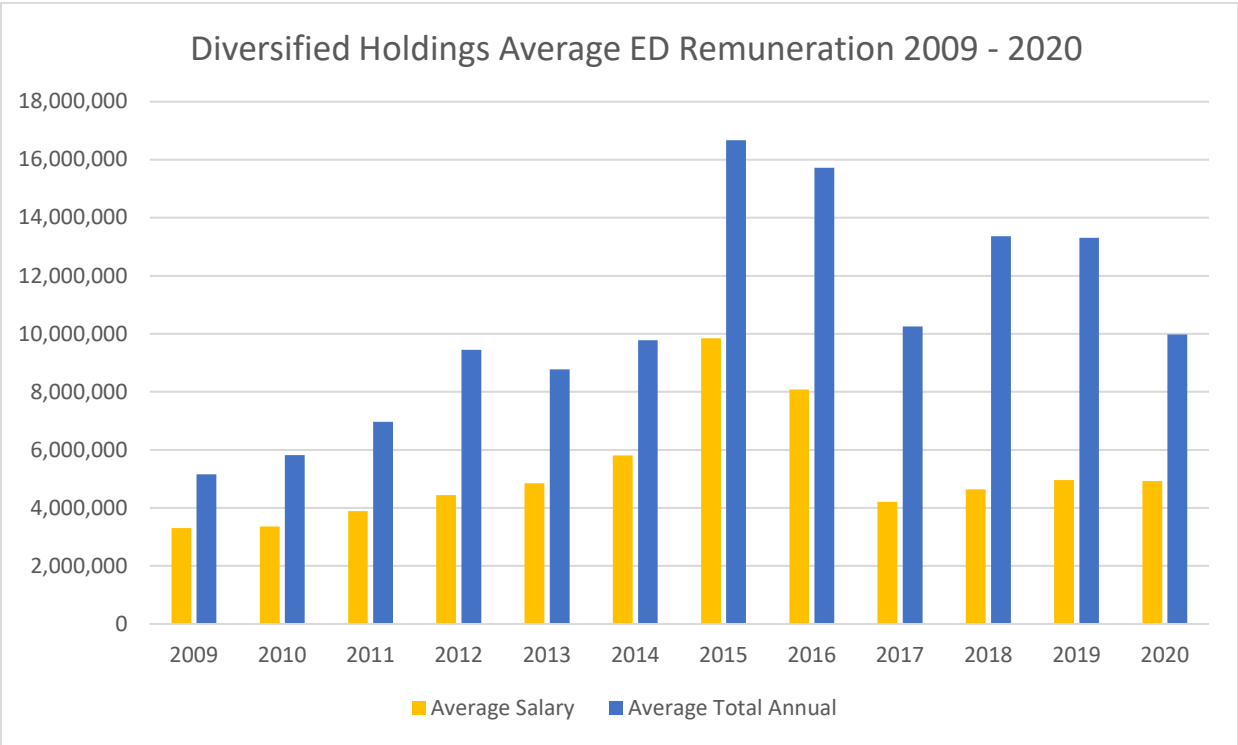


Figure 31 Diversified Holdings Sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: FOOD & BEVERAGE

Introduction

In this sector, our sample includes seven companies listed on the Johannesburg Stock Exchange. The companies employed over 80,000 people in the 2020 financial year. These companies are:

Anglo-Vaal Industries
Crookes Brothers
Astral Foods
Distell
RCL Foods
Tiger Brands
Tongaat Hulett

South Africa is Africa’s leading Food and Beverage industry market. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS’s [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the remuneration packages received by directors in this sector.

The Sector

In 2020, the Food and Beverage sector was severely impacted by the Covid-19 lockdowns and prohibition policies imposed by the South African government. Companies in the sector were affected by reduced consumption and disrupted supply chains. At-home consumption increased, but out-of-home consumption – which historically generates the highest margin – stopped almost completely. In April 2020, the sector generated only ZAR 241 million in income compared to almost ZAR 4.5 billion in April 2019. However, the lockdown relaxation helped marginally in May 2020 and lifted the sector’s income to almost ZAR 550 million²⁶.

²⁶ <https://www.2oceansvibe.com/2020/07/21/staggering-numbers-from-sas-food-and-beverage-industry-collapse/#ixzz7DVicgtdl>

In November 2020, South Africa's largest food producer Tiger Brands reported a 23% drop in headline earnings per share (HEPS) for the year to September, while revenue edged up 4% to R29.8 billion in what the company called a "disappointing set of results".²⁷ Distell, Africa's leading producer and marketer of spirits, fine wines, ciders and ready-to-drinks (RTDs), reported that the restrictions imposed on the sale of alcohol in South Africa in 2020 reduced the trading year by nearly 20%. As a result, Distell reported a loss of ZAR 4.3 billion in revenue.

According to a recent report by Statistics South Africa,²⁸ in January 2021, the Food and Beverage sector's income dropped 37.6% compared to the same period in 2020, while bar sales plummeted 80.5%. The report also shows that income declined 24.6% year on year. This decline is attributed mainly to the drop in bar sales, which fell 49,3% from the previous year, and food sales which were down 22.5%.

Financials

Revenue

The biggest company by revenue in our sample is Tiger brands, who reported revenue of ZAR 29,8 million in 2020 (*Figure 1*). This value is a 1.9% increase from the 2019 financial year revenue. RCL Foods and Distell are also big players in the Food and Beverage Sector, with revenues of ZAR 27.8 billion and 22.4 billion, respectively, in 2020. Crookes Brothers, the smallest company in our sample, reported the highest year-on-year increase. Compared to 2019, the company recorded a 22.1% increase in revenue for the 2020 financial year. Also, compared to 2019, Astral Foods's revenue increased by 4.6% and Tongaat Hulett's revenue decreased by 9.9%.

Many of these companies will be further effected when reporting 2021 financials, as these numbers reflect only part of the 2020 year.

²⁷ <https://www.iol.co.za/business-report/companies/tiger-brands-earnings-slide-23-in-disappointing-year-74391b6c-fe8a-58f3-a5e3-1bce7043811a>

²⁸ <https://www.dailymaverick.co.za/article/2021-04-20-sa-food-and-beverage-sector-is-still-staggering-but-fast-food-is-recovering/>

Figure 2 shows a pie chart of the companies in our sample by revenue. This chart clearly shows the size of the sample market that each company has by revenue. Furthermore, the trend line in Figure 4 shows a steady upward trend in revenue since 2012.

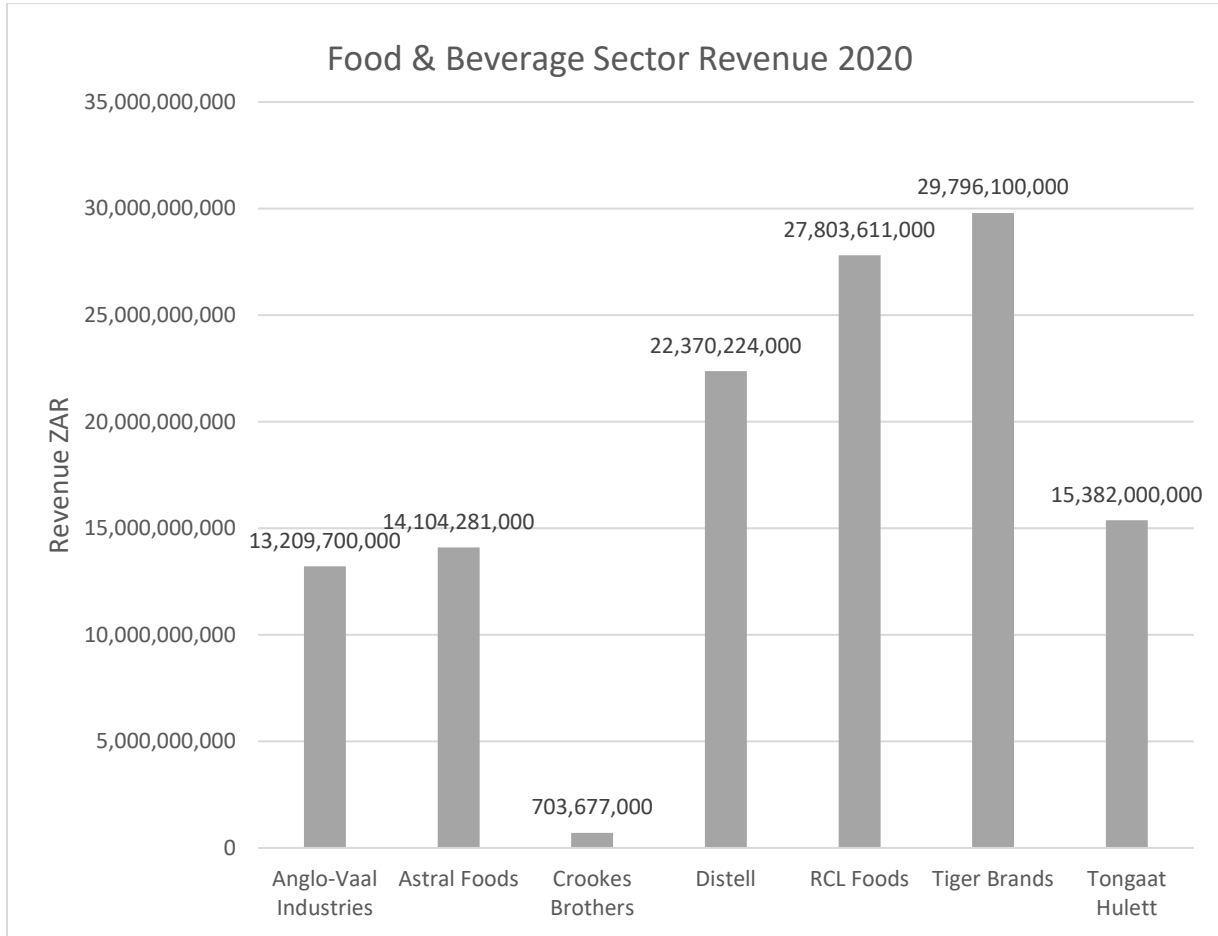


Figure 32 Food & Beverage Sector Revenue 2020

FOOD & BEVERAGE SECTOR REVENUE 2020

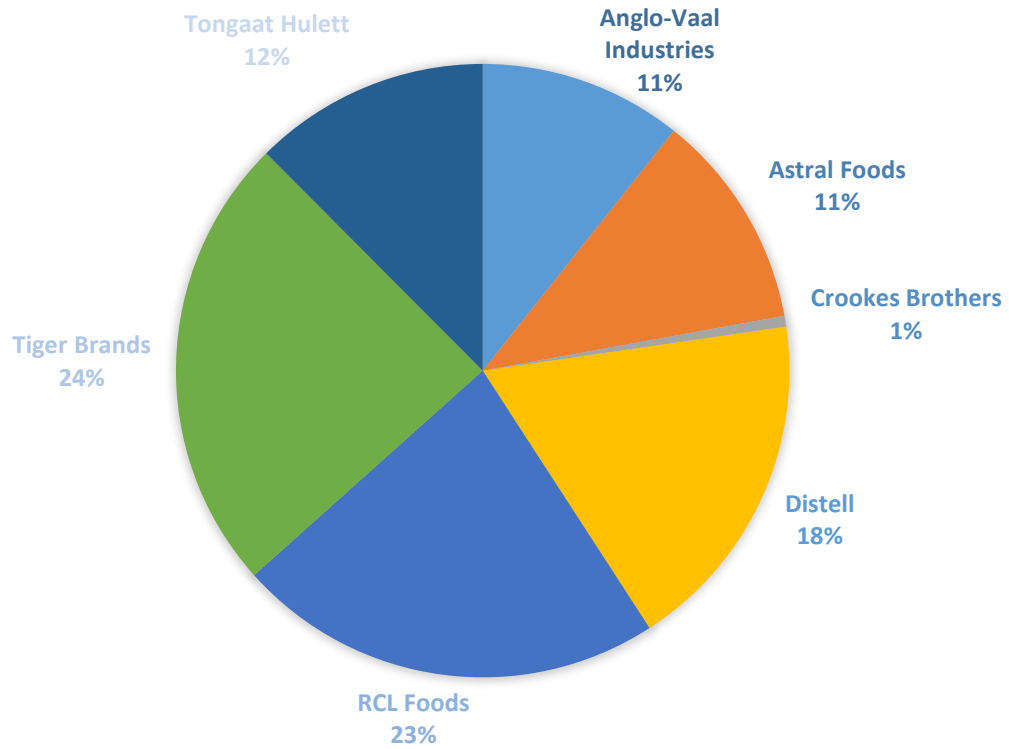


Figure 33 Food & Beverage Sector Revenue Pie Chart 2020

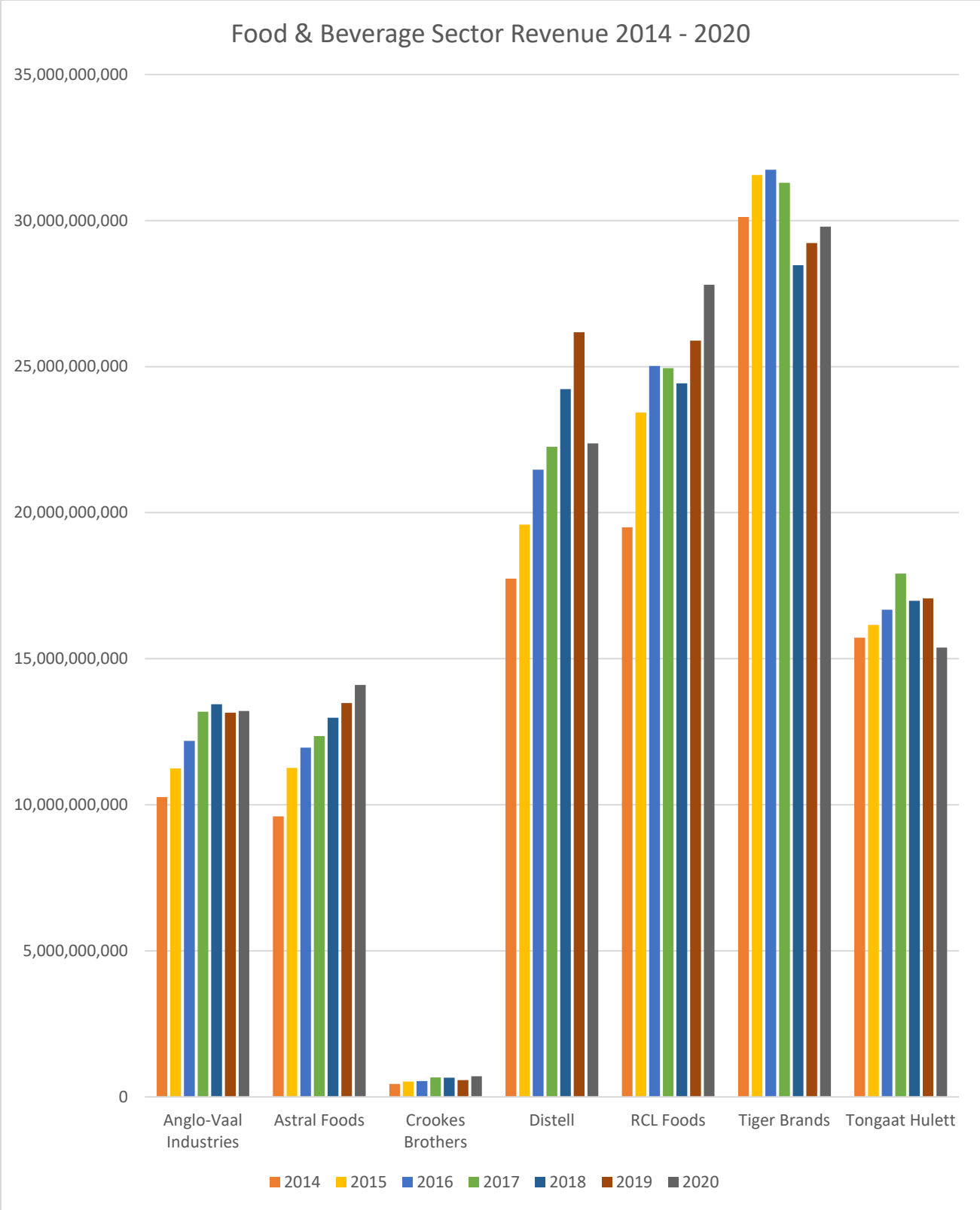


Figure 34 Food & Beverage Sector Revenue 2014 to 2020

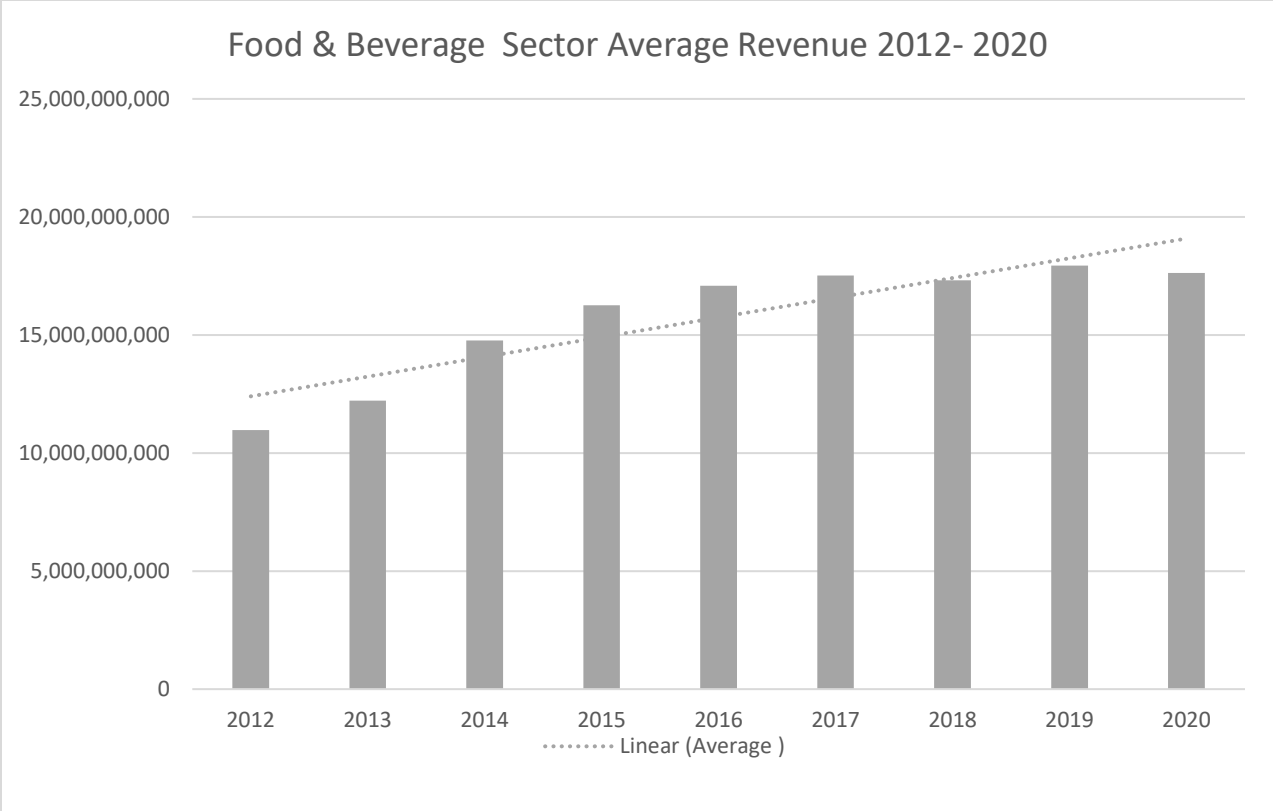


Figure 35 Food & Beverage Sector Average Revenue 2012 to 2020

Profit before Tax

Compared to 2019, all the companies in our sample recorded decreased Profit before Tax except for Anglo-Vaal Industries and Tongaat Hulett. In 2019, Anglo-Vaal Industries reported a PBT of ZAR 2.2 billion; however, in 2020, the company’s PBT rose to ZAR 2.6 billion. In 2019, Tongaat Hulett reported a loss of ZAR 152 million. In 2020, the company turned around to report a profit before tax of ZAR 365 million. RCL Foods reported the biggest loss in the sector. The company had a Loss before Tax of ZAR 1.1 billion in the 2020 financial year. From the graph below (see Figure 8), we see that the PBT has been decreasing in the sector since 2018.

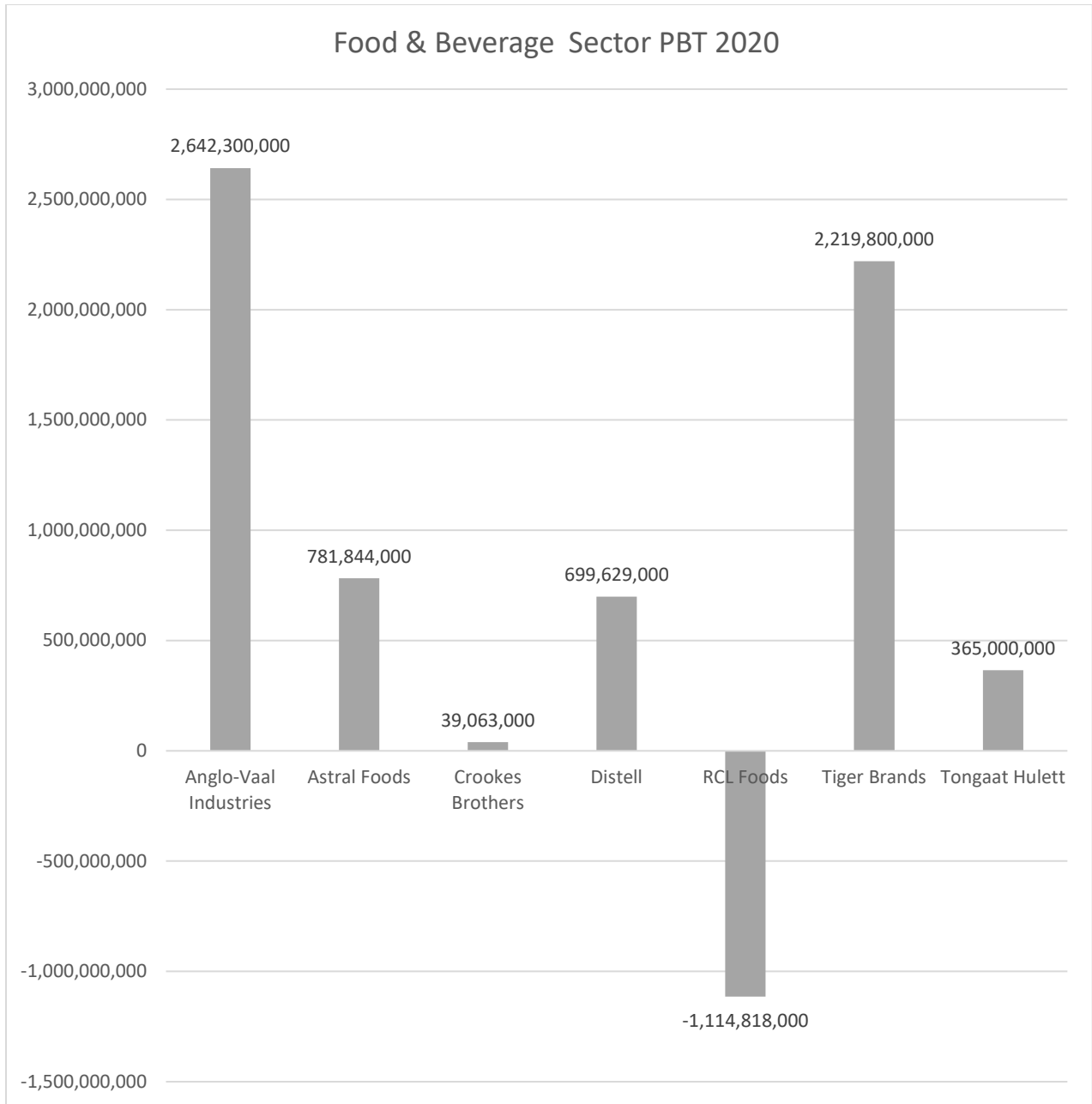


Figure 36 Food & Beverage sector Profit before Tax 2020

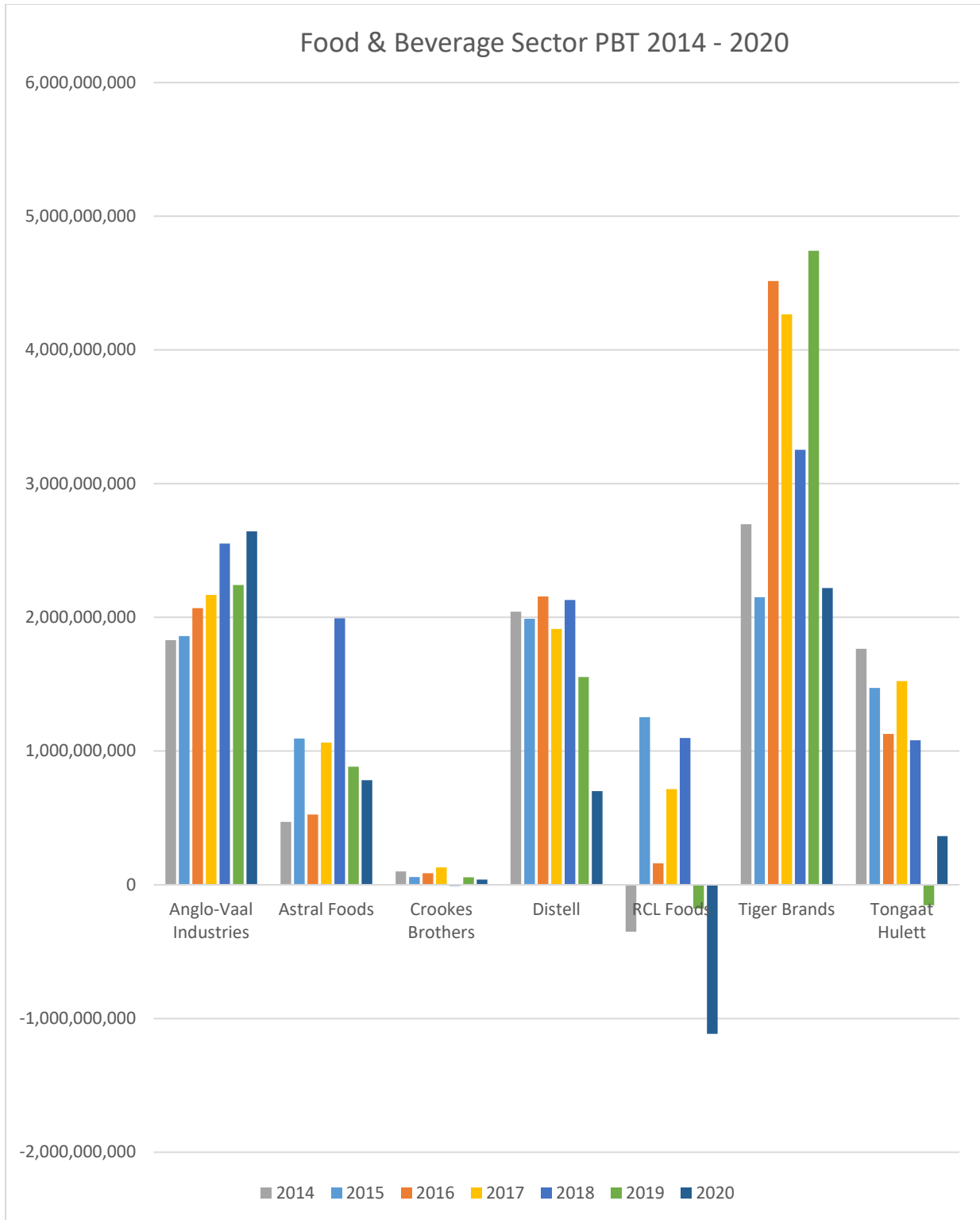


Figure 37 Food & Beverage sector Profit before Tax 2014 to 2020

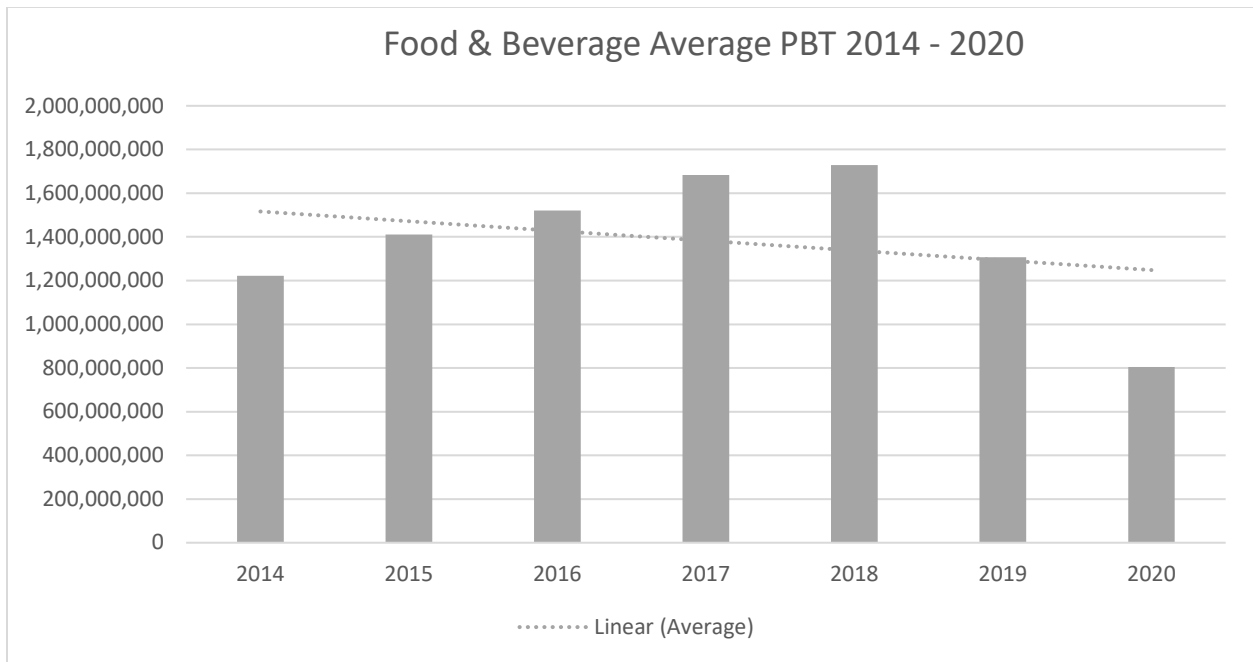


Figure 38 Food & Beverage Sector Average PBT 2014 to 2020

Directors' Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last ten years for the seven companies in our sample. The average CEO pay excluding LTI for all the companies was ZAR 12.7 million in 2020, while the average CEO pay including LTI for all the companies was ZAR 15.9 million. When looking at *Figure 9*, we see a gap between the average total remuneration without LTI and total remuneration including LTI. This is due to the large amount of LTIs paid to CEOs in the financial year.

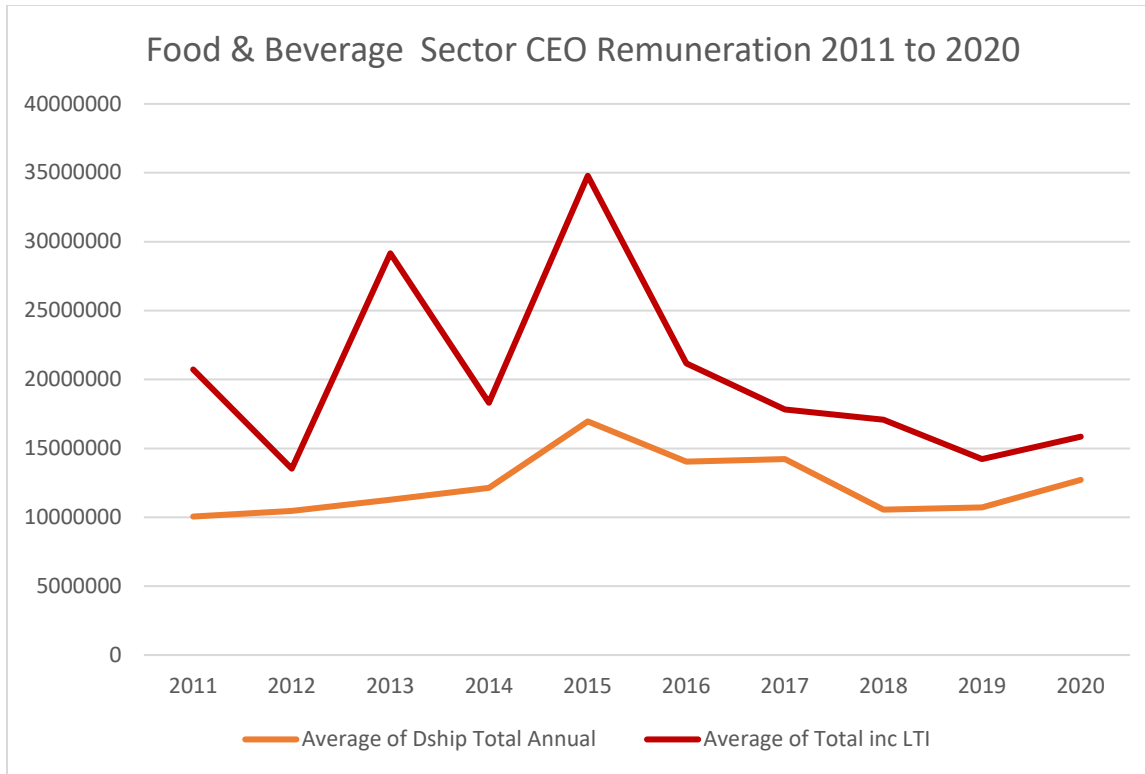


Figure 39 Food & Beverage Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

Simon Crutchley of Anglo-Vaal Industries received the highest CEO remuneration in our sample. He received a total of ZAR 27 million. He is followed closely by Chris Schutte of Astral Foods, whose remuneration decreased by 9.4% compared to 2019. He received ZAR 21.4 million in the 2020 financial year. On average, from 2019 to 2020, the total executive director’s remuneration decreased by 3.8%, while the non-executive director’s remuneration increased by less than 1% (see Figures 10 and 11).

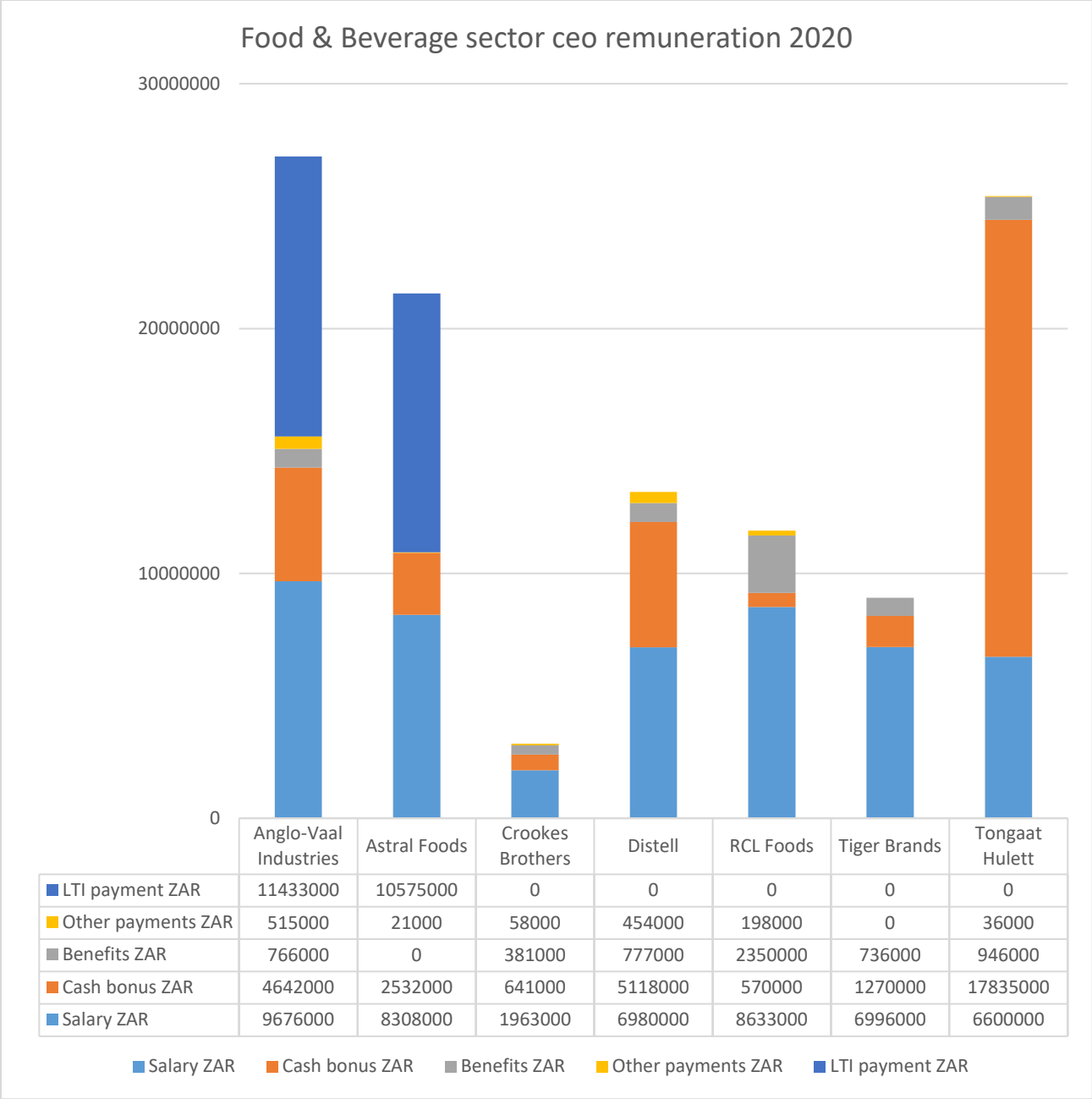


Figure 40 Food & Beverage Sector CEO Remuneration 2020

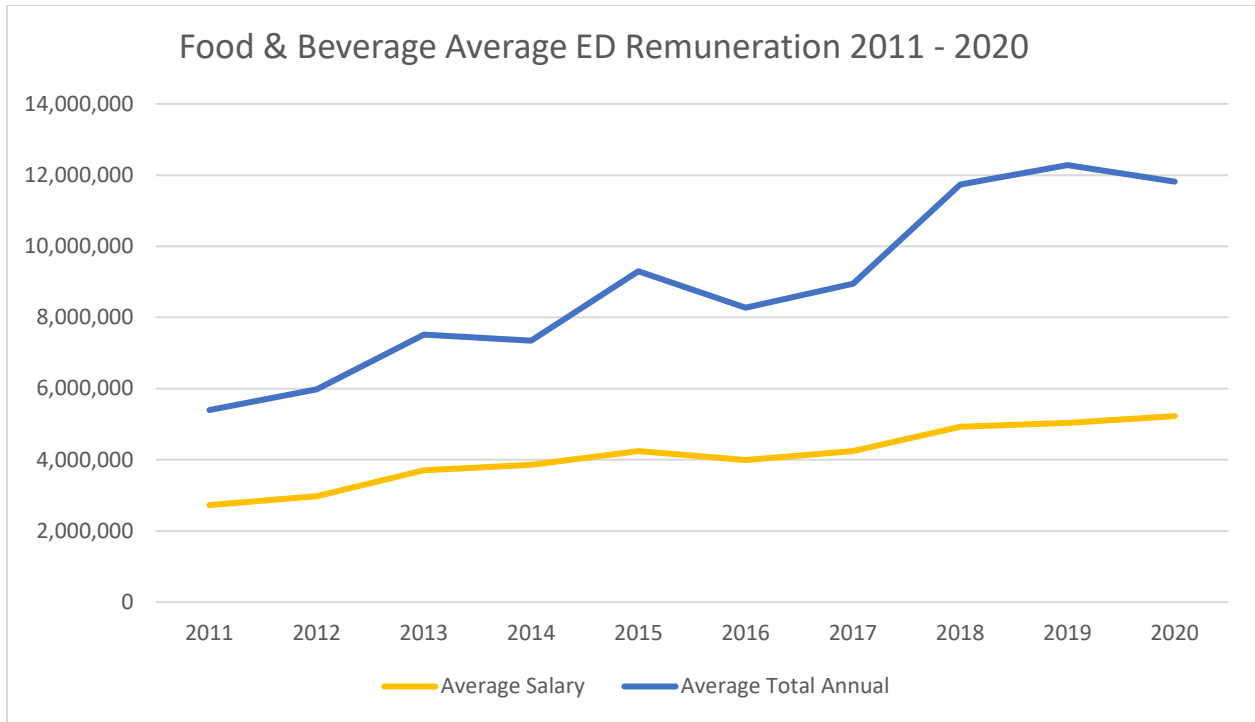


Figure 41 Food & Beverage Sector Executive Director Remuneration 2012 to 2020

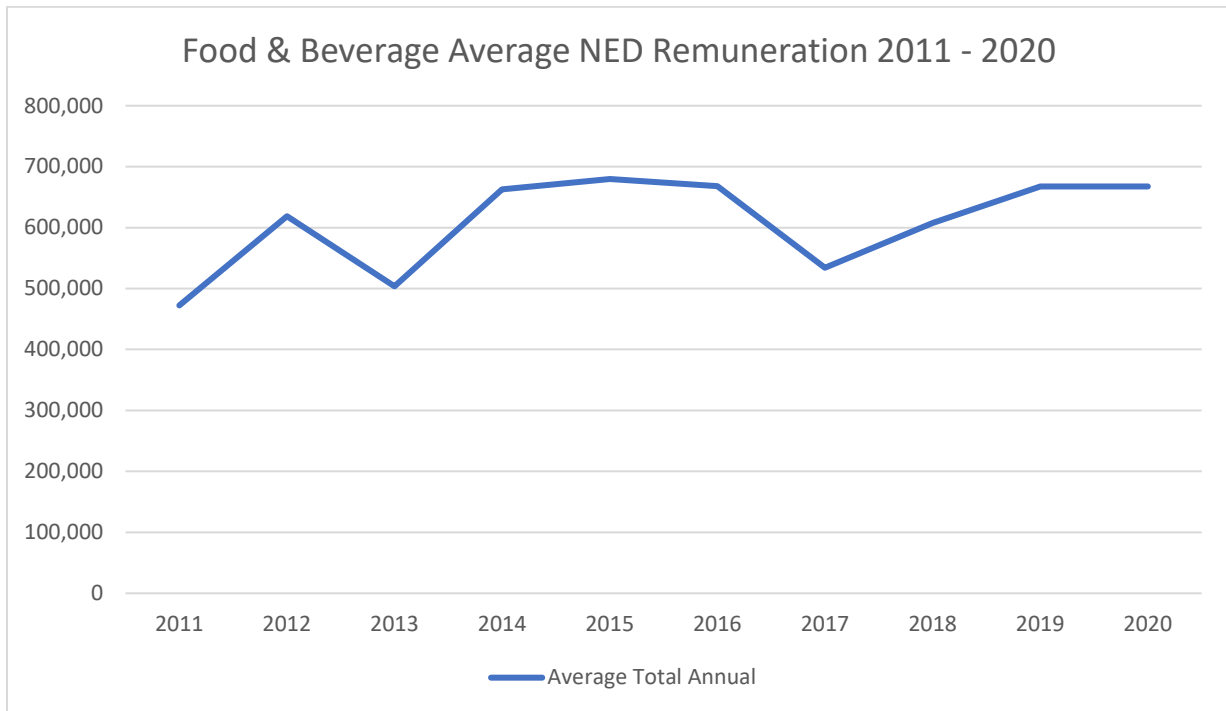


Figure 42 Food & Beverage sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: HEALTH

Introduction

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

Adcock Ingram
AfroCentric Investments Corporation
Aspen Holdings
Life Healthcare Group
Mediclinic
Network Healthcare Holdings

This report takes a look at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

South Africa's healthcare system is beset with challenges: an inability to deliver primary care to outlying communities, failures in governance and management and a severe shortage of skilled healthcare workers. These challenges are further amplified by the Covid-19 pandemic, along with South Africa's high incidence of HIV, diabetes, high blood pressure and Tuberculosis. Across the board, private healthcare providers felt the brunt of the pandemic in the first half of 2020, with

operating profits falling between 35% - 86%.²⁹ The first companies in the sector to feel the impact of the pandemic were the hospital groups, such as Mediclinic, Netcare and Life Healthcare. This is because the South African Society of Anaesthesiologists moved to shut down elective surgery and prioritise Covid-19 patient care. The shutdown came at a huge cost to hospitals since elective surgery is their most profitable activity.

The six companies in our sample employed a total of about 73,654 people in the 2020 financial year. Despite some initial preparedness, there were challenges in the effort to protect healthcare workers and employees in the sector during the heat of the pandemic. Some of the challenges faced include lack of personal protective equipment (PPE) and essential medicines, inadequate administrative control measures, and poor leadership and governance.³⁰

As South Africa's Covid-19 cases continued to rise in 2020, long-festering complaints about the inadequacy of healthcare workers' salaries and staff shortages also came into the limelight. Trade union representatives argue that many small businesses benefitted from the stimulus package announced by the South African President, but not frontline healthcare workers. More specifically, a representative of the Young Nurses Indaba Trade Union (YNITU), explained how critical the remuneration situation is: *"We stay in back rooms because we are getting poverty salaries. Most nurses can't afford houses and cars. We take taxis to work, which is a huge [infection] risk for other commuters. I call my salary a one-day marathon – you get it now and by the evening it's finished and it's back to square one."*³¹

Overall, the Covid-19 crisis provides an opportune time for health sector employers to revisit remuneration policies and highlights the importance of workers at the forefront.

²⁹ <https://www.dailymaverick.co.za/article/2021-02-21-coronavirus-has-made-the-health-sector-sick-but-the-industry-is-recovering/>

³⁰ <https://www.spotlightnsp.co.za/2020/09/25/sa-is-facing-a-healthcare-worker-crisis-what-to-do/>

³¹ <https://www.dailymaverick.co.za/article/2020-06-25-healthcare-workers-often-unheard-plea-for-government-help/>

Financials

Revenue

In 2020, Mediclinic is the biggest company in the health sector with reported revenue of ZAR 63.6 billion, as shown in *Figure 1* below. This is followed by Aspen holdings with revenue of ZAR 38.7 billion rfor the 2020 financial year. While Life Healthcare Group and Network Healthcare Holdings recorded 9.3% and 4.2% increases in revenue in 2019, in 2020 the revenue decreased by 1.1% and 12.7%, respectively. *Figure 2* shows a pie chart of the companies in our sample by revenue. This chart clearly shows the size of the sample market that each company has by revenue. Adcock Ingram and AfroCentric Investments Corporation have the lowest revenue share from our sample, each at 4%.

Figure 3 shows that Mediclinic and AfroCentric Investments Corporation have reported a steady increase in revenue since the 2014 financial year. On average, the six companies in this report reported a 3.4% increase in revenue in what could be termed the worst year of the Covid-19 pandemic. The graph below (see *Figure 4*) shows that the average revenue steadily increased from 2014 to 2017. There was a 4.1% decrease in 2018; however, the year-on-year revenue has continued rising since then.

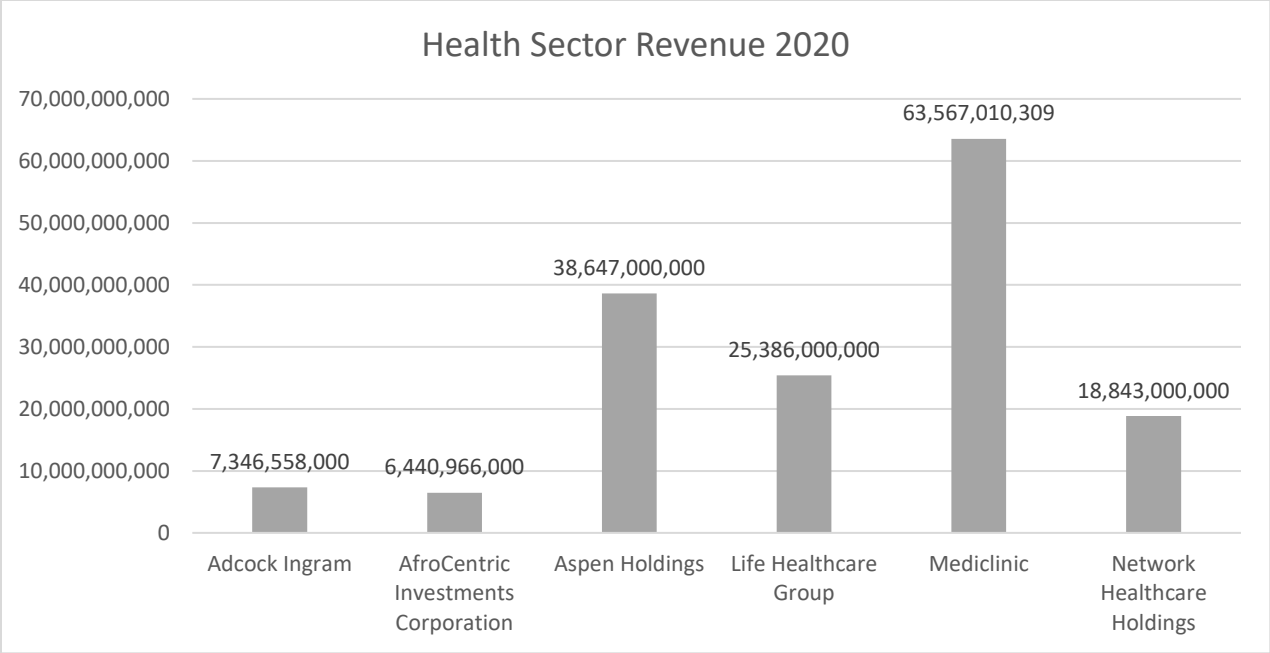


Figure 43 Health Sector Revenue 2020

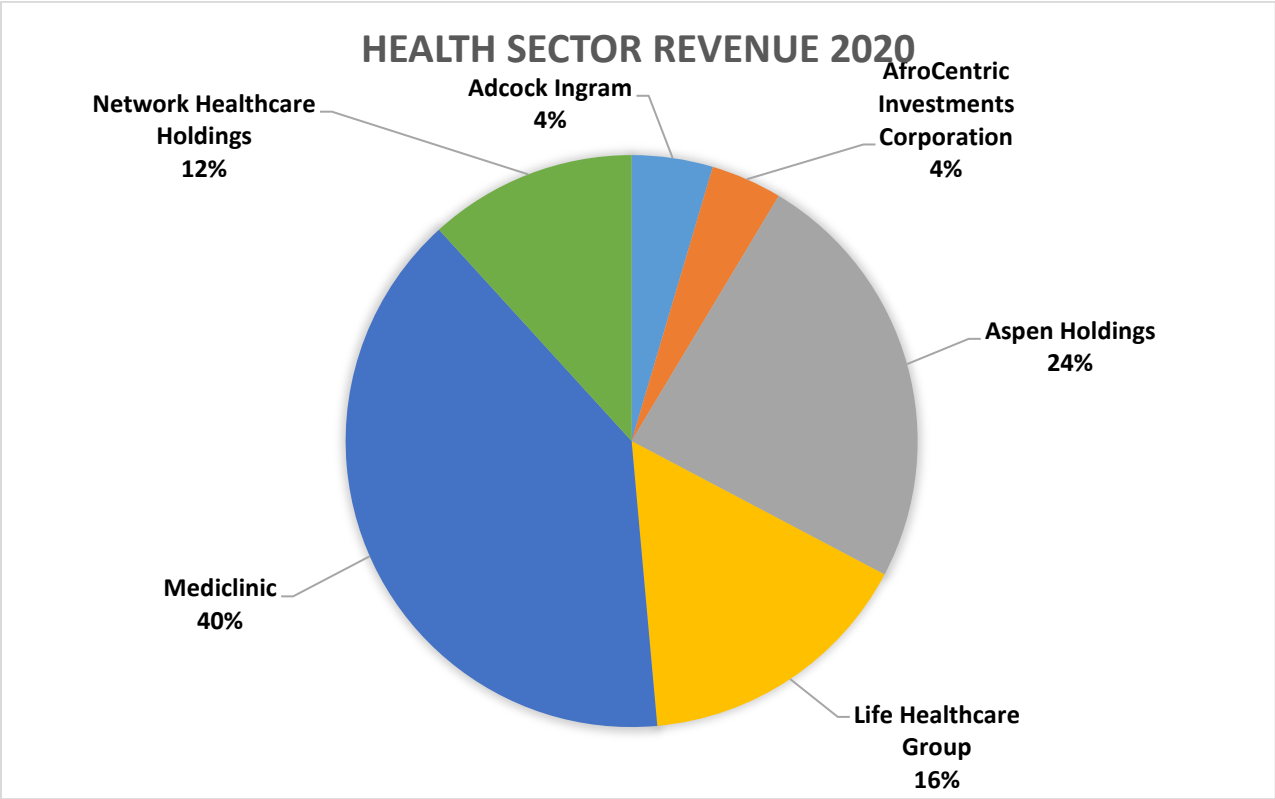


Figure 44 Health Sector Revenue Pie Chart 2020

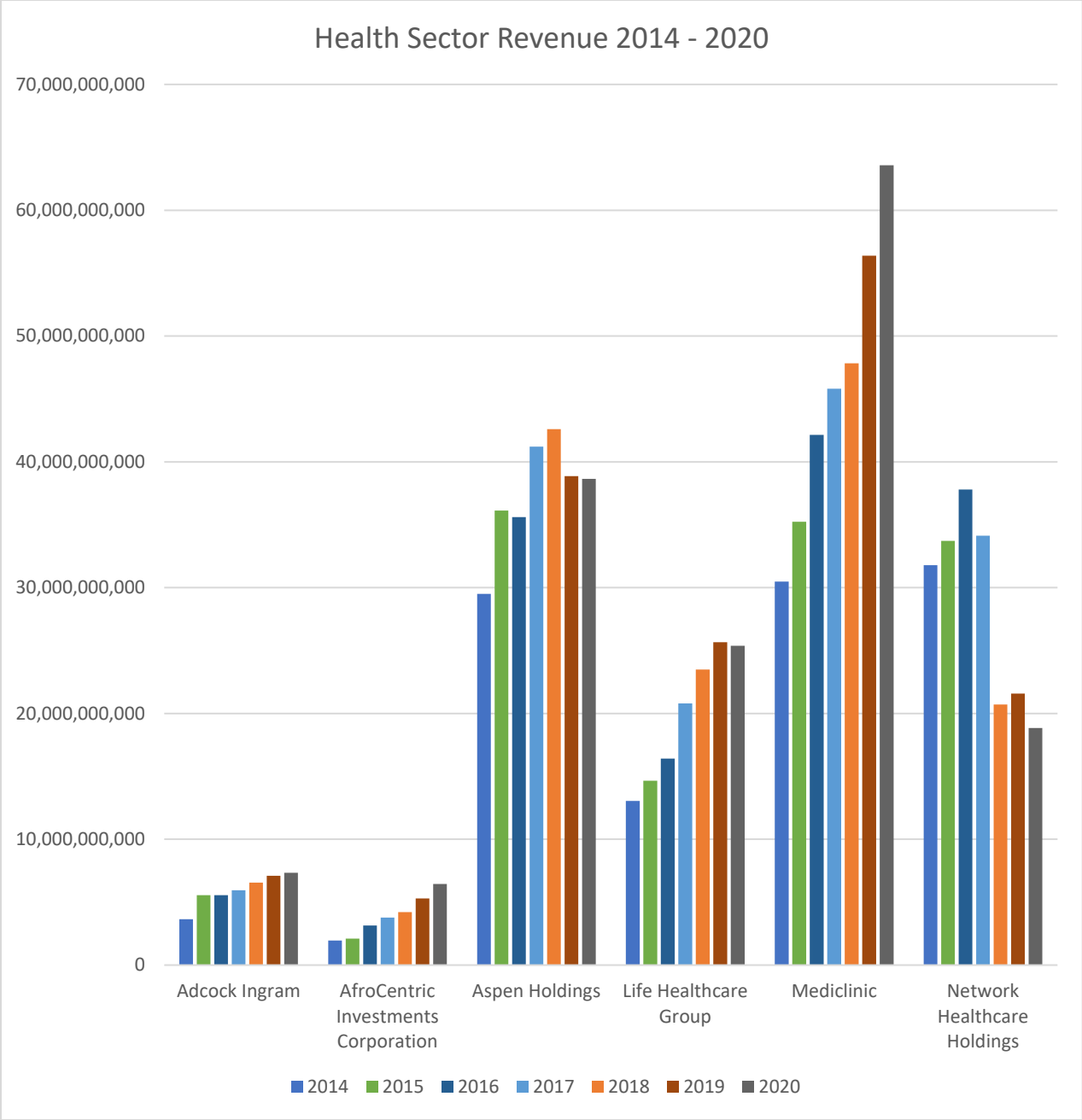


Figure 45 Health Sector Revenue 2014 to 2020

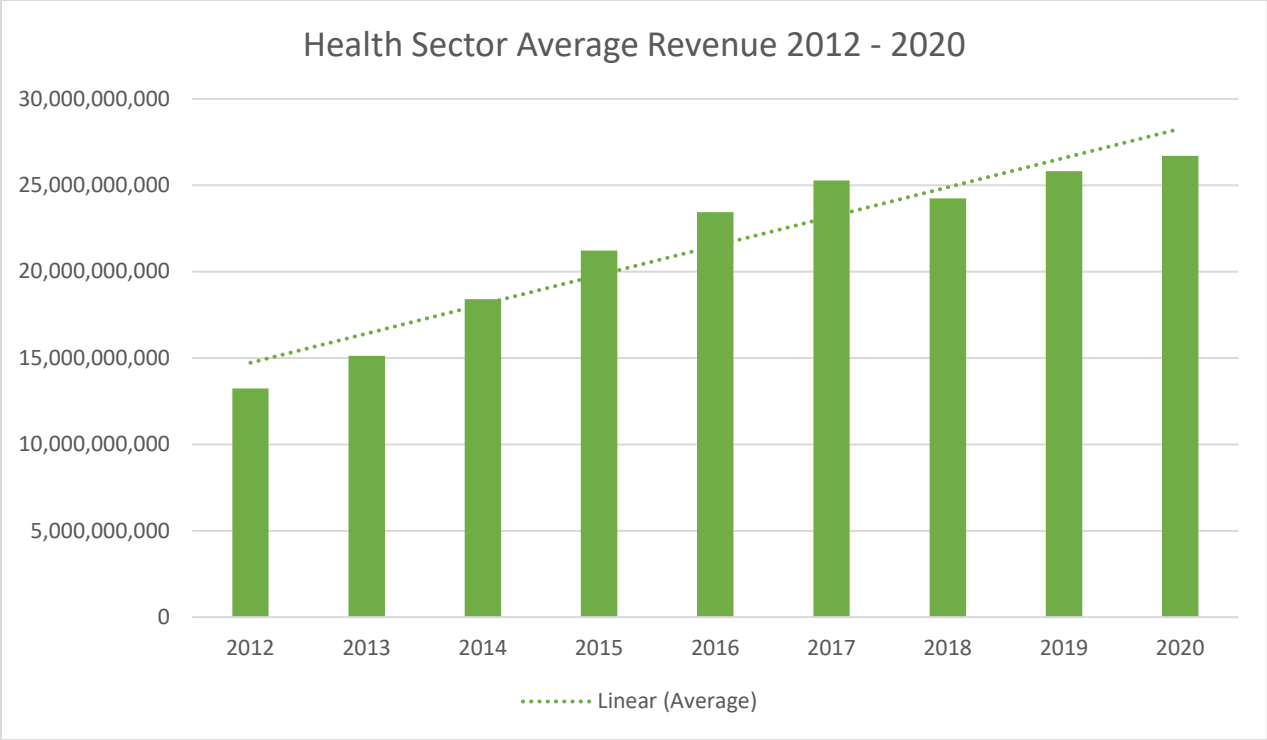


Figure 46 Health Sector Average Revenue 2012 to 2020

Profit before Tax

In 2019, Profit before Tax in this sector took a big hit. On average, reported PBT went down by over 68% (see Figure 8). In 2020, however, companies reported some more significant losses. Mediclinic reported a loss for the third time in three years and the 2020 Loss before Tax is the highest reported loss in our sample. The company reported a ZAR 5.7 billion loss in the 2020 financial year. Only one company reported an increase in Profit before Tax – AfroCentric Investments Corporation- whose Profit was ZAR 613 million.

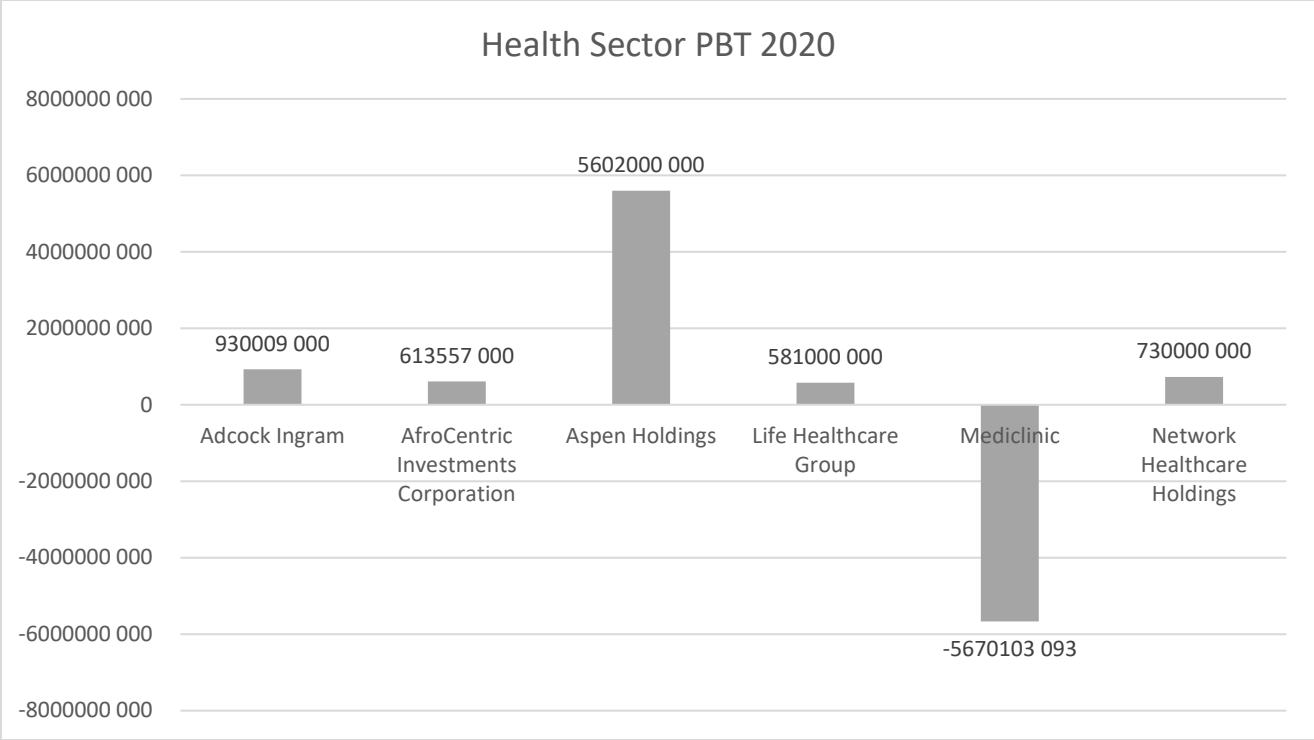


Figure 47 Health Sector Profit before Tax 2020

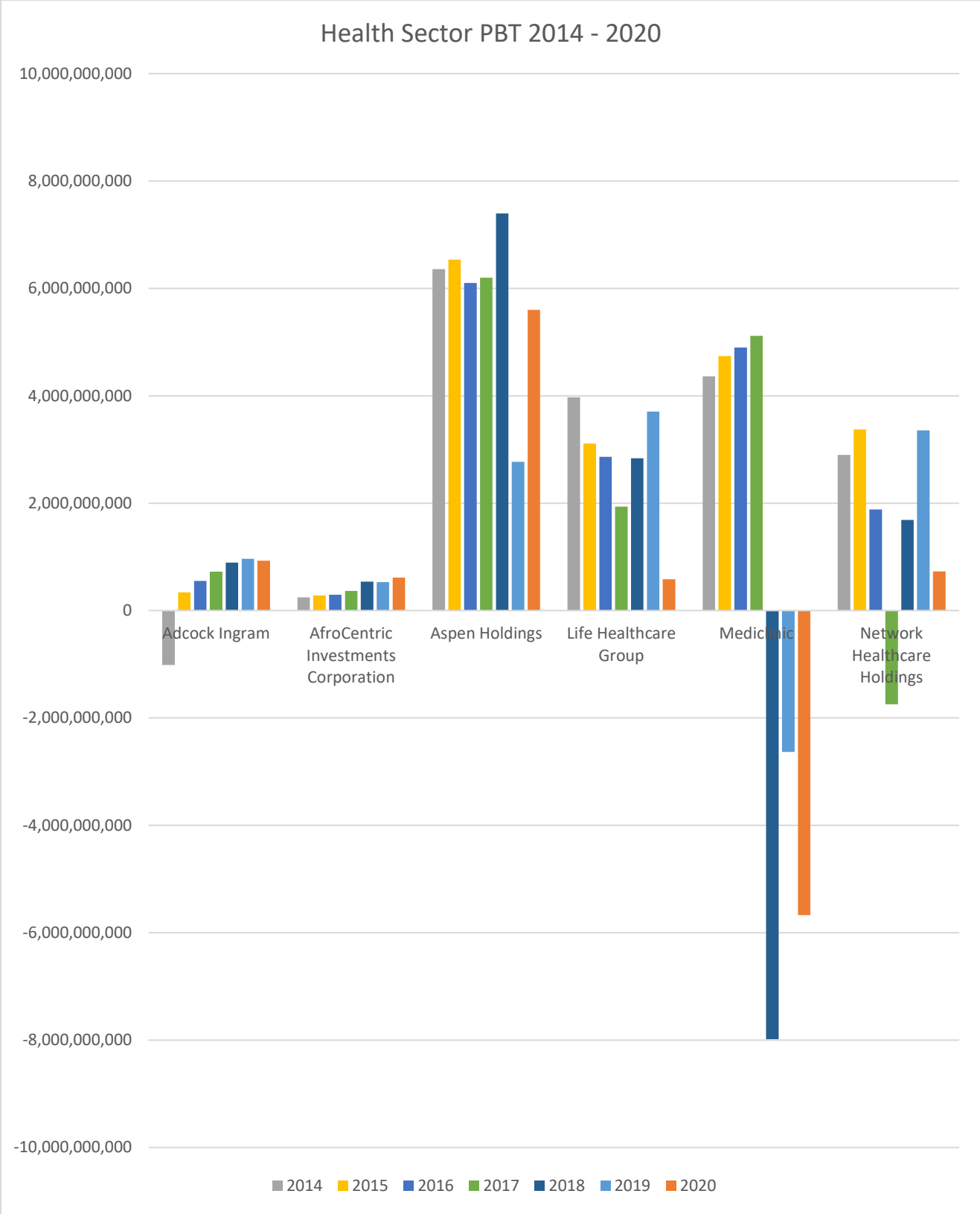


Figure 48 Health Sector Profit before Tax 2014 to 2020

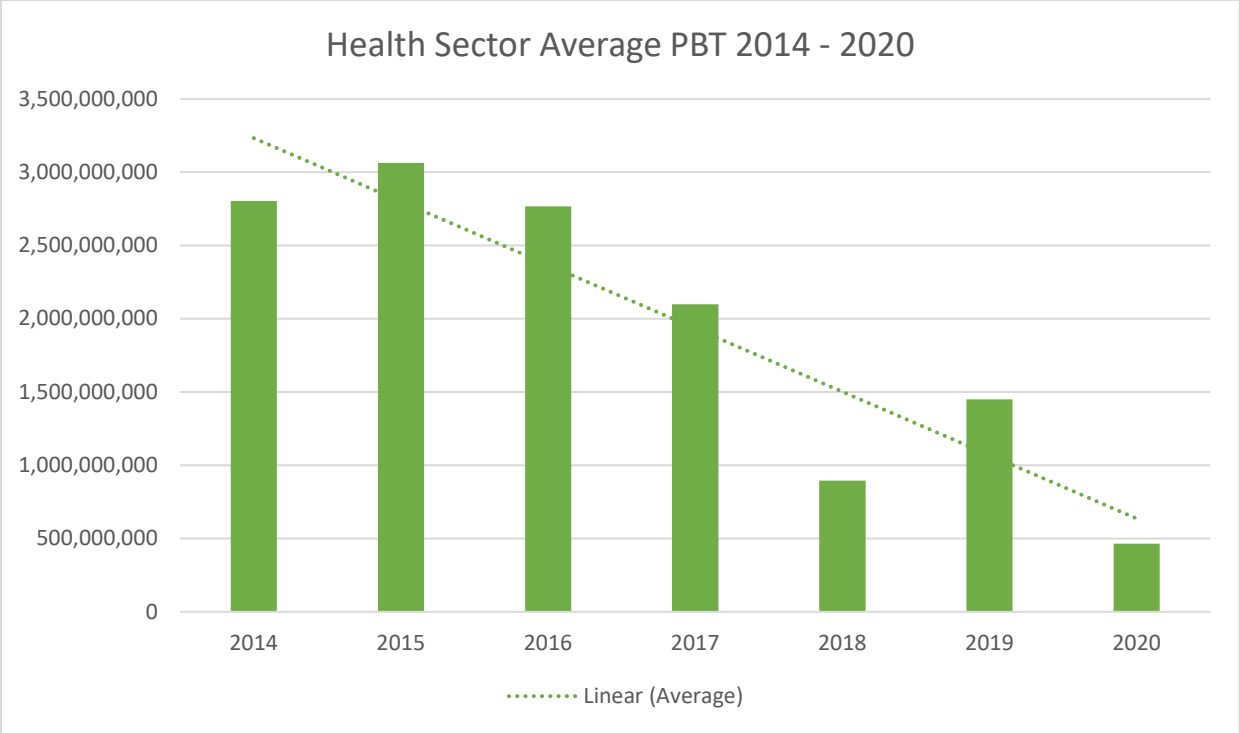


Figure 49 Health Sector Average PBT 2014 to 2020

Directors’ Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the health sector, and our sample specifically, we see that in 2019, the CEO remuneration figure dropped drastically. This is attributed to the executive officers of Network Healthcare Limited, Friedland and Gibson, who exercised stock options in 2018 from which the gain was reported as ZAR1 879 268 000 and ZAR753 356 000, respectively, in the company’s Integrated Report. However, we suspect this may be a rounding error in reporting. From 2019 to 2020, the average total remuneration (without LTI) went up by 19.6% - compared to a 17% increase in total remuneration including LTI. The trend, however, is very flat with not significant increases since 2011.

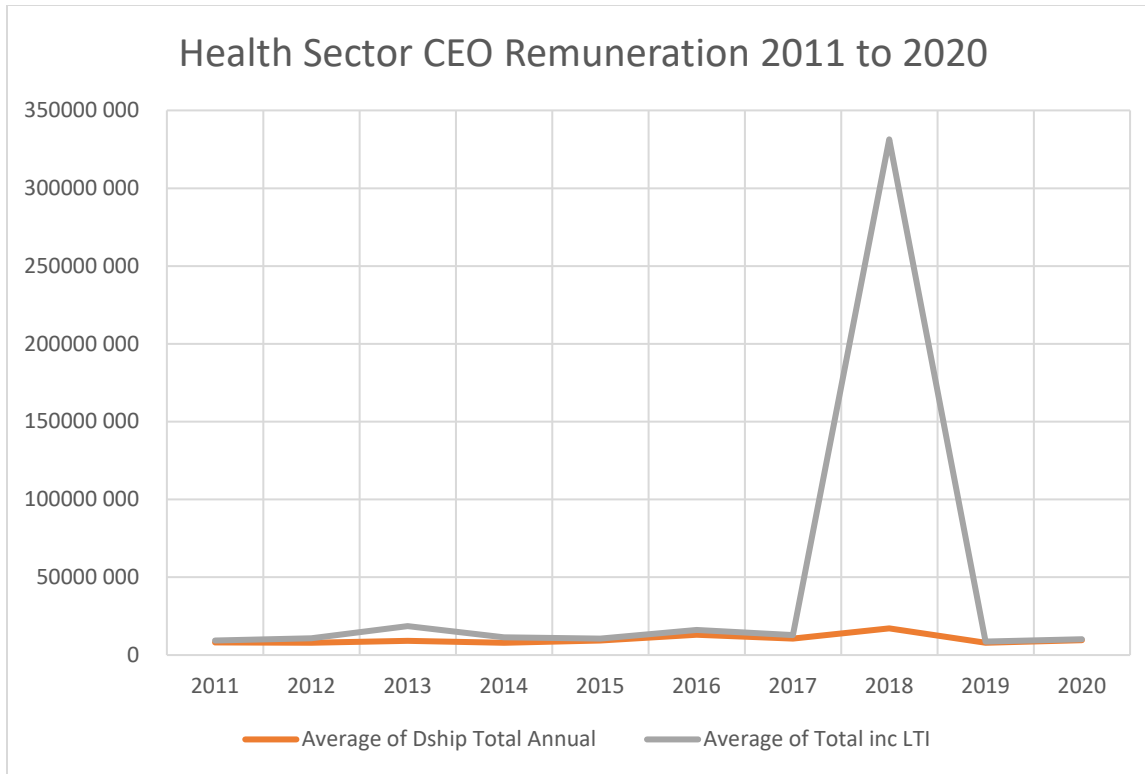


Figure 50 Health Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In 2020, the CEO of Aspen holdings, Stephen Saad, received total remuneration of ZAR 20.4 million. This makes him the highest earner in the sample for the 2020 year. Despite significant and ongoing losses, Mediclinic CEO Ronnie van der Merwe earned total remuneration of over ZAR 12 million (a 6.3% increase compared to the 2019 remuneration). This is concerning given the losses the company has been facing for the past three years. From 2019 to 2020, the average total executive director’s remuneration went up by over 11.5%. In the same period, average non-executive remuneration also went up by 5.3%.

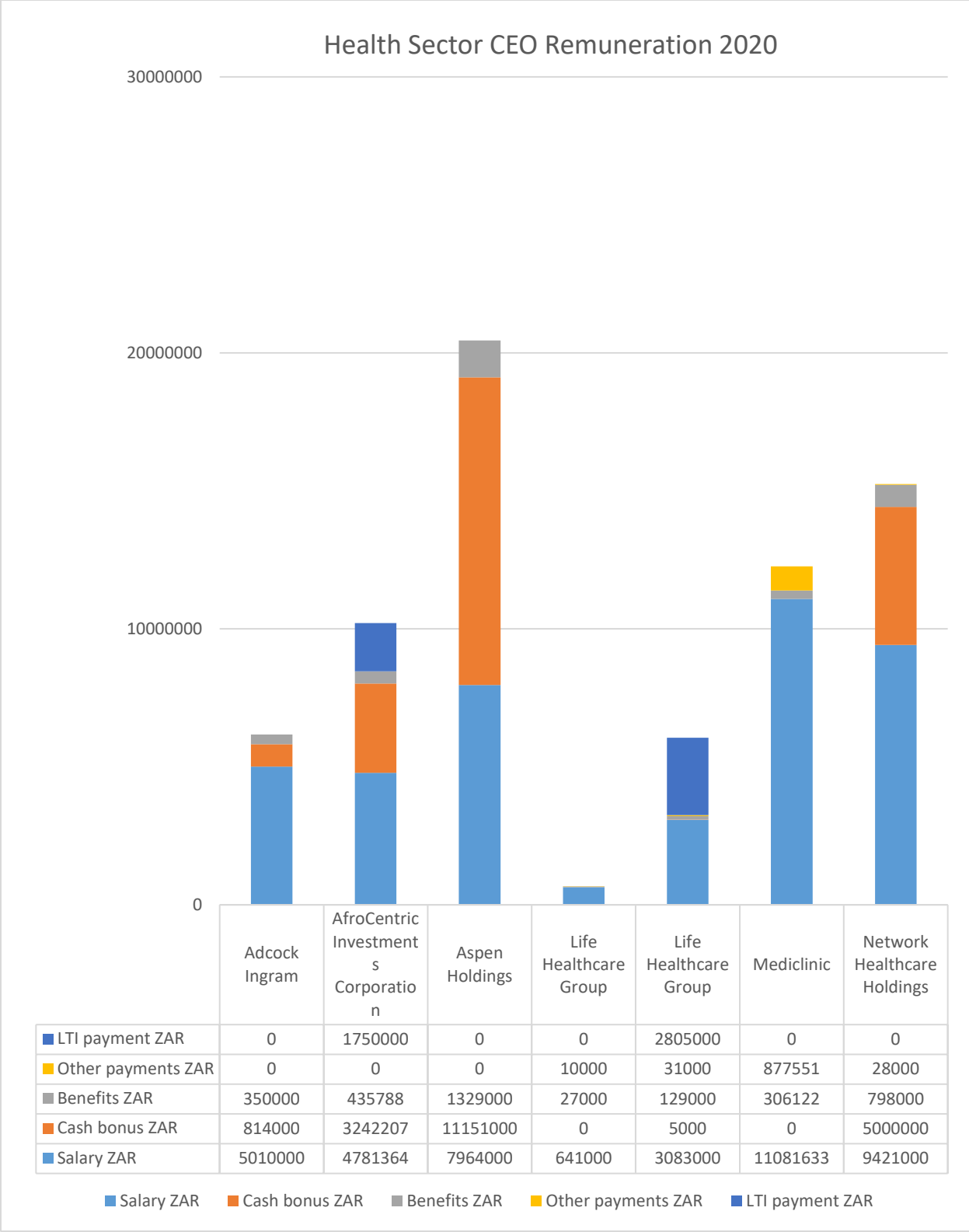


Figure 51 Health Sector CEO Remuneration 2020

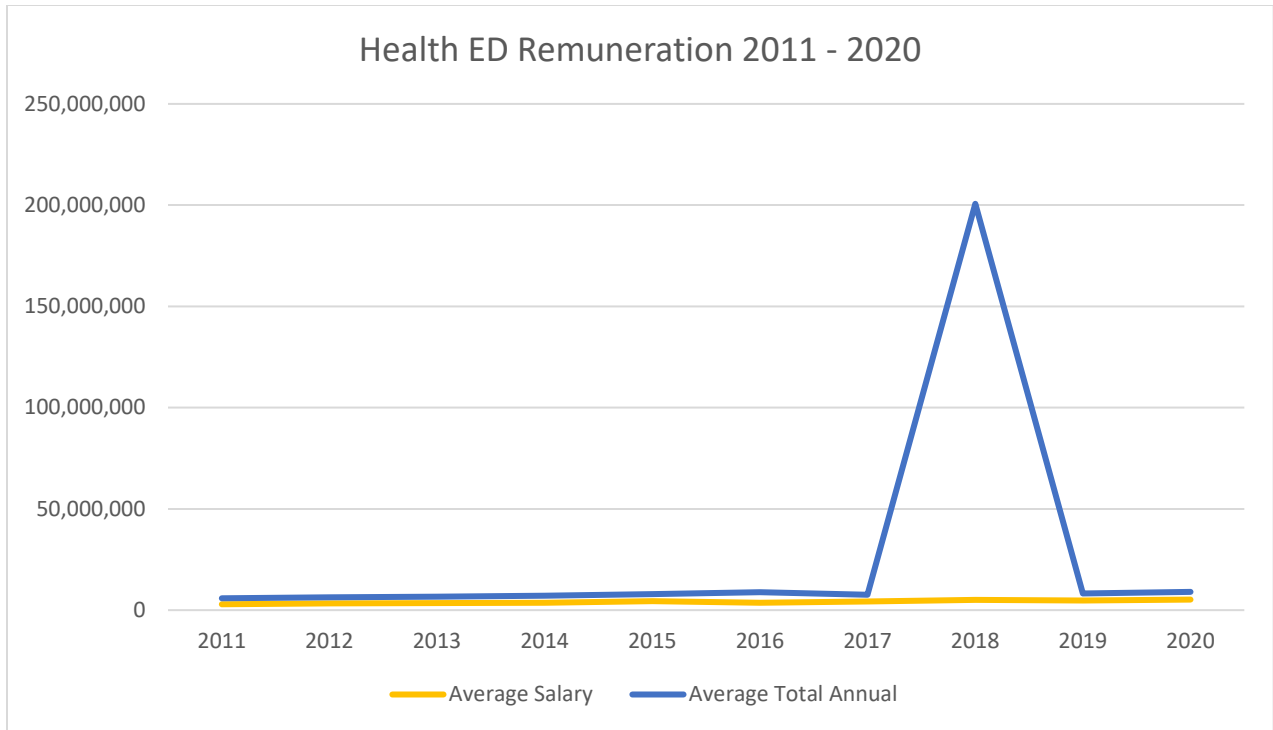


Figure 52 Health Sector Average Executive Director Remuneration 2011 to 2020

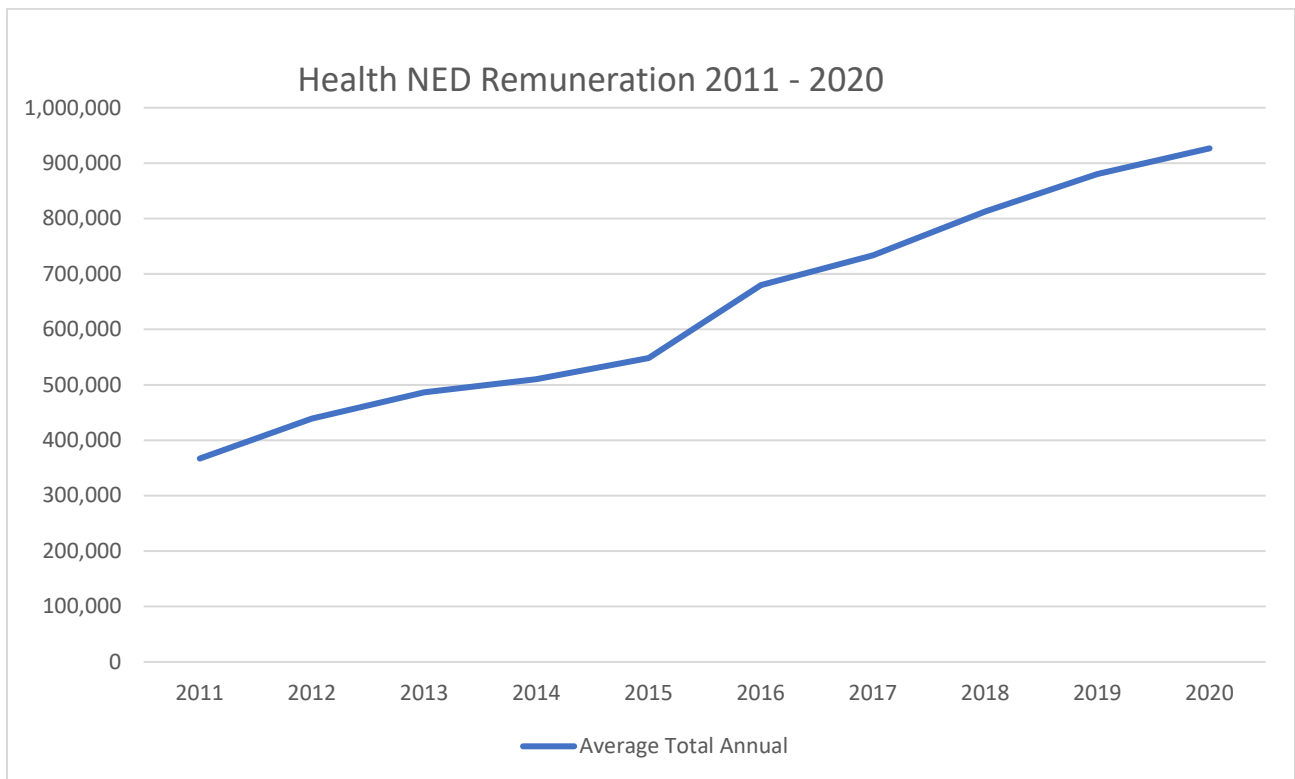


Figure 53 Health Sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: HOSPITALITY

Introduction

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

The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

Over the course of the last year and a half, COVID-19 has caused a significant slowdown in world trade and disrupted global supply chains. Local and international travel was brought to a complete halt, and remains limited well into 2021. In addition to these disruptions, South Africa's national lockdowns over the course of 2020 and 2021 have severely impacted the hospitality sector.

According to The Federated Hospitality Association of South Africa (Fedhasa), 'income from accommodation decreased by 66.8% year-on-year in November [2020], the result of a 52.7% decrease in the number of stay unit nights sold and a 29.7% decrease in the average income per stay unit sold. The largest decline in income was reported by hotels, which was down by 69.6%.'³² It was also noted that these numbers do not take into account the businesses that had to close indefinitely.

Some research studies forecast approximately 1,6 million job losses in South Africa due to Covid-19 – a significant portion of which will be in the Hospitality Industry. Prior to the Covid-19

³² <https://www.engineeringnews.co.za/article/more-doors-close-in-south-africas-hospitality-industry-owing-to-pandemic-2021-01-20>

pandemic, the sector employed more than 330,000 people.³³ The sample used accounts for about 16,000 jobs in 2020.

The hospitality sector in South Africa is very reliant on tourism. In 2019, more than 10 million people visited the country. According to Business Insider, these tourists stayed in at least one of the 63,000 available hotel beds, for which they ‘cumulatively paid R27 billion’.³⁴ In January of that same year, the sale of food at restaurants, coffee shops and fast-food outlets contributed R4,7 billion to the economy. In 2017, the sector created over 30,000 jobs – which at the time was more than both mining and manufacturing.

According to Nedbank, even if the economy were to reopen completely, it will take time for jobs to recover. People’s travelling behaviour has been impacted indefinitely. However, Sun International CEO Anthony Leeming is optimistic about the future of the sector in South Africa. He believes that ‘the worst is over’ and that the sector is prepared for business to pick up again in 2022.³⁵

Financials

Revenue

The dire situation outlined above is evident in the financials of the three big hospitality companies monitored on the MNC database. On average, revenue had been steadily increasing since 2012 when we started monitoring the companies. In 2020, the average revenue dropped to the lowest it’s been since 2012.

All three companies reported dramatic drops in revenue – Sun International (the biggest company in the sample) reported a drop of almost 65% (from ZAR 17 billion in 2019 to ZAR 6 billion in 2020); Tsogo Sun Holdings reported a decrease of 61,5% from ZAR 11,6 billion in 2019

³³ <https://partners.24.com/TheBiggerPicture/HospitalityBeyondCovid19/index.html>

³⁴ <https://partners.24.com/TheBiggerPicture/HospitalityBeyondCovid19/index.html>

³⁵ <https://www.iol.co.za/business-report/markets/promising-future-for-the-sa-travel-and-hospitality-sector-the-worst-is-over-953b9bbf-770a-4e94-ae4e-03d337f6fe97>

to ZAR 4,5 billion in 2020; City Lodge Hotels reported a drop of 25% from ZAR 1,5 billion in 2019 to ZAR 1,1 billion in 2020. On average, revenue in the sample decreased by 61,44%.

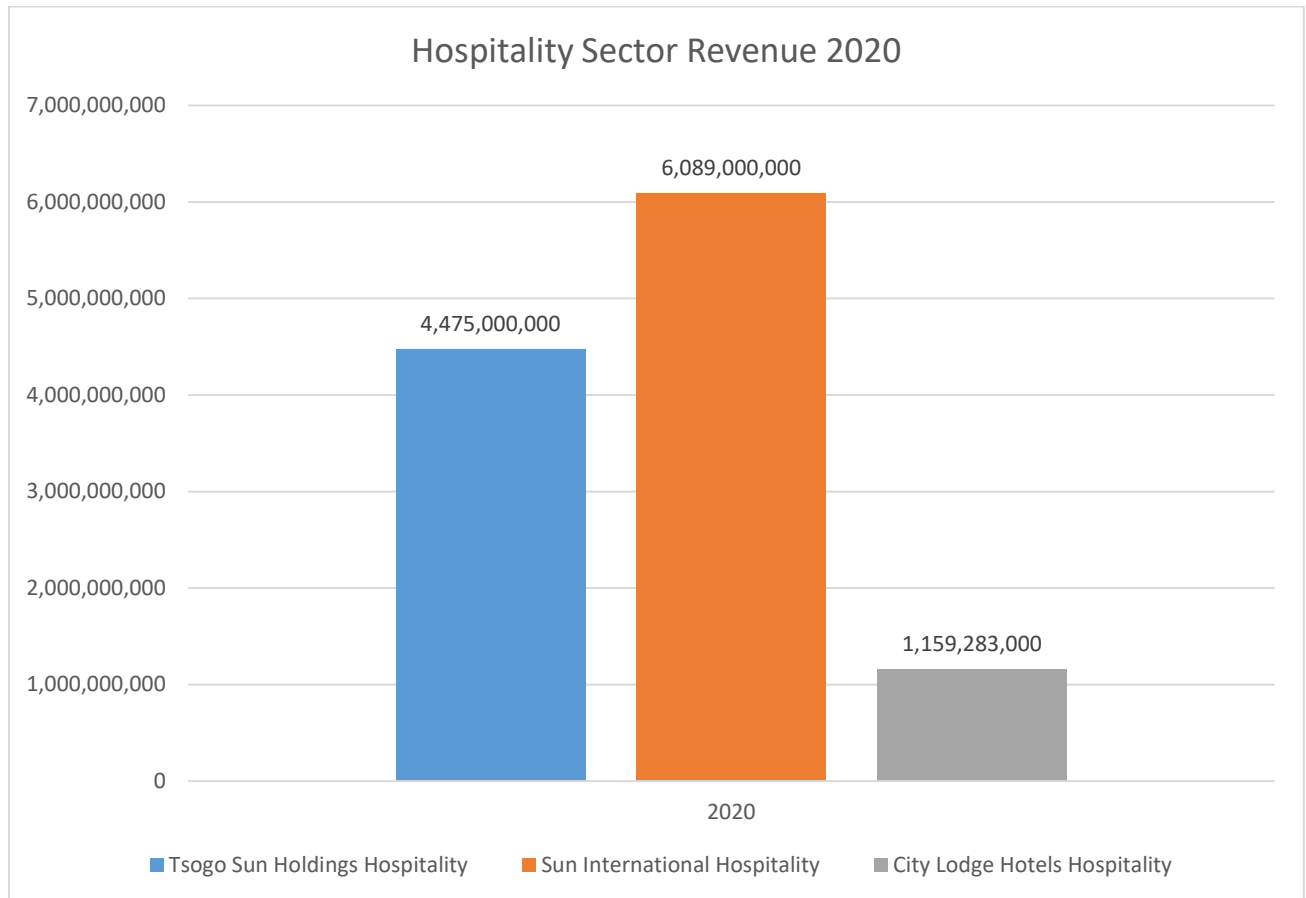


Figure 54 Hospitality Sector Revenue 2020

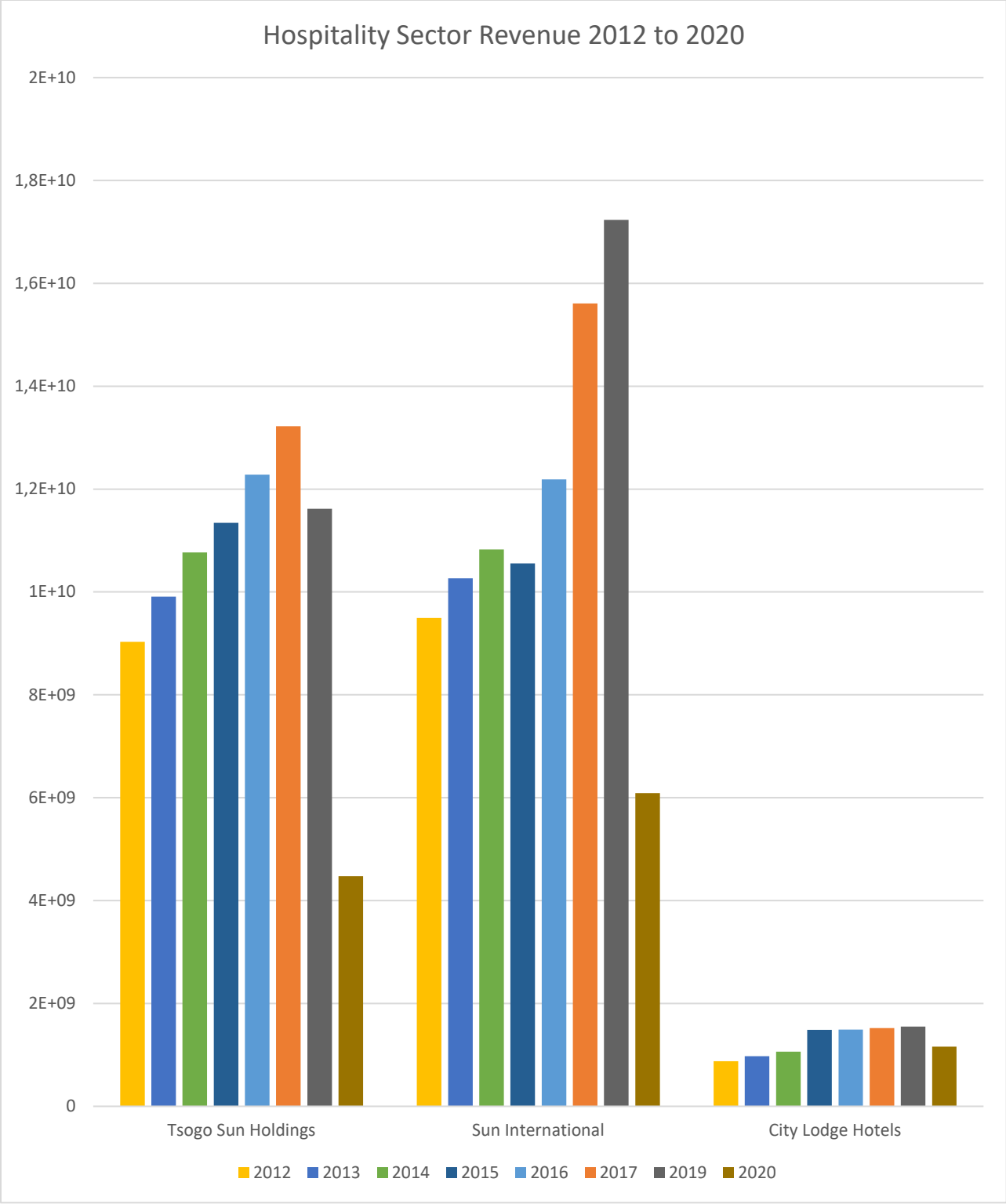


Figure 55 Hospitality Sector Revenue 2014 to 2020

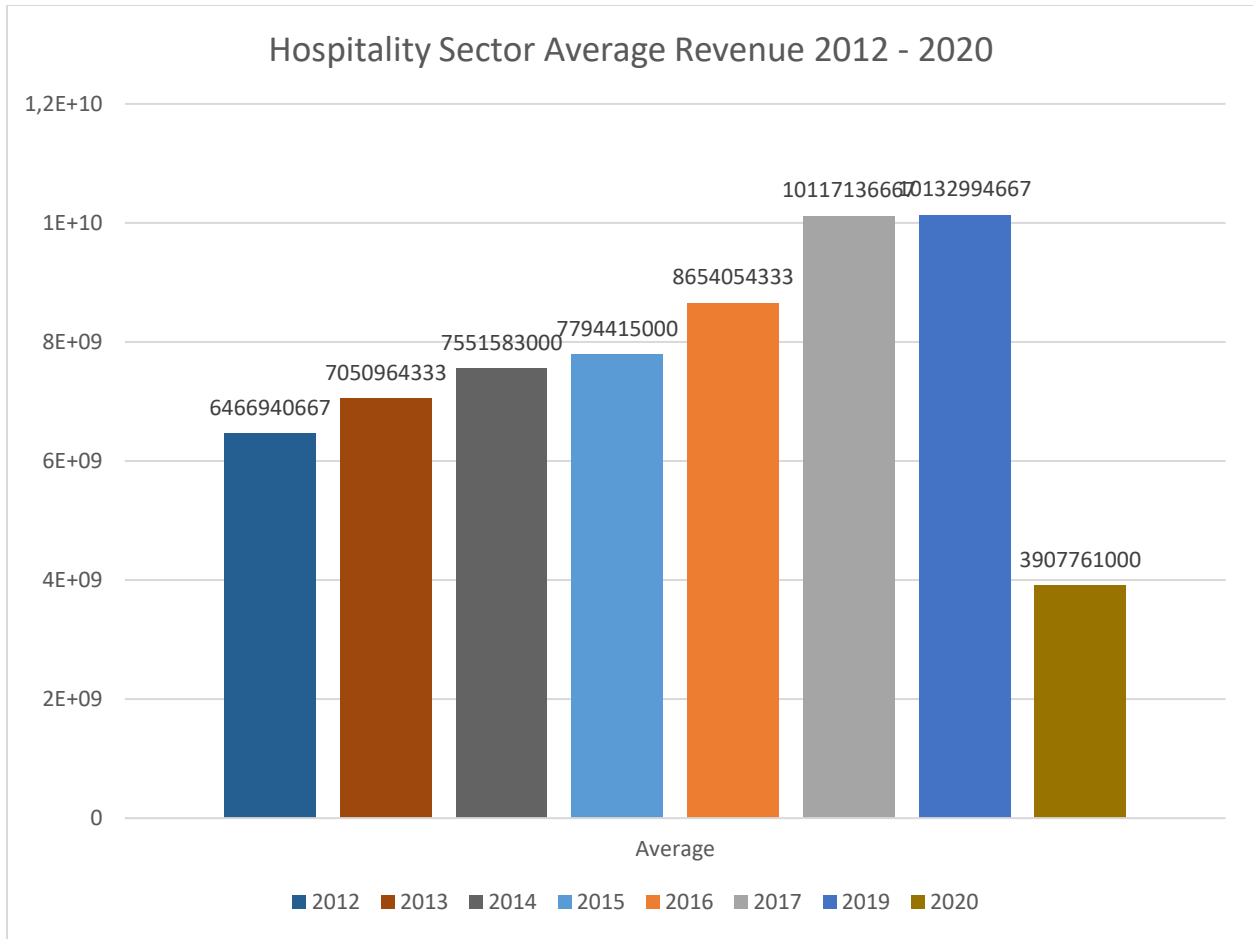


Figure 56 Hospitality Sector Average Revenue 2012 to 2020

Profit before Tax

In 2019, Profit before Tax in this sector took a big hit. Every company in the sample reported a loss. On average, reported PBT in the sample went down by 179%. This is reflective of the dire situation caused by the Covid-19 pandemic. All three companies reported profits in 2017, 2018 and 2019. In 2020, Tsogo Sun Holdings reported a loss of ZAR 1,2 billion, Sun International reported a loss of ZAR 1,6 billion and City Lodge Hotels reported a loss of ZAR 582 million.

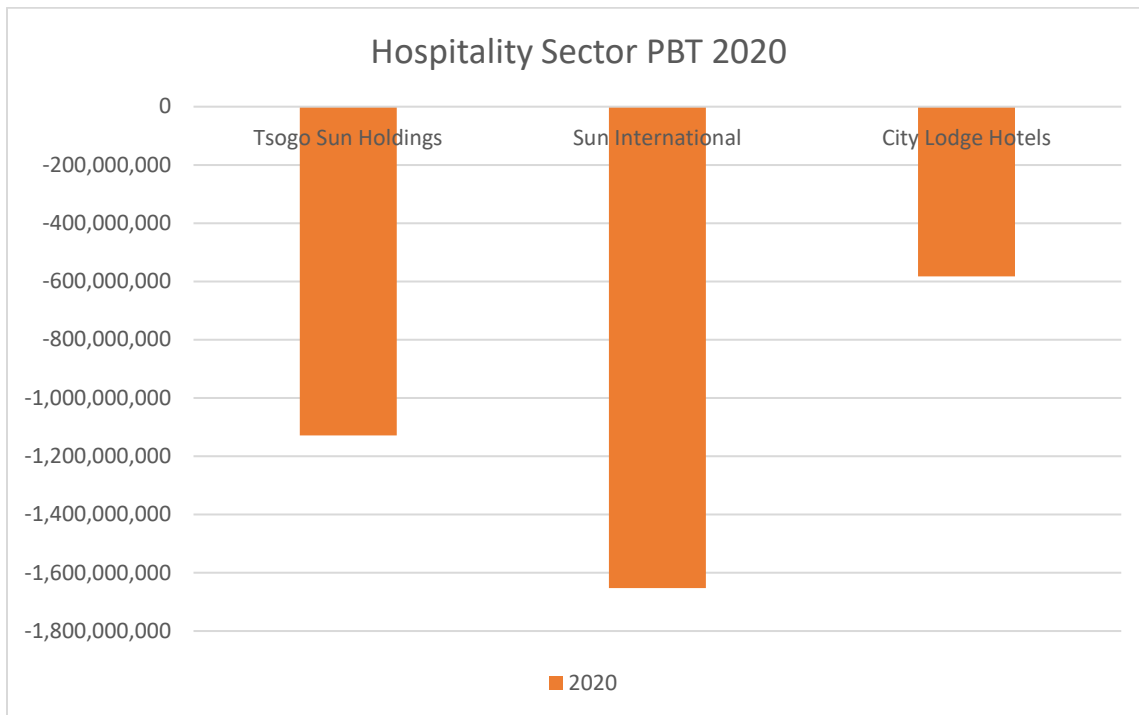


Figure 57 Hospitality Sector Profit before Tax 2020



Figure 58 Hospitality Sector PBT 2014 to 2020

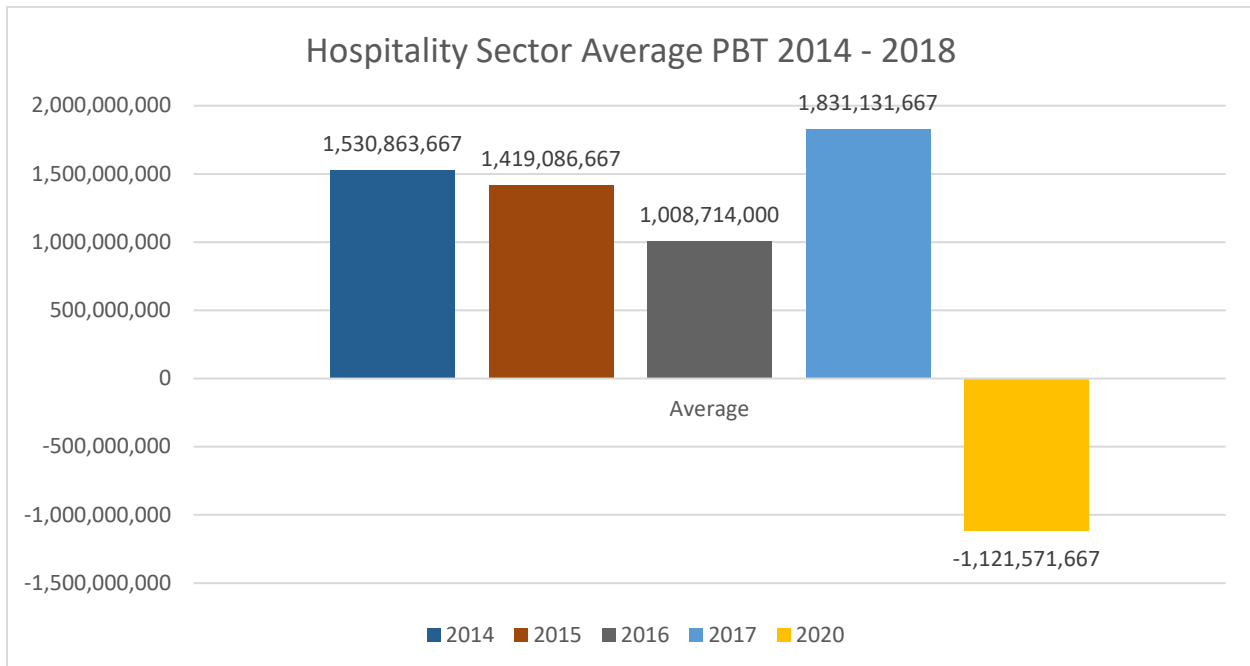


Figure 59 Hospitality Sector Average PBT 2014 - 201

Directors' Remuneration: a retrospective view

The LRS MNC database allows us to look at CEO remuneration over the course of the last nine years. In the Hospitality sector, and our sample specifically, we see the general trend over time being inconsistent and downwards. The latest year, 2020, created a sharp downward turn for CEO remuneration. Not one of the three CEOs in the sample reported receiving LTIs, and other benefits have seen a downturn as well. Given the dire situation of the sector, this is reflective of the losses the companies are facing.

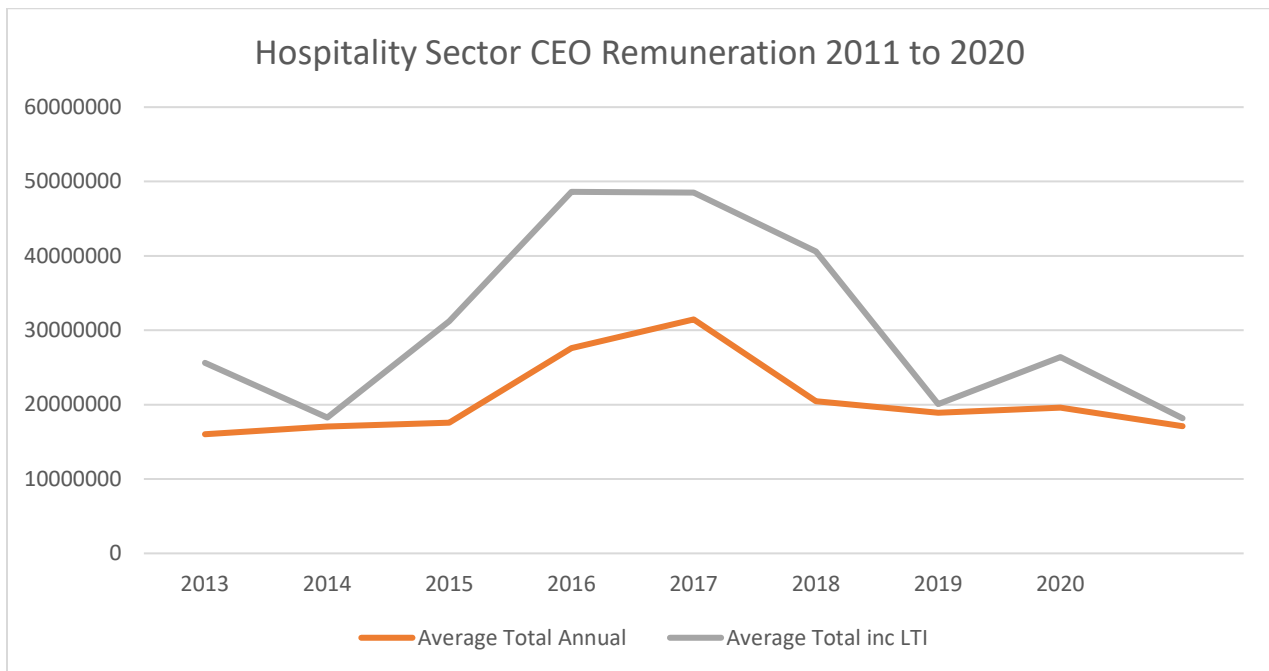


Figure 60 Hospitality Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In the Hospitality sector, the CEO of Tsogo Sun Holdings Marcel von Aulock was reported to have received annual remuneration of ZAR 10,407,000 in 2020. The CEO of Sun International received remuneration of just over ZAR 6 million, while City Lodge Hotels CEO received ZAR 5,7 million in total. None of the CEOs received LTIs in this time.

On average, in our sample, executive remuneration went down by 67% (mainly due to no LTIs being paid); and non-executive director remuneration went down by 22% from 2019 to 2020.

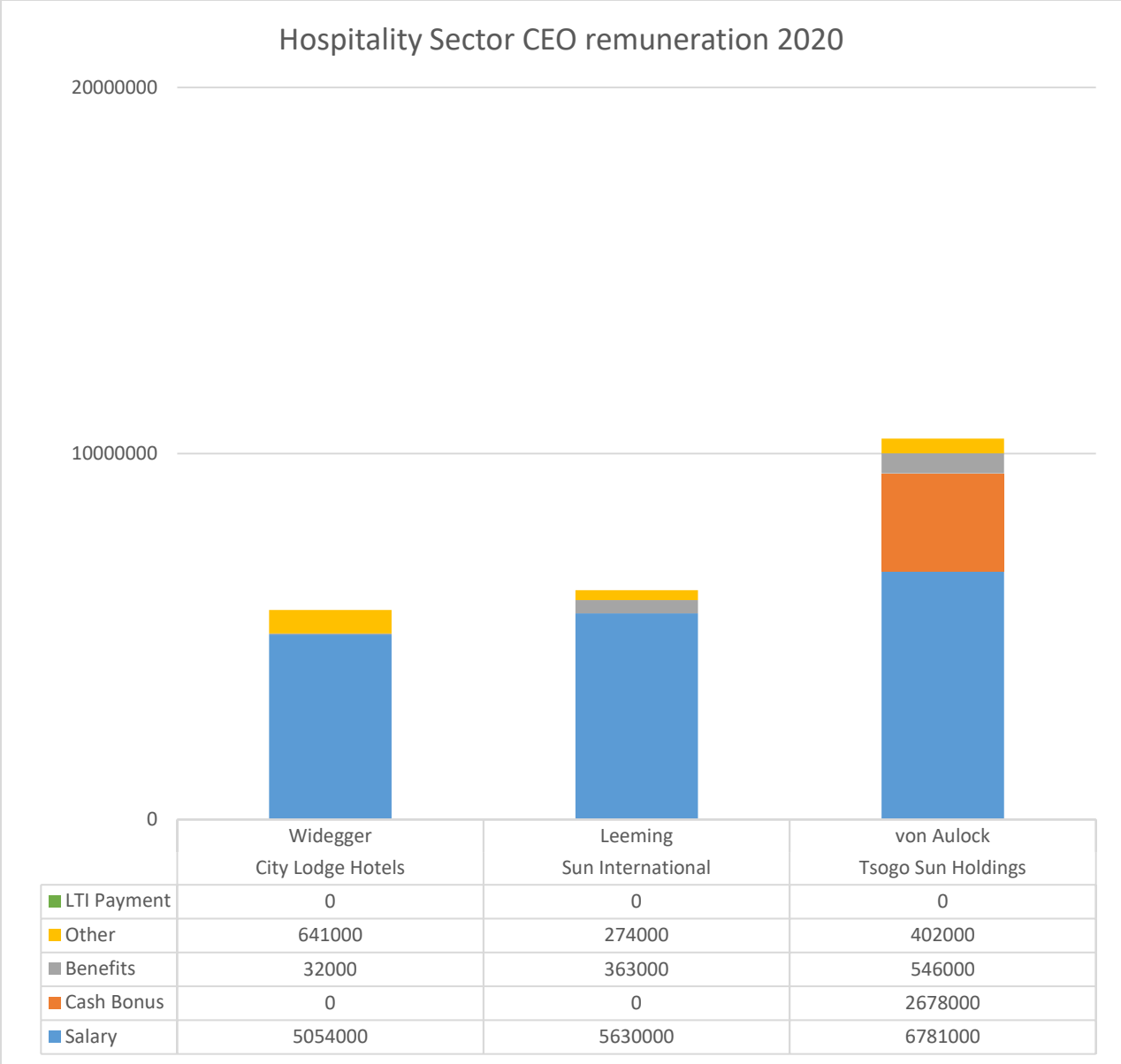


Figure 61 Hospitality Sector CEO remuneration 2020

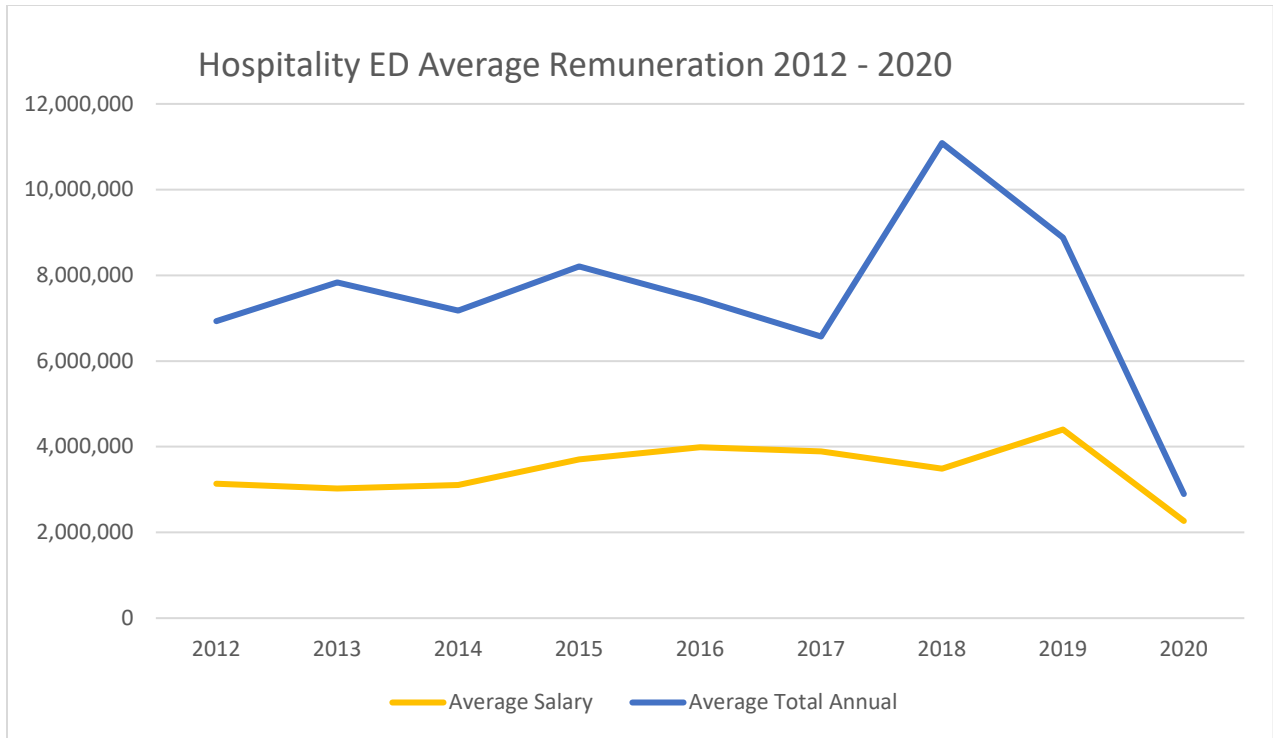


Figure 62 Hospitality ED Average Remuneration 2012 - 2020

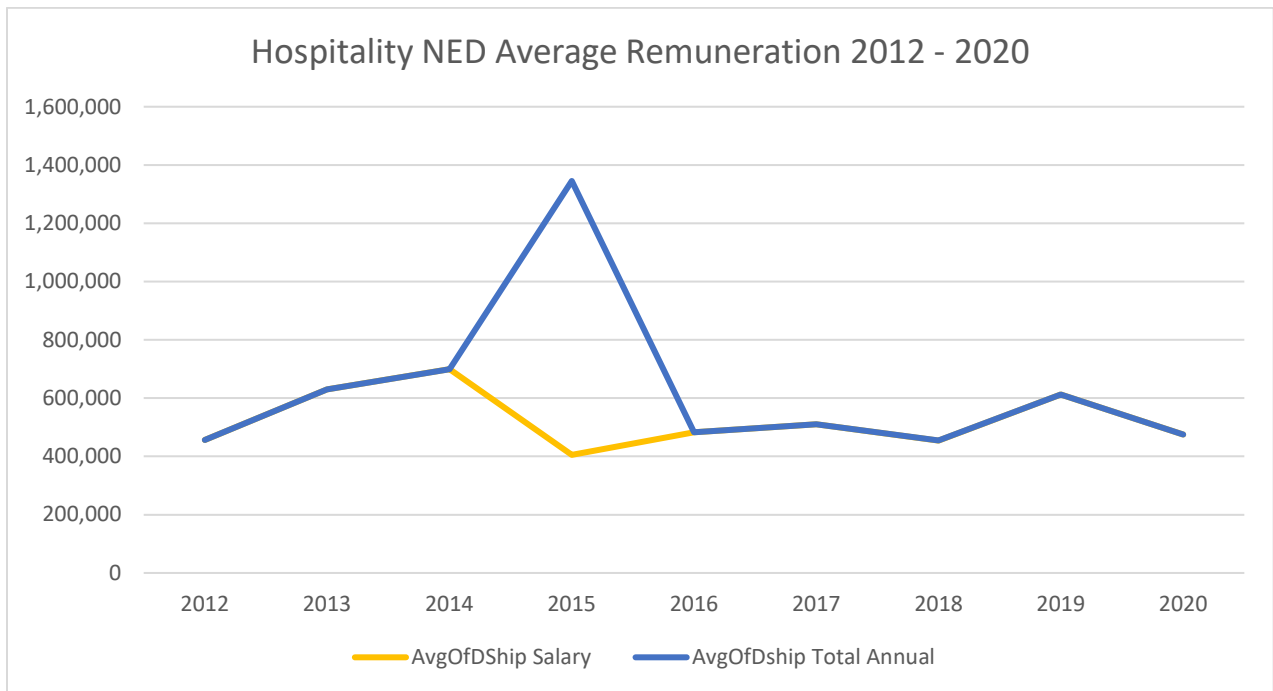


Figure 63 Hospitality NED Average Remuneration 2012 - 2020

Sector Report: Industrial

Introduction

In this sector, our sample includes nine companies listed on the Johannesburg Stock Exchange. This sample is a mix of support services, industrial, chemicals and two state-owned / parastatals. These companies are:

AECI
African Oxygen
Altron
ArcelorMittal SA
Denel
Eskom Holdings Limited
Invicta Holdings
Reunert
Sasol

South Africa has a strong industrial tradition dating back 150 years. The nine companies in our sample employed about 104,815 people in the 2020 financial year. This shows why it is a crucial industry for the LRS to monitor. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the high remuneration packages received by directors in this sector.

The Sector

The severity and unpredictability of the Covid-19 pandemic in the last year and a half has disrupted global business operations and earnings. In addition to these disruptions South Africa's national lockdowns and restrictions in 2020 and 2021 have severely impacted the industrial sector.

In the six months ended 31 August 2020, the technology services firm, Altron, announced that 600 jobs were being cut across the group and several business units being discontinued due to the severe impact of COVID-19 on the business. In addition, Altron incurred losses of ZAR 35 million as a result of the volatility in currency due to the global pandemic.

At the start of the pandemic in March 2020, ArcelorMittal South Africa expected to be hit hard when almost all its operations were stopped for the first time in the company's history. Even though the company recorded a loss in the first half of 2020, gains were recorded in the second half of the year. Despite the coronavirus outbreak, ArcelorMittal South Africa bounced back from the ZAR 632 million losses recorded in 2019, to post profit of ZAR 37 million for the year 2020.

The employees of the South African state defence firm, Denel, have been the most affected by the pandemic in this sector. Appearing before Parliament's standing committee on public accounts, Denel acting CEO William Hlakoane revealed that Denel is technically insolvent and available cash is insufficient to meet operational requirements. As of November 2021, the amount owing to employees is about ZAR 650 million. Surprisingly, recent information reveals that Denel executives suspended for alleged corruption continue to receive full salaries even though the company still owe several of its active employees.³⁶

Financials

Revenue

From our sample, Eskom Holdings Limited and Sasol remain the biggest companies in the Industrial Sector, with revenue of ZAR 199.5 billion and ZAR 190.4 billion respectively, as shown in Figure 1 chart below. The 2020 value is a 10.9% increase from the 2019 financial year revenue for Eskom Holdings Limited and a 6.5% decrease for Sasol in the same period. Denel is the smallest company in our sample with a revenue of ZAR 2.7 billion. Compared to 2019, the company recorded a 27.5% decrease in revenue for the 2020 financial year.

³⁶ <https://mybroadband.co.za/news/government/411214-denel-execs-suspended-for-corruption-receive-full-salaries-but-employees-not-paid.html>

Figure 3 shows that compared to 2019, only Eskom Holdings Limited reported an increase in 2020 revenue in our sample. Figure 2 shows a pie chart of the companies in our sample by revenue. This chart clearly shows the size of the sample market that each company has by revenue. Eskom Holdings Limited and Sasol's combined revenue makes up 81% of the total revenue of companies in our sample. From 2019 to 2020, the average revenue in the sample decreased by 3.1%.

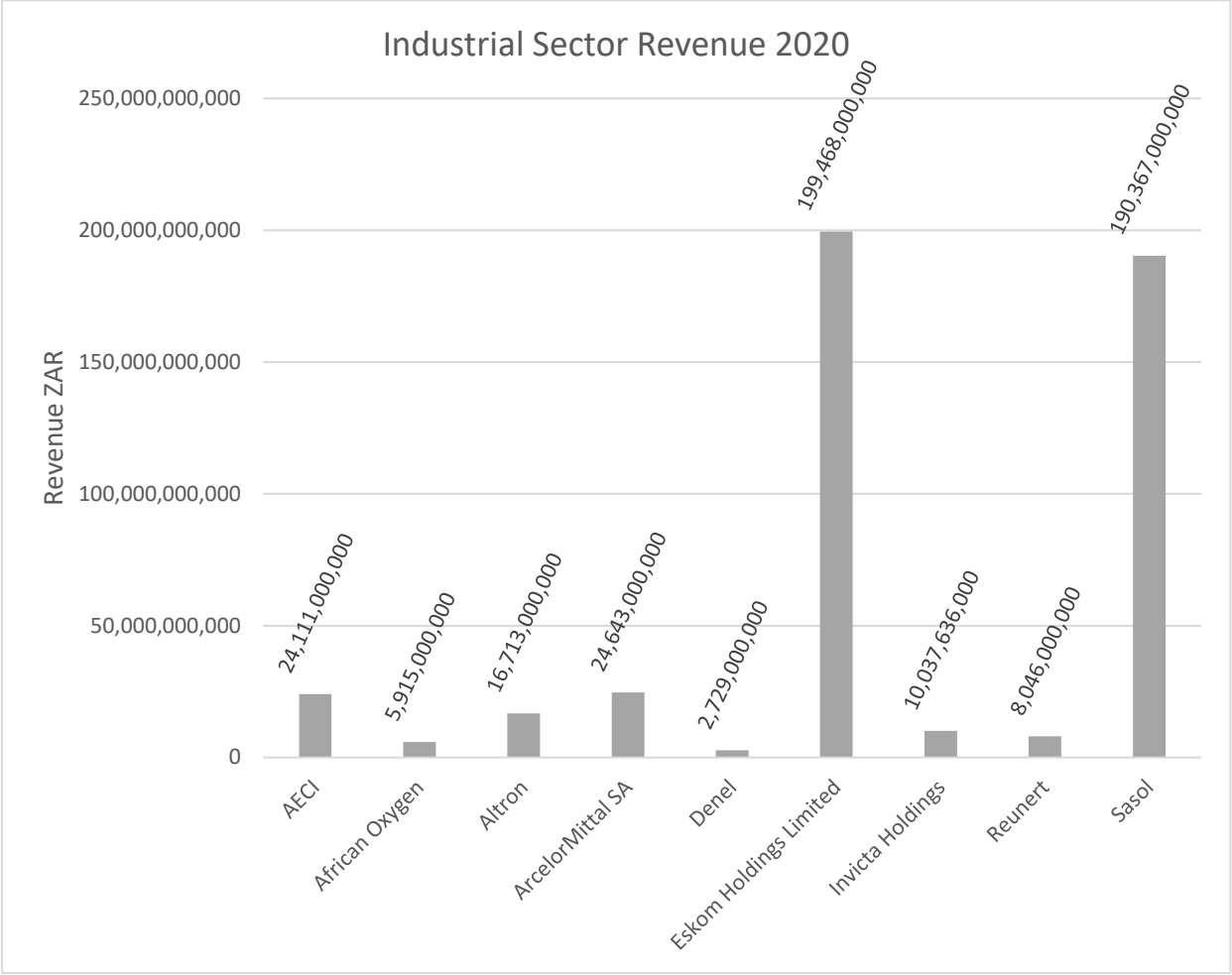


Figure 64 Industrial Sector Revenue 2020

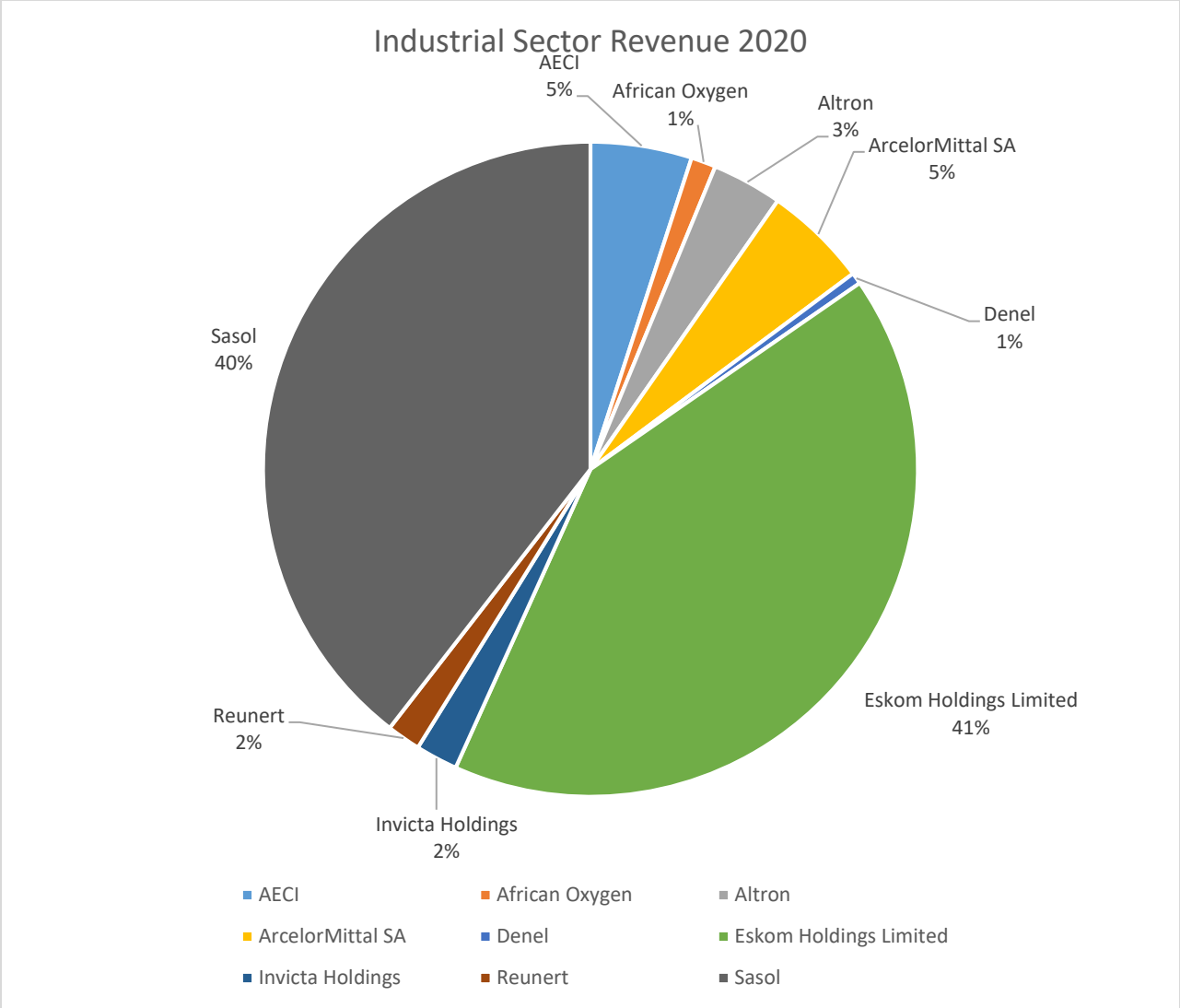


Figure 65 Industrial Sector Revenue Pie Chart 2020

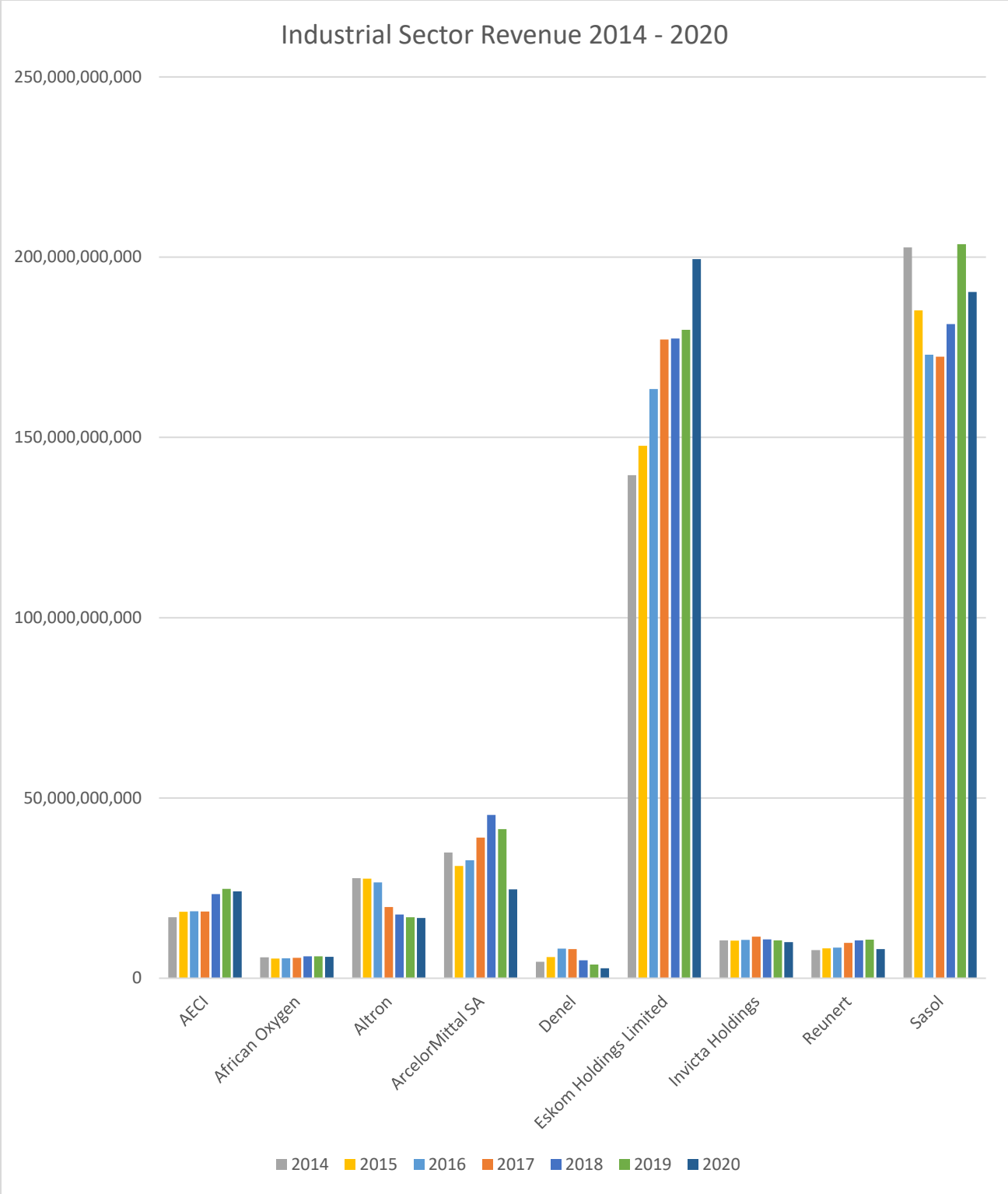


Figure 3: Industrial Sector Revenue 2014 to 2020

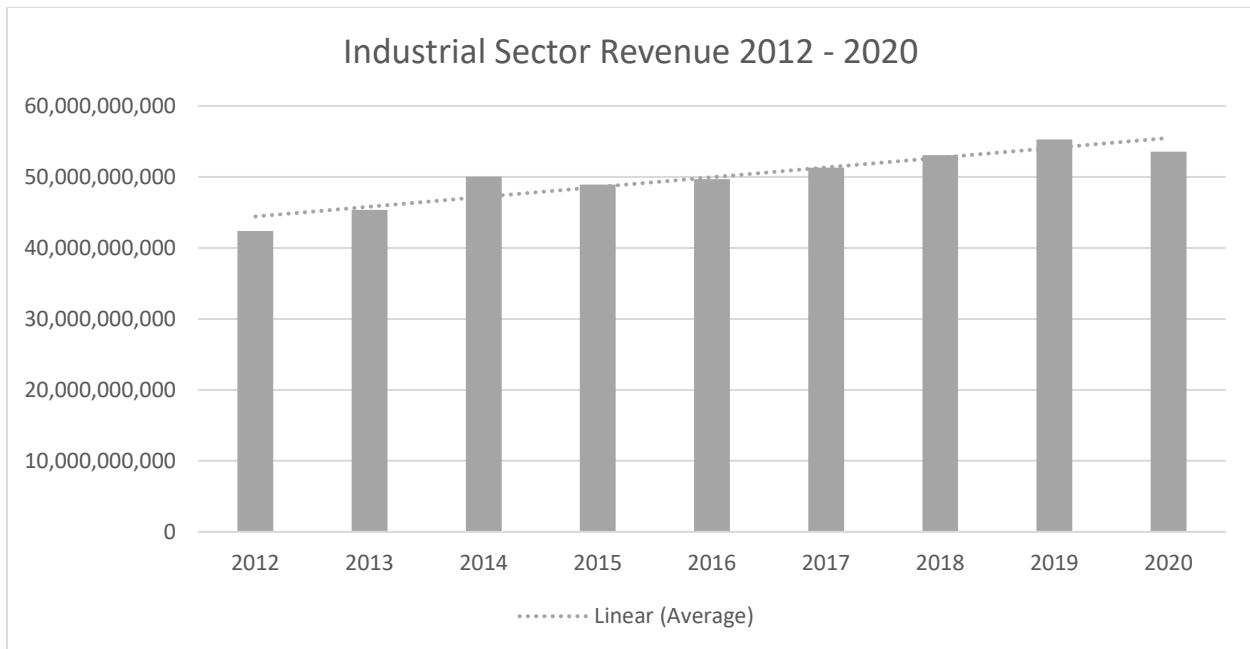


Figure 66 Industrial Sector Average Revenue 2012 to 2020

Profit before Tax

Most companies in this sector made a significant loss in the 2020 financial year. Sasol reported a loss of ZAR 117 billion. This may be due to the large amount of debt owed by the company and the disruption of business by the pandemic. In our sample, Altron reported the highest PBT, ZAR 857 million, while Reunert reported the lowest profit, ZAR 160 million.

The 2020 Profit before Tax for AECI decreased by 63.9%, compared to the previous year, while African Oxygen reported the smallest decrease (2.56%) in the same period. On average, reported 2020 PBT for the five companies went down by over 593%. This decline is partially attributed to the severe impact of the Covid-19 pandemic on the sector. From the graph below (see Figure 8), we see the Industrial Sector is at its highest average loss in seven years.

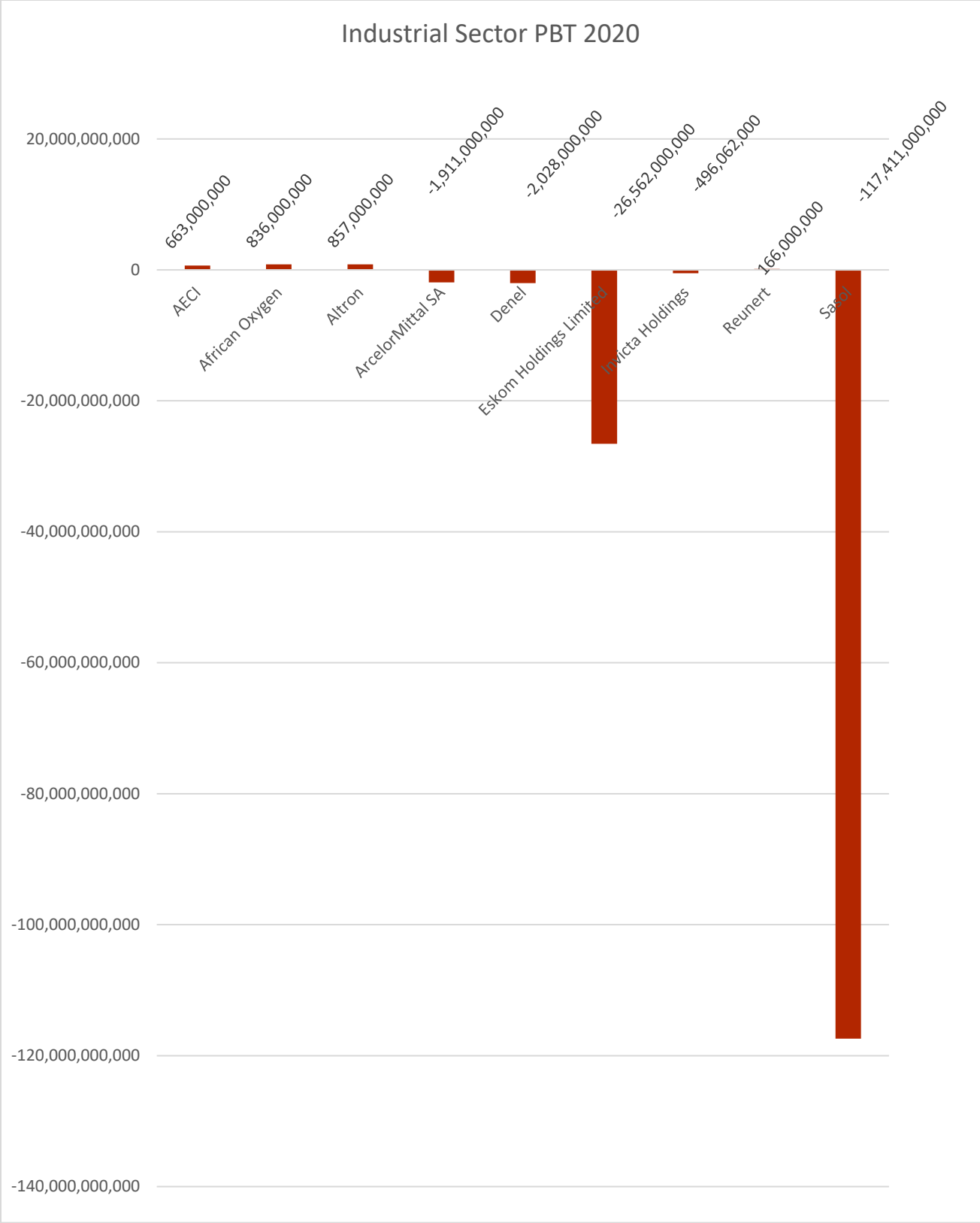


Figure 67 Industrial sector Profit before Tax 2020

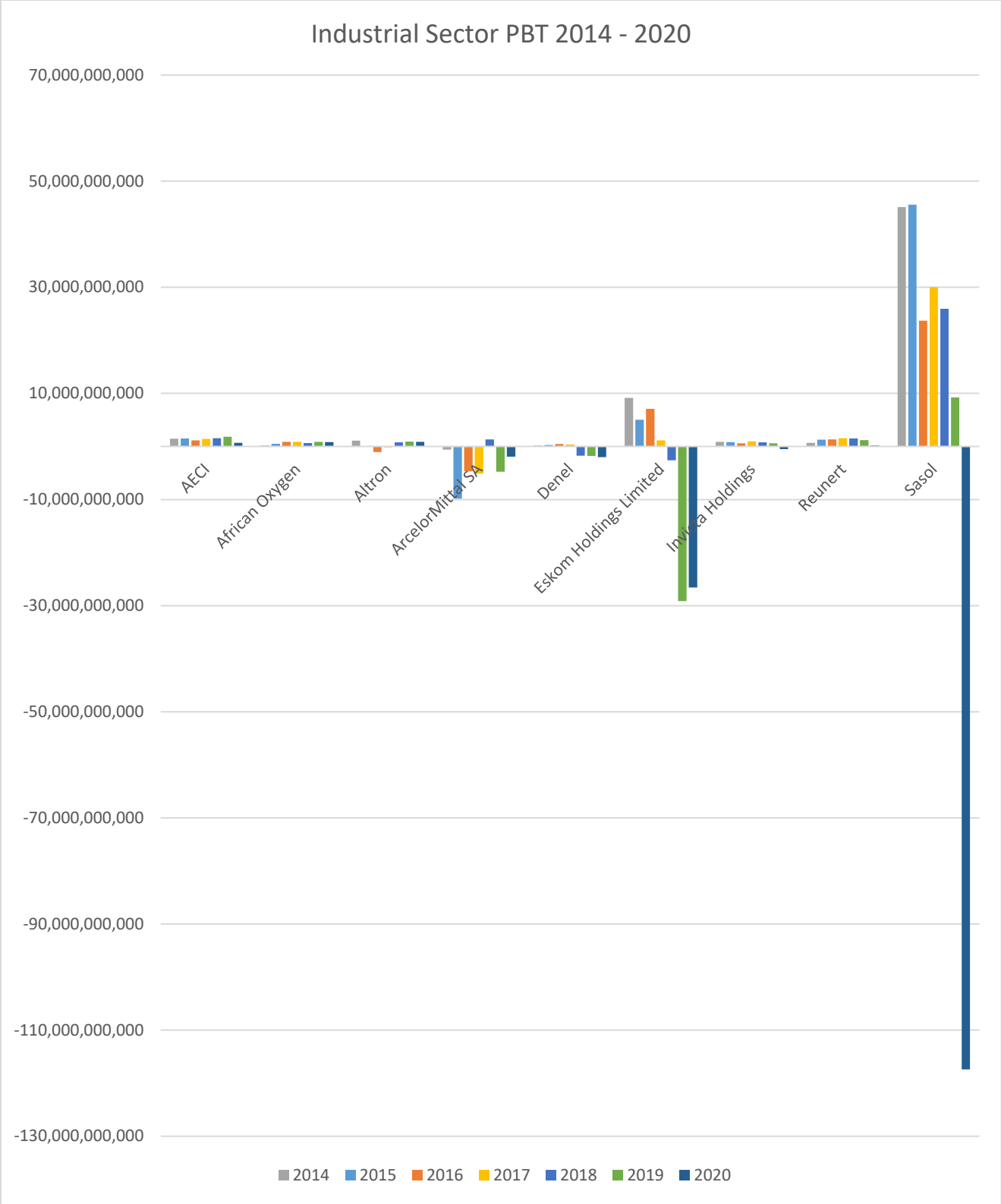


Figure 68 Industrial sector Profit before Tax 2014 to 2020

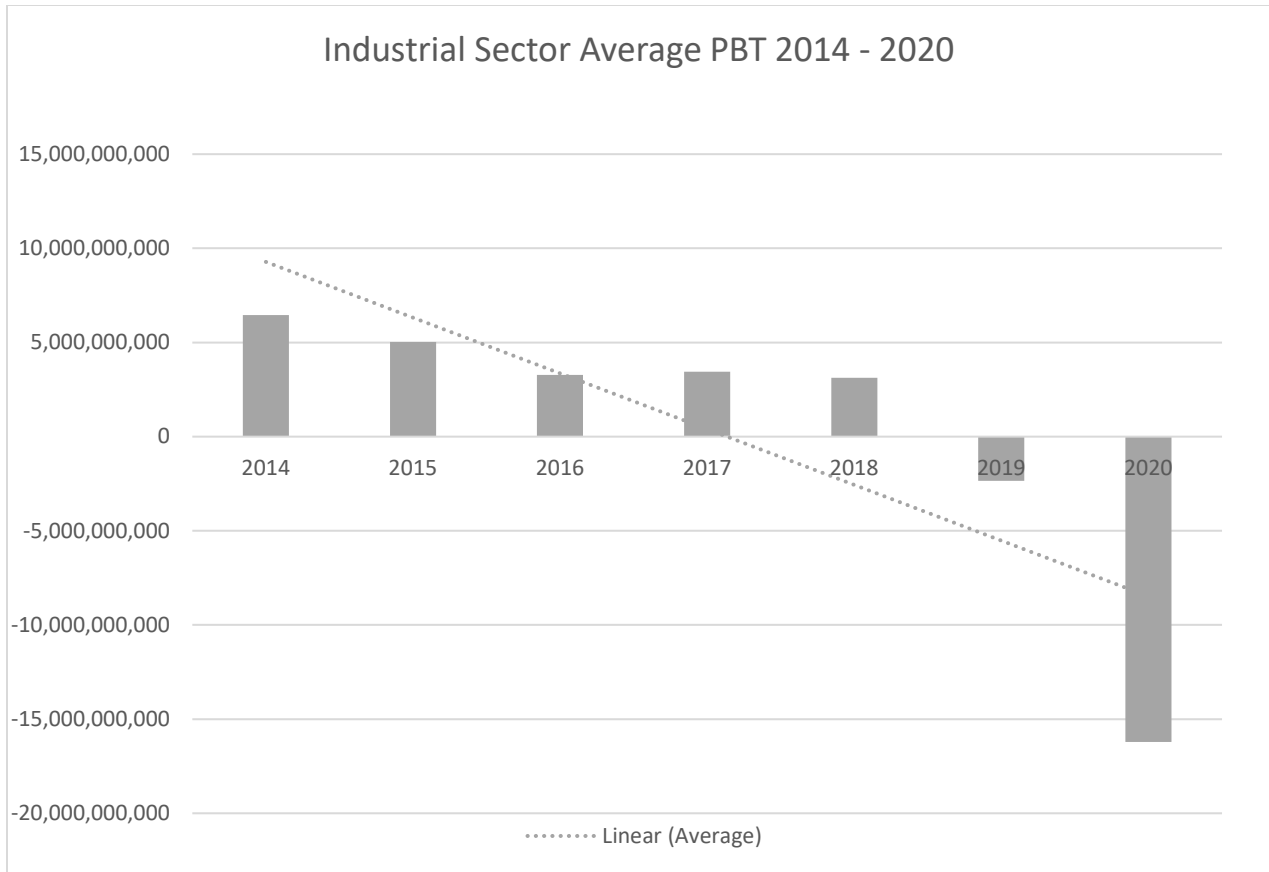


Figure 69 Industrial Sector Average PBT 2014 to 2020

Directors' Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last ten years for the nine companies in our sample. When looking at *Figure 9*, we see that 2014 has the largest gap between the average total remuneration without LTI and total remuneration including LTI. This implies that large LTIs were paid in the year. Compared to 2019, the average total remuneration without LTI increased by 48.8%, and the total remuneration including LTI increased by 24.2% in 2020. These large increases are quite concerning given that the sector had a very difficult year and most of the companies struggled in the period.

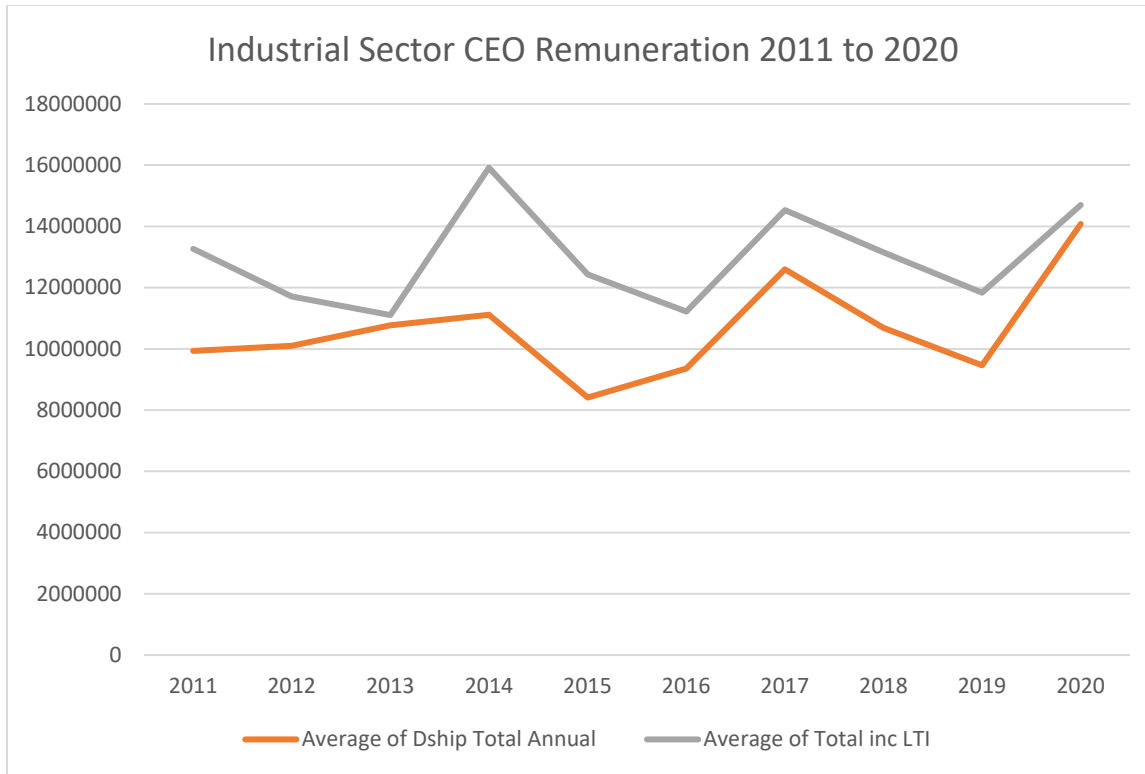


Figure 70 Industrial Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

Despite significant loss, the outgoing Joint CEO of Sasol, Stephen Cornel, received a total remuneration of ZAR 68.7 million, which includes an LTI payment of ZAR 1.9 million, salary of ZAR 20 million, and cash bonus of ZAR 24 million in the 2020 financial year. The other outgoing Joint CEO, Bongani Nqwababa, received a total remuneration of ZAR 27.3 million in the same period and became the second-highest earner in our sample. Mark Dytor of AECI received a total remuneration of ZAR 13.7 million, which includes an LTI payment of ZAR 2.7 million. Mteto Nyati of Altron also received a total remuneration of ZAR 14.6 million.

On average, from 2019 to 2020, the total executive director and non-executive director’s remuneration increased by 7.9% and 28.5%, respectively (see *Figure 9 and 10*

Industrial Sector CEO Remuneration 2020

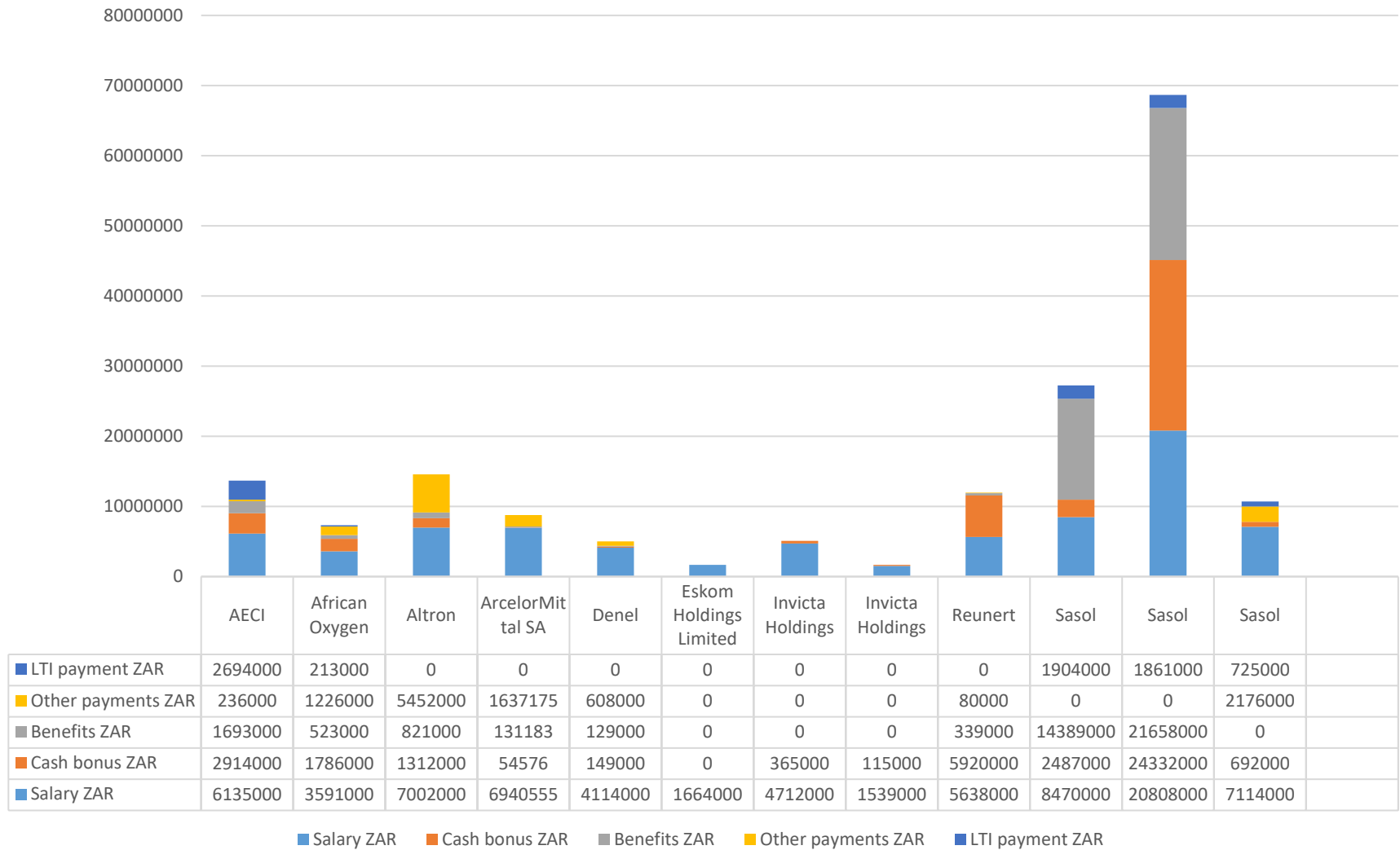


Figure 71 Industrial Sector CEO Remuneration 2020

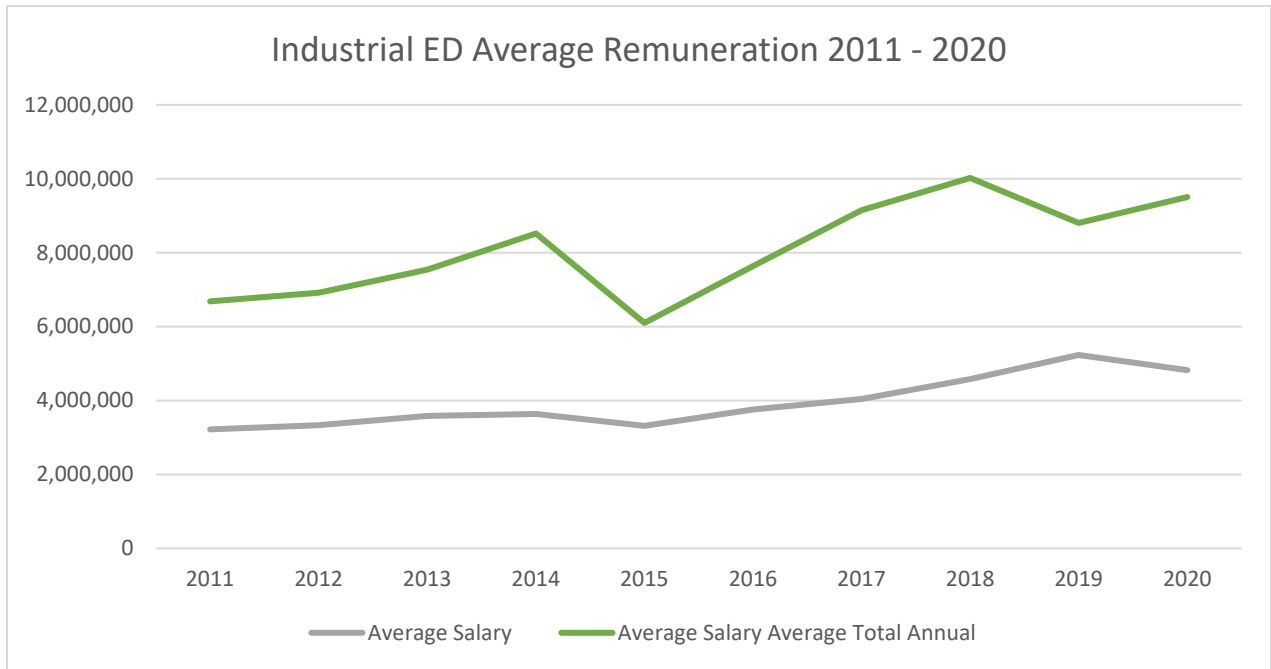


Figure 72 Industrial Sector Executive Director Remuneration 2011 to 2020

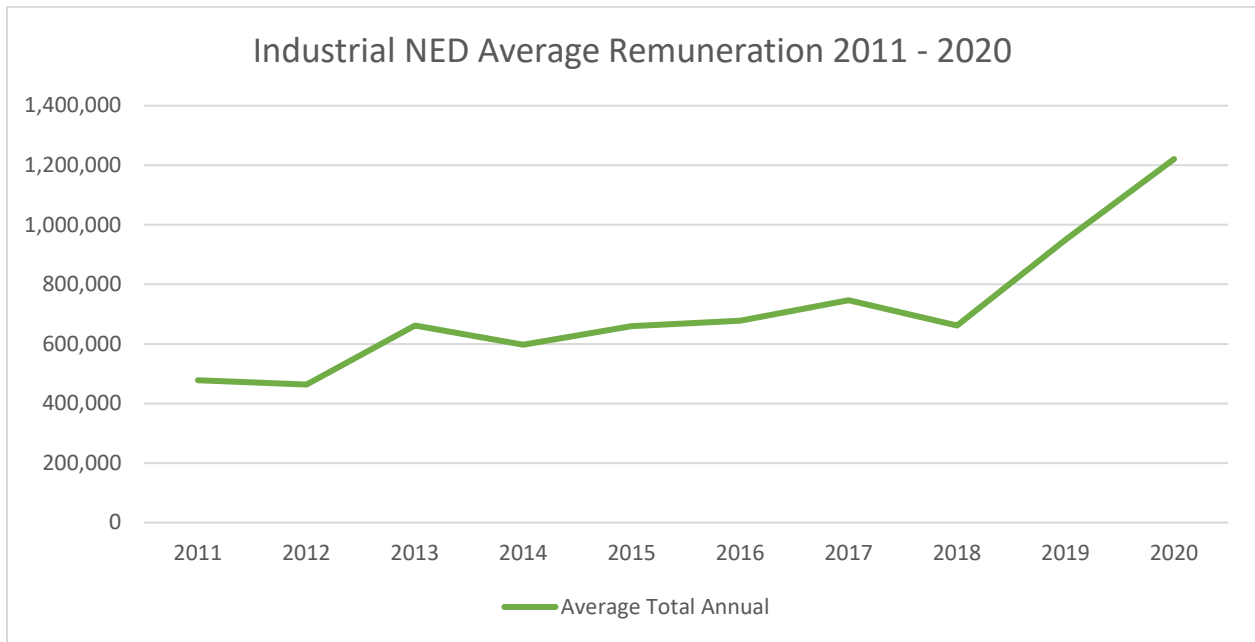


Figure 73 Industrial sector NED Average Total Annual Remuneration 2011 to 2020

Sector Report: Mining

Introduction

The JSE lists twenty-three companies in this sector. Our sample lists thirteen of these companies, making it a representative sample of 57%. The companies are:

African Rainbow Minerals
Anglo American Platinum
Anglo American plc
AngloGold Ashanti
BHP Billiton
Exxaro
Glencore Xstrata
Gold Fields
Harmony Gold
Impala Platinum
Kumba Iron Ore Limited
Petra Diamonds
Sibanye Gold (now Sibanye-Stillwater)

The South African mining industry employed 514 859 individuals in 2019.³⁷ These make the mining sector a vital industry for the LRS to monitor. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the high remuneration packages received by directors in this sector.

³⁷<http://www.statssa.gov.za/?p=14682#:~:text=Employment%20has%20gone%20up%2C%20but%20not%20for%20mine%20employees&text=The%20South%20African%20mining%20industry,20%20in%20the%20gold%20sector.>

The Sector

With high employments numbers, the mining sector in South Africa is a key socio-economic contributor.³⁸ However, over the past 26 years, there has been a steep decline in the number of active, publicly listed mining companies on the JSE. The sector has a multitude of problems, including policy uncertainty, high costs and unreliable power supply.³⁹

The sector is also not unscathed by the COVID-19 pandemic. According to recent indications by the Minerals Council South Africa, the total impact of Covid-19 could ultimately result in a year-on-year South African mining decline of over 25%. The outcome of such dramatic production declines, coupled with several operations being placed on hold, has resulted in liquidity challenges for several companies.⁴⁰ In a recent report by the accounting firm, PricewaterhouseCoopers (PwC), the firm warns that losses incurred by companies from suspended operations due to the impact of the Covid-19 may create opportunities for big companies to buy the assets of struggling companies.⁴¹

Safety of workers in this sector is also a big concern: ‘provisional number of reported fatalities and injuries for 2021 stands at 58 and 1 810’.⁴² South African Minister of Mineral Resources and Energy Gwede Mantashe has called on the sector to ‘prioritise the safety of workers’.

Financials

Revenue

Glencore Xstrata is the biggest company by revenue in our sample from the mining sector. The company reported revenue of ZAR 2 trillion in the 2020 financial year, as shown in figure 1 below. This value is a 34% decrease from the 2019 financial year revenue. Among other things, Glencore attributes this to the impact of the Covid-19 pandemic. In terms of revenue, BHP Billiton and

³⁸ <https://www.miningreview.com/coal/decarbonising-south-africas-mining-sector/>

³⁹ <https://www.dailymaverick.co.za/article/2021-11-23-the-decline-of-south-africas-mining-sector-in-five-charts/>

⁴⁰ <https://www.pwc.co.za/en/assets/pdf/sa-mine-2020.pdf>

⁴¹ <http://www.pwc.co.za/mining>

⁴² <https://allafrica.com/stories/202111260300.html>

Anglo American plc are also big players in the mining sector with revenues of ZAR 715 billion and ZAR 441 billion respectively in 2020.

Petra Diamonds, the smallest company in our sample, reported a 26.6% decrease in revenue for the 2020 financial year. Even with the impact of the covid-19 pandemic, most companies in our sample reported a significant increase in revenue. Compared to 2019, Anglo American Platinum's revenue increased by 38.4%, Sibanye Gold's revenue increased by 74.7%, Impala Platinum increased by 43.6%, and the revenue of African Rainbow Minerals increased by 29.1%. However, the impact may be more prevalent in the 2021 financials as some year ends occurred before the worst of the pandemic effects could impact the sector.

Figure 2 shows a pie chart of the companies in our sample by revenue. This chart clearly shows the size of the sample market that each company has by revenue. Three companies (Glencore Xstrata, BHP Billiton, and Anglo American plc) have a total revenue share of 84%. *Figures 3a* and *3b* show that only Glencore Xstrata and Petra Diamonds reported decreased revenue compared to the previous year. From the graph below (*see Figure 4*), we see that the average revenue has declined since 2018.

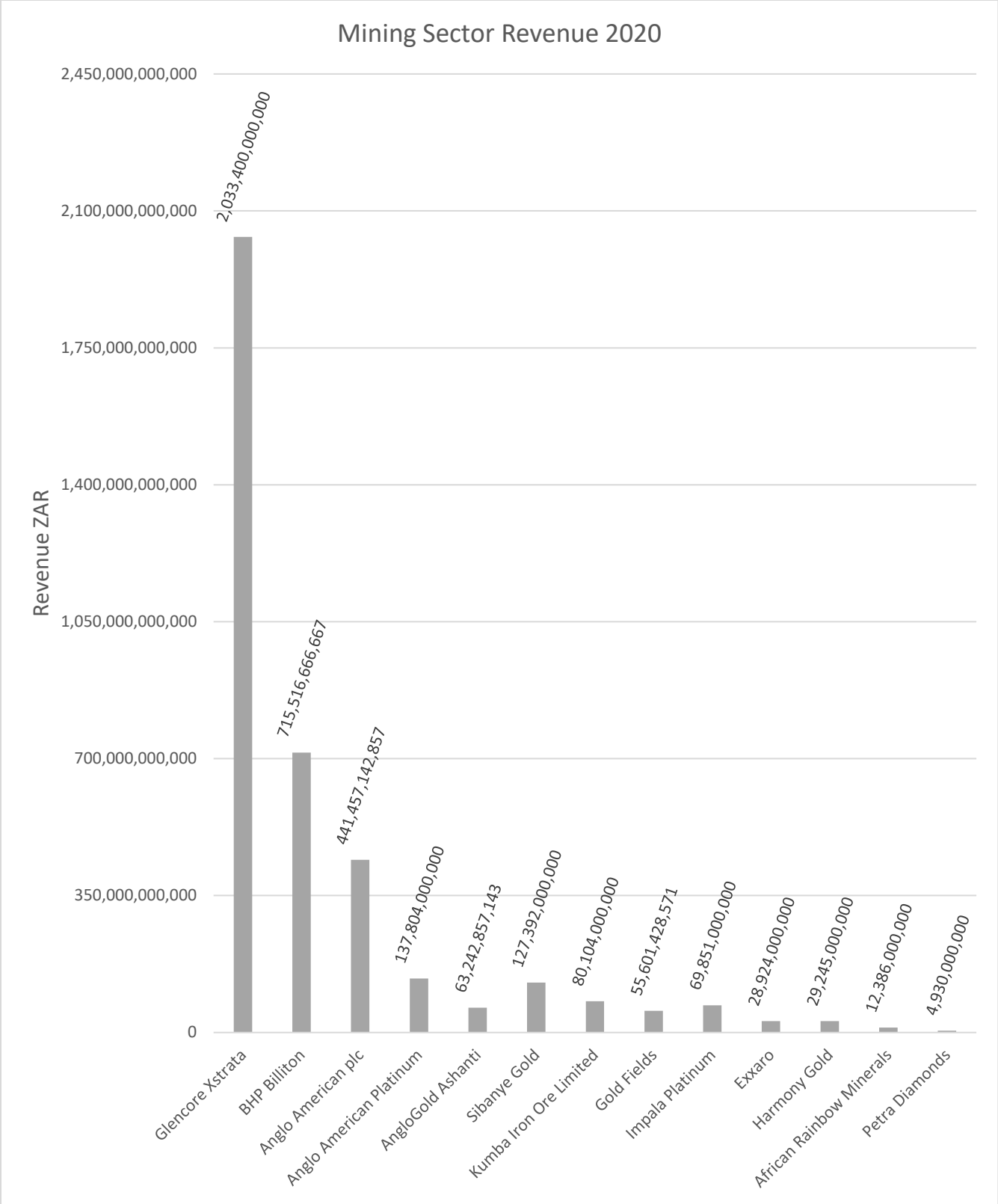


Figure 74 Mining Sector Revenue 2020

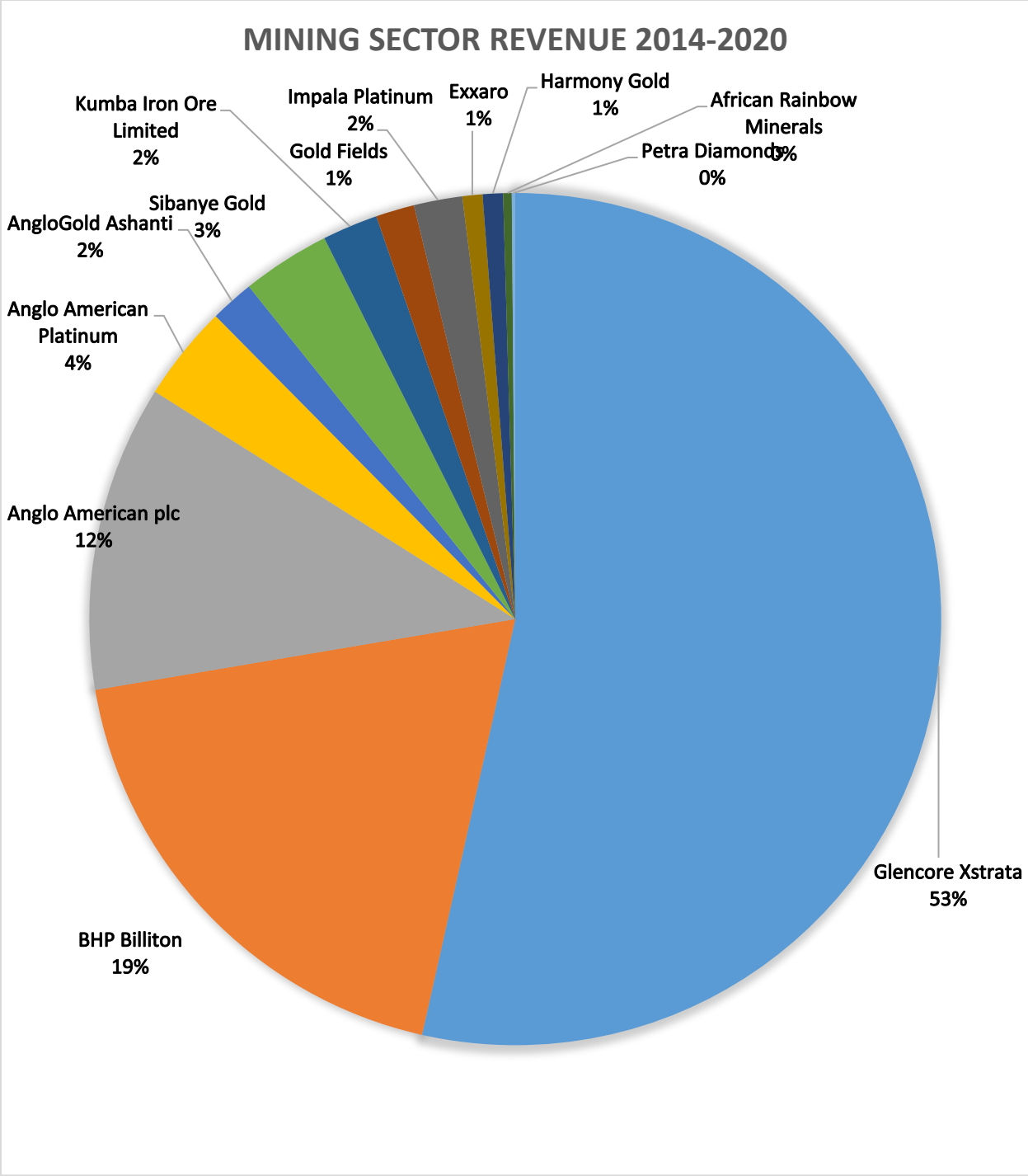


Figure 75 Mining Sector Revenue Pie Chart 2020

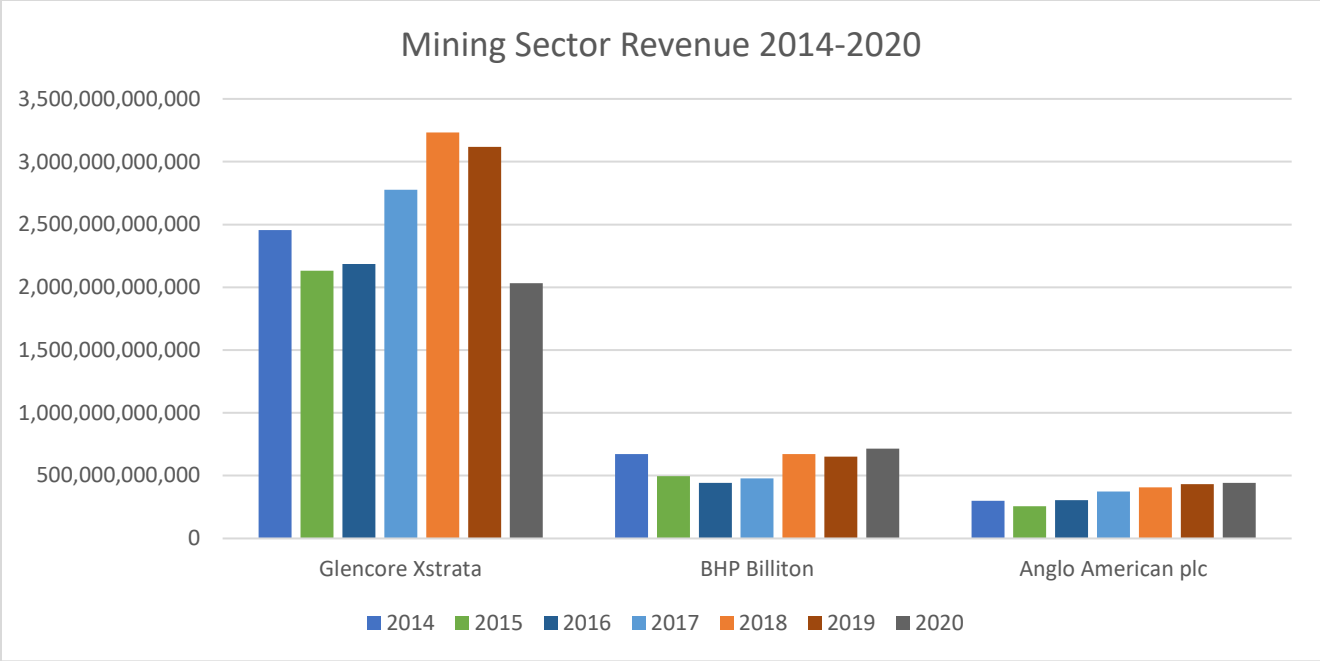


Figure 3a: Mining Sector Revenue 2014 to 2020

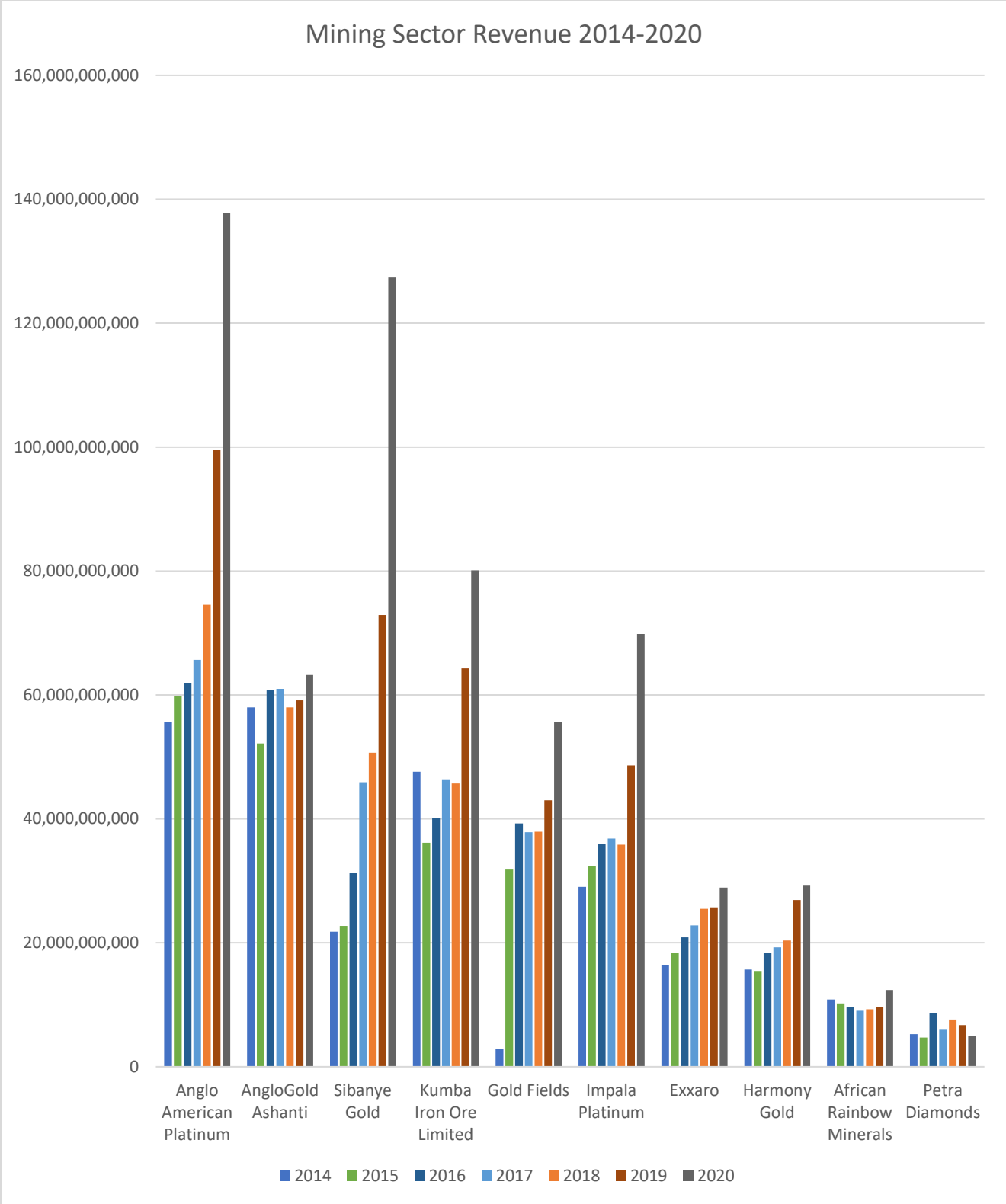


Figure 3b: Mining Sector Revenue 2014 to 2020



Figure 76 Mining Sector Average Revenue 2012 to 2020

Profit before Tax

BHP Billiton reported a significant Profit before Tax of ZAR 225 billion for the 2020 financial year and is the biggest earner in the sample for 2020. Compared to the previous year, the 2020 Profit before Tax for Kumba Iron Ore Limited, Anglo American Platinum and African Rainbow Minerals increased by 40.8%, 61,5% and 90,5%, respectively. In 2019 Sibanya Gold reported a Loss before Tax of ZAR1,3 billion. In 2020, the company reported a PBT of ZAR 35 million, recovering from the loss in 2019.

Also, in 2020 Impala Platinum had a 598% increase in PBT compared to the previous year. On average, reported 2020 PBT for the thirteen companies in our sample went down by over 23.2%. The figures below show the volatility of the sector with companies turning from profit to loss quickly.

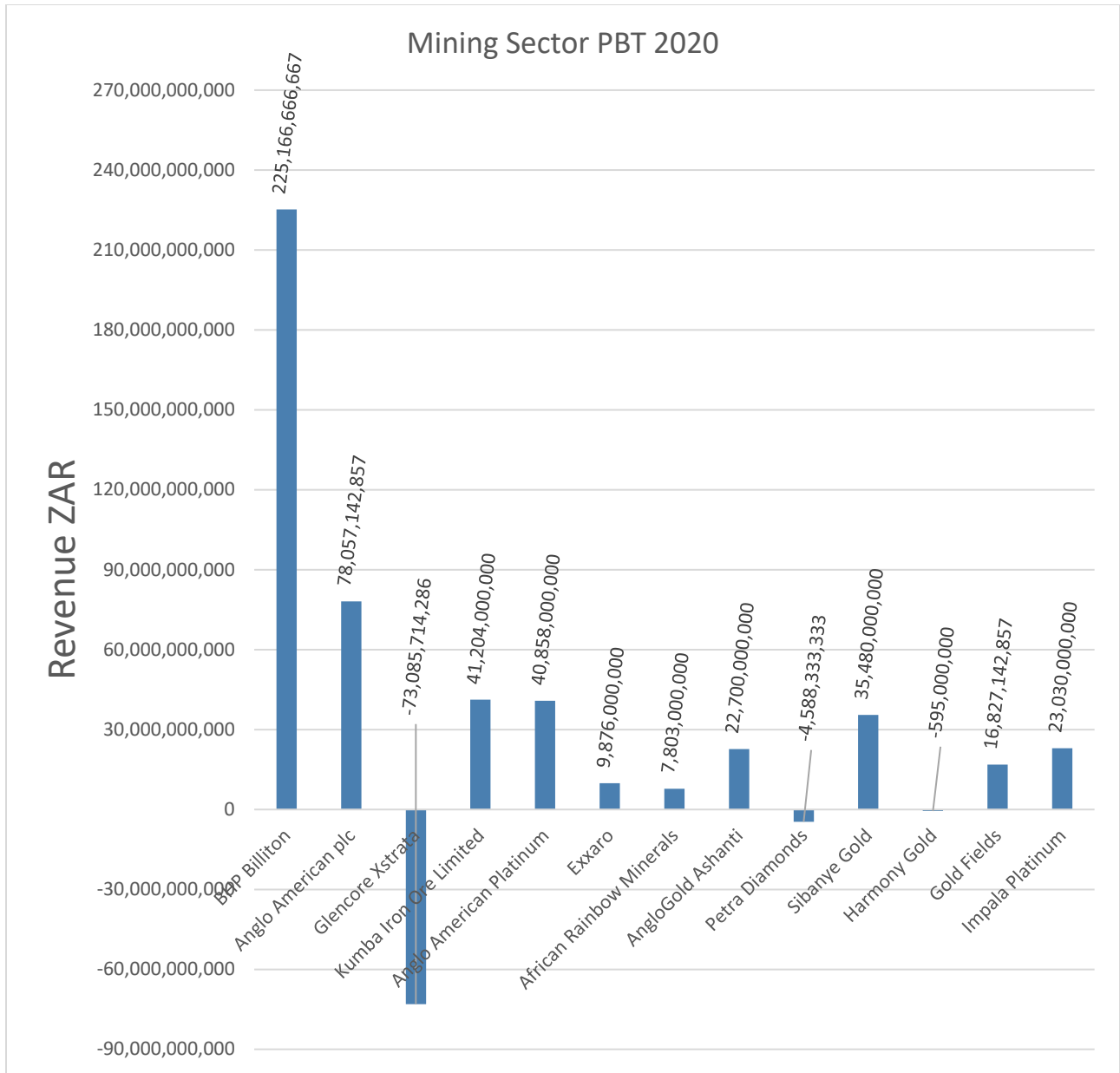


Figure 77 Mining sector Profit before Tax 2020

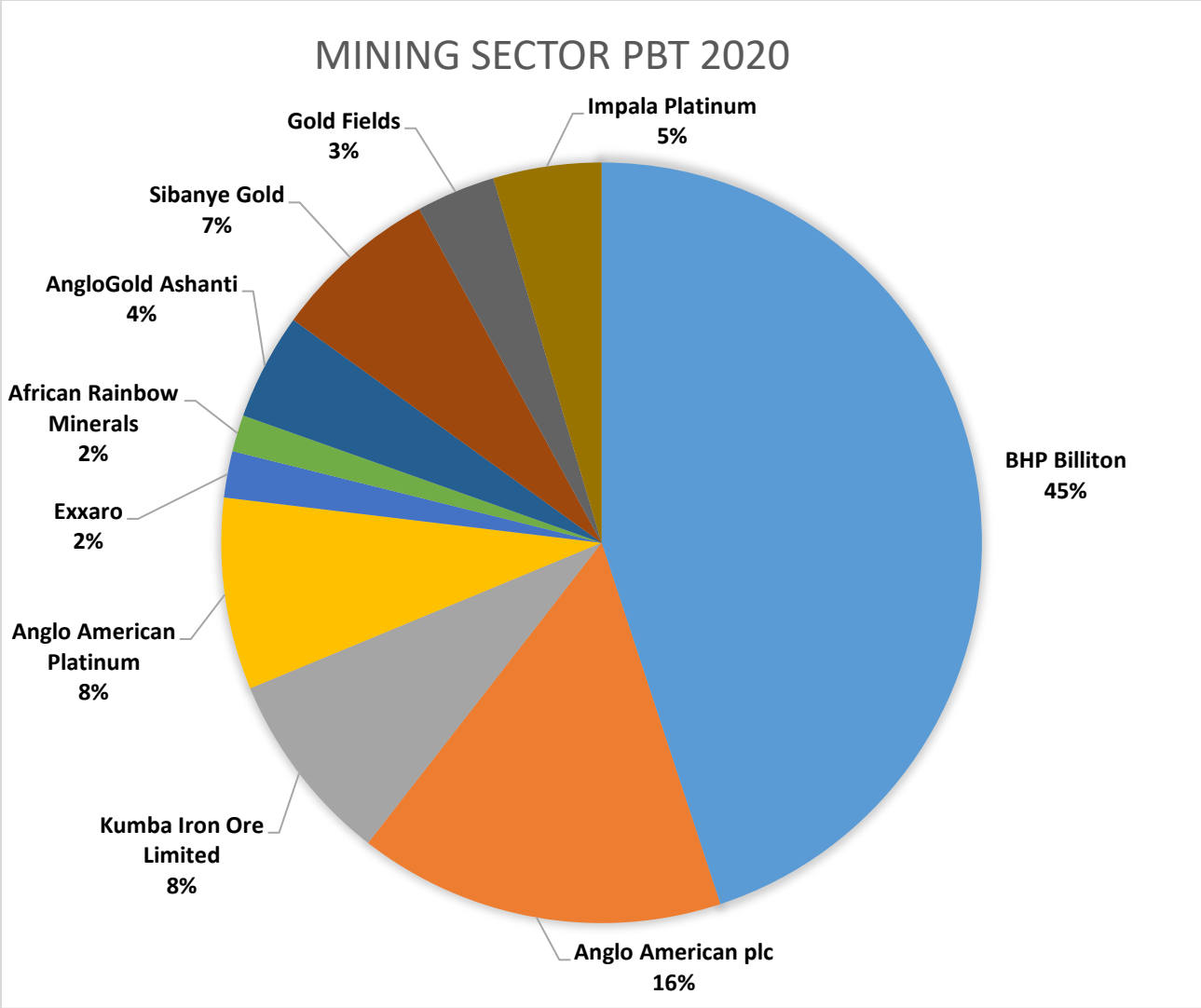


Figure 78 Mining sector Profit before Tax 2020

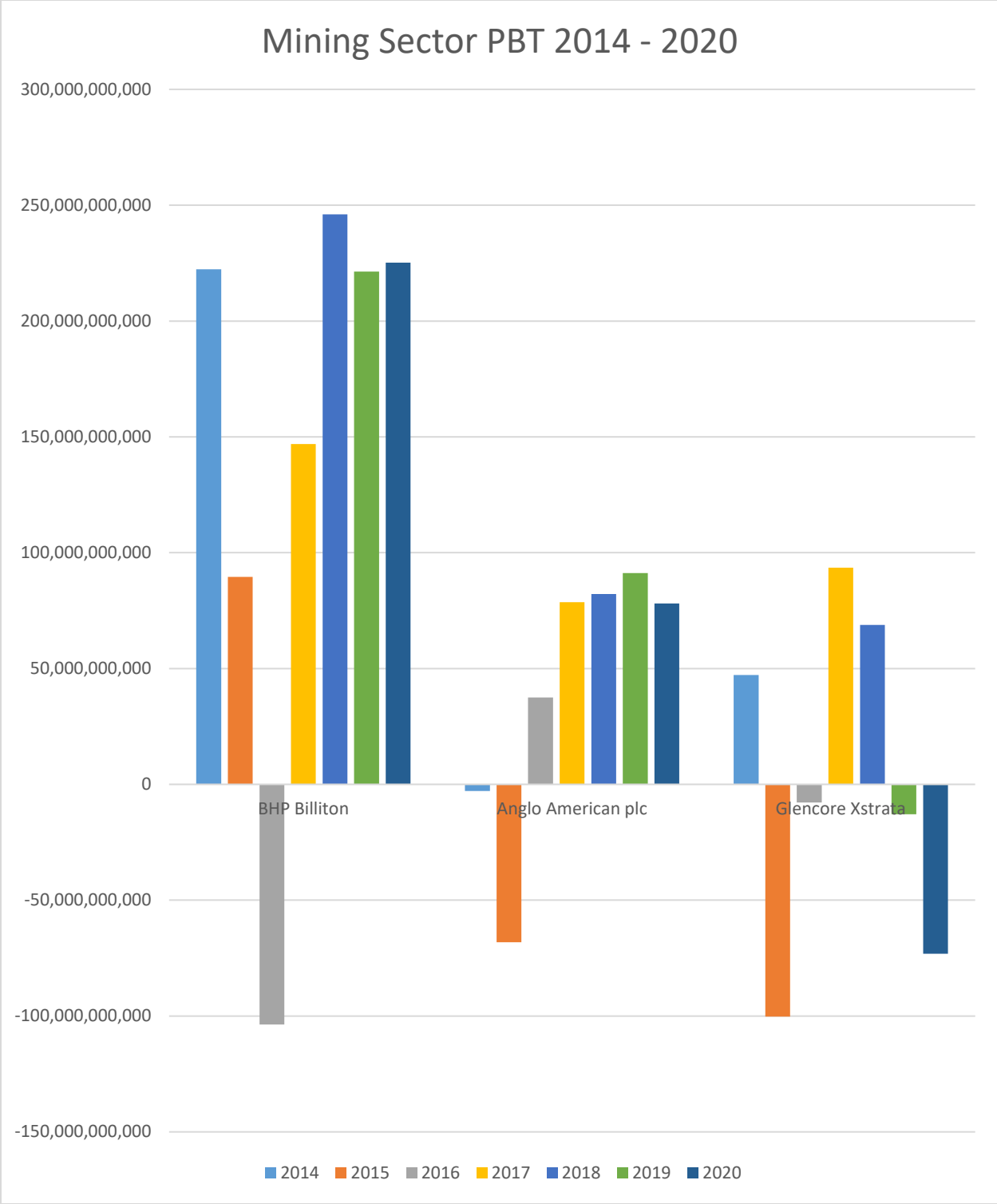


Figure 79b Mining sector Profit before Tax 2014 to 2020

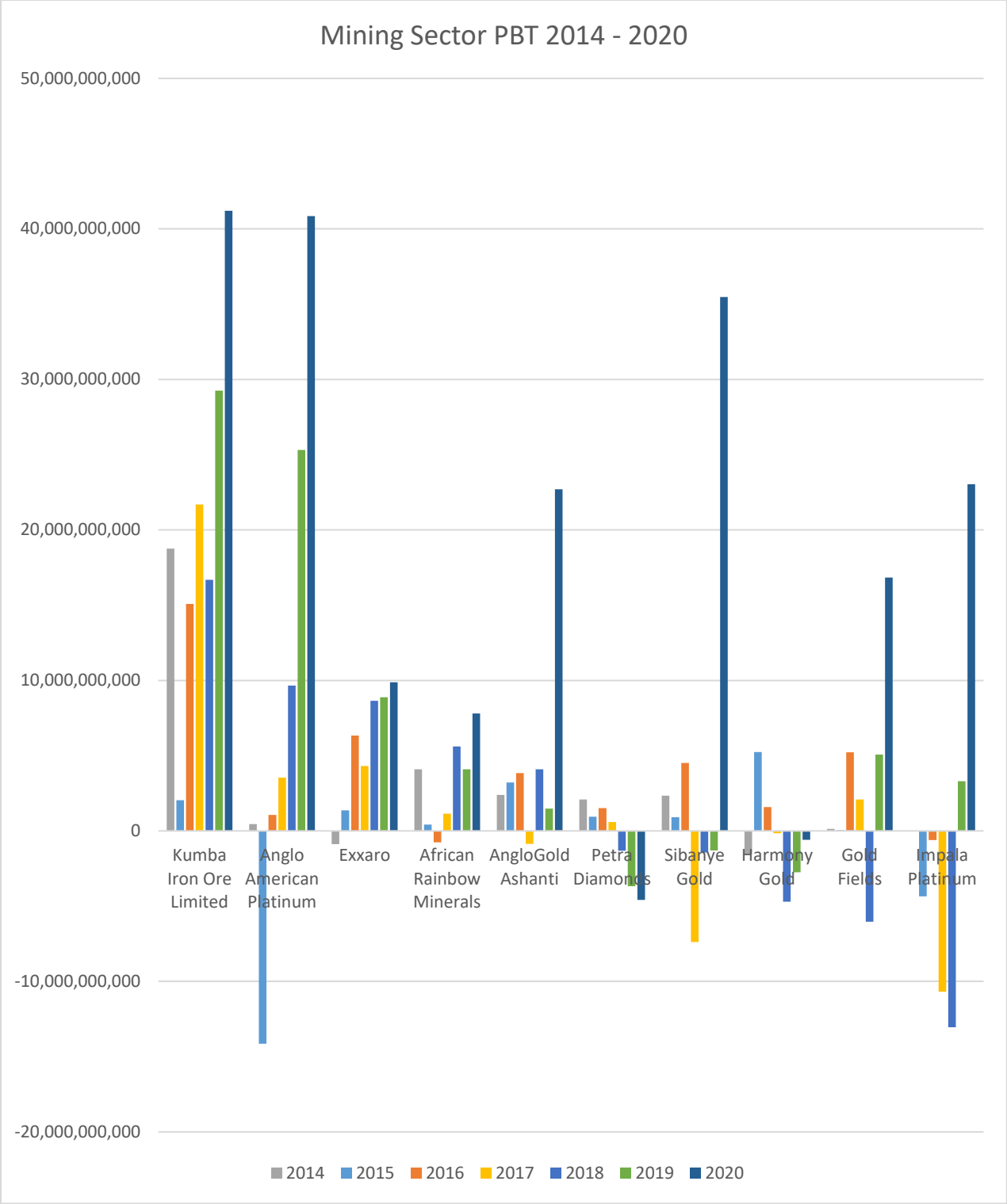


Figure 80a Mining sector Profit before Tax 2014 to 2020

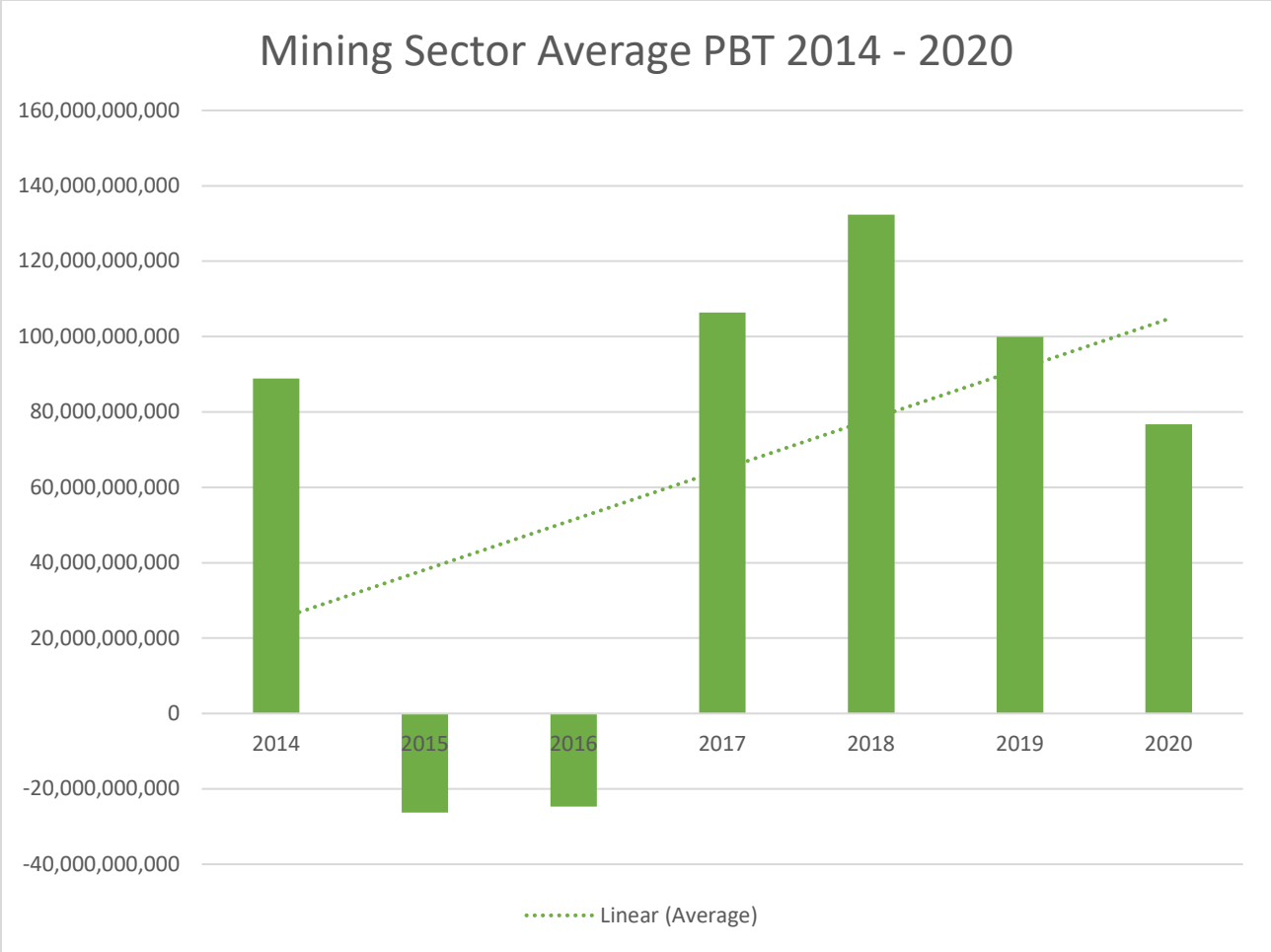


Figure 81 Mining Sector Average PBT 2014 to 2020

Directors’ Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last ten years for the thirteen companies in our sample. The average CEO pay excluding LTI for all the companies in this sector was ZAR 32 million in 2020. When looking at *Figure 9*, we see that 2020 showed a large gap between the average total remuneration without LTI and total remuneration including LTI. This is because large LTIs were paid to Mark Cutifani of Anglo American plc and Andrew Mackenzie of BHP Billiton in 2020.



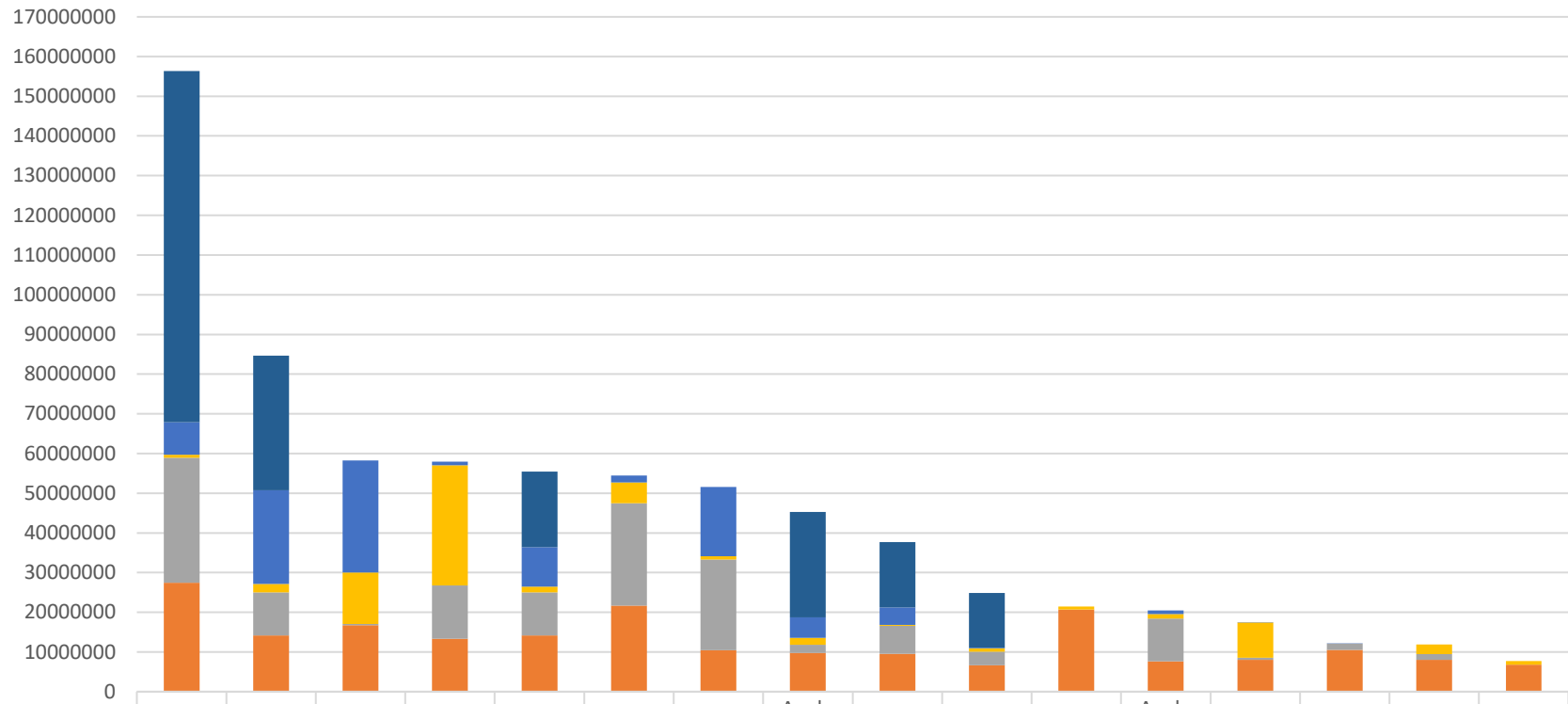
Figure 82 Mining Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

Anglo American Platinum reported that Natascha Viljoen resumed as CEO on 16 April 2020 in place of Chris Griffith. Viljoen received ZAR 20 million in the 2020 financial year, while Griffith received ZAR 45 million. On 30 July 2020, AngloGold Ashanti announced that Mr Kelvin Dushnisky would step down as Chief Executive Officer (CEO), effective 1 September 2020. The board announced that Mrs Christine Ramon, the Chief Financial Officer (CFO), was appointed Interim CEO. Dushnisky received a total remuneration of ZAR 54.5 million, while Ramon received ZAR 51.6 million for the 2020 financial year.

Mark Cutifani of Anglo American plc received the highest CEO remuneration. He received a total of ZAR 156 million. He is followed by Andrew Mackenzie, who retired as CEO of BHP Billiton. Mackenzie was paid a total remuneration of ZAR 84.7 million in 2020. On average, from 2019 to 2020, the total executive director’s remuneration decreased by 15.7%, while the non-executive director’s remuneration increased by 7.2% (see *Figures 11 and 12*

Mining Sector CEO Remuneration 2020



	Anglo American plc	BHP Billiton	Gold Fields	Sibanye Gold	BHP Billiton	AngloGold Ashanti	AngloGold Ashanti	Anglo American Platinum	Kumba Iron Ore Limited	Exxaro	Glencore Xstrata	Anglo American Platinum	African Rainbow Minerals	Impala Platinum	Harmony Gold	Petra Diamonds
■ LTI Payment	88520000	33966667	0	0	19050000	0	0	26562626	16473000	13751712	0	0	0	0	0	0
■ Other	8140000	23583333	28274286	940000	9900000	1759000	17437000	5166719	4330000	141586	0	856634	138000	19000	0	0
■ Benefits	820000	2066667	12918571	30292000	1433333	5266000	834000	1736949	269000	906086	814286	1134439	8869000	0	2433000	887120
■ Cash Bonus	31480000	10883333	310000	13405000	10883333	25809000	22852000	2039524	7041000	3415080	0	10837846	537000	1601000	1454000	0
■ Salary	27420000	14166667	16774286	13336000	14166667	21657000	10458000	9778971	9550000	6620730	20671429	7605506	7996000	10556000	8034000	6798000

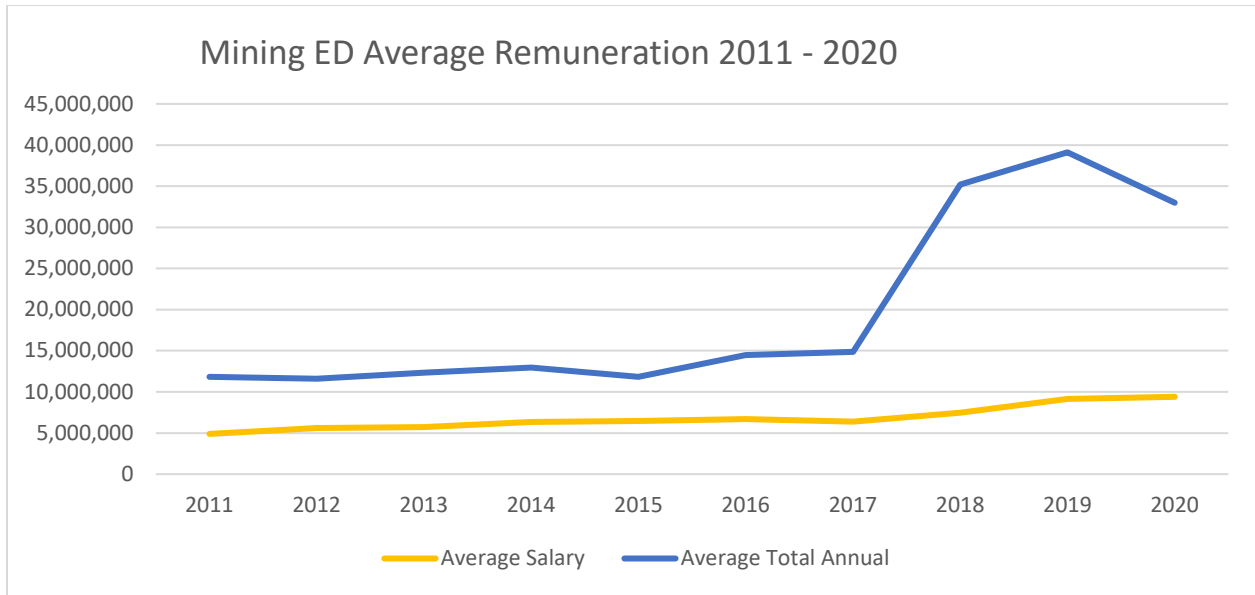


Figure 83 Mining Sector Executive Director Remuneration 2012 to 2020

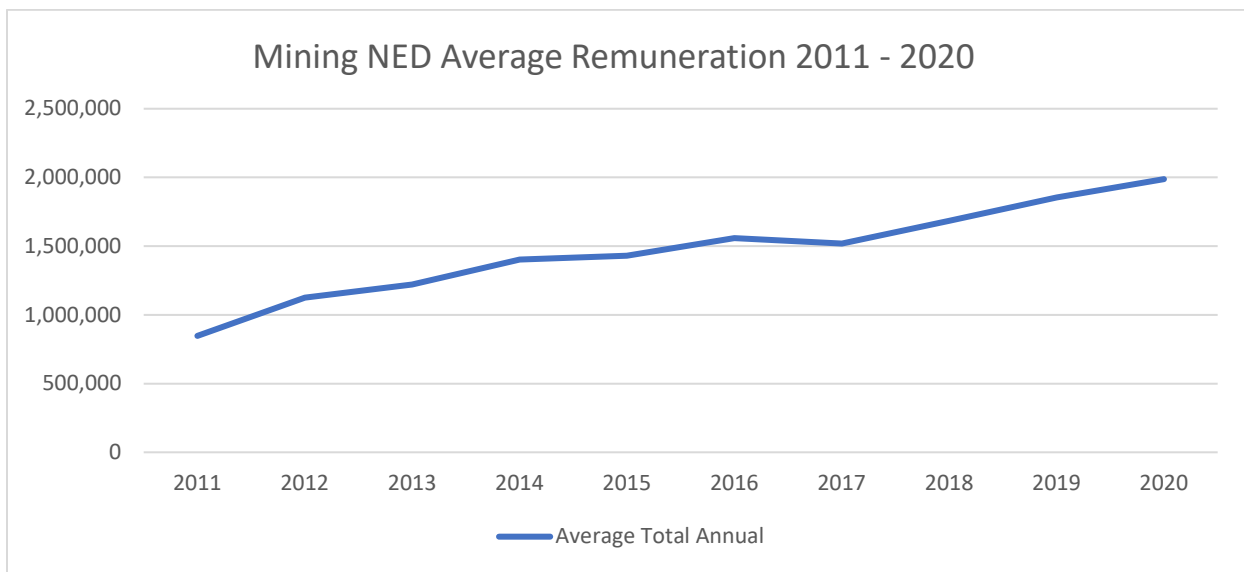


Figure 84 Mining sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: PAPER & PACKAGING

Introduction

Both Mondi Group and Sappi fall within the forestry and paper sector on the JSE, while Nampak limited falls within general industrials. There are only four companies listed on the JSE in the forestry and paper sector, and the LRS's sample represents two of these four

Firstly, this report takes a look at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the remuneration packages received by directors in this sector.

The Sector

Over the course of the last year and a half, COVID-19 has caused a significant slowdown in world trade and disrupted global supply chains. In addition to these disruptions, South Africa's national lockdowns over the course of 2020 and 2021 have severely impacted businesses.

The South Africa Paper packaging market, however, is expected to grow at around 5% during 2021 to 2026. The stoppage of production during the COVID-10 pandemic led to a low market growth rate.⁴³ The market is moderately competitive, consisting of a few global and regional companies.

Financials

Revenue

On average, the list of companies in our sample reported a 1% increase in revenue in what could be termed one of the most difficult years in business (however, some companies' 2020 financial year end did come before the worst of the pandemic could be felt, and these effects will be more easily seen in 2021 financials).

⁴³ <https://www.mordorintelligence.com/industry-reports/south-africa-paper-packaging-market>

Mondi Group reported a 14% increase in revenue, while Sappi reported a 12% decrease in revenue. Nampak reported the largest drop in revenue at 23%, from over ZAR 14 billion to ZAR 11 billion.

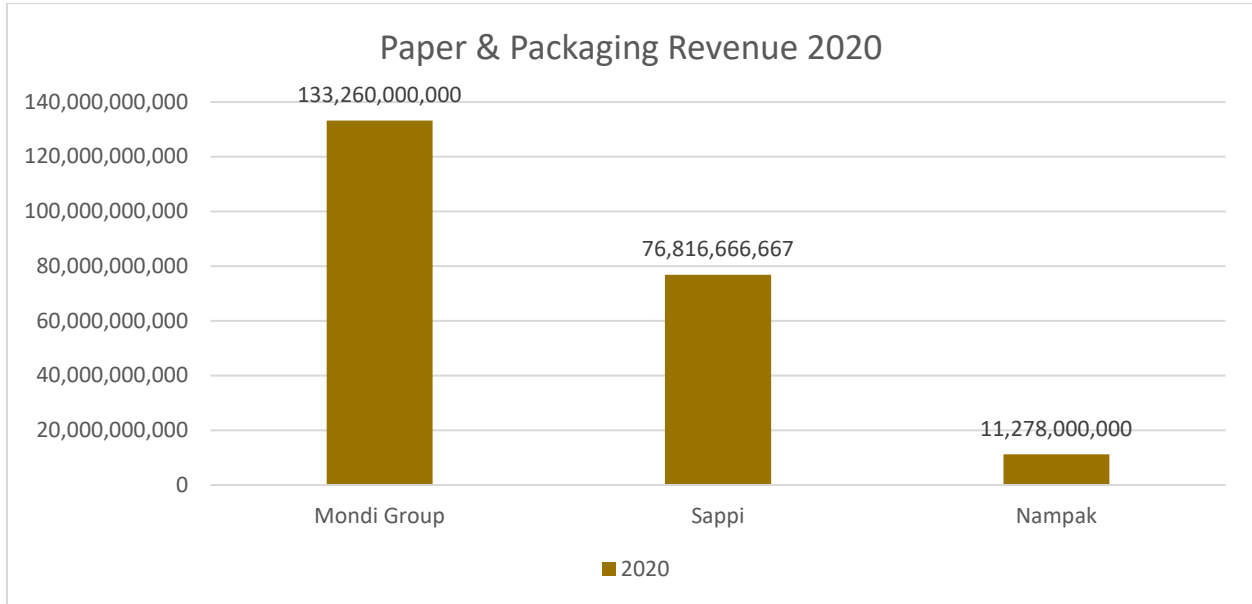


Figure 85 Paper & Packaging Sector Revenue 2020

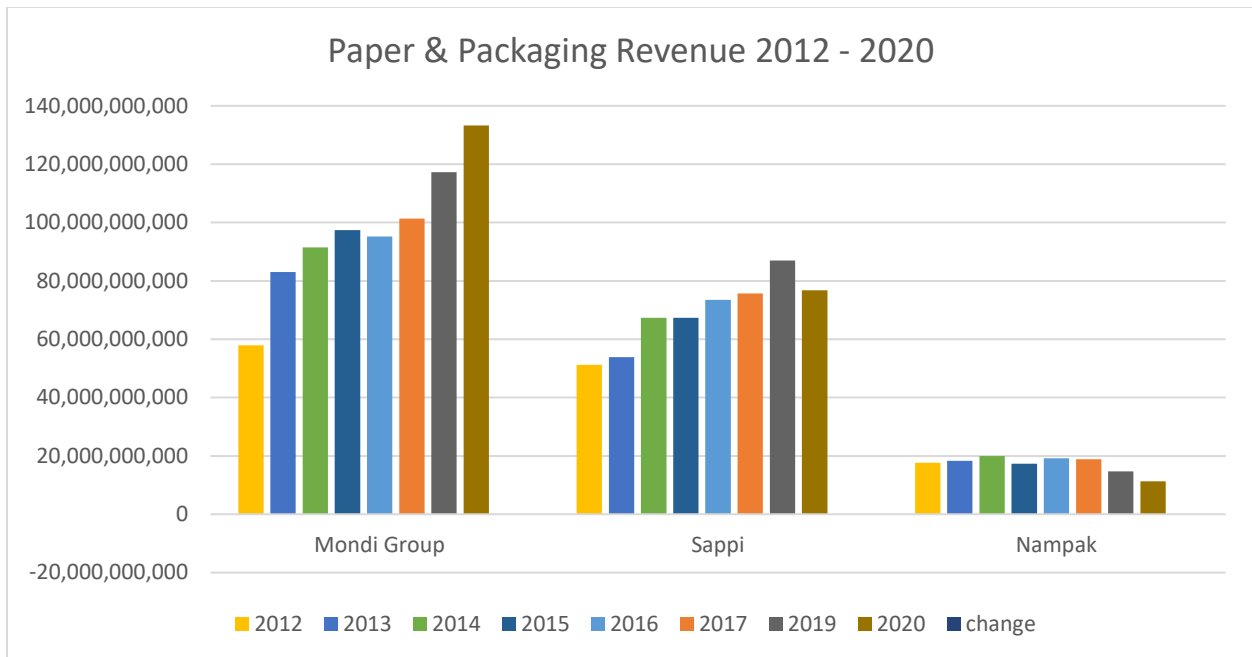


Figure 86 Paper & Packaging Sector Revenue 2012 to 2020

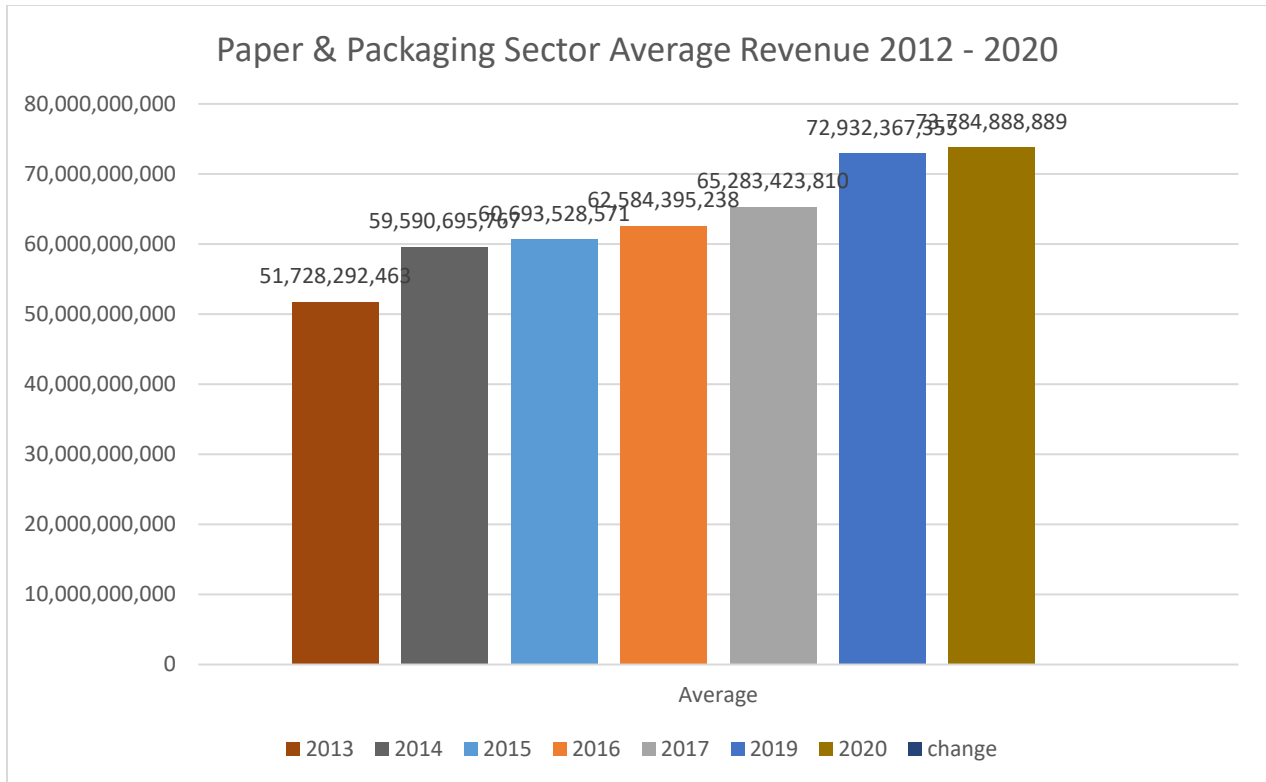


Figure 87 Paper & Packaging Sector Average Revenue 2012 to 2020

Profit before Tax

In 2020, Profit before Tax in this sector took a big hit. On average, reported PBT went down by over 45%. All three companies in the sample reported significant losses. Mondi group lost about 8% of PBT, but Sappi reported its first loss in at least 6 years – of over ZAR 2 billion.

Nampak reported a loss of over ZAR 4 billion for the same time period. Nampak attributed this loss to impairments of businesses in Nigeria, Angola and South Africa, as well as currency devaluation in Zimbabwe. The loss of over ZAR 1 billion in Angola was attributed to ‘depressed consumer demand, resulting from the significant fall in the oil price, lagging wage inflation, changes in pricing dynamics, Covid-19 and other risks, as well as an increased weighted average cost of capital’.⁴⁴ Nampak has identified some assets that they will sell in order to recuperate these losses.

⁴⁴ https://www.engineeringnews.co.za/article/nampak-posts-r283m-operating-loss-2020-12-01/rep_id:4136

Sappi's losses were attributed mainly to the effects of the COVID-19 pandemic on supply chains and costs. CEO Binnie is optimistic about the company's ability to bounce back after the losses by looking in to the expanding certain parts of the business.

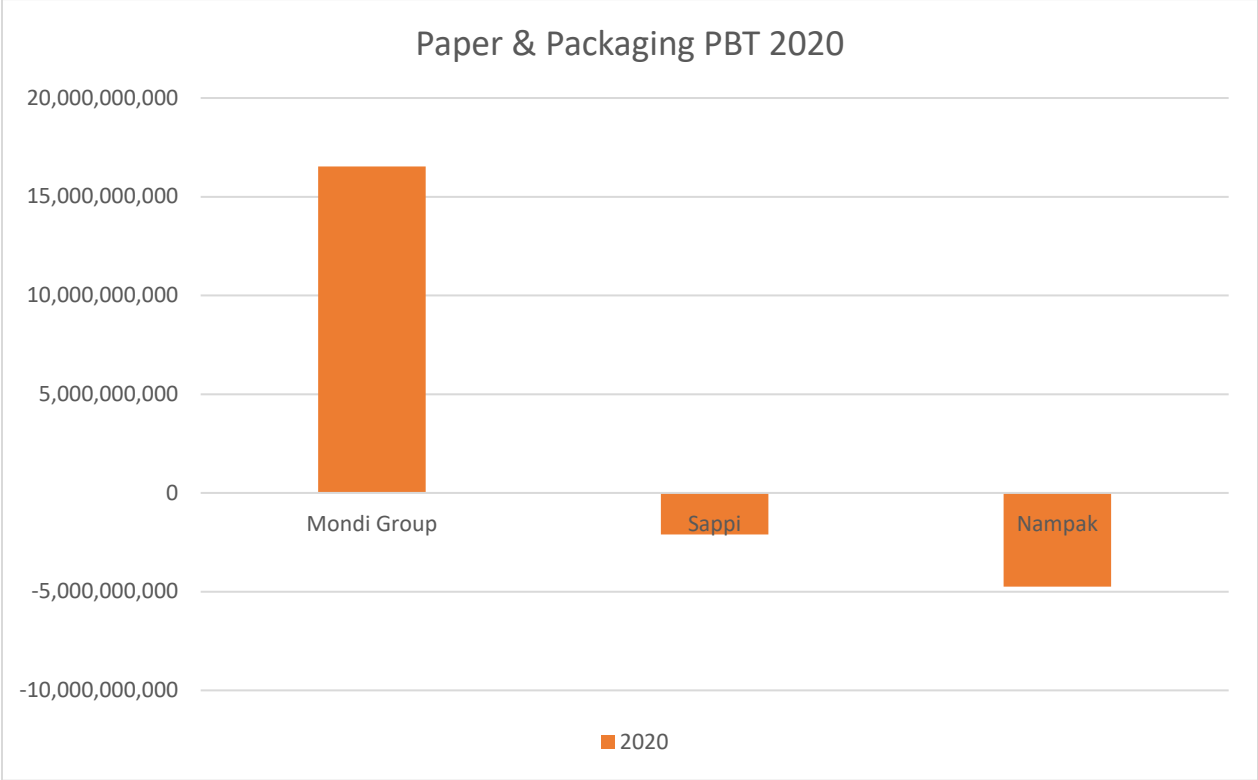


Figure 88 Paper & Packaging Sector Profit before Tax 2020

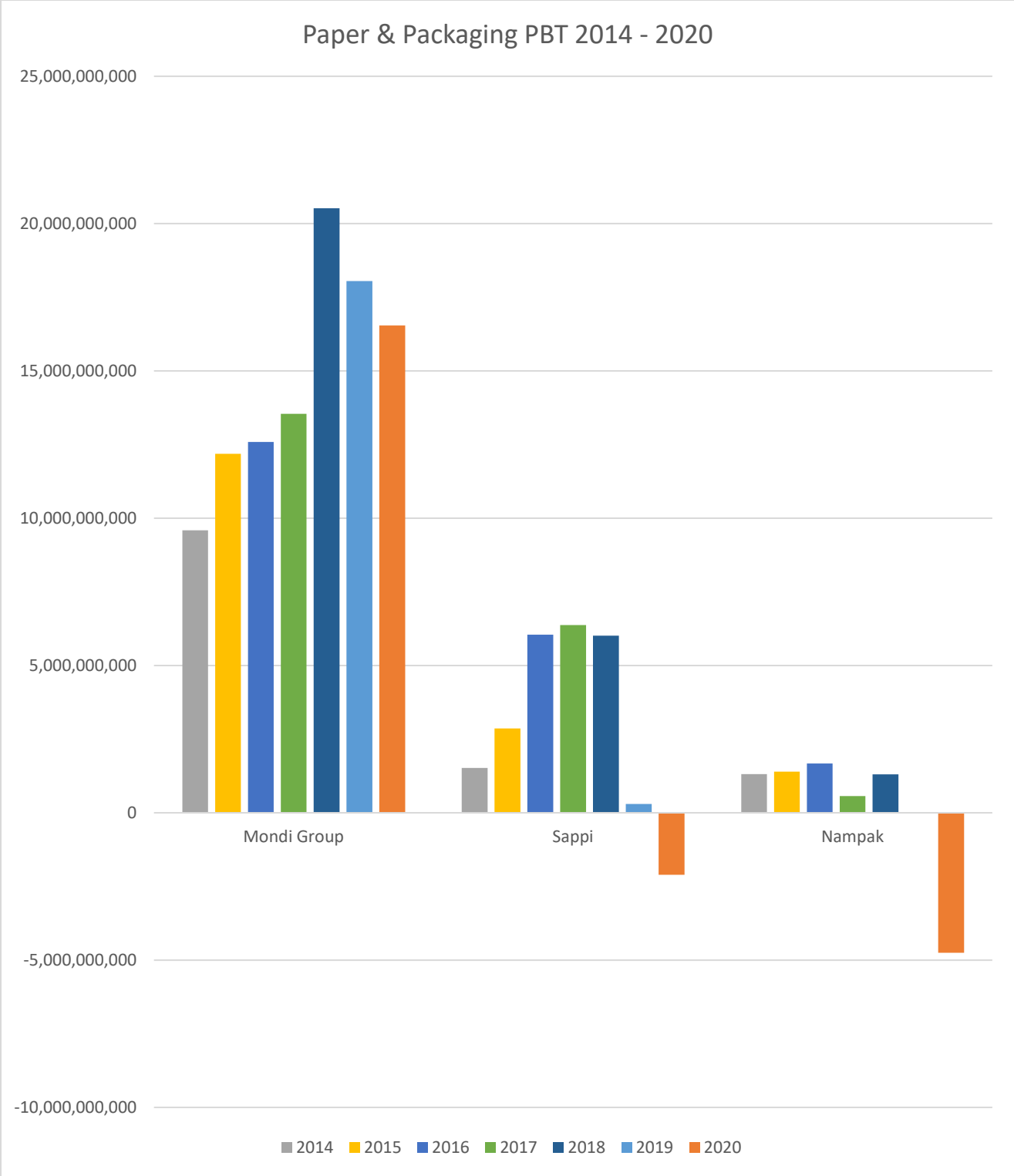


Figure 89 Paper & Packaging Sector Profit before Tax 2014 to 2020

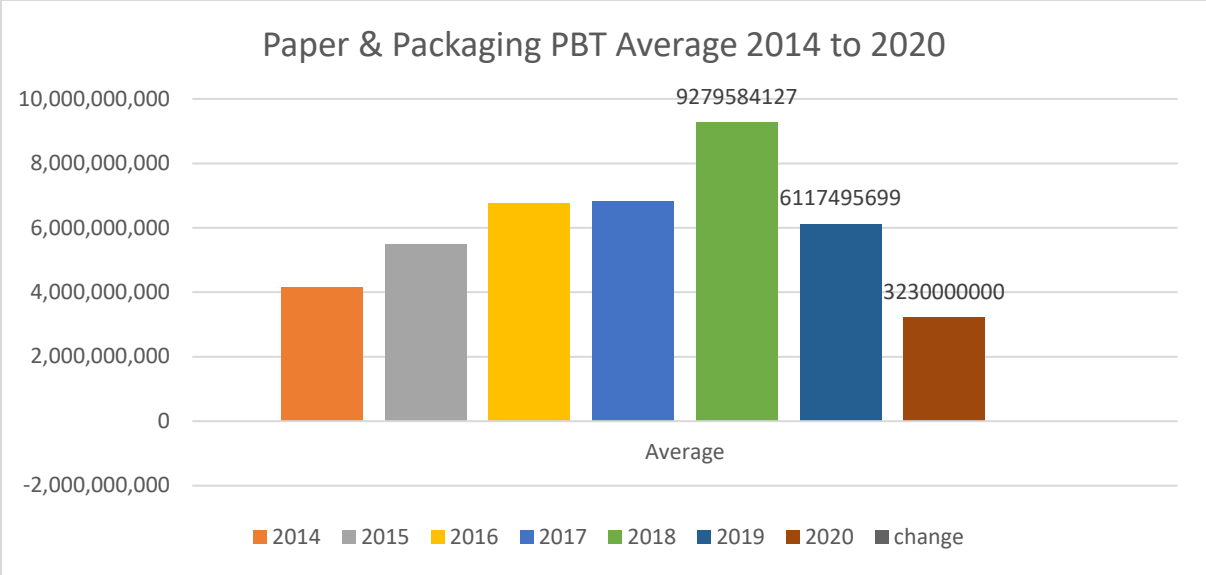


Figure 90 Paper & Packaging Sector Average PBT 2014 to 2020

Directors’ Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the Paper & Packaging sector, and our sample specifically, we see the general trend over time being flat, with a large spike in 2017 when the CEO of Mondi Group received a large remuneration package. Salaries do not seem to be increasing at a high rate, reflecting the slow market growth of the sector. LTIs also are not traditionally very high in this industry.

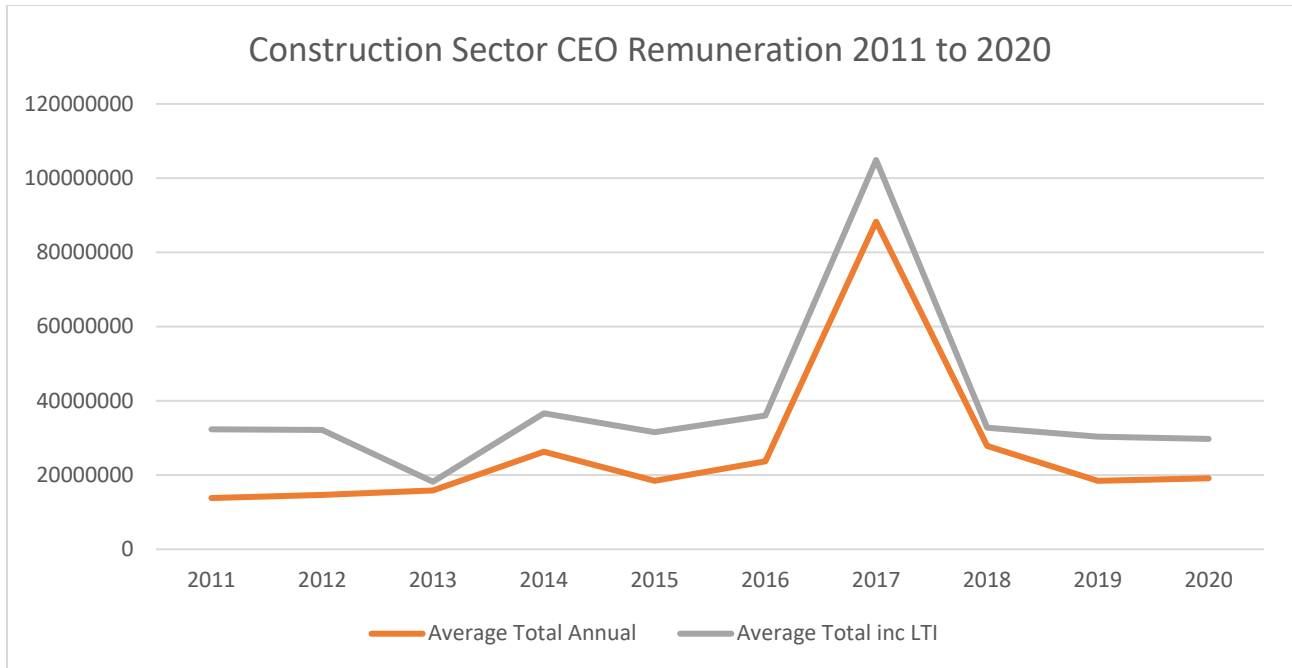


Figure 91 Paper & Packaging Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In the Paper & Packaging sector, the CEO of Mondi Group (Oswald) was replaced by new incoming CEO Andrew King on 1 April 2020. Both received good remuneration packages, with King's package being a total of over ZAR 54 million, inclusive of a ZAR 11 million LTI and a salary of ZAR 19 million. On average, CEO remuneration went down around 2% from 2019 to 2020.

Smuts, CEO of Nampak, received total remuneration of ZAR 10 million, and CEO of Sappi, Binnie, received remuneration of ZAR 21 million, inclusive of an LTI of ZAR 10million (despite the company reporting a loss for the year).

On average, executive remuneration went down just over 3% from 2019 to 2020. Non-executive remuneration went up by about 20% in the same period.

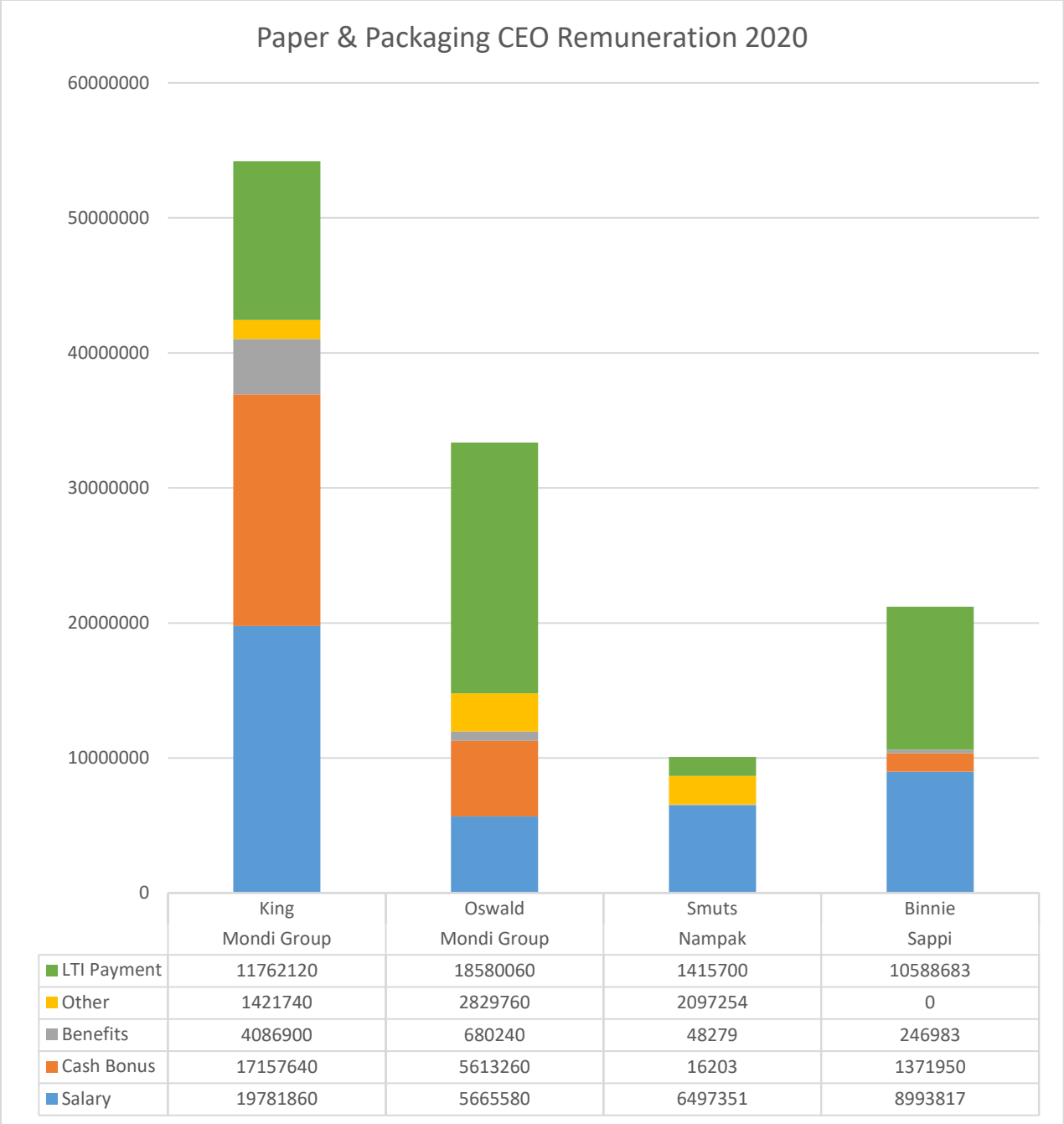


Figure 92 Paper & Packaging Sector CEO Remuneration 2020

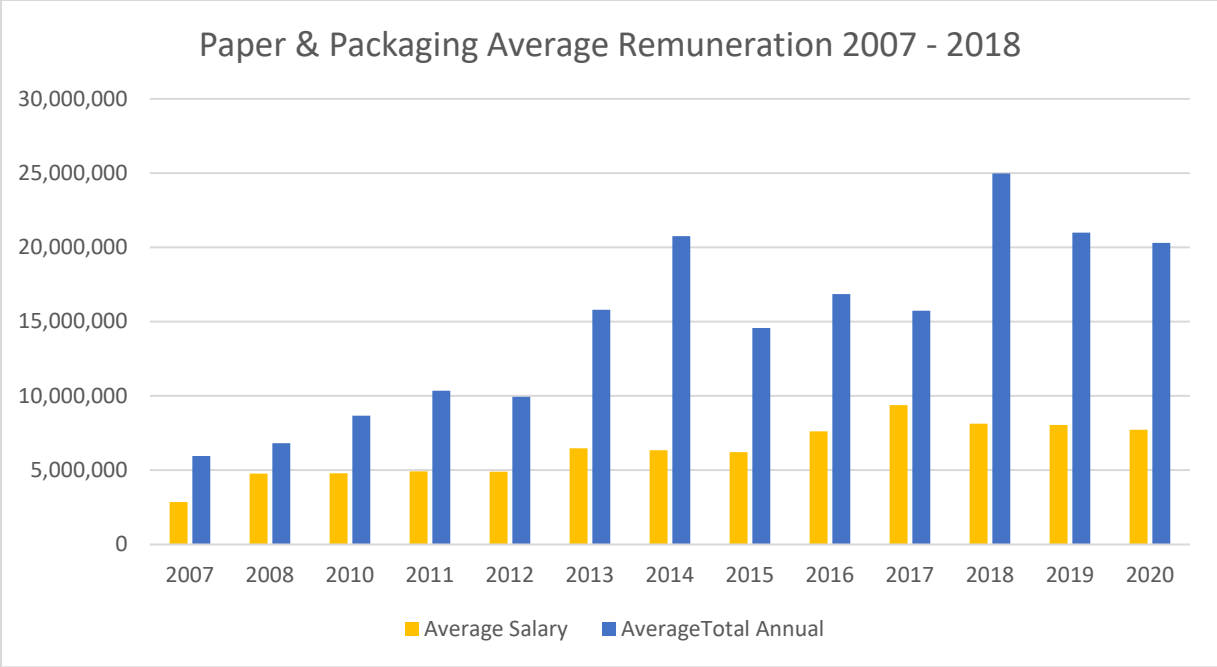


Figure 93 Paper & Packaging Sector Average Executive Director Remuneration 2007 to 2020

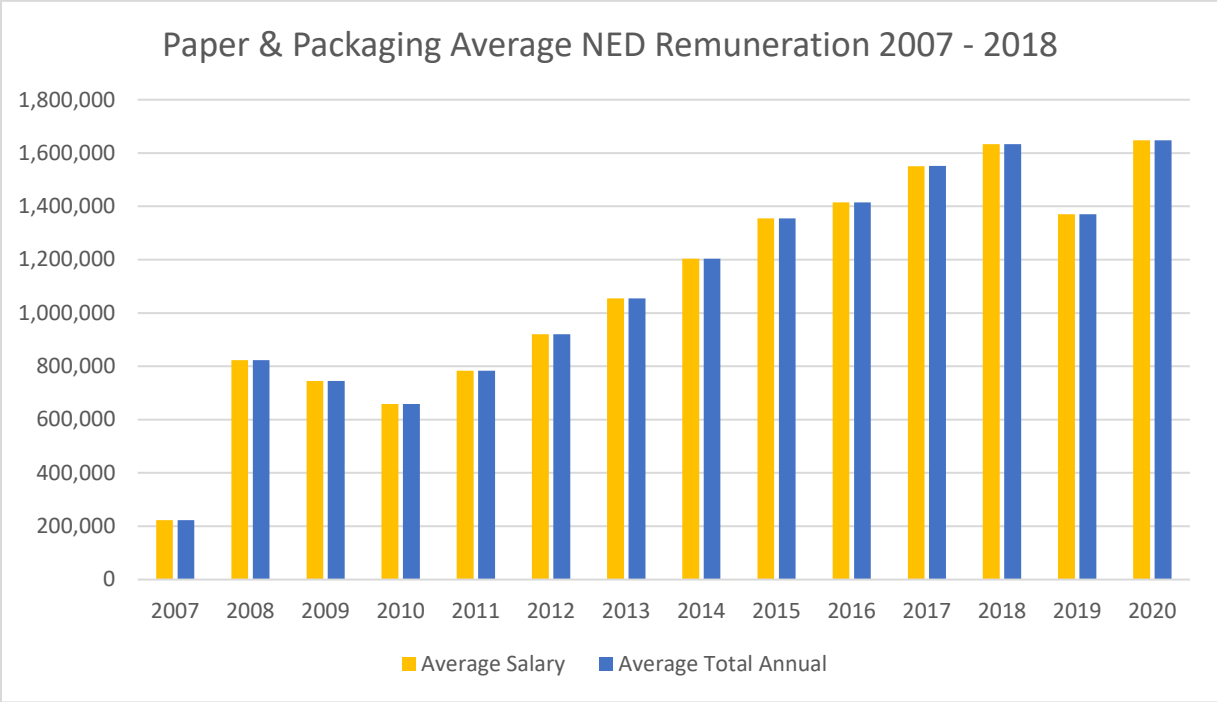


Figure 94 Paper & Packaging Sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: RETAIL

Introduction

The Johannesburg Stock Exchange lists 29 companies in the two categories Food & Drug Retailers and General Retailers. Of this list, our sample includes nine companies. These companies are:

Cashbuild
Foschini
Massmart
Mr Price
Pick n Pay Stores Ltd
Shoprite
Spar
Truworths
Woolworths

The retail sector in South Africa is the second largest employer after the government. This makes it a key sector for the LRS to monitor. Firstly, this report takes a look at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the course of the last seven years. Following this, we analyse the notoriously high remuneration packages received by directors in this sector.

The Sector

Over the course of the last year and a half, COVID-19 has caused a significant slowdown in world trade and disrupted global supply chains. In addition to these disruptions, South Africa's national lockdowns over the course of 2020 and 2021 have severely impacted the retail sector.

At the start of the pandemic in March 2020, retailers expected to be hit hard: Retailer Woolworths expected their profit to fall by around 20% in its financial year end June 2020. The

company pledged to continue to pay staff during the lockdown. Senior Management pledged to cut their salaries by a third for three months to provide additional funds for employees. Given their large salaries, this is hardly a scratch on the surface of the remuneration received by CEOs in South Africa. Retail CEOs and other executives are known for big total remuneration packages, the most notorious of which being then Shoprite CEO Whitey Basson who, in 2016, received an annual total remuneration package of over R 100 million.

Africa's largest retailer, Shoprite, paid its shop floor and distribution staff an 'appreciation bonus' adding up to around R102 million. This amounted to a R700 'voucher' to Shoprite. CEO Pieter Engelbrecht, whose 2020 total remuneration amounted to just over ZAR28 million, said that 'Our employees are crucial players in the task ahead and the group wants to thank and reward them for their tireless efforts to stock our shelves with food and other essentials for our 29 million shoppers.' The lowest-paid full-time worker at Shoprite in South Africa receives a pay check of around R4,500 per month (in 2019). Entry-level part-time workers receive around R18 per hour (2019). Shoprite employs over 147,000 people on the continent.

While thousands of workers have been told to stay home, grocery retail workers have continued to go to work. Workers report long shifts and extra workloads in order to keep up with demands, and many workers say they don't have enough protective gear to deal with the hundreds of customers a day.

This crisis provides an opportune time for retailers to revisit remuneration policies. Covid-19 highlights the importance of workers at the forefront, and it is time for big retailers to recognise that.

The current crisis has forced retailers to increase online capabilities: for the ten days leading up to the lockdown, Pick n Pay saw a significant [increase](#) in online orders. This prompted Pick n Pay to launch a [same-day delivery service](#), competing with Shoprite's Checkers Sixty60 app, which promises to deliver you online order within 60 minutes. This speaks to an important change in the South African retail landscape – in the last two years, South Africa's online retail has more

than doubled.⁴⁵ By the end of 2021, however, online retail will likely account for only 4% of all retail in South Africa.

One company stands out as struggling the most over the course of the last year. Going in to the pandemic, Massmart was already in crisis. From the financials below, we can see the steady decline of Massmart over the last few years. CEO Mitchell Slape closed 34 underperforming DionWired and Masscash stores in 2020, affecting 1440 jobs. The bulk of Massmart's profit comes from Masswarehouse (Makro, Fruitspot) and Massbuild (Builders' Warehouse). Masscash (Rhino, Cambridge and Jumbo) was already suffering in the preceding year, and at the time it was doubtful this part of the business would survive the crisis unless there was urgent intervention. In fact, in August 2021, Massmart announced the sale of Cambridge Food, Rhino and Massfresh (The Fruitspot) as well as 12 Cash and Carry stores to Shoprite.

Financials

Revenue

On average, this list of companies reported a 3,81% (see *Figure 4*) increase in revenue in what could be termed one of the most difficult years in retail. However, some companies' 2020 financial year end did come before the worst of the pandemic could be felt, and these effects will be more easily seen in 2021 financials. This is compared to a 4.42% increase in revenue for the same companies in 2019. From the graph below, the trend line shows a steady upward trend in retail revenue since 2012. This is expected to continue.

The biggest increase in revenue was reported by Spar, with an increase of 13.52% or ZAR 14 billion. Foschini, Woolworths, Shoprite and Mr Price all reported an increase in revenue as well. Shoprite, the biggest employer in the sector, reported revenue growth of 4,3%. Pick n Pay reported a small decrease in revenue of 1,31%, and Cashbuild reported a decrease of 6,75%. Massmart's revenue fell further by another 7,54%. Truworths also reported a small decrease in

⁴⁵ <https://www.businessinsider.co.za/sas-online-retail-has-more-than-doubled-in-two-years-but-the-best-is-probably-over-2021-5>

revenue of 0,62% in the same year that it's direct competitor Foschini report an increase of 12,8%.

From the chart below (*Figure 1*), it is clear that Shoprite remains the biggest company in the retail sector, with Spar and Pick and Pay following. Massmart follows, but is set to decrease in size significantly with the amount of store closures the company has faced over the course of the last year. *Figure 2* shows a pie chart of the companies in our sample by revenue. This chart shows clearly the size of the sample market that each company has by revenue. Woolworths remains a small competitor when compared to other grocery retailers Shoprite and Pick n Pay.

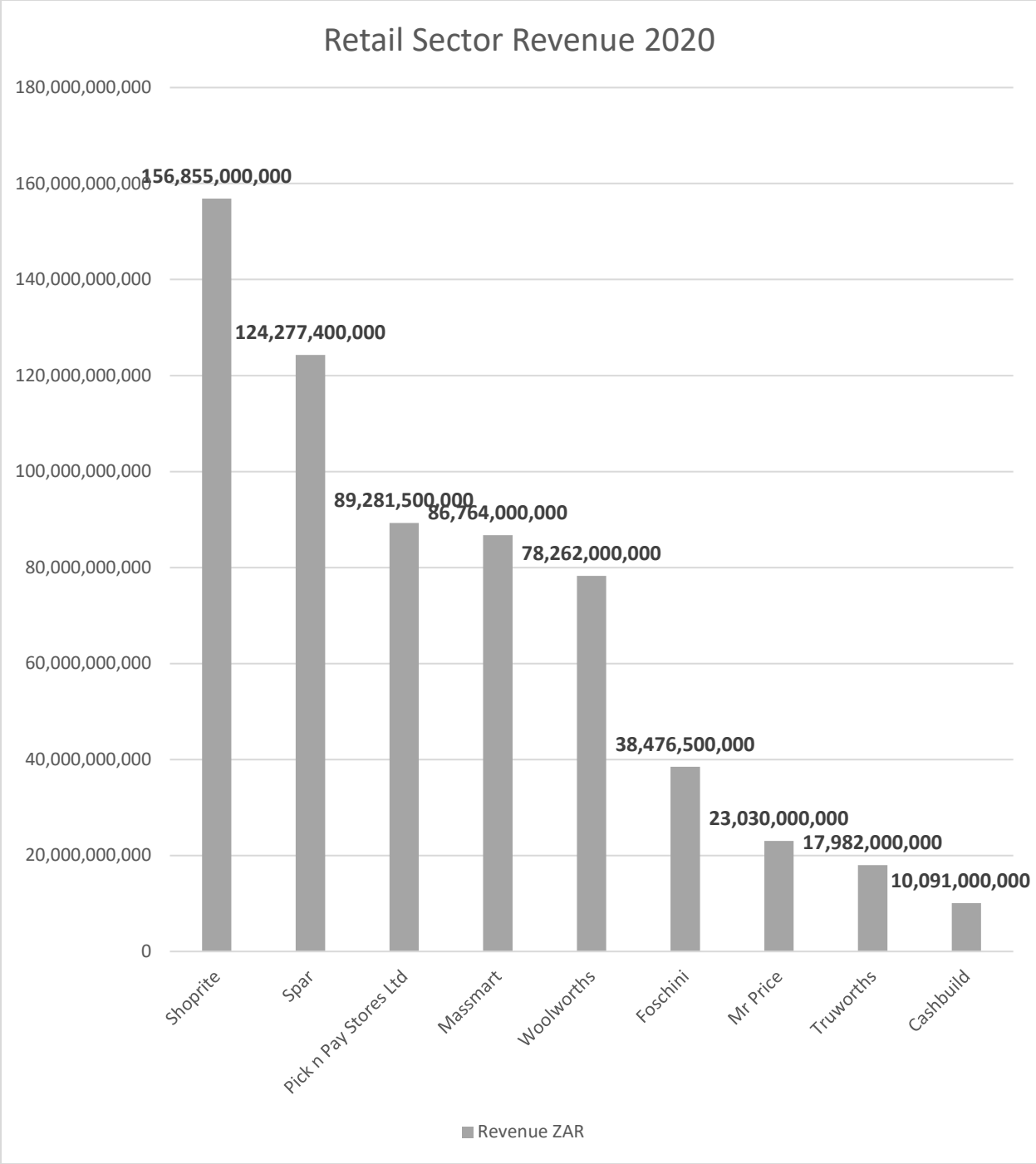


Figure 95 Retail Sector Revenue 2020

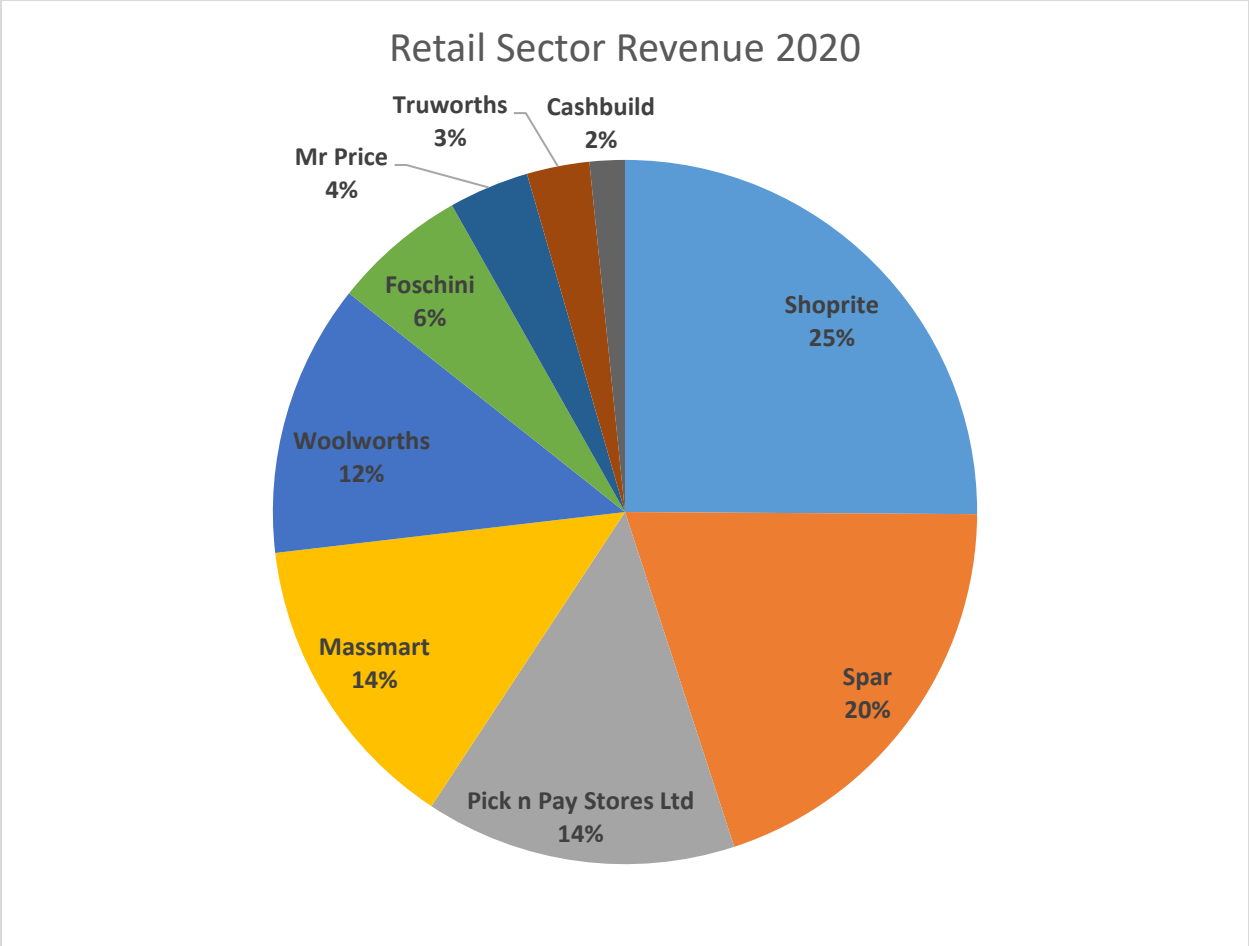


Figure 96 Retail Sector Revenue Pie Chart 2020

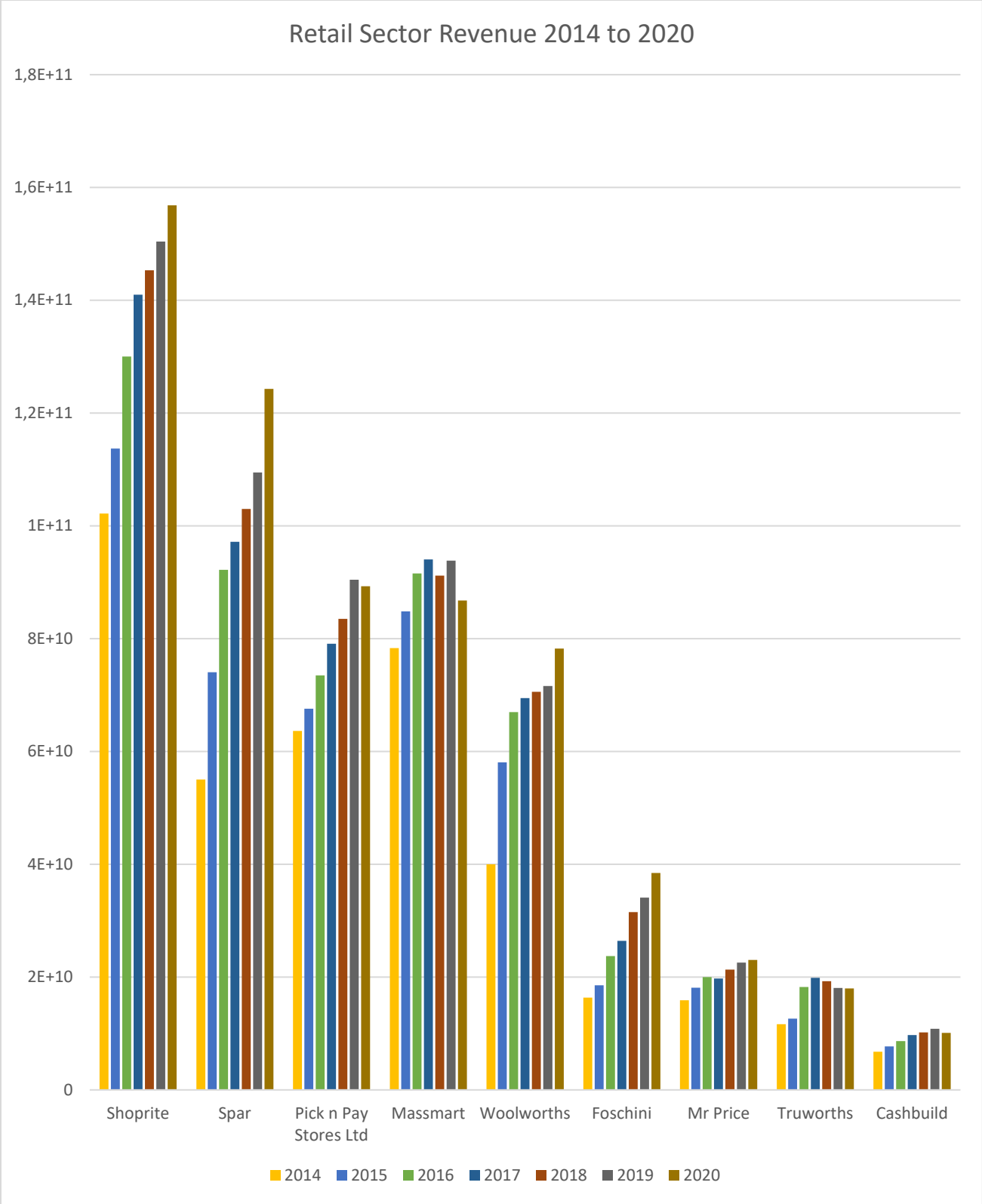


Figure 97 Retail Sector Revenue 2014 to 2020

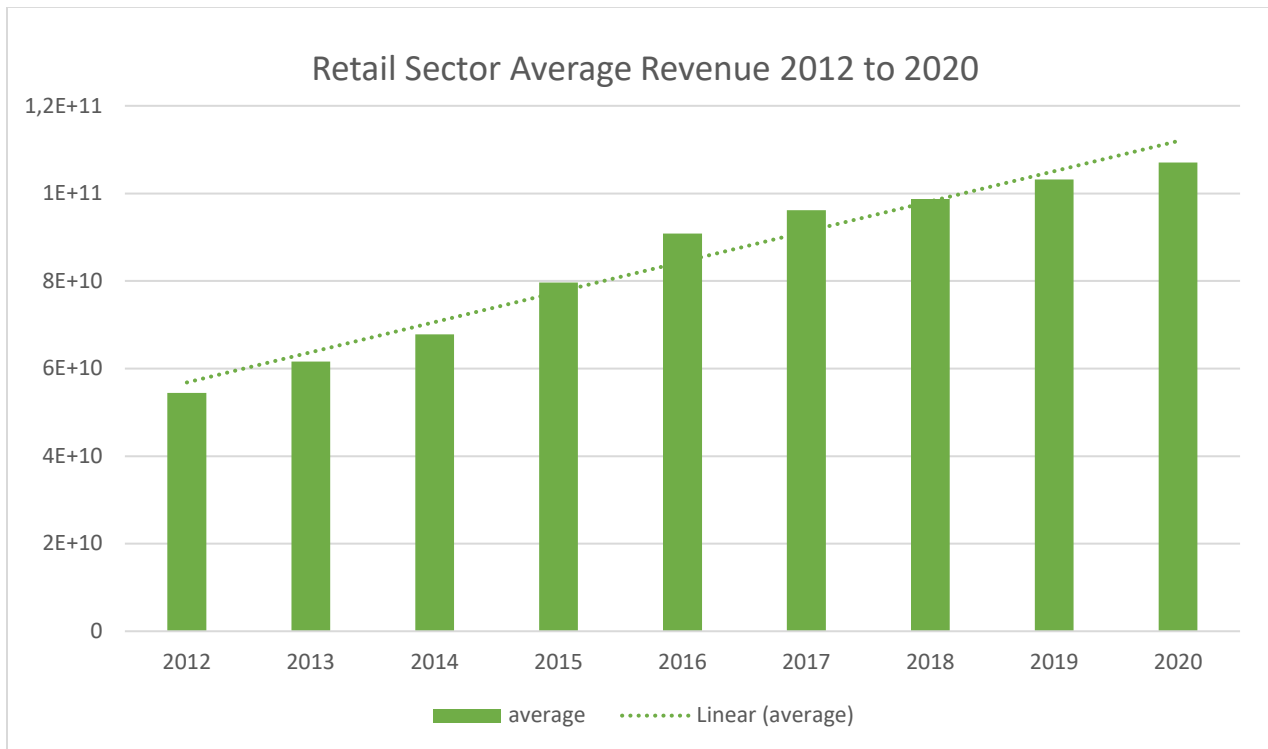


Figure 98 Retail Sector Average Revenue 2012 to 2020

Profit before Tax

In 2019, Profit before Tax in this sector took a big hit. On average, reported PBT went down by over 6.4% (see *Figure 8*). In 2020, however, companies reported some more significant losses. Only one company reported an increase in Profit before Tax –Woolworths - who reported a Profit for the first time since 2017. Woolworths reported a loss of over ZAR 2 billion in 2019, but in 2020 reported PBT of over ZAR 2,168 billion. Truworths reported a loss for the first time in over 5 years. Massmart continued to operate at a loss. For the 2020 financial year, the company reported a loss of over ZAR 1,8 billion (see *Figure 5*).

Shoprite remains the biggest earner in the sample.

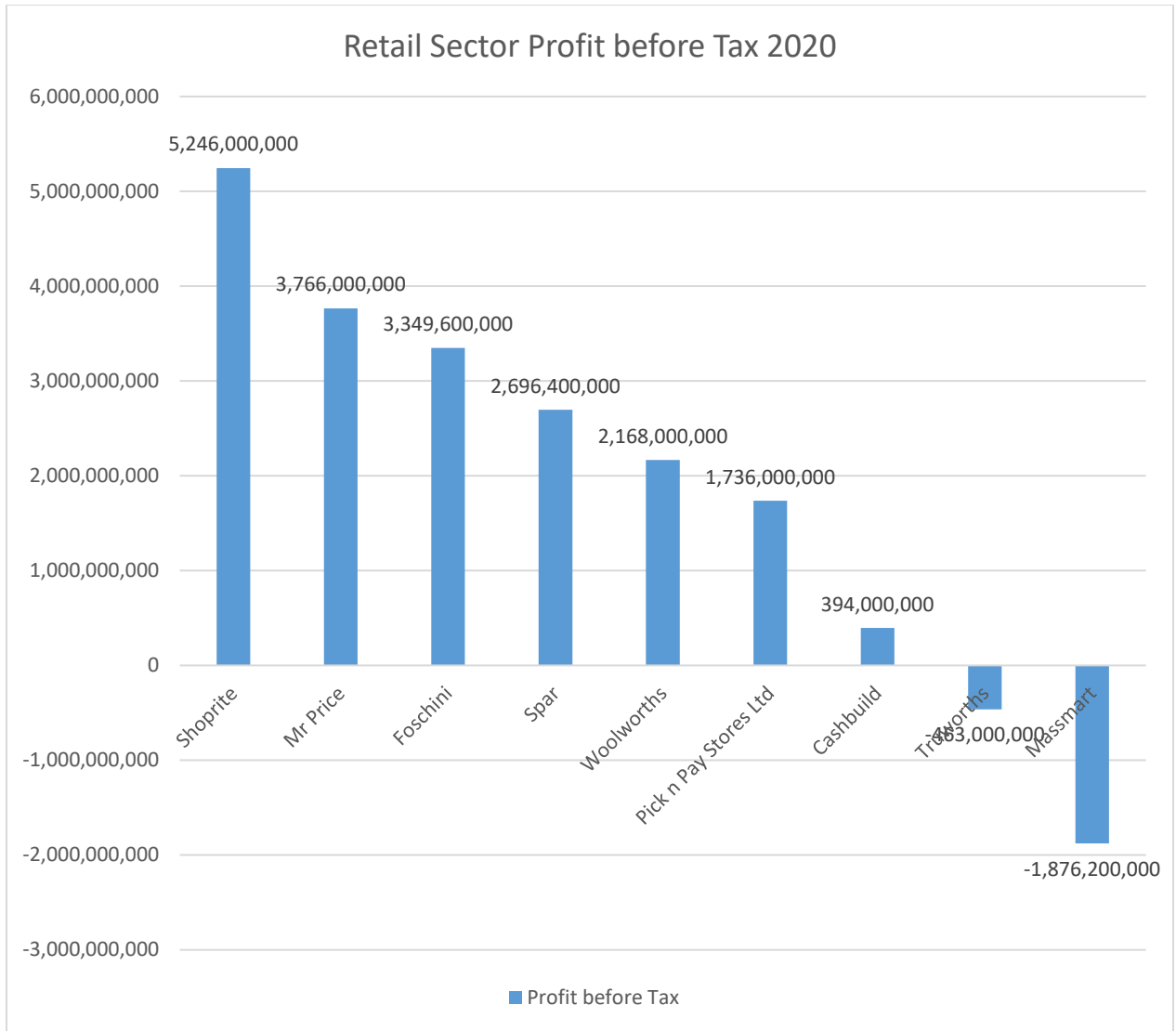


Figure 99 Retail Sector Profit before Tax 2020

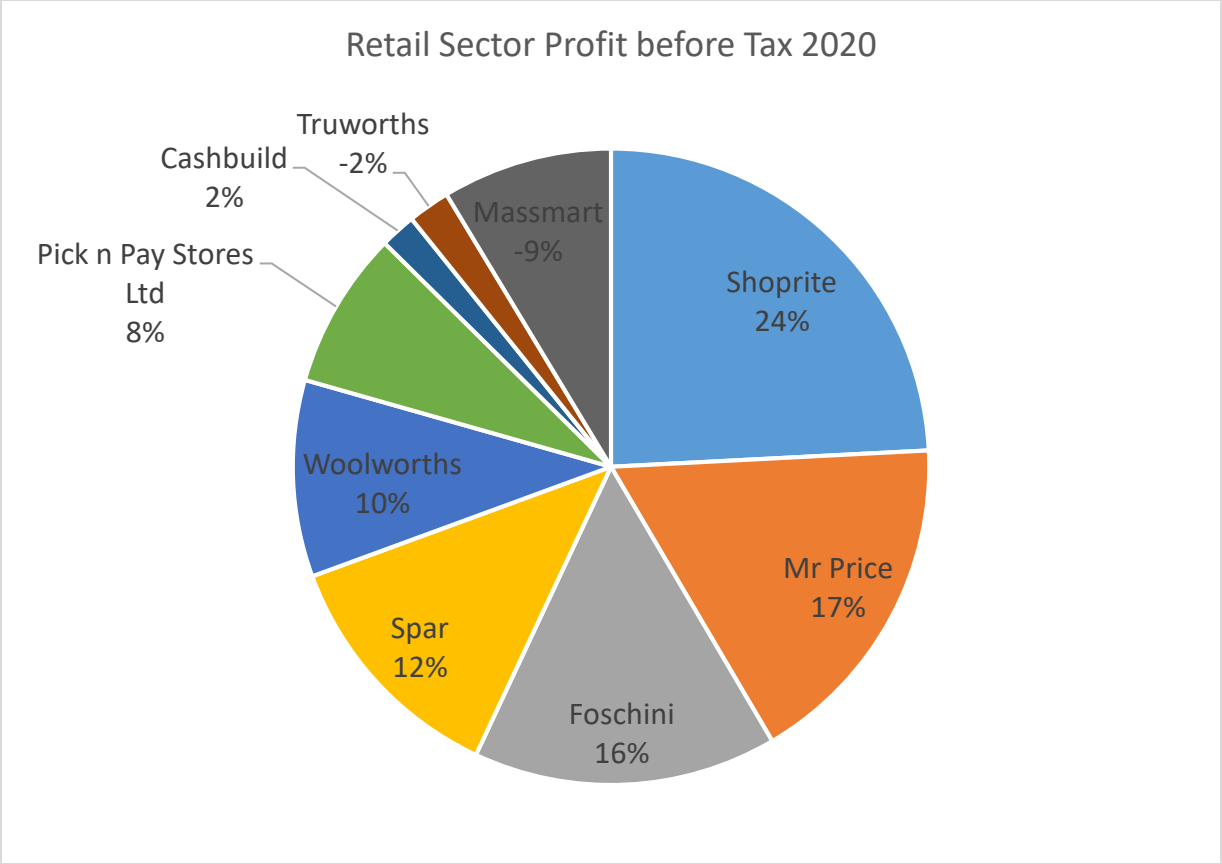


Figure 100 Retail Sector Profit before Tax 2020

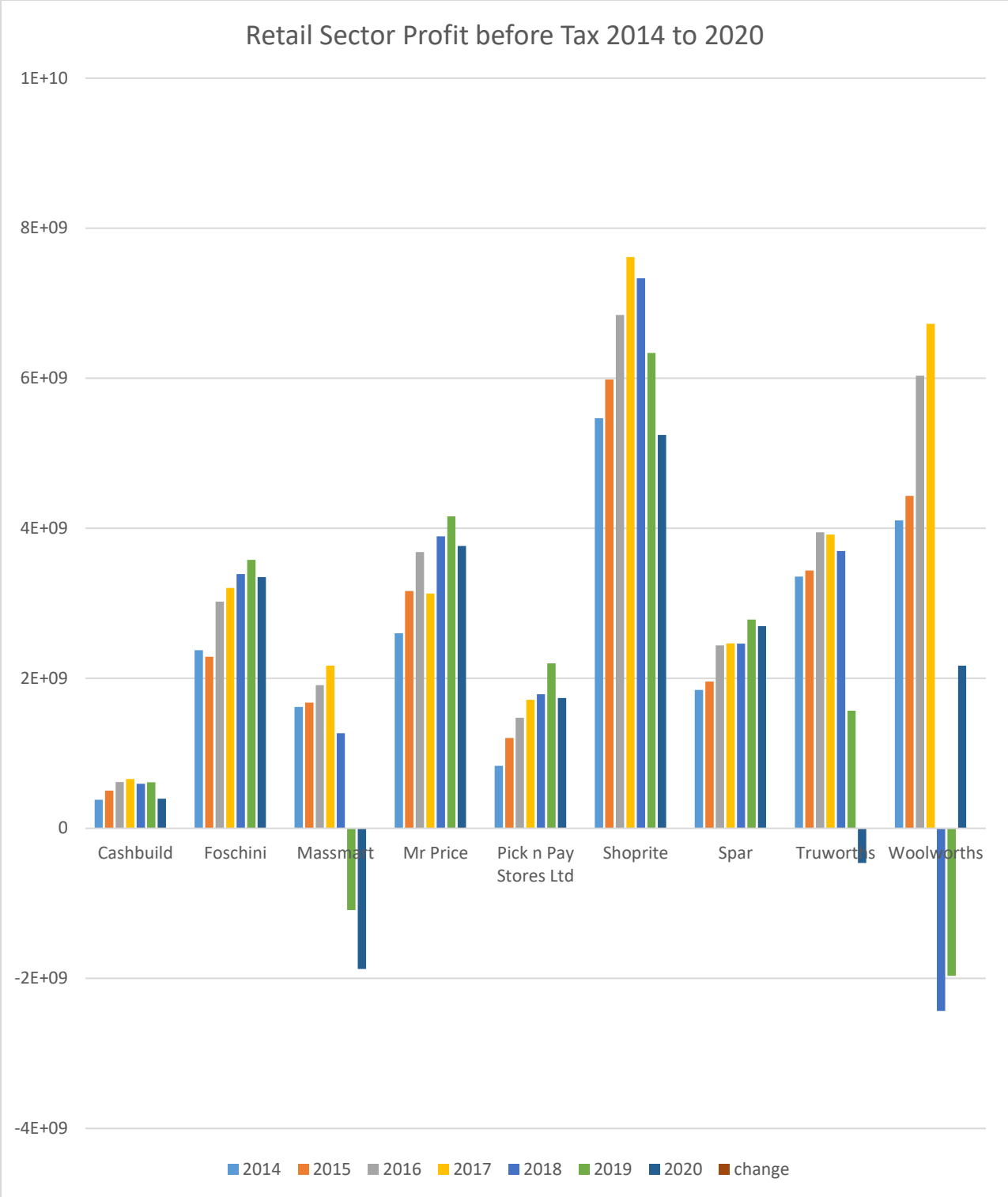


Figure 101 Retail Sector Profit before Tax 2014 to 2020

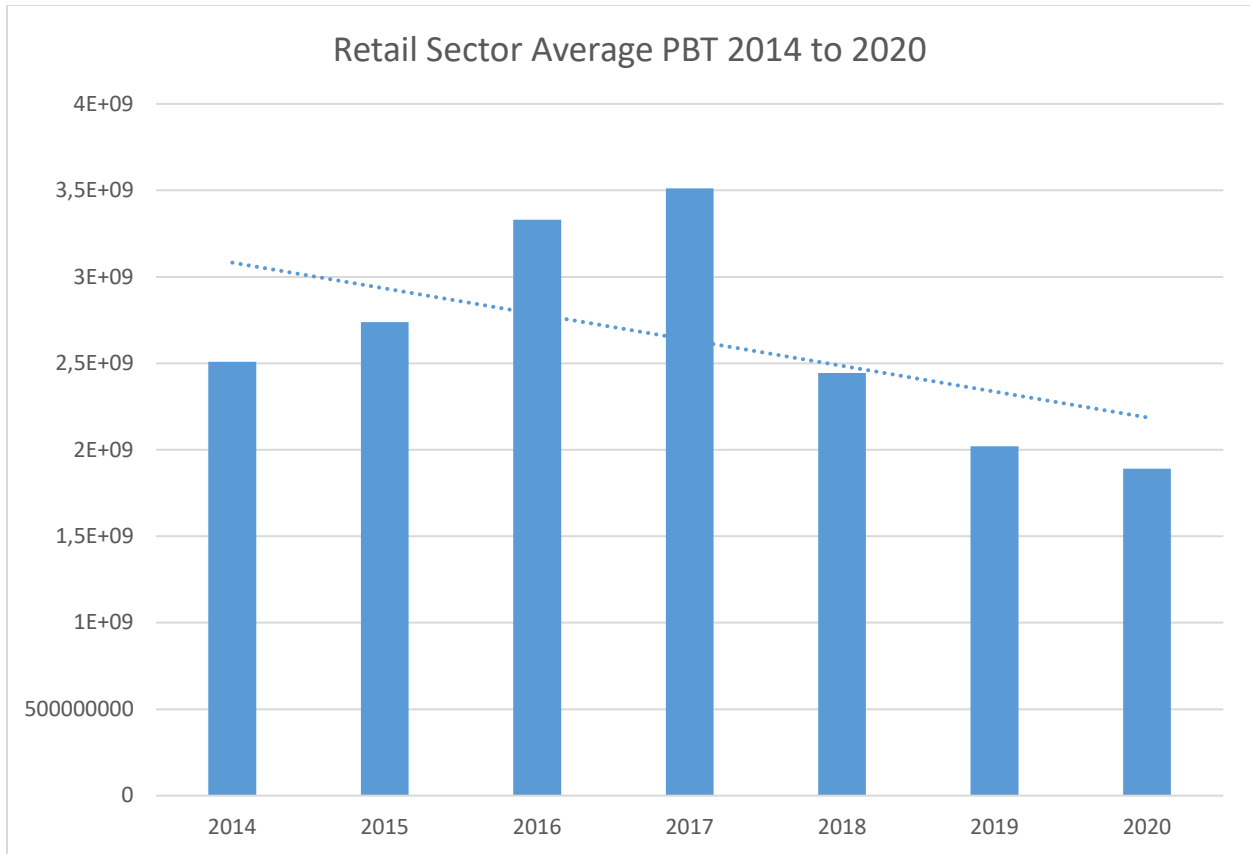


Figure 102 Retail Sector Average PBT 2014 to 2020

Directors' Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the course of the last ten years. In the retail sector, and our sample specifically, we see the general trend over time being upwards, with a large spike in 2016 when the then Shoprite CEO retired and was paid a significant LTI (see *Figure 9*).

When looking at *Figure 9*, we see that in 2017, 2018, and 2019 we can see a large gap between the average total remuneration without LTI and total remuneration including LTI. This shows that large LTIs were paid in these three years. This gap closes in 2020, which was arguably a very difficult year for retailers. However, another possibility is that companies are simply increasing salaries and other benefits in order to compensate for less LTI payments. From 2019 to 2020, average total remuneration (without LTI) went up by 37,83% - compared to an 8,24% decrease in total remuneration including LTI.

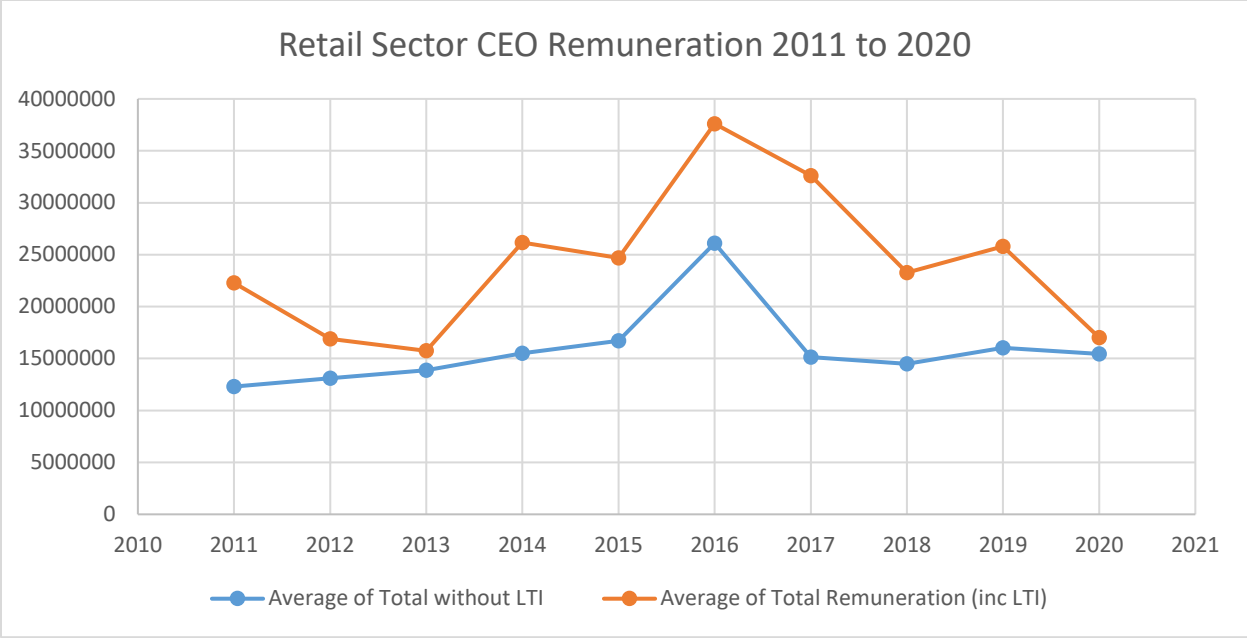


Figure 103 Retail Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

In the retail sector, the CEO of Shoprite, Pieter Engelbrecht, received total remuneration of ZAR 28.7 million, which includes an LTI payment of ZAR 4 million and a cash bonus of ZAR 7,6 million. This makes him the highest earner in the sample for the 2020 year, in line with the company’s performance in revenue and profit before tax. However, when considered in percentage terms, Engelbrecht’s total remuneration went up by almost 35% - compared to a 17% decrease in Profit before Tax.

Despite significant and ongoing losses, Massmart CEO Mitchell Slape earner total remuneration of over ZAR 24 million. This is inclusive of a ZAR 6 million cash bonus as well as over ZAR 6 million in ‘benefits’. This is concerning given the ongoing losses the company is facing, the retrenchments and store closures. On average, from 2019 to 2020, average total remuneration went down by over 8%. In the same time period, average non-executive remuneration went up by 8.4%.

Retail Sector CEO Remuneration 2020

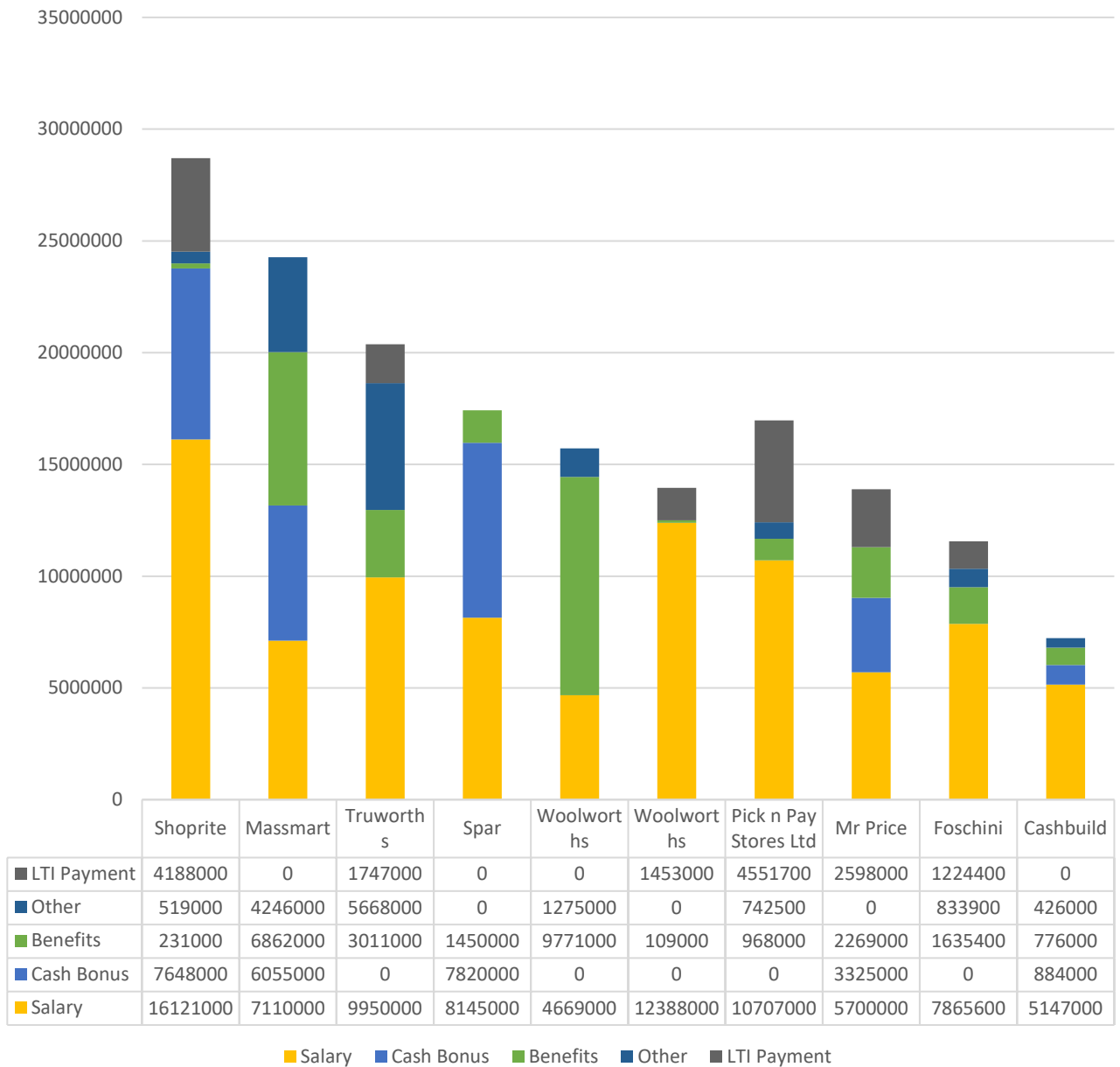


Figure 104 Retail Sector CEO Remuneration 2020

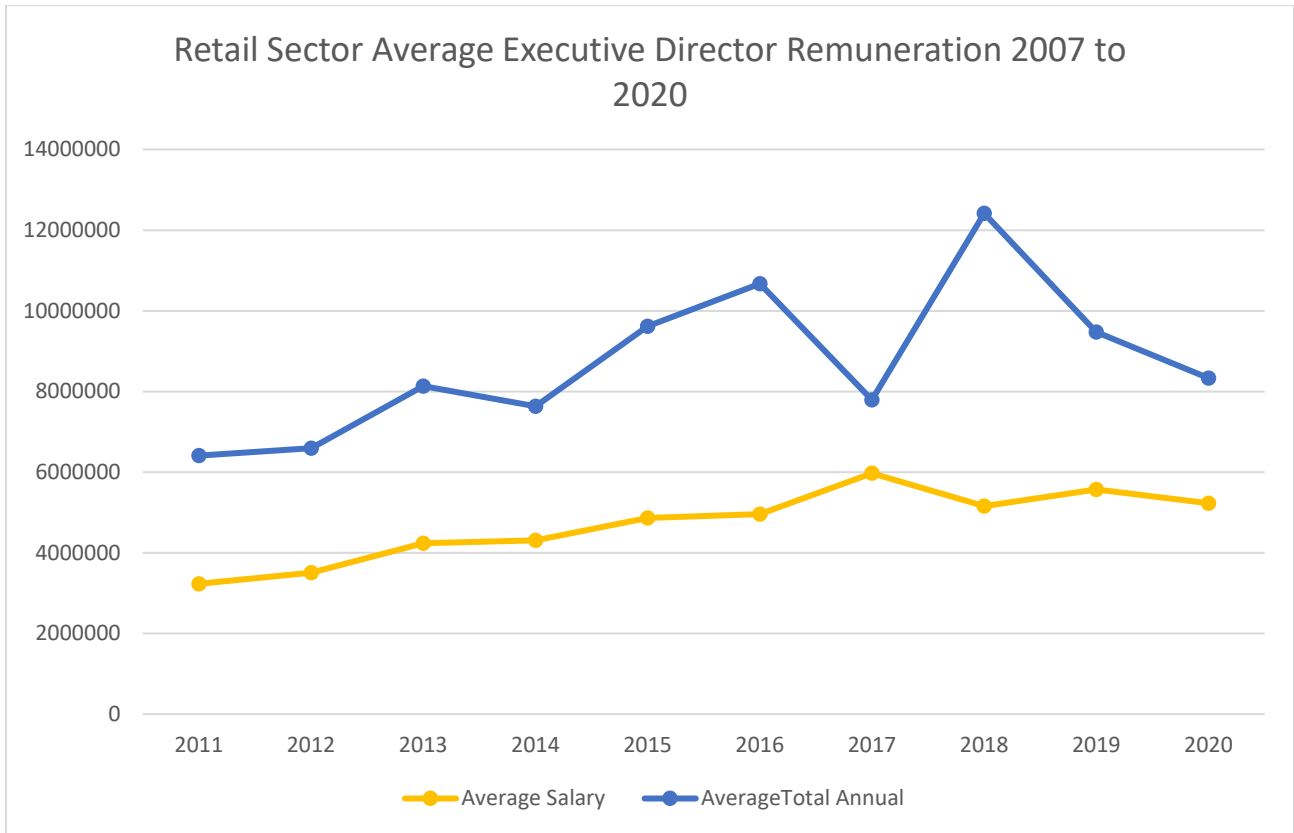


Figure 105 Retail Sector Average Executive Director Remuneration 2007 to 2020

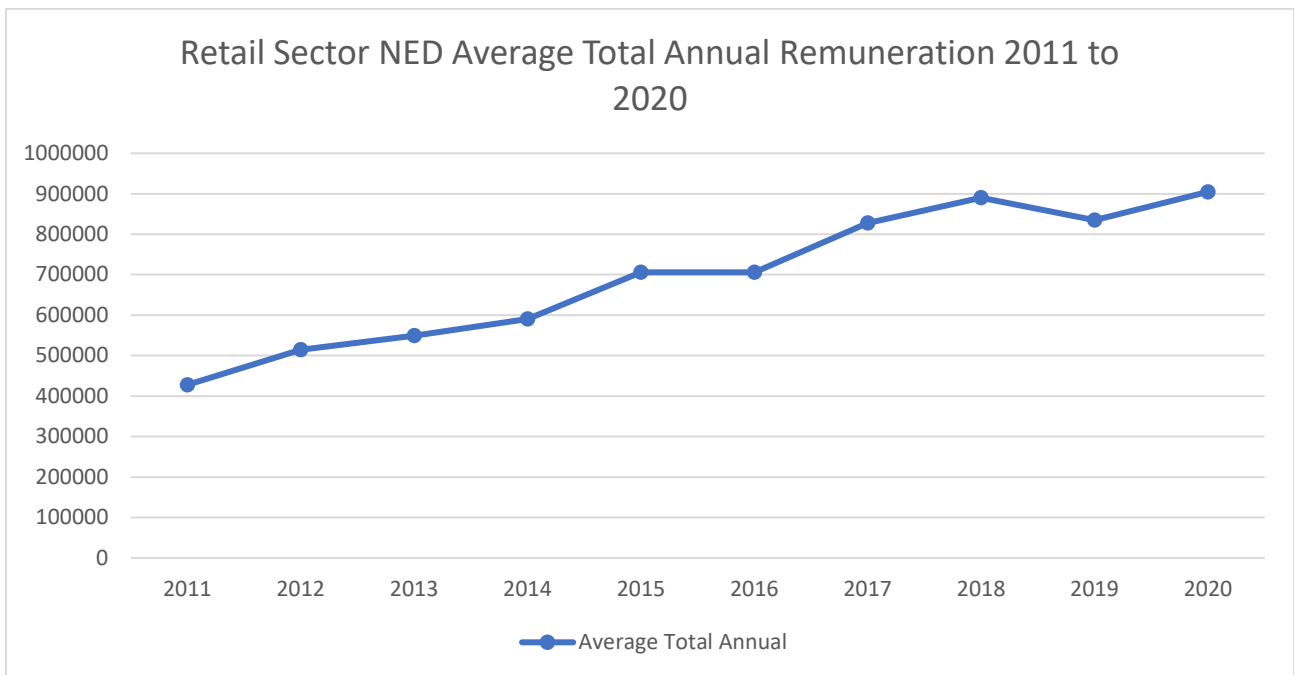


Figure 106 Retail Sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: TECHNOLOGY & TELECOMMUNICATIONS

Introduction

The Johannesburg Stock Exchange lists six companies in the Telecommunications sector. Our sample includes three companies from the list. These companies are:

MTN Group
Telkom
Vodacom Group Limited

The Technology and Telecommunications sector in South Africa is one of the fastest-growing sectors in the country. This makes it a key industry for the LRS to monitor. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the the remuneration packages received by directors in this sector.

The Sector

The most significant impact of the pandemic on the telecommunications sector within South Africa has been the lockdown measures that were enforced. Covid-19 lockdown conditions have resulted in more people working and schooling from home and has raised the demand for connectivity. Some operators have reported almost 50% growth in mobile data traffic and more than 200% traffic in fixed data traffic over the period⁴⁶. This unprecedented reliance on connectivity for digital services and customer interactions during a period of personal income uncertainty has raised further concerns on the affordability of data in South Africa.

The sector generates its income from two main services: telecommunications (which includes the provision of fixed, mobile and internet services) and broadcasting. The three companies in our

⁴⁶ <https://www2.deloitte.com/content/dam/Deloitte/za/Documents/technology-media-telecommunications/za-Telcos-V4.pdf>

sample employed about 35,000 people in the 2020 financial period, out of which 55% are employees of MTN. According to Brand Finance's 2021 annual report on the most valuable and strongest brands in South Africa, MTN was elected as the country's most valuable brand for a tenth consecutive year. MTN's direct competitor, Vodacom, was named the second most valuable brand in the country. Vodacom trails behind MTN based on geographic reach because of the latter's market share. Both companies together control over 70% of the South African mobile market in terms of subscribers.⁴⁷

Telkom business units were impacted in different ways by the Covid-19 pandemic in 2020. Like other telecommunication companies, the business benefitted greatly from the increased demand from people working from home and online schooling. Mobile data which contributes approximately 70% of the mobile business was the main driver of growth and it was driven by substantial increase in mobile traffic. The mobile business continued to gain market share from its peers both from a customer and revenue perspective to become the third-largest mobile telecom in South Africa within ten years of establishment.⁴⁸

Financials

Revenue

From the *Figure 1* chart below, it is clear that MTN remains the biggest company in the Technology and Telecommunications sector, with Vodacom following. While Telkom recorded 0.3% increase in revenue in 2019 when compared to the previous year, in 2020 the revenue increased by 3.04%. *Figure 2* shows a pie chart of the companies in our sample by revenue. This chart shows the size of the sample market that each company has by revenue. Telkom remains a small competitor when compared to other MTN and Vodacom.

⁴⁷ <https://www.news24.com/fin24/companies/battle-of-the-brands-latest-report-highlights-which-sa-companies-ruled-the-roost-in-2020-20210525>

⁴⁸ <https://businesstech.co.za/news/mobile/434575/telkom-talks-up-mobile-growth/>

Figure 3 shows that Vodacom and Telkom have reported a steady increase in revenue since the 2014 financial year. In 2017, MTN reported a sharp decrease in revenue. By 2020, MTN reported its highest revenue since 2014.

On average, the three companies reported an 11.89% increase in revenue in what could be termed the worst year of the Covid-19 pandemic. This is compared to a 6.84% increase in average revenue for the same companies in 2019. From the graph below (see Figure 4), we see a steady upward trend in revenue since 2017. This is expected to continue given the increasing dependency on mobile network and data in the country.

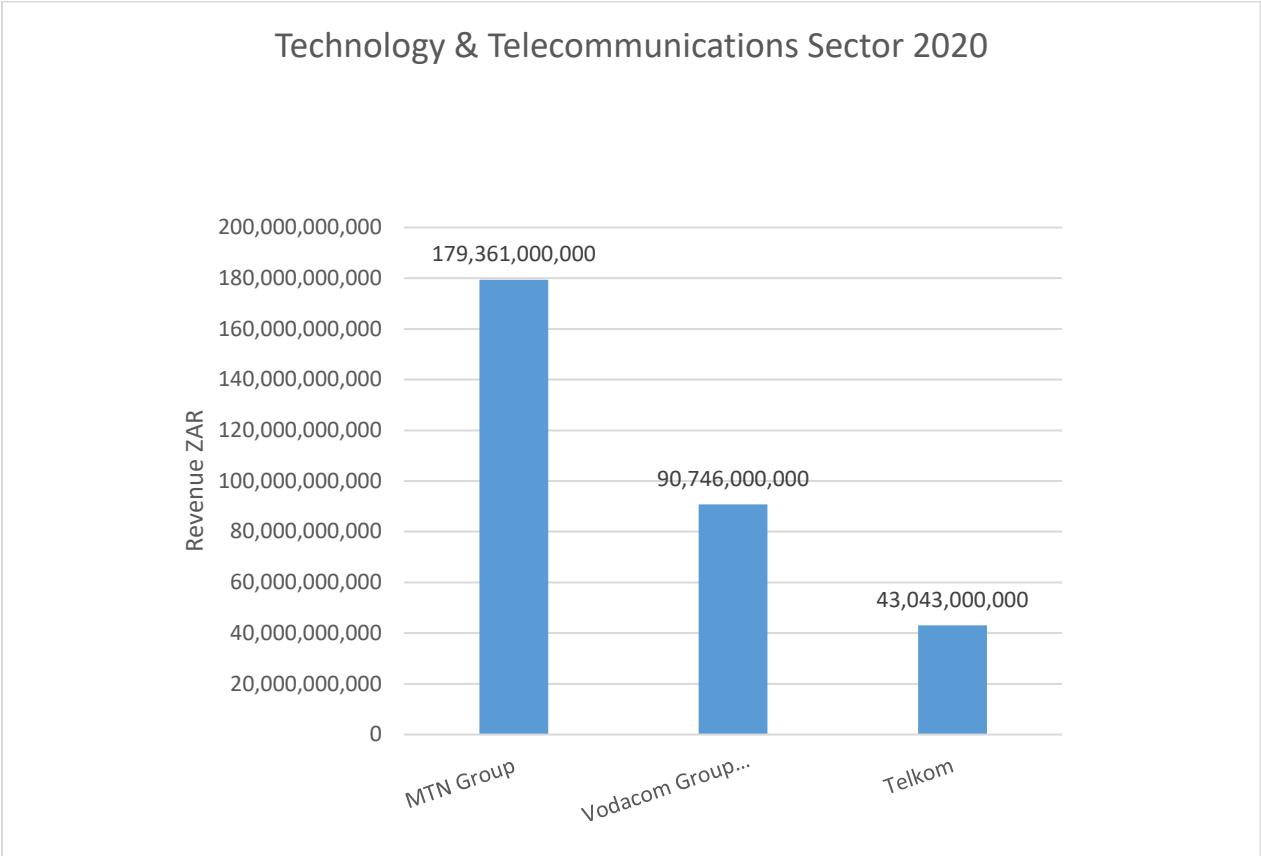


Figure 107 Technology and Telecommunications Sector Revenue 2020

Technology & Telecommunications Sector 2020

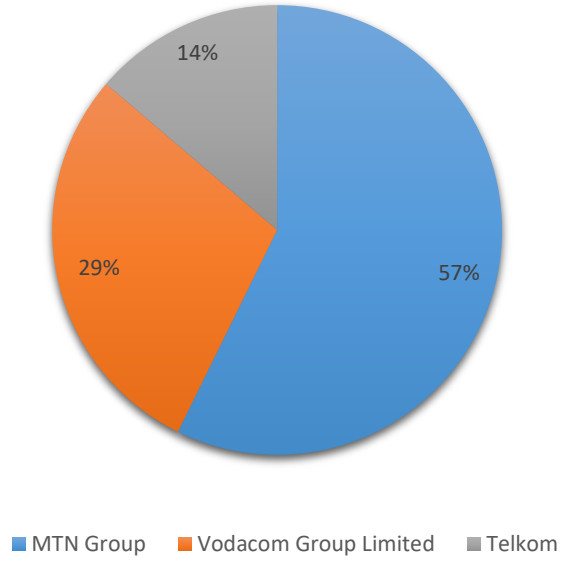


Figure 108 Technology and Telecommunications Sector Revenue Pie Chart 2020

Technology & Communications Sector Revenue 2014 - 2020

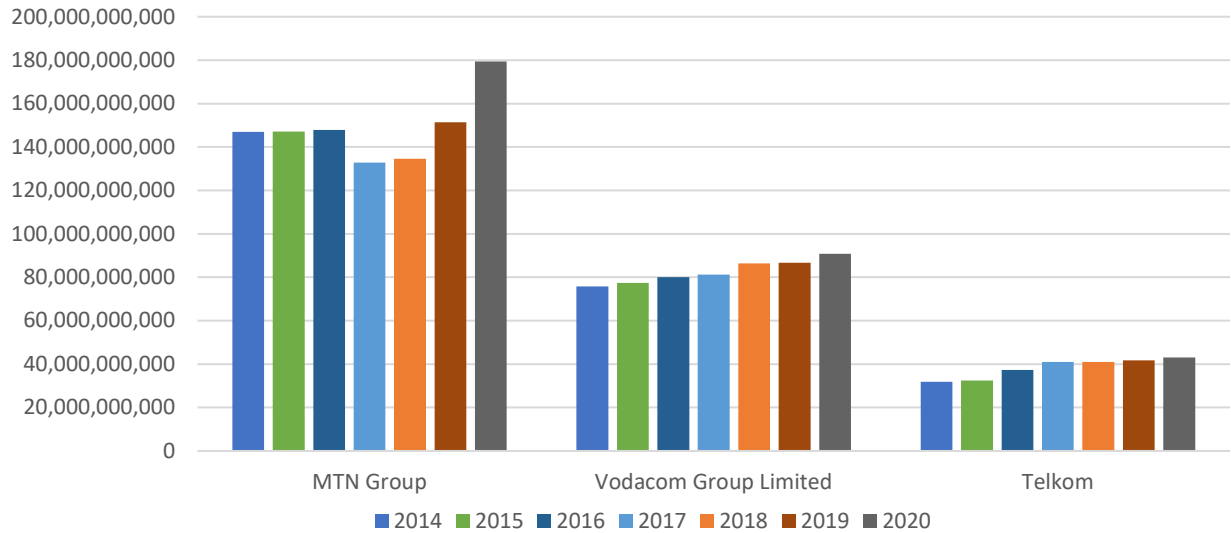


Figure 109 Technology and Telecommunications Sector Revenue 2014 to 2020

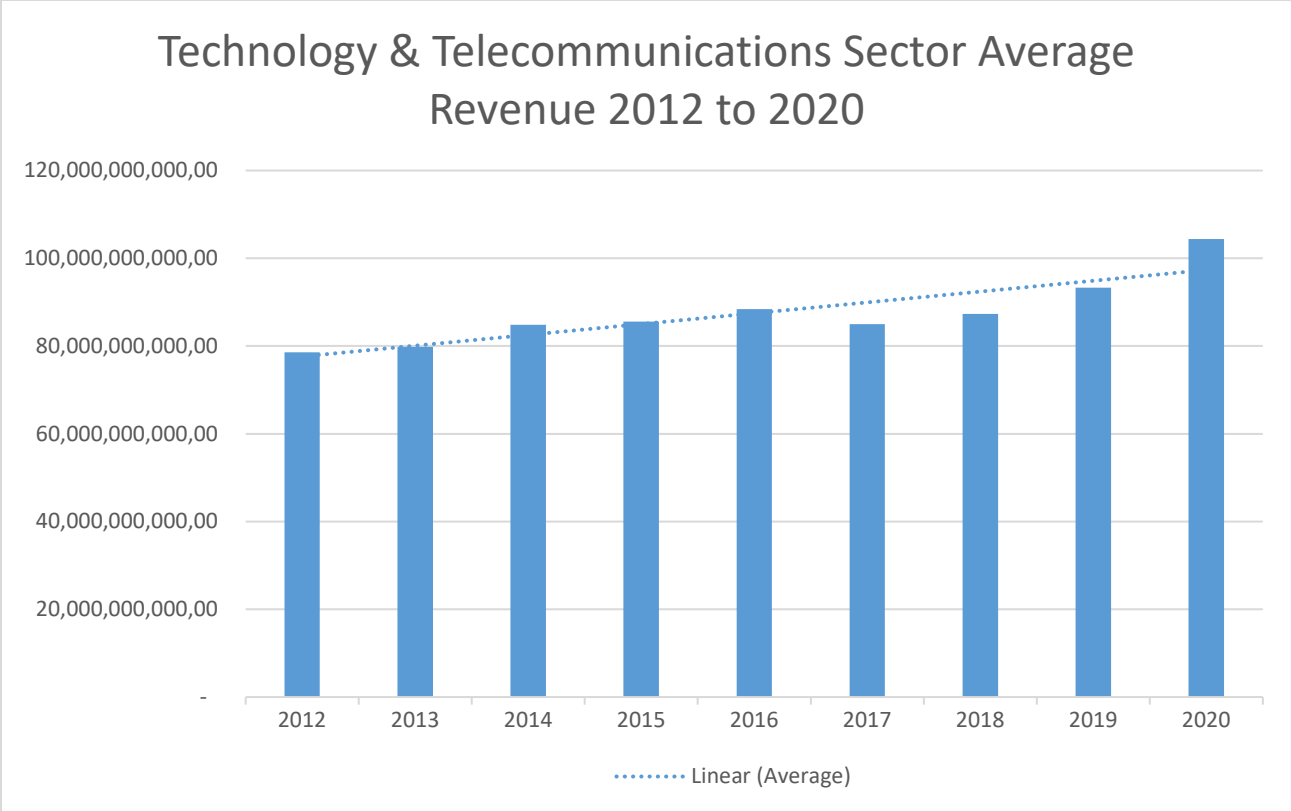


Figure 110 Technology and Telecommunications Sector Average Revenue 2012 to 2020

Profit before Tax

MTN remains the biggest earner in the sample. Compared to the previous year, the 2020 Profit before Tax for Telkom took a big hit and went down by over 75%. In the same year, MTN reported a PBT of ZAR 29 billion (a 65% increase compared to 2019). Telkom reported the lowest profit in our sample, the companies reported ZAR 974 million PBT for the 2020 financial year. On average, the 2020 PBT for the three companies went up by 21.56%, compared to the 2019 value. From the graph below (see Figure 8), we see a steady upward trend in PBT since 2016.

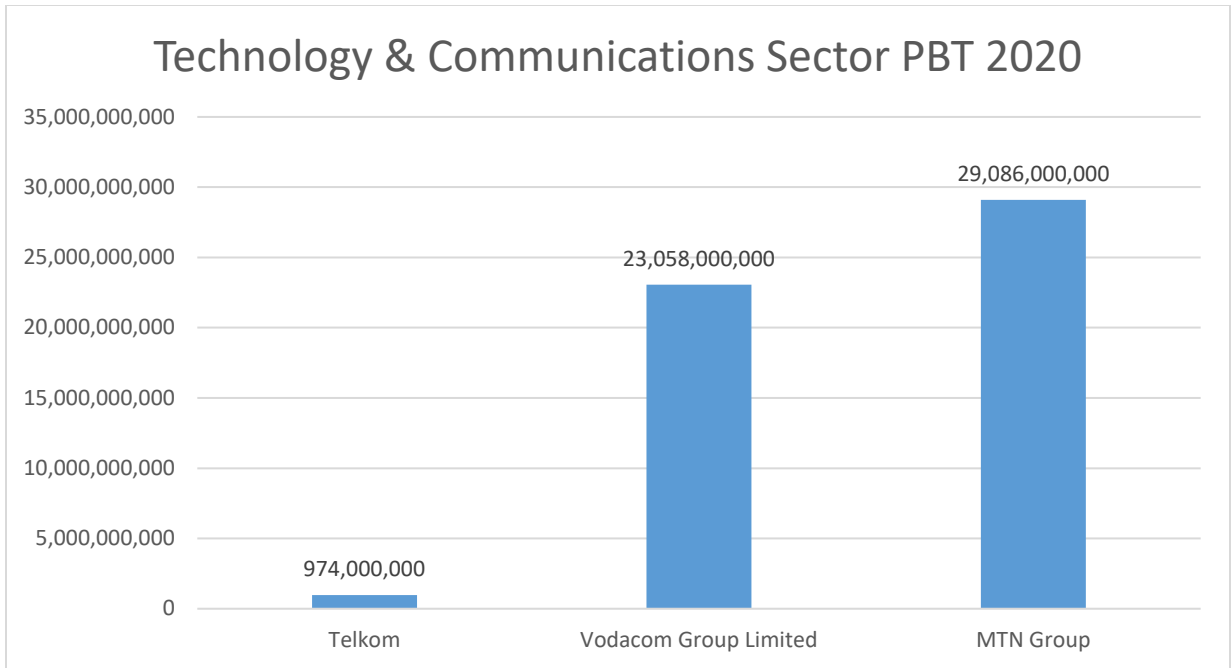


Figure 111 Technology and Telecommunications sector Profit before Tax 2020

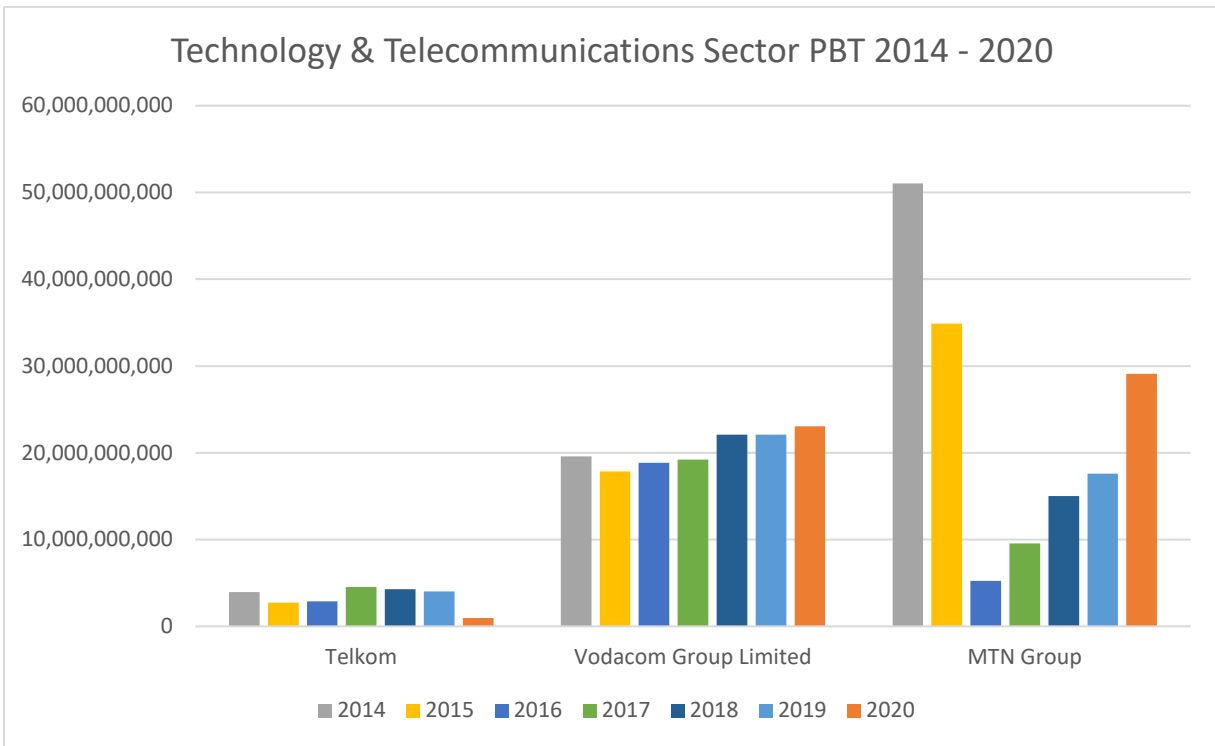


Figure 112 Technology and Telecommunications sector Profit before Tax 2014 to 2020

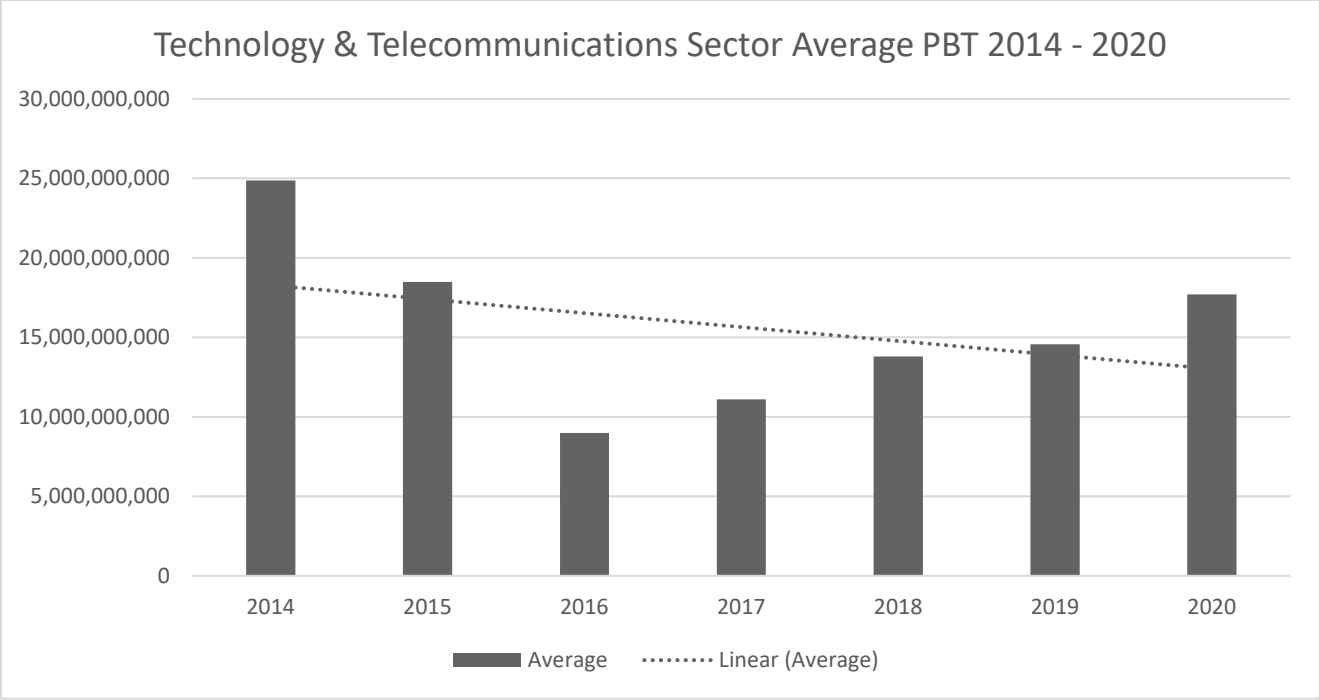


Figure 113 Technology and Telecommunications sector Average PBT 2014 to 2020

Directors' Remuneration: a ten year retrospective

The LRS MNC database allows us to look at CEO remuneration over the last ten years. For the three companies in our sample, we see the trend between 2011 and 2015 being downwards, with a large spike in 2016 when the then MTN CEO retired and was paid a significant salary and bonus (see *Figure 9*).

When looking at *Figure 9*, we see that in 2017, 2018, 2019 and 2020 there was a gap between the average total remuneration without LTI and average total remuneration including LTI. This shows that large LTIs were paid in these four years. So far, 2020 has the highest values for both the average of total without LTI and with LTI.

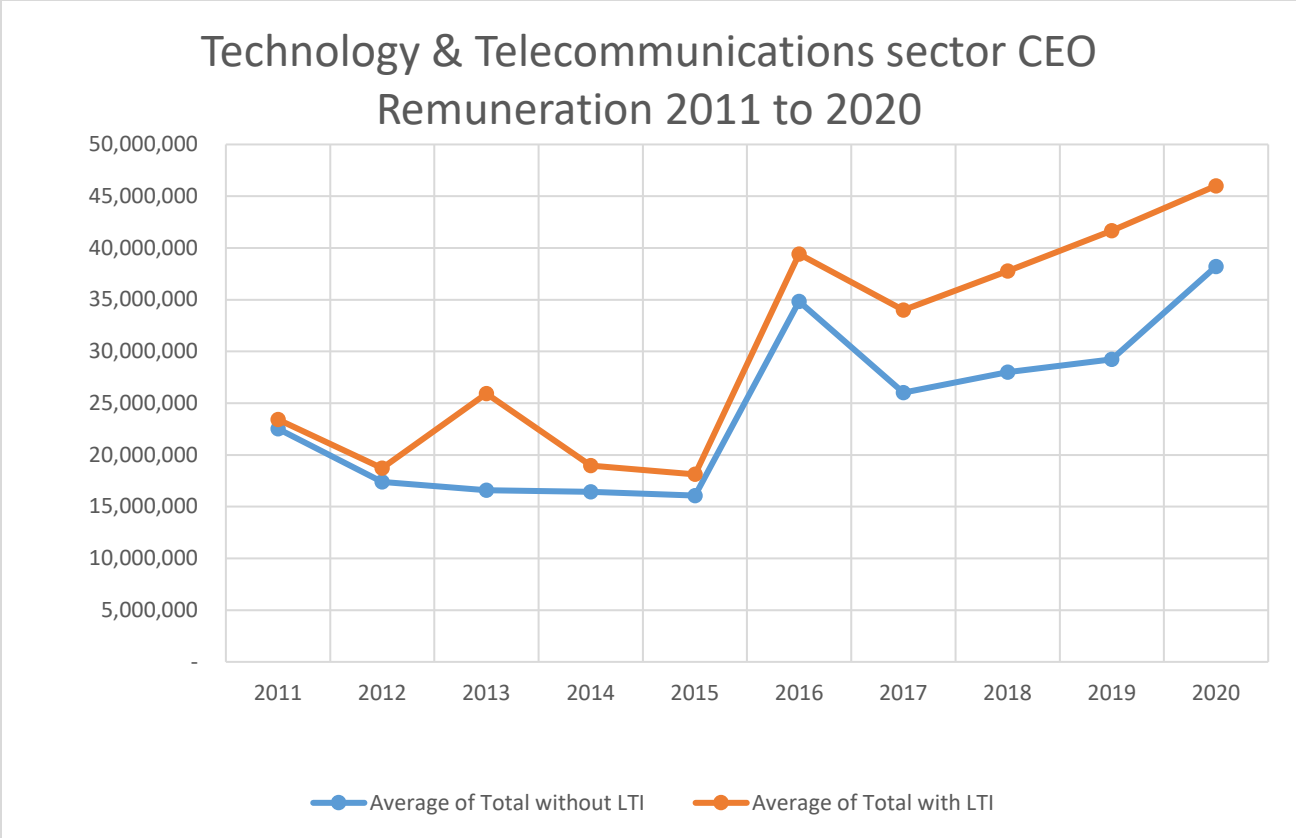


Figure 114 Technology and Telecommunications sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

From 2019 to 2020, average total remuneration for CEOs in this sample went up by 10.4%. The CEO of MTN, RA Shuter, resigned on 31 August 2020 and received a total remuneration of ZAR 73.7 million, including an LTI payment of ZAR 5.7 million and a cash bonus of ZAR 30.1 million. This makes him the highest earner in the sample for the 2020 year. RT Mupita ceased to be Group Chief Financial Officer (GCFO) of MTN on 31 August 2020 and was appointed as the Group President and CEO on 1 September 2020.

Despite low performance in 2020, Telkom CEO SN Maseko received an LTI of ZAR 10.5 million and a total remuneration of ZAR 21.8 million in 2020. Out of the three companies, Vodacom CEO Aziz Joosub received the highest LTI of ZAR 17.6 million and a total remuneration of ZAR 42.4 million.

From 2019 to 2020, the average total executive director remuneration went up by 4.2%. In the same period, average non-executive remuneration went up by 8.3%.

Technology & Telecommunications sector CEO Remuneration 2020

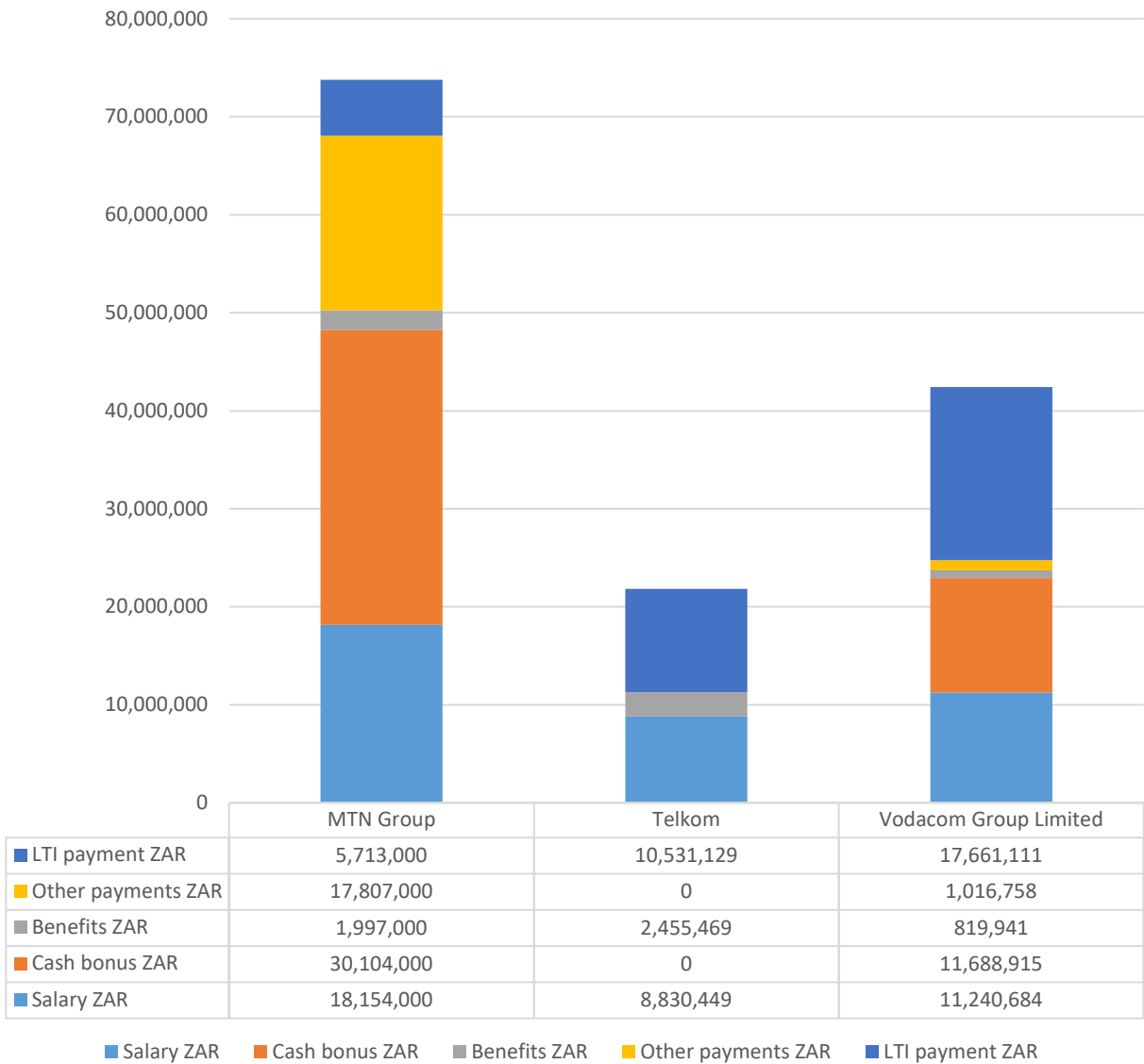


Figure 115 Technology and Telecommunications sector CEO Remuneration 2020

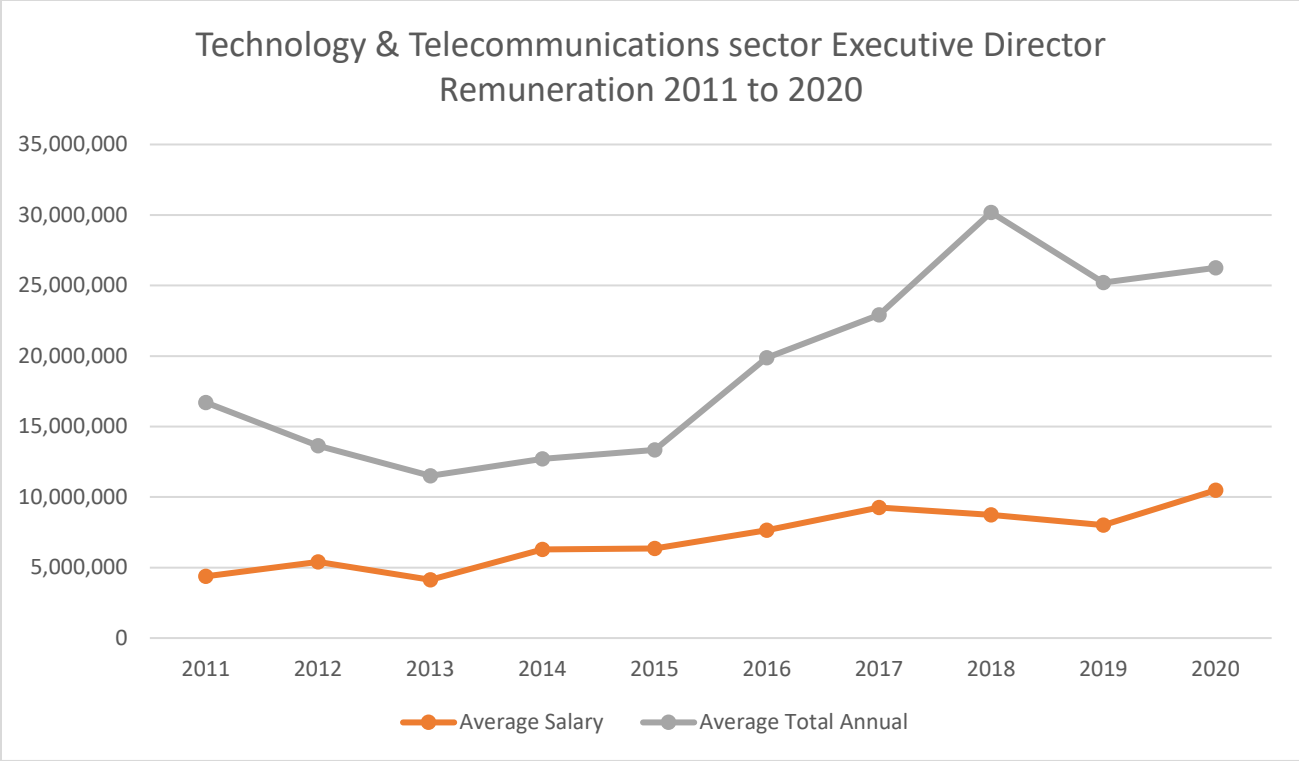


Figure 116 Technology and Telecommunications sector Executive Director Remuneration 2012 to 2020

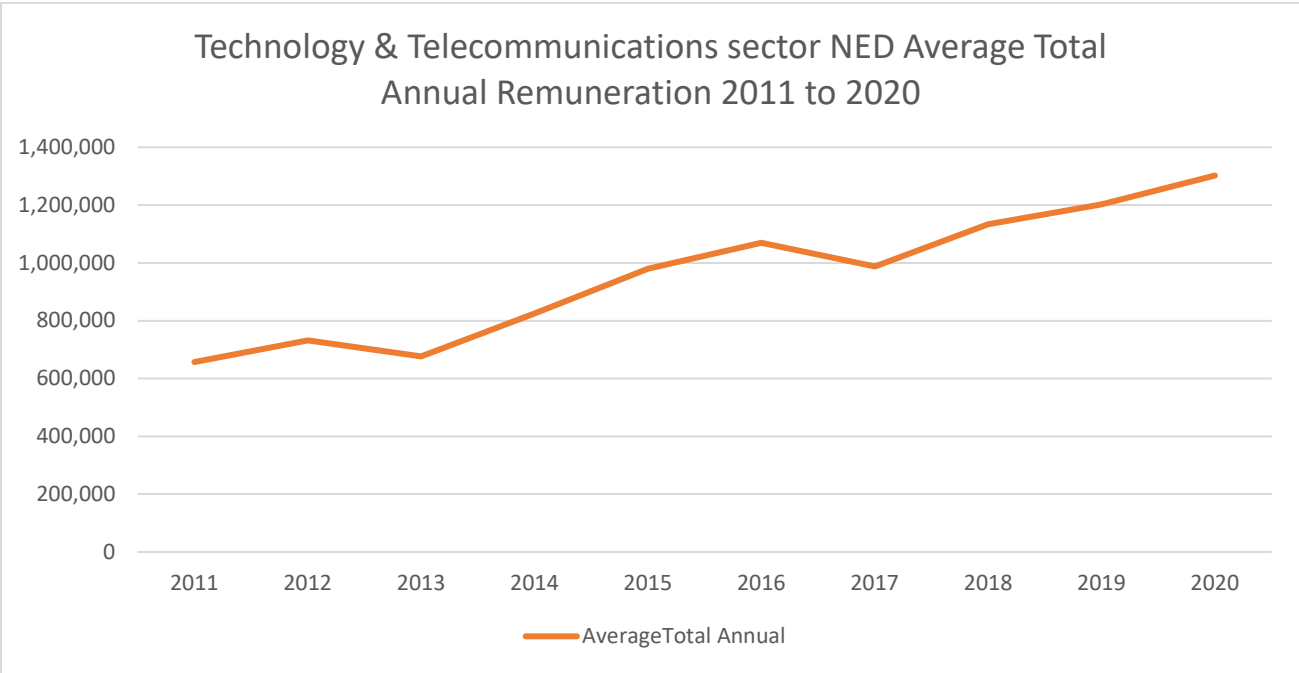


Figure 117 Technology and Telecommunications sector NED Average Total Annual Remuneration 2011 to 2020

SECTOR REPORT: TRANSPORT

Introduction

South Africa's commercial activity and economic performance are closely linked to its ability to transport goods both within and beyond its borders. Although South Africa's transport infrastructure is among the best on the continent, lack of investment in recent years has led to high usage costs. This sample of companies represent a mix of industrial transport and general retailers, all operating in the transport sector. We have added government-owned Transnet.

In this sector, our sample includes five companies listed on the Johannesburg Stock Exchange. These companies are:

ACSA (Airports Company South Africa)
Grindrod
Imperial Holdings (now Imperial Logistics)
Super Group
Transnet

A recent estimate of the South African Department of Transport⁴⁹ indicates that the transport, storage, and communication sector contributes 9.3% to South Africa's GDP, while transport alone contributes about 6.5%. The six companies in our sample employed over 100,000 people in the 2020 financial year. This makes it a key industry for the LRS to monitor.

Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the remuneration packages received by directors in this sector.

⁴⁹ https://www.transport.gov.za/documents/11623/39906/4_EconomicStatus2017.pdf/c47470b7-90f4-48cf-bd96-b82878d651fa

The Sector

South Africa's transport sector has been (and continues to be) severely affected by the Covid-19 pandemic – initially in terms of restrictions on operations and subsequently as the country emerged from lockdown. Under initial lockdown, the government shut down airports, buses, and train services to prevent large congregations in stations and vehicles. At the same time, minimal movements were allowed for logistics and transport of essential commodities. But, as economic pressure was mounted within the country, so was the pressure to relax operating restrictions of the sector.

At the start of the pandemic in March 2020, South Africa's state-owned airport operator ACSA reported that profit had risen sharply from ZAR 224 million in the previous financial year to ZAR 1.2 billion. However, the impact of the coronavirus pandemic has been severe, and cost-cutting has had to be ramped up as huge losses were incurred in the latter part of the year. ACSA reported a loss of ZAR 2.6 billion in the year through March 2021, compared with a profit of ZAR 1.2 billion a year earlier. The company got through months of almost no traffic by selling a 10% stake in Mumbai airport, issuing ZAR 2.3 billion of preference shares to the government, and taking a ZAR 810 million loan from the Development Bank of Southern Africa. A recent report estimates that in South Africa, ACSA's passenger figures fell by 78.2%, from 21 million to 4.6 million and total air traffic movements declined by 60%.⁵⁰

Even though some big companies have managed to stand firm and weather the impact of the Covid-19, the state-owned freight and logistics company, Transnet, is laying off workers. The company is in the process of issuing out voluntary severance packages (VSP) that will see 2,919 employees exit the company in 2021 at a cost of about R2.3 billion. The company maintained that Transnet's fixed labour cost accounted for 67% of total costs and that the lay-off is important in a bid to reduce costs on the business and ensure long-term sustainability. However, the United

⁵⁰ <https://businesstech.co.za/news/business/530384/south-african-airports-expect-good-news-for-december-holidays/>

National Transport Union (UNTU) argues that the exercise would only save about 7% of Transnet's wage bill, which was little compared to what was being lost⁵¹.

The freight forwarding and customs clearance operations of major industry players such as Grindrod and Imperial Logistics contribute significantly to international trade in South Africa and co-ordinates over 80% of the country's international trade. These companies reported substantially lower services and revenue in 2020.

Financials

Revenue

The state-owned company Transnet is the biggest company in terms of revenue in the sample sector with a revenue of ZAR 75 billion, as shown in *Figure 1* below. This is closely followed by Imperial holdings (now Imperial Logistics) with a ZAR 46 billion revenue for the 2020 financial year. While Super Group and Grindrod recorded 6.2% and 12% increases in revenue in 2019, in 2020 the revenue decreased by 8.7% and 2.2% respectively.

The revenue of Imperial holdings plummeted by 61% in 2019 due to the unbundling of Motus Holdings Limited from the company. In December 2018, Imperial Holdings Limited changed its name to Imperial Logistics. In the 2020 financial report, the company reported a 6.7% decrease in its revenue. On average, the five companies in this report reported a 3.2% decrease in revenue in what could be termed the worst year of the Covid-19 pandemic. From the graph below (see *Figure 4*), we see that the 2020 average revenue is the lowest in nine years.

⁵¹ <https://www.iol.co.za/business-report/economy/transnet-faces-off-with-union-over-voluntary-lay-offs-of-3000-staff-983b5d82-1403-413a-9bee-bef105f3052d>

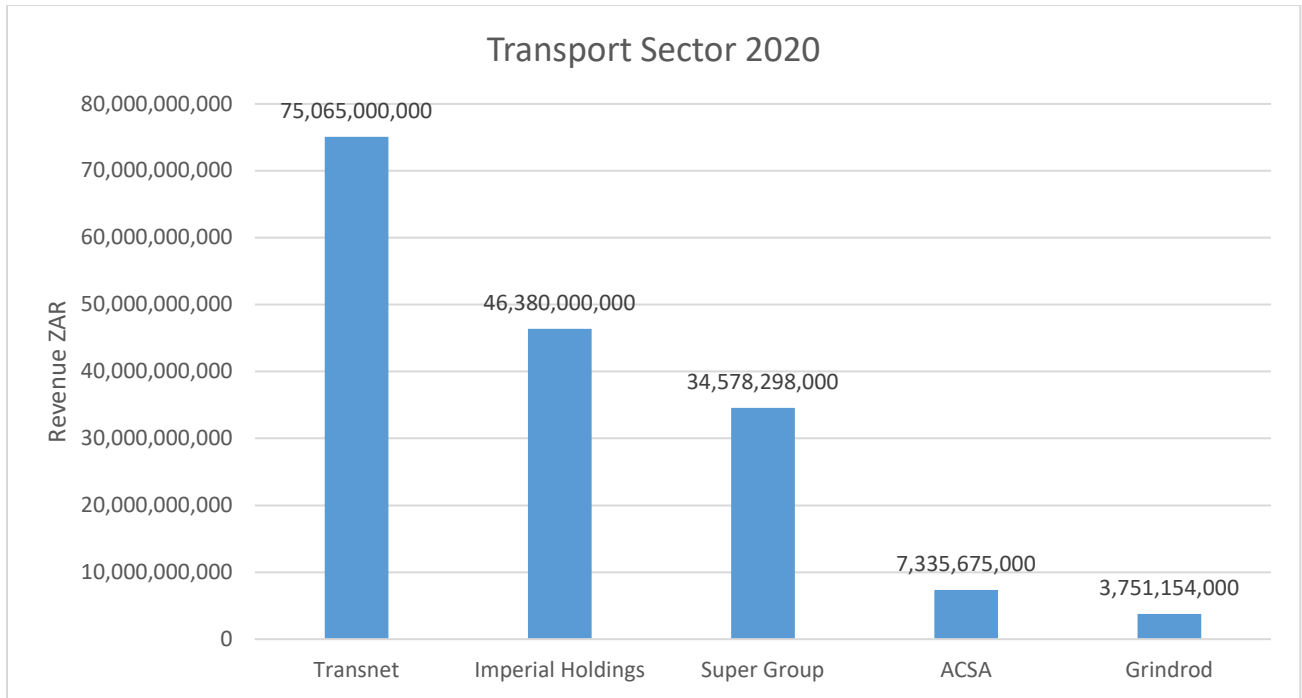


Figure 118 Transport Sector Revenue 2020

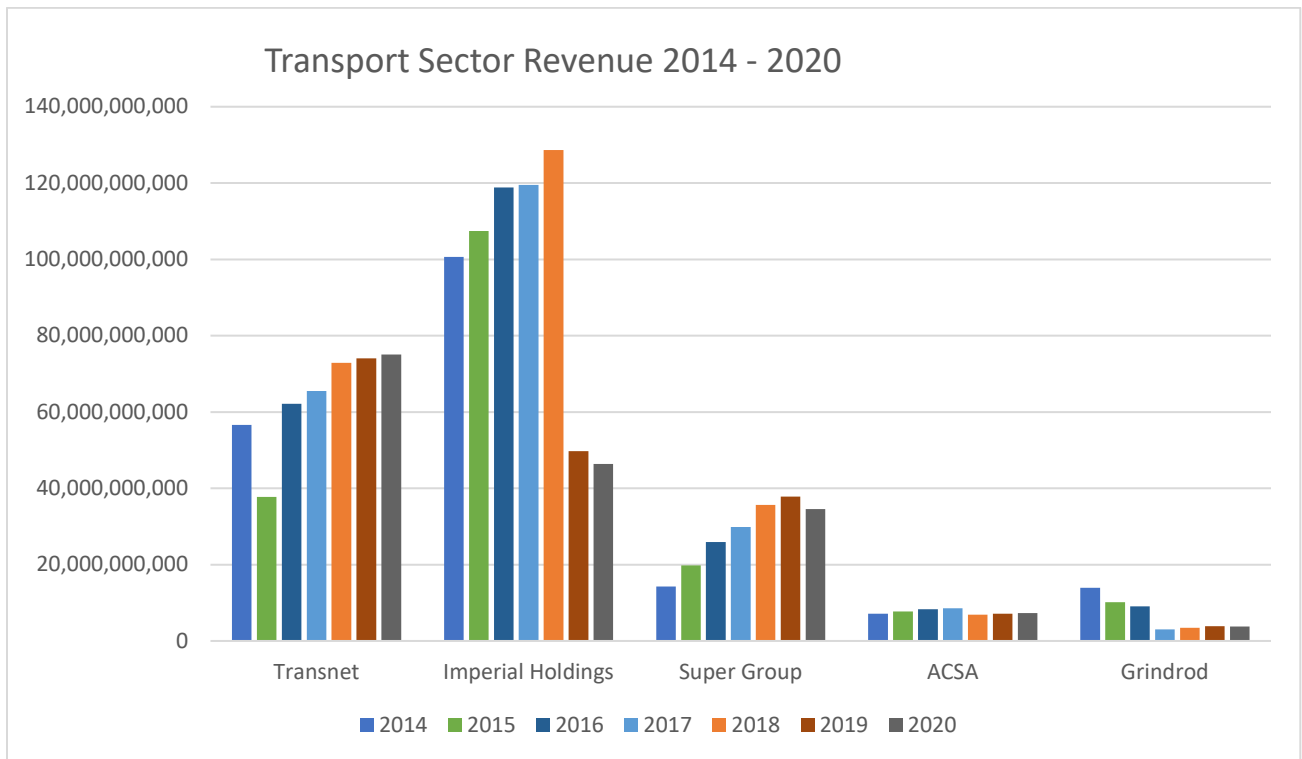


Figure 119 Transport Sector Revenue 2014 to 2020

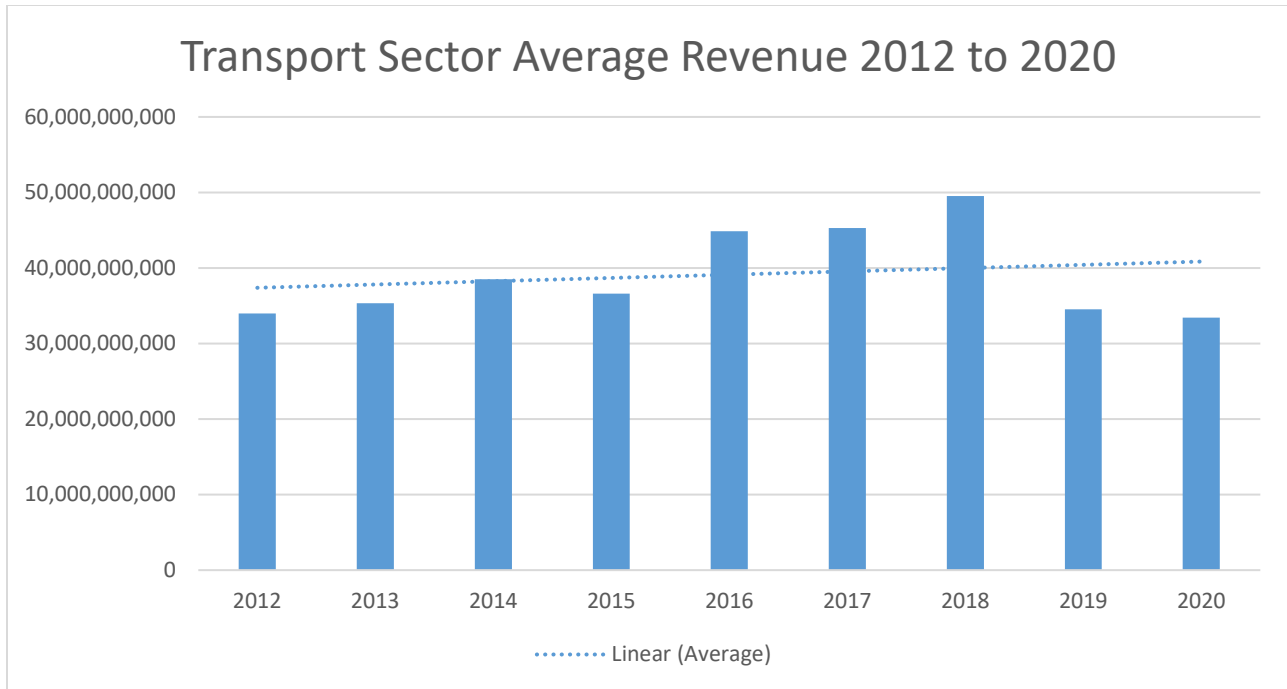


Figure 120 Transport Sector Average Revenue 2012 to 2020

Profit before Tax

In December 2020, Transnet – Africa’s largest state-owned freight rail and ports company – hit its first half-year headline loss in the wake of the Covid-19 pandemic. The group made a loss of ZAR 3 billion for the six months ending September 2020, compared to a ZAR 2.9 billion profit for its 2019 interim period. The pandemic affected all of Transnet’s operating divisions, especially rail volumes, which make up 70% of the company’s revenue. However, Transnet ended the 2020 financial year with a Profit before Tax of ZAR 6 billion (a 29.2% decrease compared to 2019).

The 2020 Profit before Tax for ACSA increased by 147.4%, compared to the previous year, while all other companies in our sample recorded decreased PBT. ACSA achieved this significant increase by taking loans and selling its stake in other investments (*see section above*). On average, reported 2020 PBT for the five companies went down by over 37.7%. This decline is partially attributed to the severe impact of the Covid-19 pandemic on the sector. From the graph below (*see Figure 8*), the average transport sector PBT increased from 2016 to 2018, however the PBT has been declining year-on-year since then.

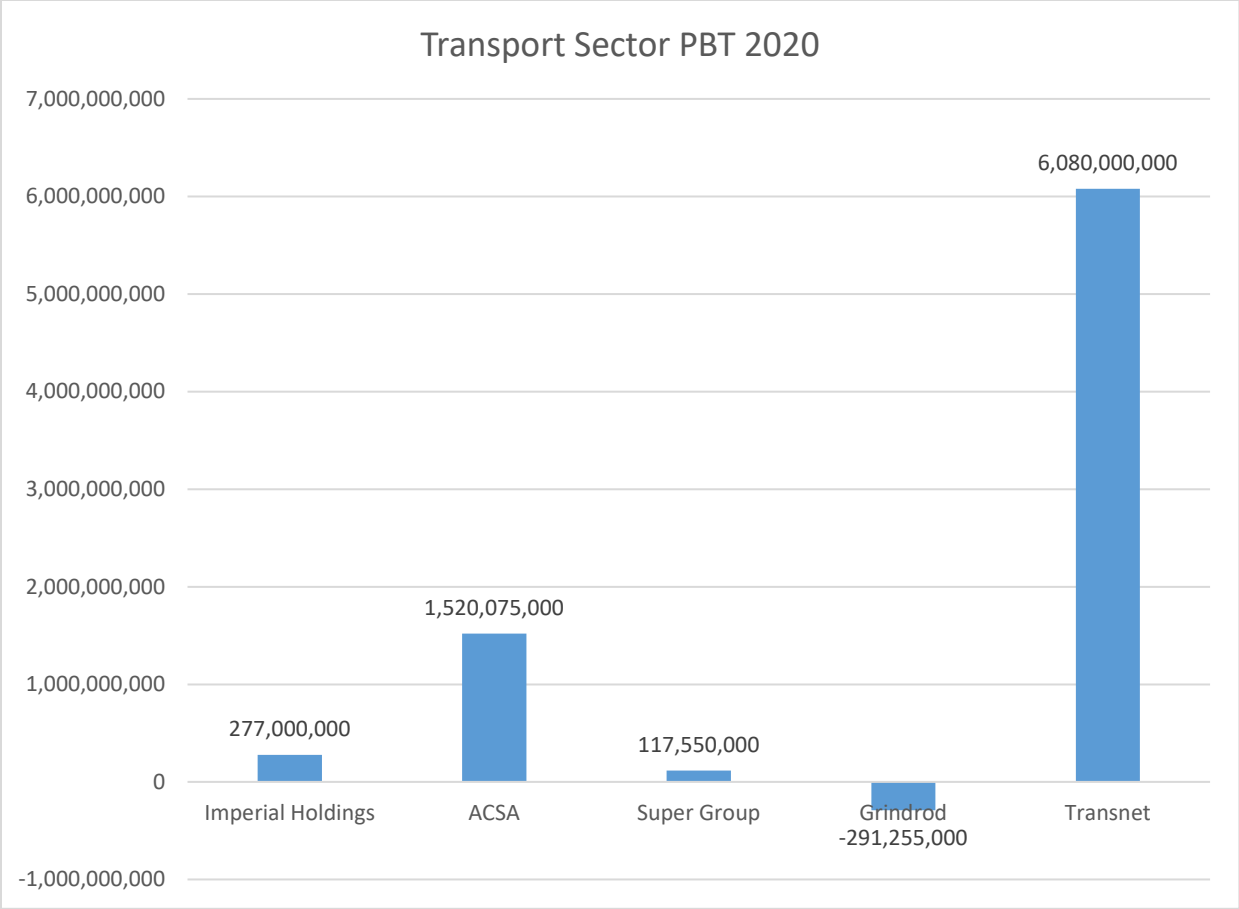


Figure 121 Transport sector Profit before Tax 2020

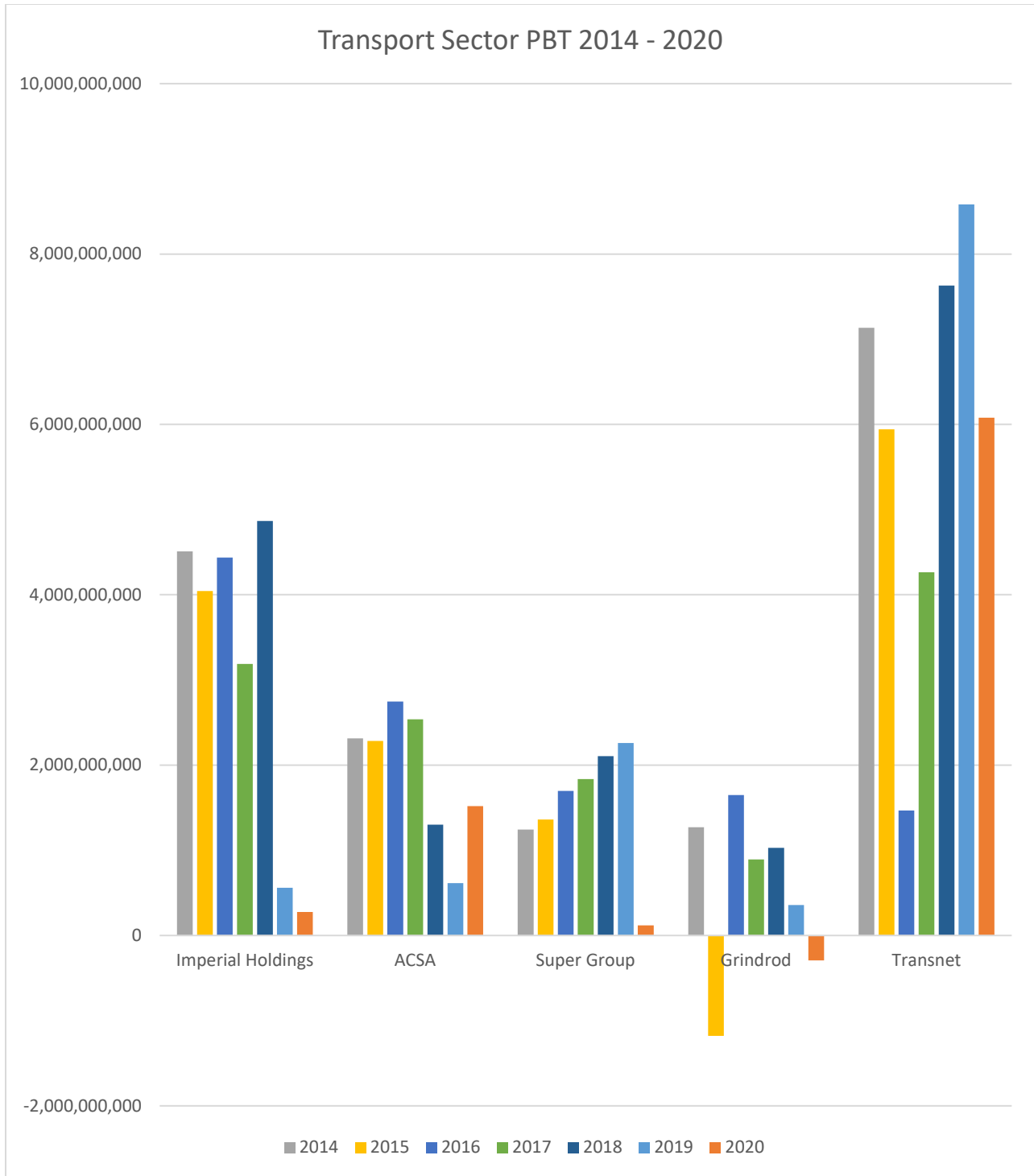


Figure 122 Transport sector Profit before Tax 2014 to 2020

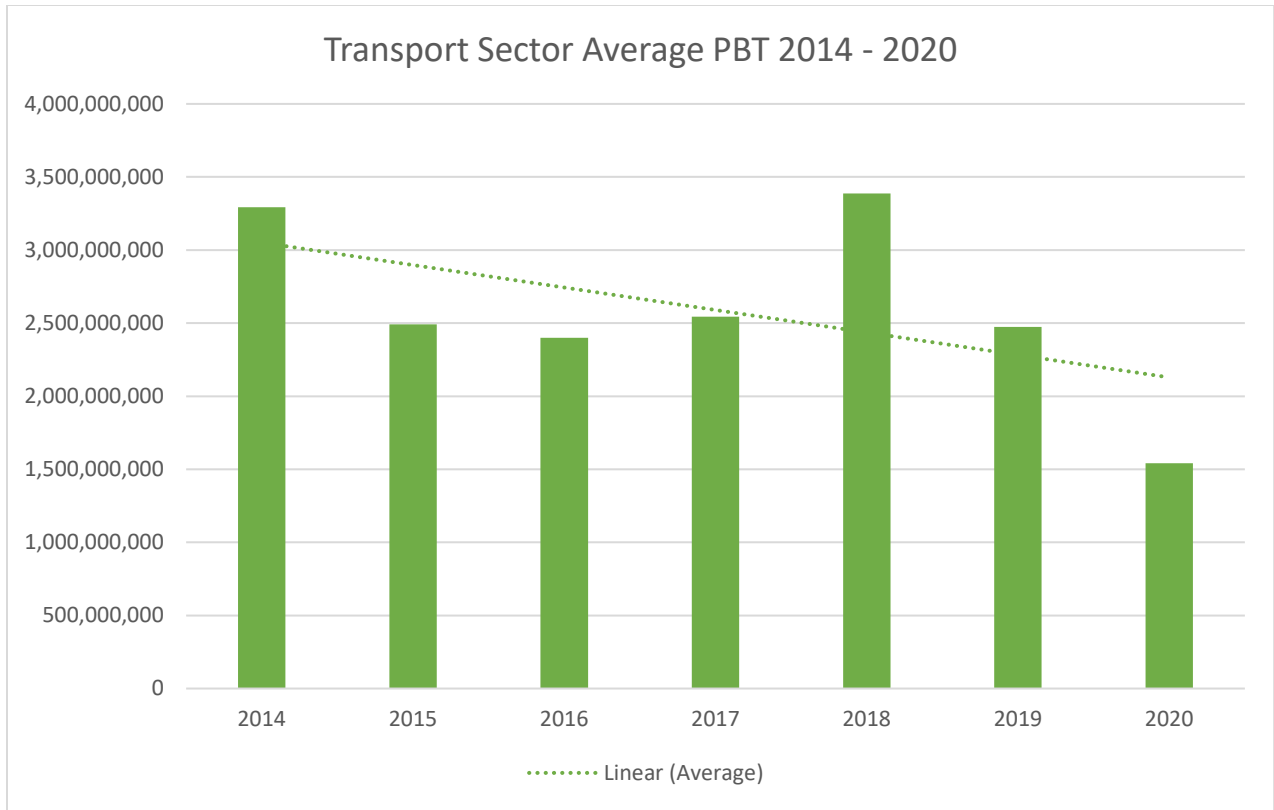


Figure 123 Transport Sector Average PBT 2014 to 2020

Directors’ Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last ten years for the five companies in our sample. When looking at *Figure 9*, we see that in 2014, 2015, and 2016 we can see a large gap between the average total remuneration without LTI and total remuneration including LTI. This shows that large LTIs were paid in these three years. We also see the general movement from 2016 being upwards, this continued until 2018 when the trend started downwards. The average CEO pay excluding LTI was ZAR 7.2 million in 2020, which was arguably a very difficult year for the sector.

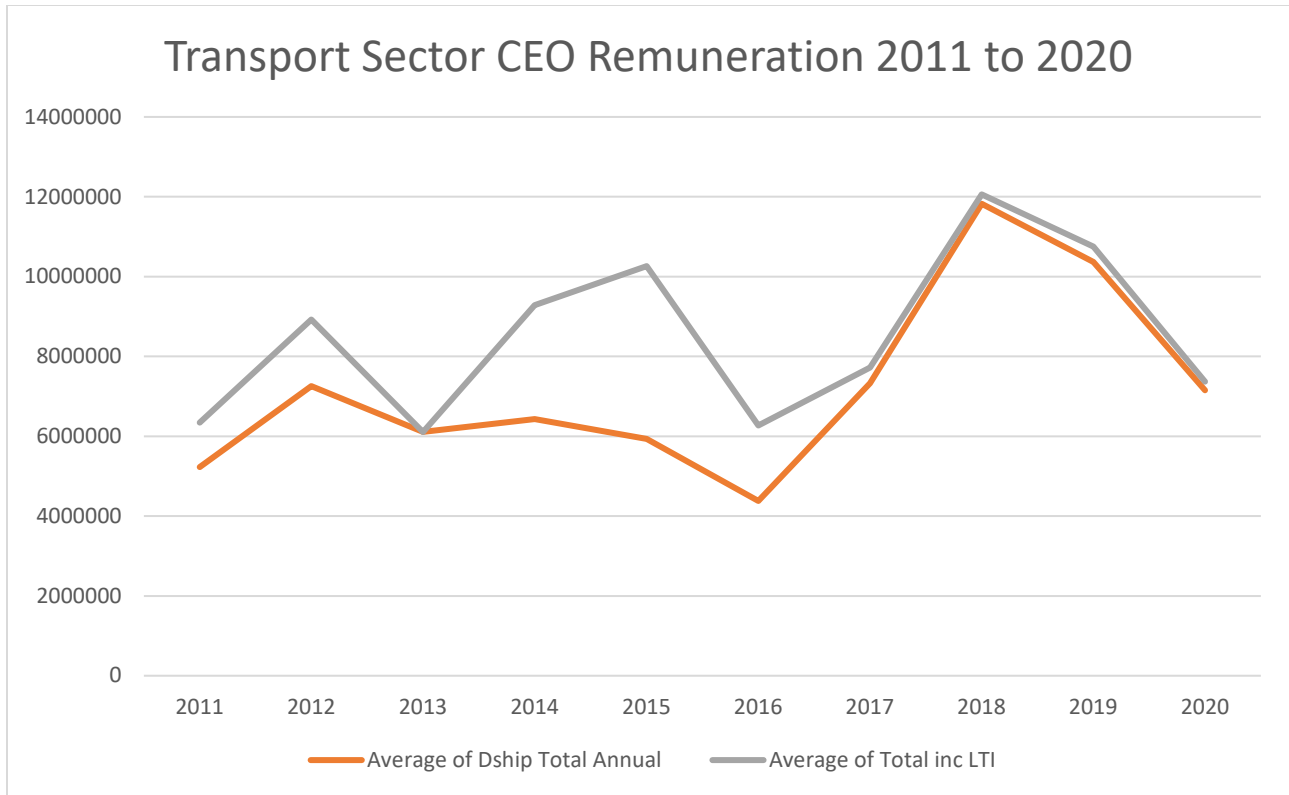


Figure 124 Transport Sector CEO Remuneration 2011 to 2020

CEO Remuneration 2020

From 2019 to 2020, the average total CEO remuneration decreased by 22.9%. Grindrod paid A. G. Waller ZAR 11 million, and P. Mountford of Super Group was paid ZAR 15.3 million, despite both companies reporting low profits for the year. ACSA had four changes in its leadership over the course of 2019 and 2020 which resulted in multiple payments being made to the various CEOs. The highest earner in the sample is M. Akoojee of Imperial Logistics, with a total remuneration of ZAR 19.4 million for the 2020 financial year.

On average, from 2019 to 2020, the total executive director and non-executive director's remuneration decreased by 25% and 7.3%, respectively (see *Figure 11 and 12*).

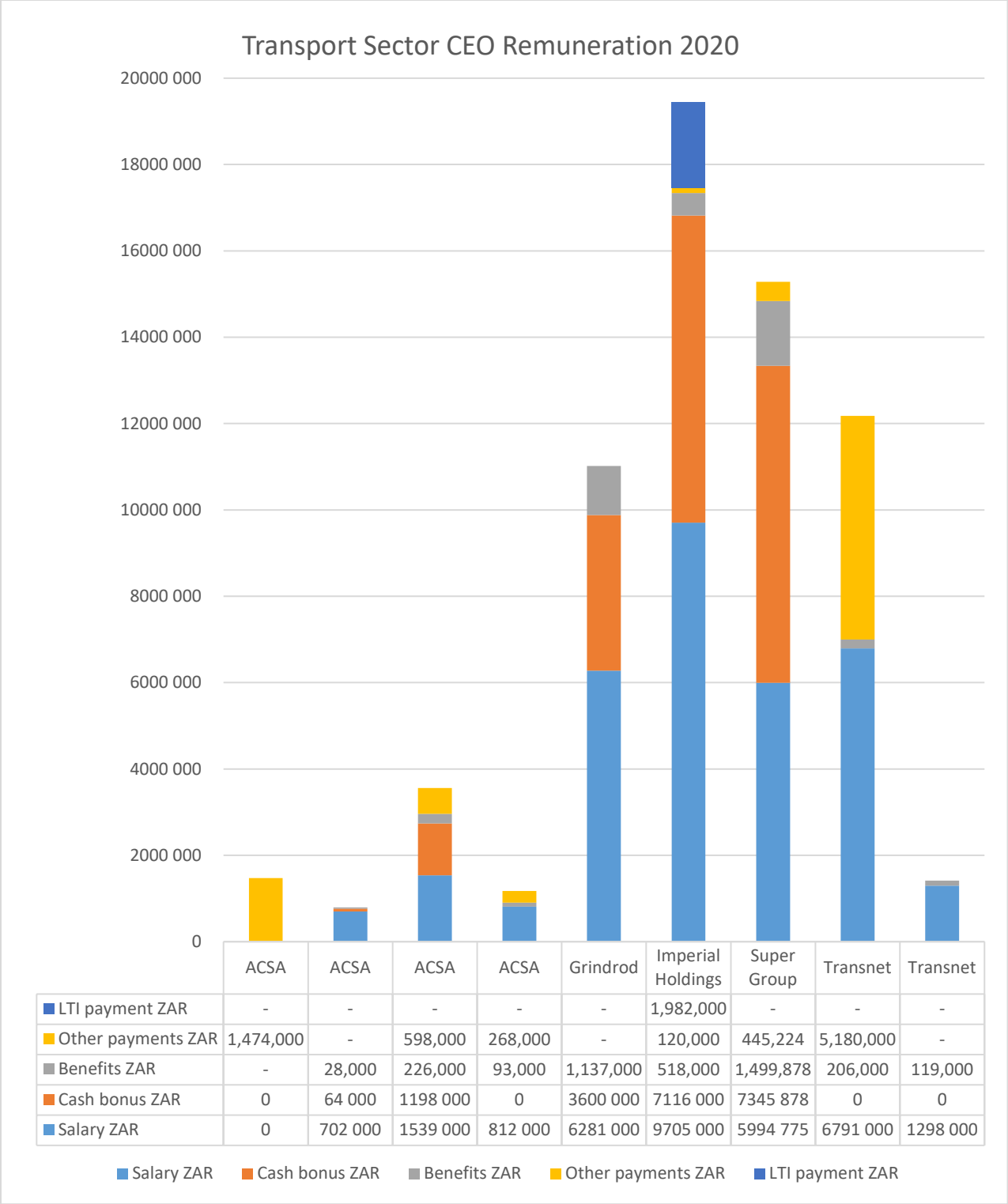


Figure 125 Transport Sector CEO Remuneration 2020

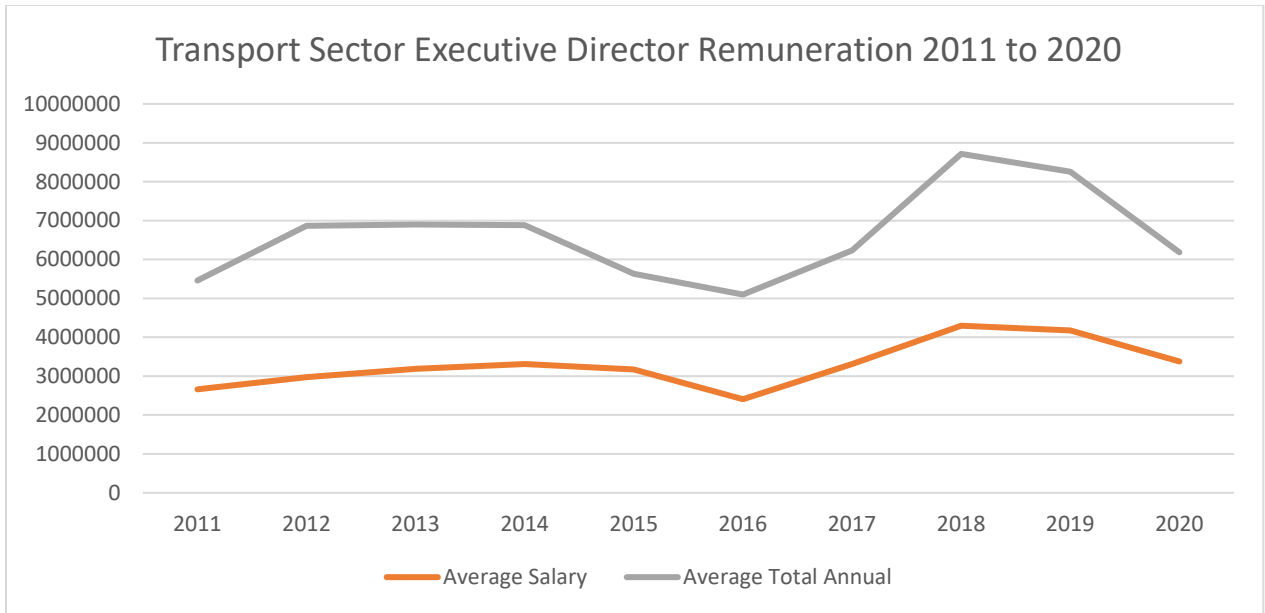


Figure 126 Transport Sector Executive Director Remuneration 2012 to 2020

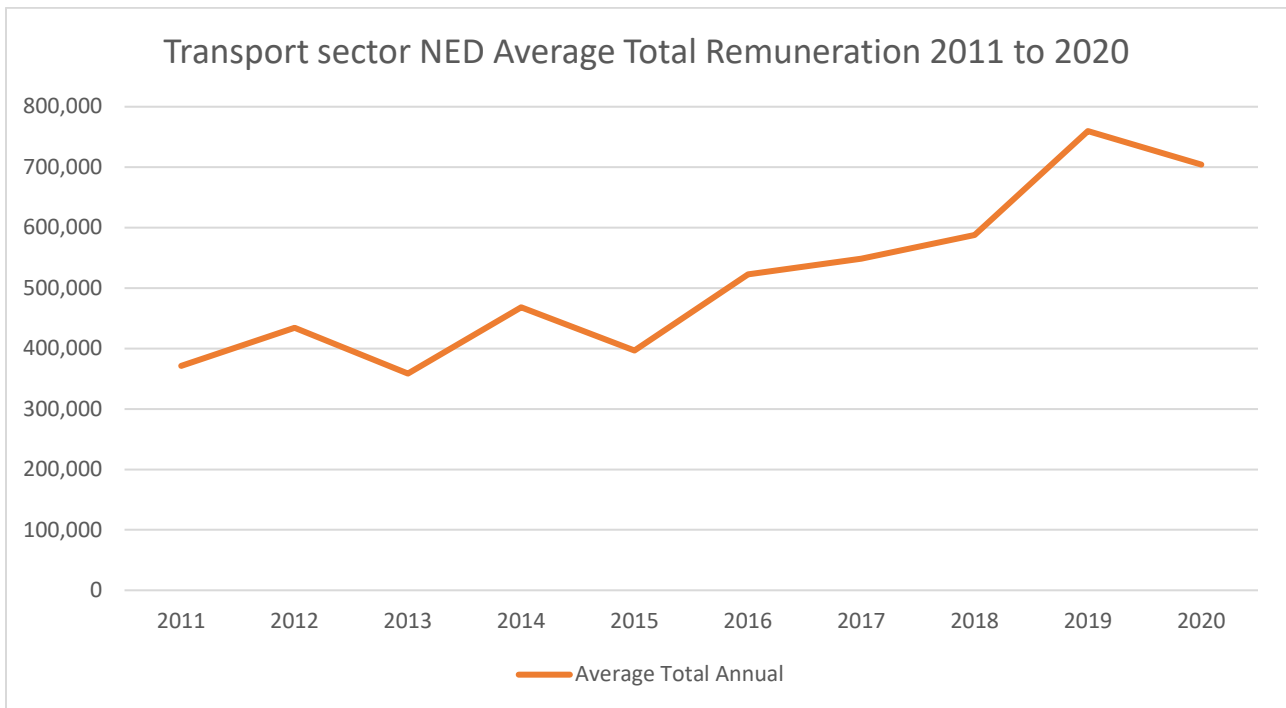


Figure 127 Transport sector NED Average Total Remuneration 2011 to 2020