

# MNC TRENDS REPORT 2022

**LRS** Labour  
Research  
Service

**FRIEDRICH  
EBERT  
STIFTUNG** 

TRADE UNION COMPETENCE CENTRE  
SUB-SAHARAN AFRICA



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## ACRONYMS

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

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## METHODOLOGICAL NOTE

There are currently 351 companies listed on the Johannesburg Stock Exchange (JSE). Our sample includes 77 companies listed on the JSE from 14 sectors, as well as two state owned enterprises (Eskom and Transnet).

Our sample of 77 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

The operations of multinational corporations (MNCs) in South Africa have been a topic of debate for many years. Some argue that these companies bring much needed investment and job opportunities to the country, while others criticise them for exploiting local labour and resources. Despite the controversy, multinational corporations continue to operate in South Africa and play a significant role in the country's economy.

MNCs take advantage of South Africa's strategic location and well-developed infrastructure. The country is a gateway to the rest of Africa, and many MNCs use it as a base for their operations on the continent. South Africa's ports and transportation systems are also well-developed, making it an attractive location for companies that need to import and export goods.

However, not all of the impact of MNCs on South Africa has been positive. Critics argue that these companies often exploit local labour and resources, and do not provide adequate benefits to the local communities in which they operate. In addition, the high salaries and perks enjoyed by the executives of MNCs can create significant income inequality, further exacerbating the already high levels of poverty and inequality in South Africa.

Despite these criticisms, multinational corporations continue to operate in South Africa, and their presence is likely to continue to be a major factor in the country's economy. It is important for the government, local communities and especially labour unions to carefully consider the impact of these companies and to ensure that they are contributing to the overall well-being of the country and its people.

The 2022 MNC Trends report reviews this year considering the challenges posed globally and in South Africa. This sector specific information is designed to assist unions in shaping bargaining demands given the financial situation and 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
<b>Sanlam</b>	Banking and Financial Services	154 675
<b>Shoprite</b>	Retail	142 602
<b>Glencore Xstrata</b>	Mining	134 914
<b>Bidvest</b>	Diversified Holdings	121 343
<b>Pick n Pay Stores Ltd</b>	Retail	90 000
<b>Sibanye Gold</b>	Mining	84 981
<b>Anglo American plc</b>	Mining	63 600
<b>Impala Platinum</b>	Mining	57 718
<b>Transnet</b>	Transport	55 827
<b>Adcorp Holdings limited</b>	Education, Bus Training & Employment	51 019

### By Sector

Sector	Employees 2020	Employees 2021
<b>Mining</b>	522 189	527 378
<b>Retail</b>	396 641	393 799
<b>Banking and Financial Services</b>	180 273	386 456 <sup>1</sup>
<b>Diversified Holdings</b>	175 553	164 708
<b>Industrial</b>	108 638	104 691
<b>Transport</b>	101 157	101 002
<b>Food and Beverage</b>	89 233	83 394
<b>Health</b>	73 654	83 740
<b>Technology and Telecommunications</b>	42 028	36 304
<b>Paper and Packaging</b>	41 325	44 429
<b>Construction</b>	29 078	27 144
<b>Hospitality</b>	15 632	14 123

<sup>1</sup> This increase from 2020 to 2021 is mainly due to a change in the way Sanlam reported its number of employees.

## Revenue

### Top 10 companies by Revenue

The top ten companies by revenue is dominated by mining again this year. Mining company Glencore Xstrata took the top spot with 2021. One of the biggest retailers in Africa, Shoprite, came in at number ten in terms of revenue.

Company	Sector	Revenue
<b>Glencore Xstrata</b>	Mining	3 237 328 799 771
<b>BHP Billiton</b>	Mining	845 763 720 454
<b>Anglo American plc</b>	Mining	659 476 190 476
<b>Anglo American Platinum</b>	Mining	214 568 000 000
<b>Eskom Holdings Limited</b>	Industrial	204 326 000 000
<b>Sasol</b>	Industrial	201 910 000 000
<b>Sanlam</b>	Banking and Financial Services	200 125 000 000
<b>MTN Group</b>	Technology and Telecommunications	181 646 000 000
<b>Sibanye Gold</b>	Mining	172 194 000 000
<b>Shoprite</b>	Retail	171 188 000 000

### Average Revenue

Sector	Average Revenue
<b>Banking and Financial Services</b>	85 944 016 204
<b>Construction</b>	23 715 028 250
<b>Diversified Holdings</b>	65 223 602 000
<b>Education, Bus Training &amp; Employment</b>	11 716 956 000
<b>Food and Beverage</b>	19 405 701 857
<b>Health</b>	25 873 528 183
<b>Hospitality</b>	3 334 938 667



<b>Industrial</b>	71 896 640 571
<b>Media</b>	47 119 658 445
<b>Mining</b>	460 767 454 166
<b>Paper and Packaging</b>	76 381 141 834
<b>Retail</b>	71 037 077 778
<b>Technology and Telecommunications</b>	107 723 333 333
<b>Transport</b>	33 011 095 600

## 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 yet again this year with over ZAR 342 billion and ZAR 272 billion in profit before tax respectively. Naspers, the international media company with shares in Chinese tech giant Tencent, comes in at number four with profit before tax of ZAR 108 billion.

<b>Company</b>	<b>Sector</b>	<b>Profit before Tax</b>
<b>BHP Billiton</b>	Mining	342 118 705 080
<b>Anglo American plc</b>	Mining	272 634 920 635
<b>Glencore Xstrata</b>	Mining	117 178 810 893
<b>Naspers</b>	Media	108 340 834 083
<b>Anglo American Platinum</b>	Mining	108 311 000 000
<b>Impala Platinum</b>	Mining	67 920 000 000
<b>Kumba Iron Ore Limited</b>	Mining	60 002 000 000
<b>Sibanye Gold</b>	Mining	47 557 000 000
<b>Standard Bank Group</b>	Banking and Financial Services	38 208 000 000
<b>FirstRand Bank</b>	Banking and Financial Services	37 291 000 000

## Average Profit before Tax

Sector	Average Profit before Tax
Banking and Financial Services	16 680 298 611
Construction	937 420 000
Diversified Holdings	4 613 900 667
Education, Bus Training & Employment	27 761 000
Food and Beverage	1 293 363 571
Health	2 172 984 198
Hospitality	-485 865 667
Industrial	1 155 789 286
Media	54 540 079 042
Mining	90 108 551 020
Paper and Packaging	6 091 299 787
Retail	2 247 966 667
Technology and Telecommunications	18 697 333 333
Transport	-2 298 809 800

## REMUNERATION

### TOP TEN CEOS BY REMUNERATION

Company	Director Surname	Salary	Cash Bonus	Benefits	Other	LTI Payment	Total Including LTI
<b>Sibanye Gold</b>	Froneman	12 427 000	7 793 000		1 889 000	269 473 000	291 582 000
<b>Anglo American plc</b>	Cutifani	29 765 957	46 957 447	1 212 766	9 340 456	122 914 894	210 191 520
<b>BHP Billiton</b>	Henry	23 611 111	65 166 667	277 778	2 361 111	110 263 889	201 680 556
<b>Pick n Pay Stores Ltd (Brasher)</b>	Brasher	10 836 000	20 000 000	1 292 500	5 000 000	115 862 500	152 991 000
<b>Impala Platinum</b>	Muller	11 102 000	15 098 000	1 603 000	20 000	80 682 000	108 505 000
<b>Mondi Group</b>	King	20 524 393		4 421 750	679 821	48 447 036	74 073 000
<b>Gold Fields</b>	Holland	5 055 556	11 763 492	96 825	12 020 635	39 023 810	67 960 318
<b>Foschini</b>	Thunstrom	7 729 400	8 554 000	1 626 600	0	38 747 000	56 657 000
<b>Vodacom Group Limited</b>	Aziz Joosub	11 715 236	17 683 718	854 014	1 212 154	21 162 447	52 627 569
<b>MTN Group</b>	Mupita	15 406 000	28 966 000	701 000	961 000	5 276 000	51 310 000

## CEO Average Remuneration

Sector	Average of Total Remuneration inc LTI
Banking and Financial Services	29 838 381
Construction	14 212 400
Diversified Holdings	22 326 333
Education, Bus Training & Employment	19 556 000
Food and Beverage	14 976 000
Health	17 669 017
Hospitality	7 666 000
Industrial	15 157 089
Media	12 475 357
Mining	71 136 822
Paper and Packaging	39 828 359
Retail	36 939 500
Technology and Telecommunications	48 400 265
Transport	13 524 432

## Executive Director Average Remuneration

Sector	Average Salary	Average Total inc LTI
Banking and Financial Services	6 741 918	23 966 014
Construction	4 696 200	11 282 700
Diversified Holdings	5 964 333	14 610 111
Education, Bus Training & Employment	2 666 000	8 622 667
Food and Beverage	5 771 000	10 699 667
Health	6 951 691	15 722 635
Hospitality	3 490 429	5 305 857
Industrial	5 452 613	10 890 844
Media	4 344 995	9 022 414
Mining	8 881 662	53 777 157

<b>Paper and Packaging</b>	9 910 338	32 823 897
<b>Retail</b>	5 562 566	19 899 981
<b>Technology and Telecommunications</b>	10 555 473	35 062 116

#### Non-executive Director Average Remuneration

<b>Sector</b>	<b>Average of Total inc LTI</b>
<b>Banking and Financial Services</b>	2 102 016
<b>Construction</b>	849 000
<b>Diversified Holdings</b>	905 000
<b>Education,,Bus Training &amp; Employment</b>	441 626
<b>Food and Beverage</b>	744 806
<b>Health</b>	1 215 806
<b>Hospitality</b>	489 786
<b>Industrial</b>	1 114 142
<b>Media</b>	11 712 148
<b>Mining</b>	2 025 958
<b>Paper and Packaging</b>	1 803 036
<b>Retail</b>	888 179
<b>Technology and Telecommunications</b>	1 374 395



## SECTOR REPORTS

Each sector report will be in three parts. The first part presents an overview of the sector, the second part presents the revenue amounts of the 2021 financial year and 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 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

The banking and financial sector in South Africa is challenged by slow economic growth and high levels of unemployment. Many people do not have access to affordable financial services. The sector is highly concentrated, with a few large banks dominating the market, which can make it difficult for smaller players to compete.

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.<sup>2</sup>

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<sup>2</sup> <https://businesstech.co.za/news/banking/416057/south-africas-banking-sector-is-dominated-by-5-names-who-control-almost-90-of-all-assets/>

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.<sup>3</sup> The increasing use of mobile banking and other digital technologies, which are making it easier for people to access financial services, is driving this change. This trend is likely to continue, as more and more people in Africa gain access to smartphones and other devices. We see a continued focus on financial inclusion and providing access to affordable financial services for all Africans.

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.<sup>4</sup> The immediate future looks positive for the banking sector, as interest rates are expected to increase, and this helps banks with income.<sup>5</sup>

## Financials

### Revenue

The 2020 financial year saw a significant change in the sector's revenue. On average, revenue increased by 16,16% in the sample – back to higher than before the pandemic.

Of the eight companies in our list, four reported increases in revenue: Discovery (55%); Liberty Holdings (53%); Sanlam (50%); and Standard Bank (29%).

RMB Holdings reported a further dramatic loss of revenue (from ZAR 10 billion in 2019 to ZAR 5 billion in 2020 and ZAR 38 million in 2021). First Rand Bank, Nedbank and Investec all reported decreases in revenue. Average revenue in the sector is the highest it's been since we started monitoring these companies.

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<sup>3</sup> <https://www.pwc.co.za/en/publications/the-future-of-banking.html>

<sup>4</sup> <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>

<sup>5</sup> <https://www.ghostmail.co.za/standard-bank-positive-jaws-and-a-strong-outlook/>

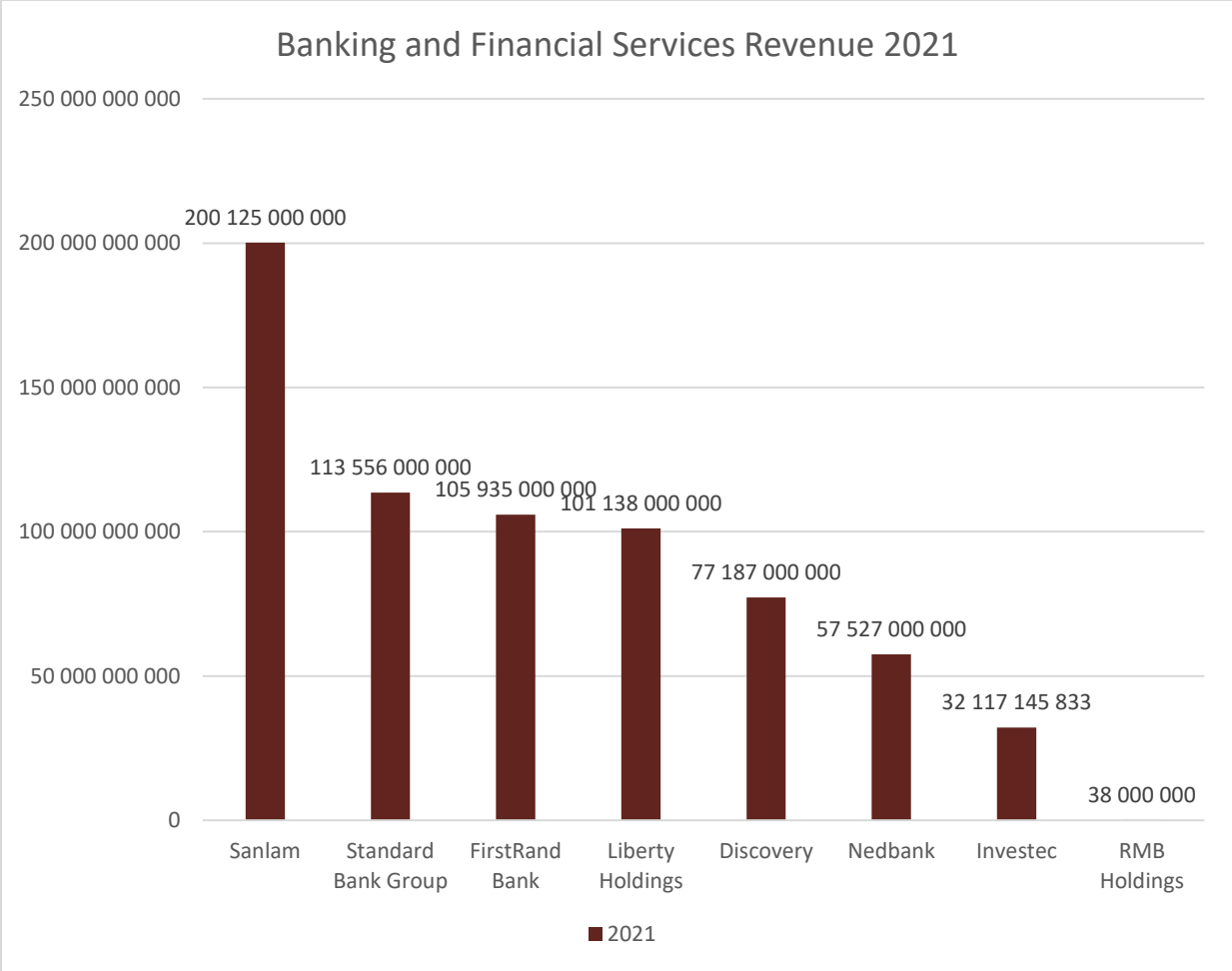


Figure 1 Banking and Financial Services Revenue 2021

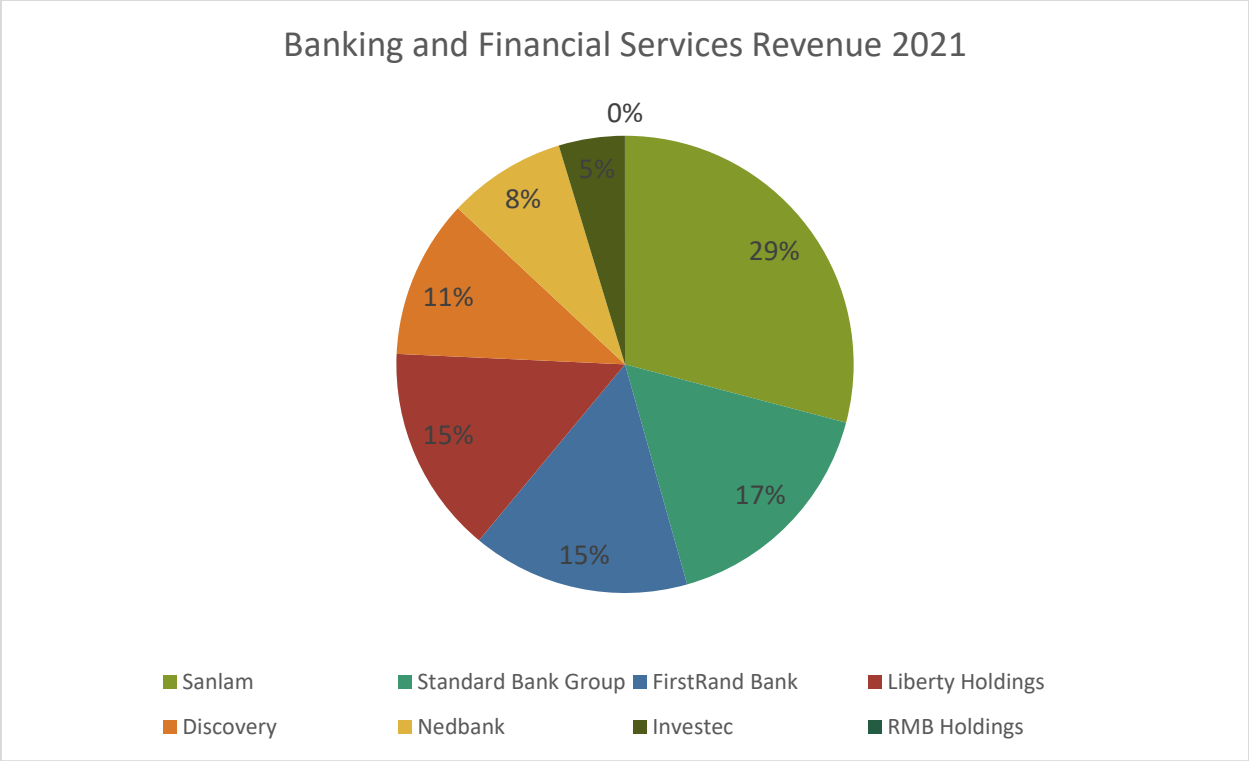


Figure 2 Banking & Financial Sector by Revenue 2021

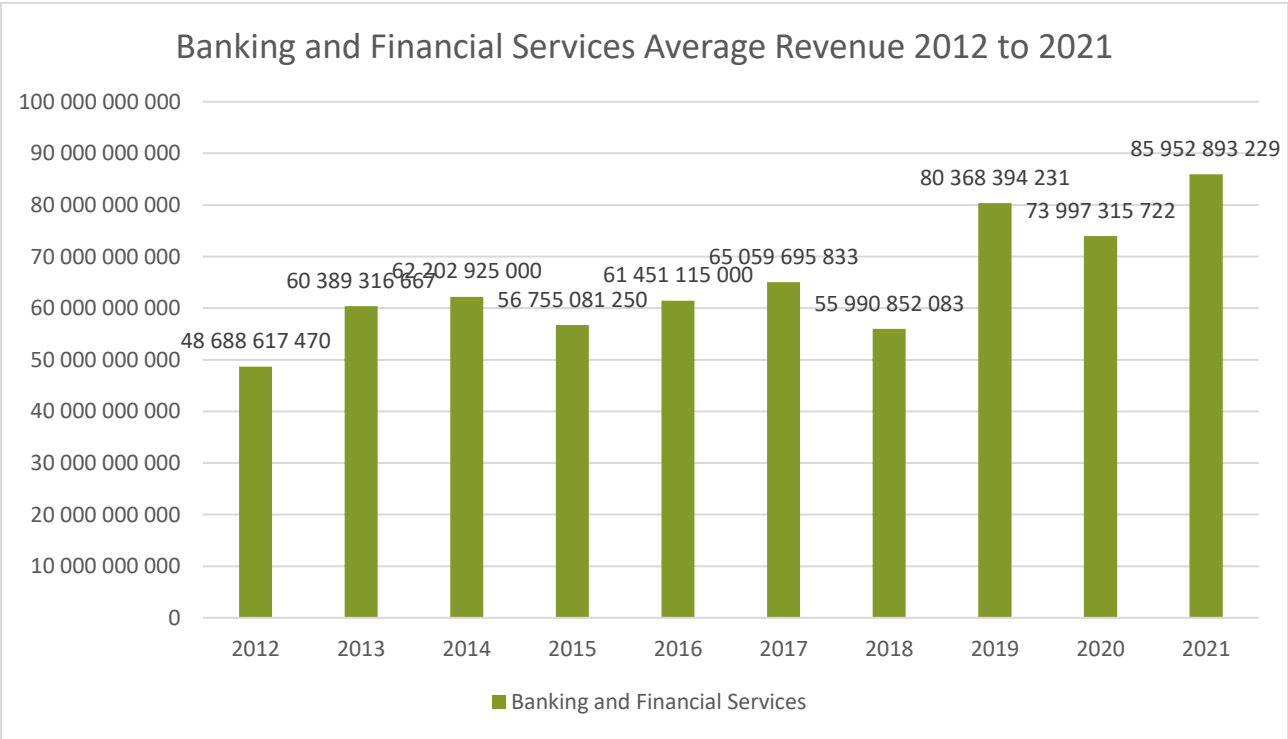


Figure 3 Banking & Financial Sector Average Revenue 2012 - 2021



## Banking and Financial Services Revenue 2012 to 2021

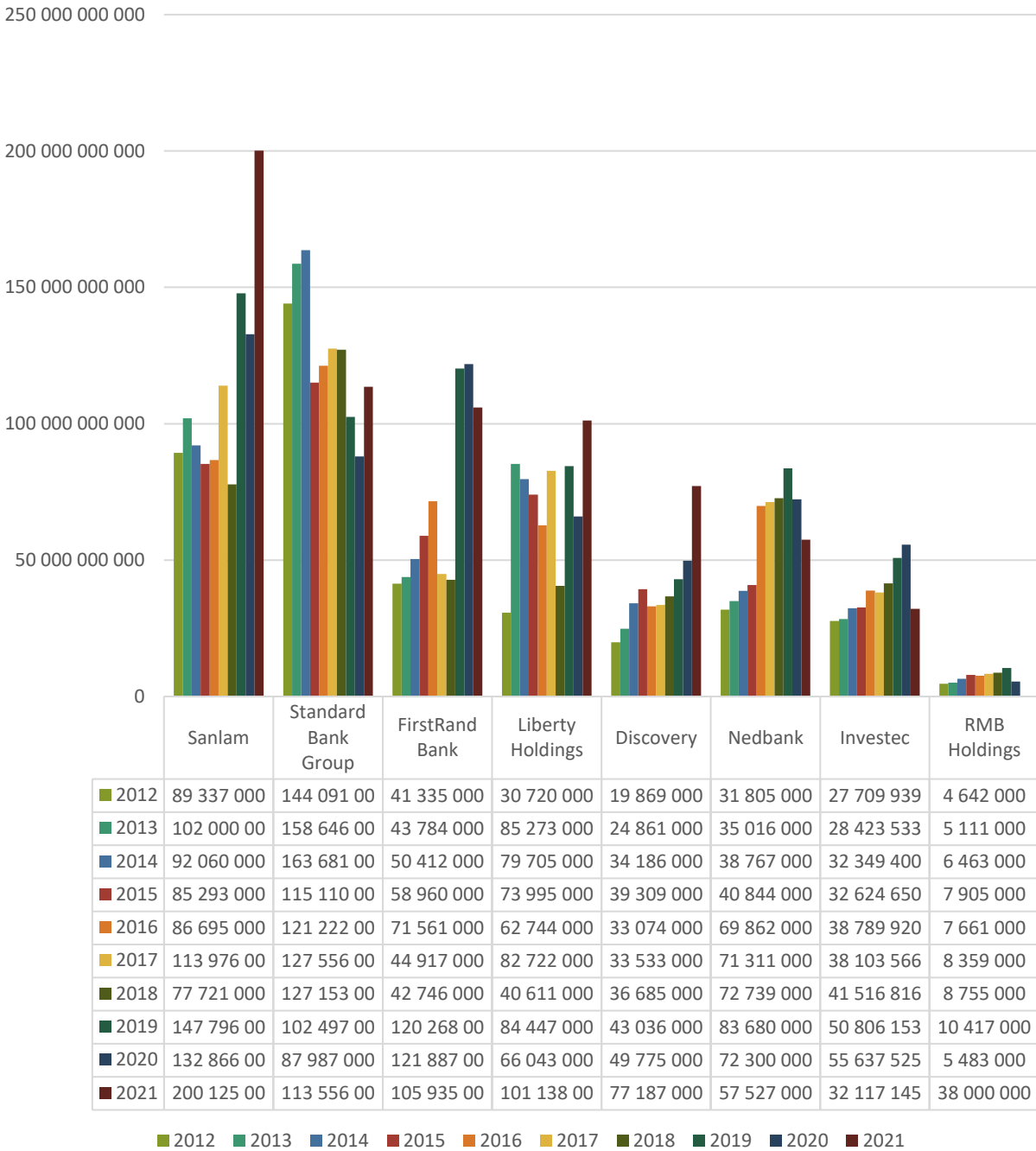


Figure 4 Banking & Financial Sector Revenue 2012 to 2021

## Profit before Tax

In 2020, 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 - a reflection of discontinued operations and not of actual PBT made). In 2021, every company on the list report an increase in profit before tax (from the relatively low figures in 2020), aside from RMB Holdings which reported a loss for this first time since we started monitoring.

Liberty Holdings managed to turn around a loss in 2020 to Profit before Tax of ZAR 1,8 billion. Standard Bank reported an increase, but the level is still below PBT in 2017. Standard Bank Group is the third largest asset manager in Africa. The investment business grew headline earnings by 11% in 2021.<sup>6</sup> FirstRand Bank reported a 57% increase but have still not recovered to pre-Covid levels of profit. Sanlam and Nedbank seem to have recovered with big increases in PBT for 2021.

Standard Bank Group bought 100% of Liberty Holdings and will integrate it wholly into Standard Bank Group. The acquisition of Liberty Holdings was completed, and Liberty delisted on 1 March 2023.<sup>7</sup>

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<sup>6</sup> <https://www.ghostmail.co.za/standard-bank-positive-jaws-and-a-strong-outlook/>

<sup>7</sup> <https://businesstech.co.za/news/banking/506282/standard-bank-in-buyout-offer-for-liberty-holdings/>

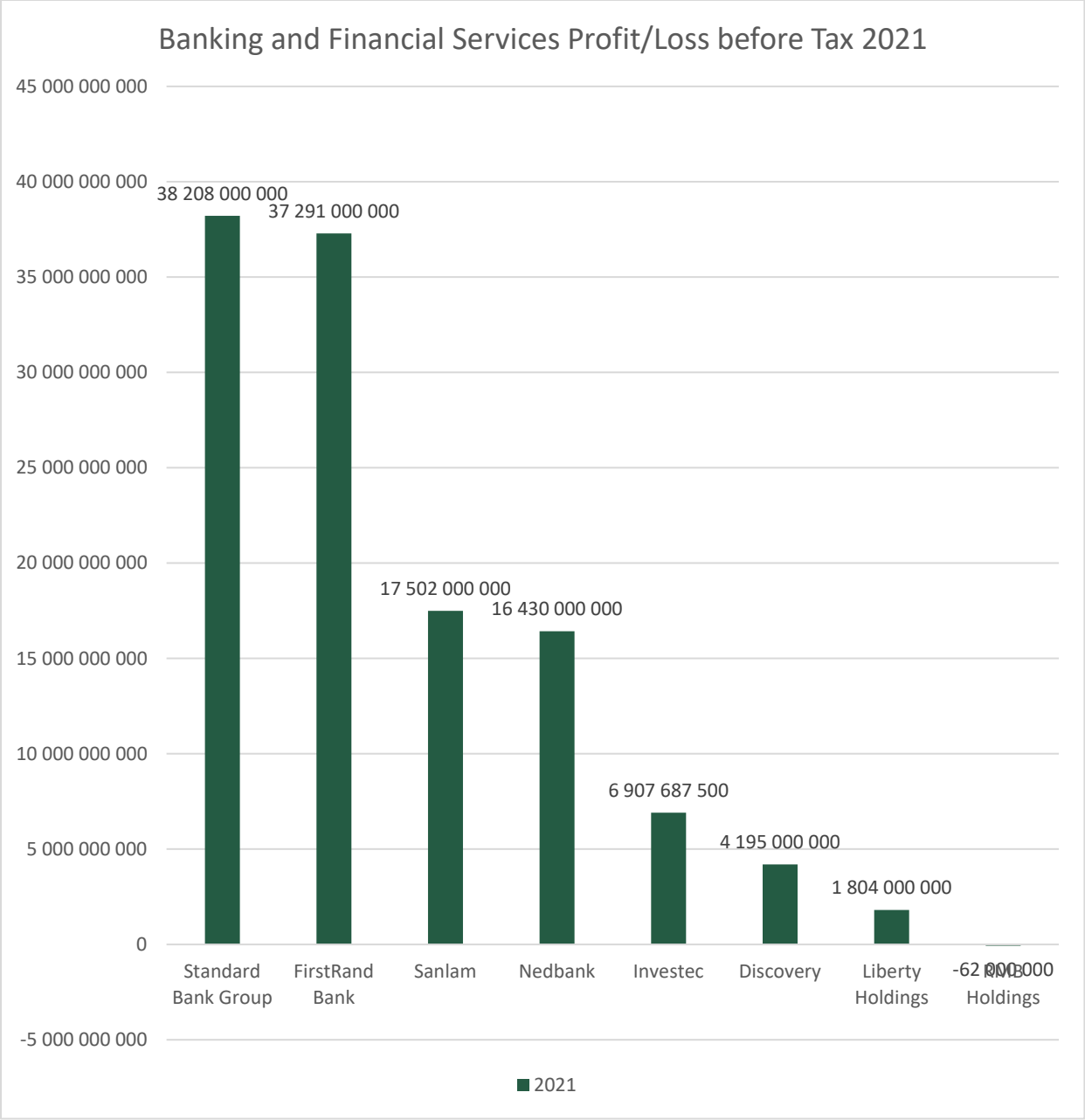
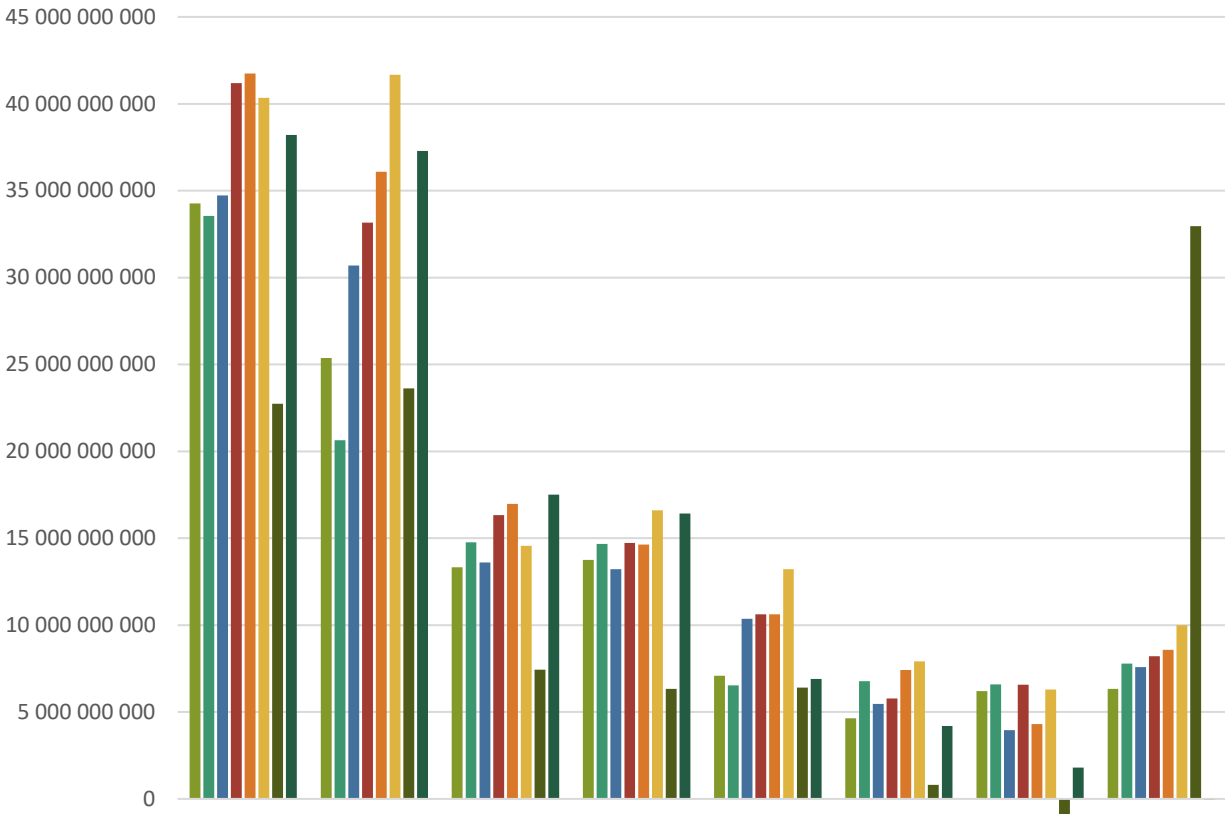


Figure 5 Banking & Financial Services PBT 2021

### Banking and Financial Sector PBT 2014 to 2021



	Standard Bank Group	FirstRand Bank	Sanlam	Nedbank	Investec	Discovery	Liberty Holdings	RMB Holdings
2014	34 274 000	25 377 000	13 329 000	13 759 000	7 090 116	4 641 000	6 209 000	6 338 000
2015	33 547 000	20 635 000	14 769 000	14 681 000	6 533 183	6 766 000	6 590 000	7 778 000
2016	34 726 000	30 687 000	13 604 000	13 223 000	10 363 820	5 470 000	3 951 000	7 574 000
2017	41 194 000	33 157 000	16 332 000	14 721 000	10 623 566	5 772 000	6 568 000	8 207 000
2018	41 738 000	36 094 000	16 966 000	14 635 000	10 624 983	7 412 000	4 297 000	8 582 000
2019	40 344 000	41 672 000	14 561 000	16 606 000	13 215 480	7 919 000	6 297 000	9 996 000
2020	22 741 000	23 628 000	7 439 000	6 331 000	6 401 649	800 000 00	-2 219 000	32 961 000
2021	38 208 000	37 291 000	17 502 000	16 430 000	6 907 687	4 195 000	1 804 000	-62 000 00

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021

Figure 6 Banking & Financial Sector PBT 2014 to 2021

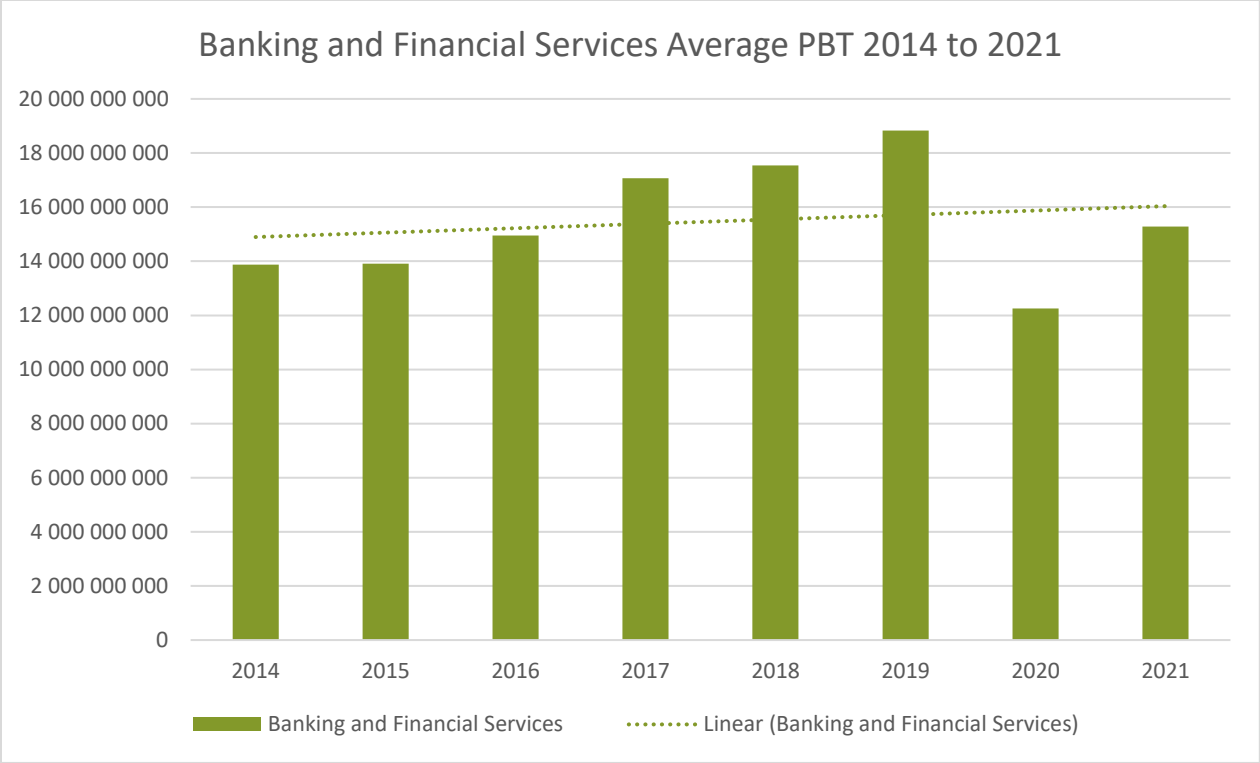


Figure 7 Banking & Financial Sector Average PBT 2014 to 2021

## Directors’ Remuneration

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

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%. From 2020 to 2021, this same number increased by 26.4%.

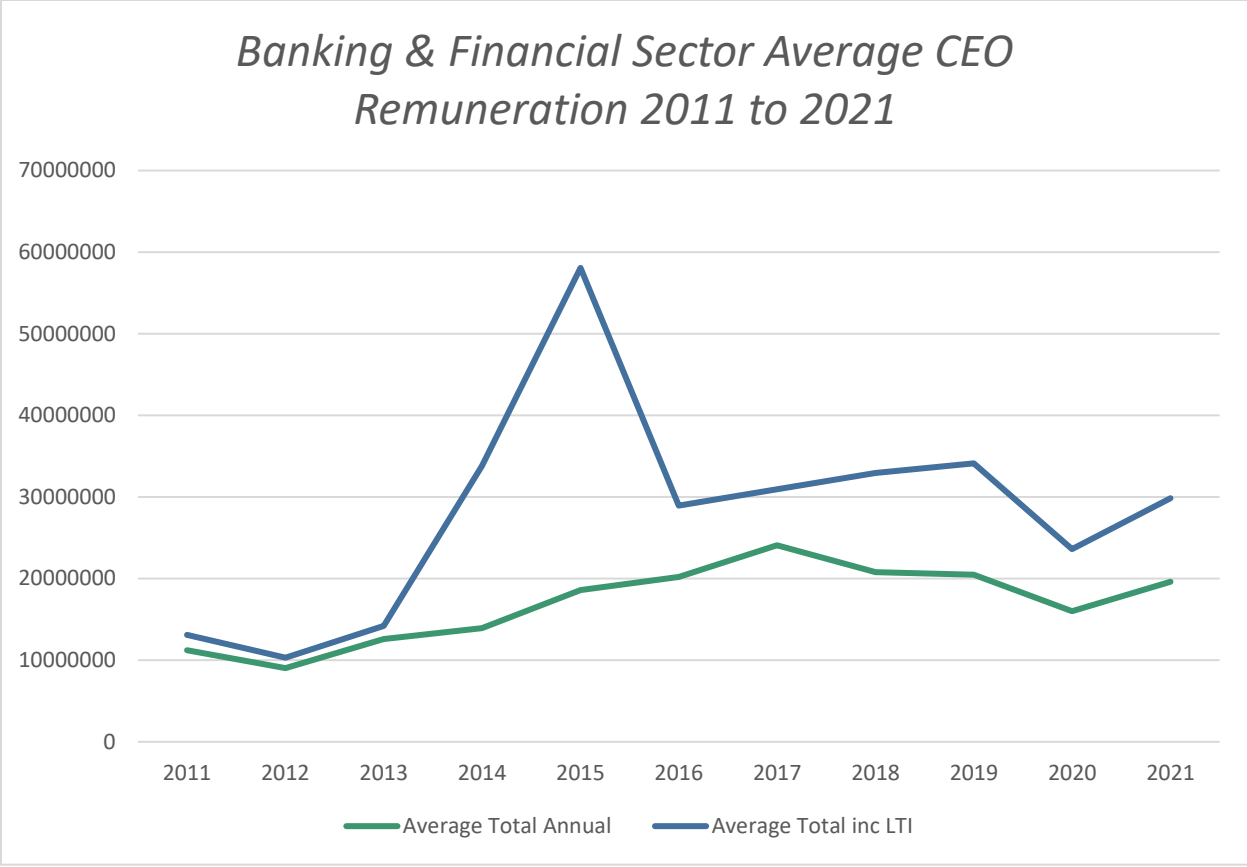


Figure 8 Banking & Financial Sector Average CEO Remuneration 2011 to 2021

### CEO Remuneration 2021

In the Banking & Financial sector, the CEO of Liberty Holdings, David Munro, received the highest reported remuneration at ZAR 49 million. This includes an LTI payment of ZAR 31 million – the highest LTI payment in the sample for the period. Pullinger, CEO of Firststrand Bank, received an LTI of ZAR 24 million, which brings his total remuneration for the 2021 financial year to ZAR 45,5 million (17% increase on 2020).

On average, executive remuneration in the sample decreased by around 25% in 2020 but increased by 34% in 2021. Non-executive remuneration on average decreased by 10%.

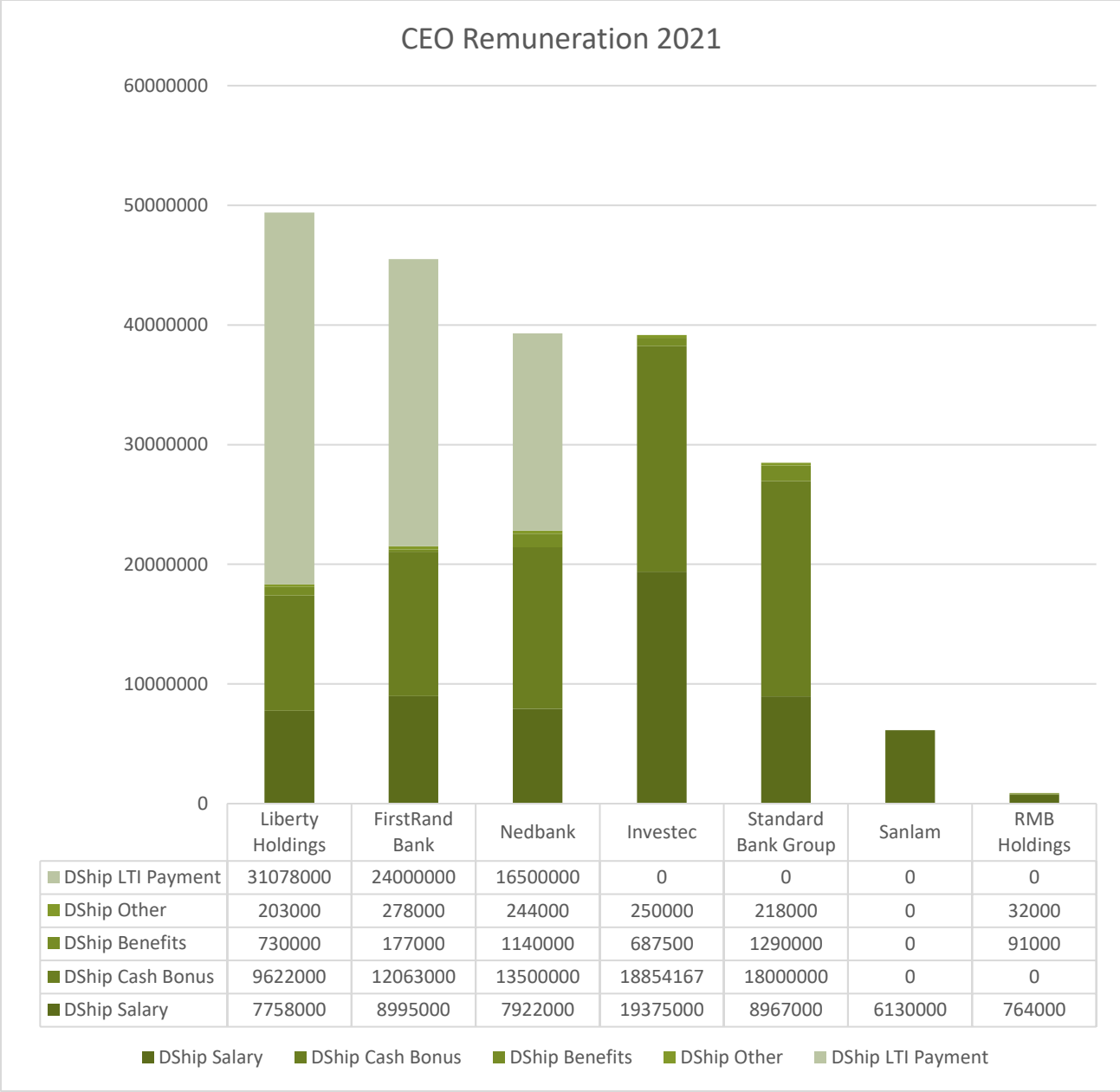


Figure 9 Banking and Financial Sector CEO Remuneration 2021

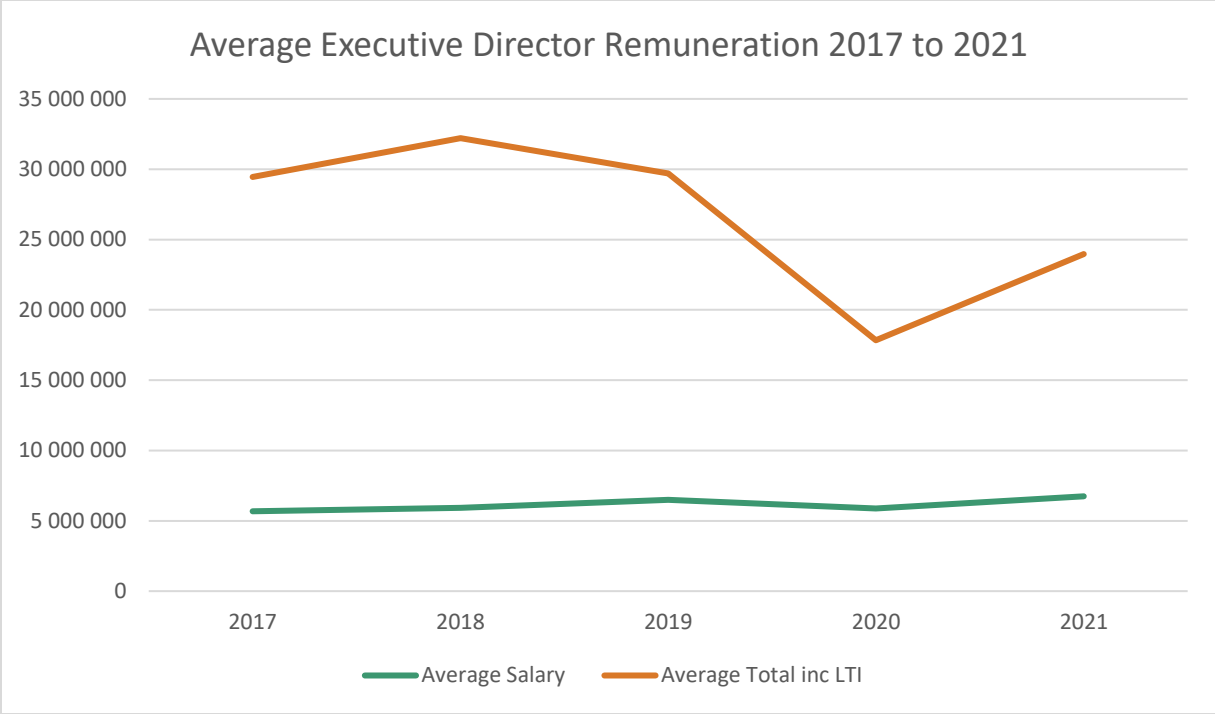


Figure 10 Banking & Financial Sector Average ED Salary & Total Remuneration 2007 - 2021

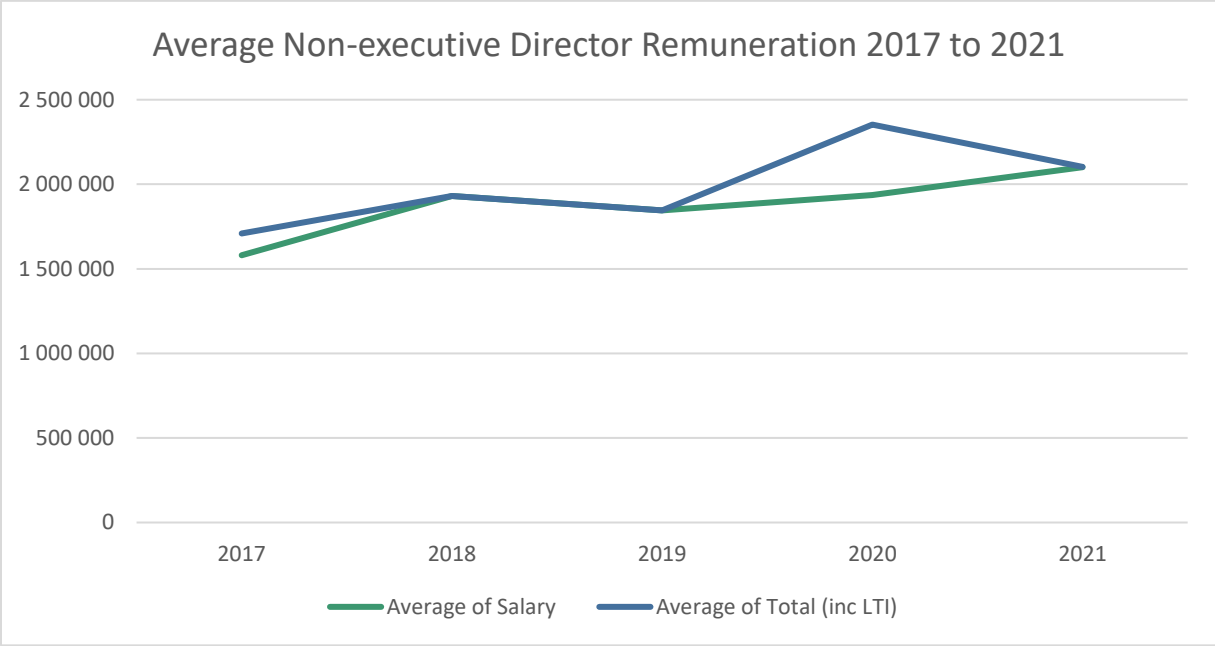


Figure 11 Banking & Financial Sector Average NED Salary & Total Remuneration 2007 to 2021



# SECTOR REPORT: CONSTRUCTION

## Introduction

The JSE lists 16 companies in the Construction & Materials sector. There are four construction companies included in this report. This sample constituted 25% of the JSE listed companies under construction.

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**WBHO**

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**Aveng**

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**Murray & Roberts**

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**PPC**

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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

The construction sector in South Africa plays a significant role in the country's economy. It is a major contributor to South Africa's gross domestic product (GDP) and provides employment for a significant portion of the country's population. The sector is diverse, with a range of activities including building and civil engineering, infrastructure development, and specialised construction services.

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.’ Th sector was hit very hard by the Covid-19 pandemic with over 250,000 jobs lost by the end of the third financial quarter of 2020.<sup>8</sup> In 2021, the sector employed over 1.2 million people.

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 shortages<sup>9</sup>. 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 studies<sup>10</sup> 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.<sup>11</sup> The construction industry is expected to rebound over the course of 2022, with forecast growth of 9.1%.<sup>12</sup> Between 2023 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.’<sup>13</sup> The sector remains an important contributor to the country's economic development and is expected to continue to play a vital role in the future.

## Financials

### Revenue

On average, this list of companies reported a 0.2% decrease in revenue. Some of the worst economic effects of the pandemic are still evident in 2021 financial information.

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<sup>8</sup> <https://www.globenewswire.com/en/news-release/2022/08/02/2490138/28124/en/South-Africa-Construction-Industry-Report-2022.html>

<sup>9</sup> <https://www.news24.com/fin24/companies/ppc-warns-of-looming-skills-shortage-in-sa-construction-industry-20210729>

<sup>10</sup> <https://www.businesswire.com/news/home/20210423005326/en/South-Africa-Construction-Market-2021-2025-Key-Trends-and-Opportunities-Post-COVID-19---ResearchAndMarkets.com>

<sup>11</sup> <https://iclg.com/alb/17074-south-africa-set-for-construction-sector-revival>

<sup>12</sup> <https://www.khplant.co.za/blog/2022-outlook-south-african-construction-industry/>

<sup>13</sup> <https://iclg.com/alb/17074-south-africa-set-for-construction-sector-revival>

WBHO reported an 11% drop in revenue, and Pretoria Portland cement reported a 12,7% decrease. Aveng and Murray & Robert reported a 23% and 5% increase in revenue respectively. Aveng recovered from a low revenue in 2020 but is still reporting similar levels to 2019, which are much lower than the previous five years. However, Aveng has announced some changes in 2022 that will positively affect its balance sheet, including the sale of part of the business and some profitable new contracts.

Murray & Roberts has similarly announced changes to its business in the form of selling off part of its business. Murray & Roberts has made some inroads in the renewables sector with a new contract awarded – this is useful for the company as it has been struggling with ongoing delays in project approvals and a generally low level of investment in South African infrastructure.<sup>14</sup>

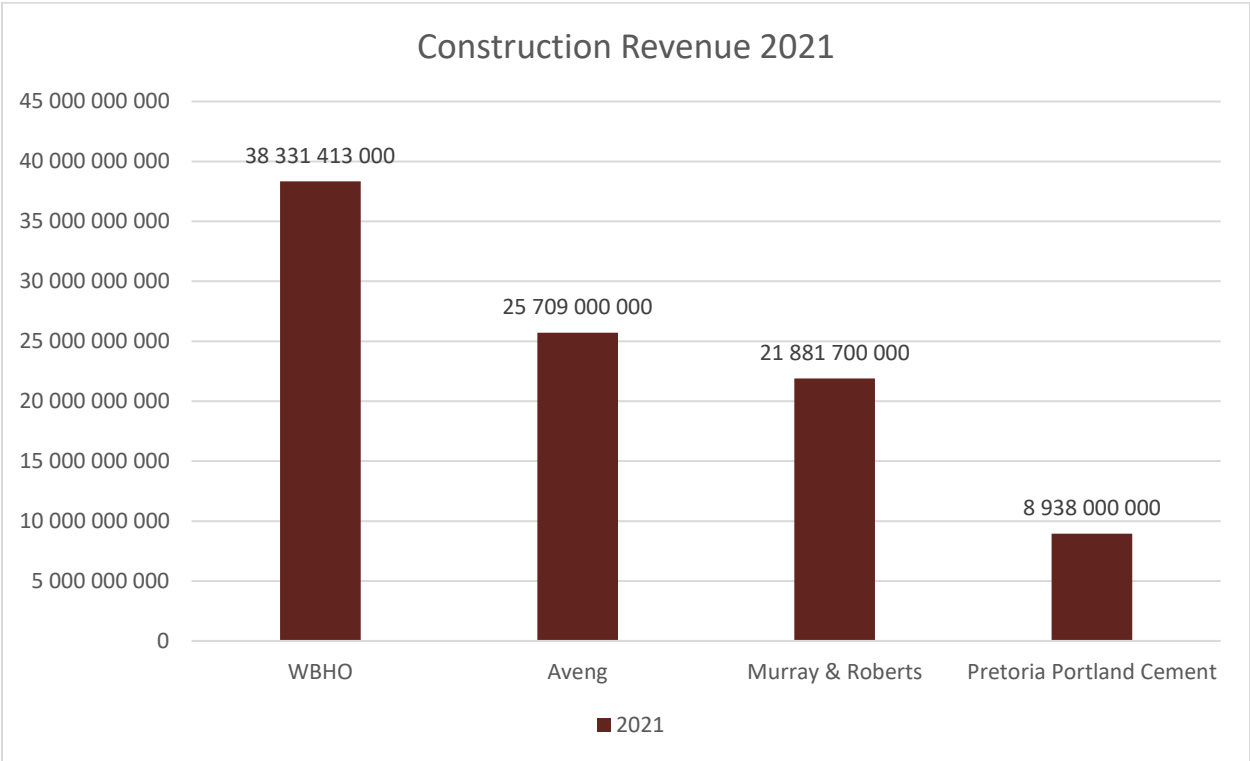


Figure 12 Construction Sector Revenue 2021

<sup>14</sup> <https://www.ghostmail.co.za/ghost-bites-eoh-murray-roberts-richemont-the-foschini-group/>

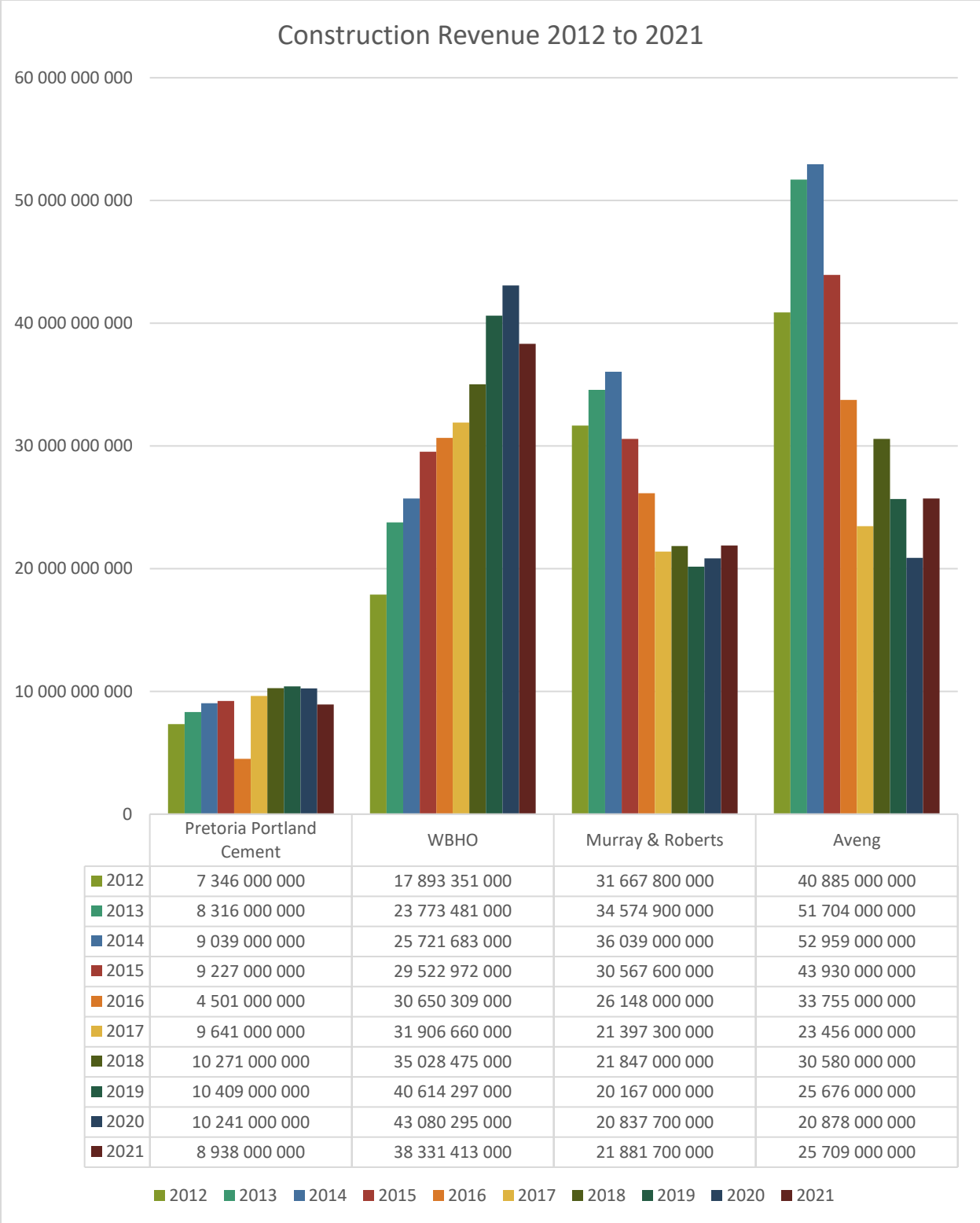


Figure 13 Construction Sector Revenue 2012 to 2021

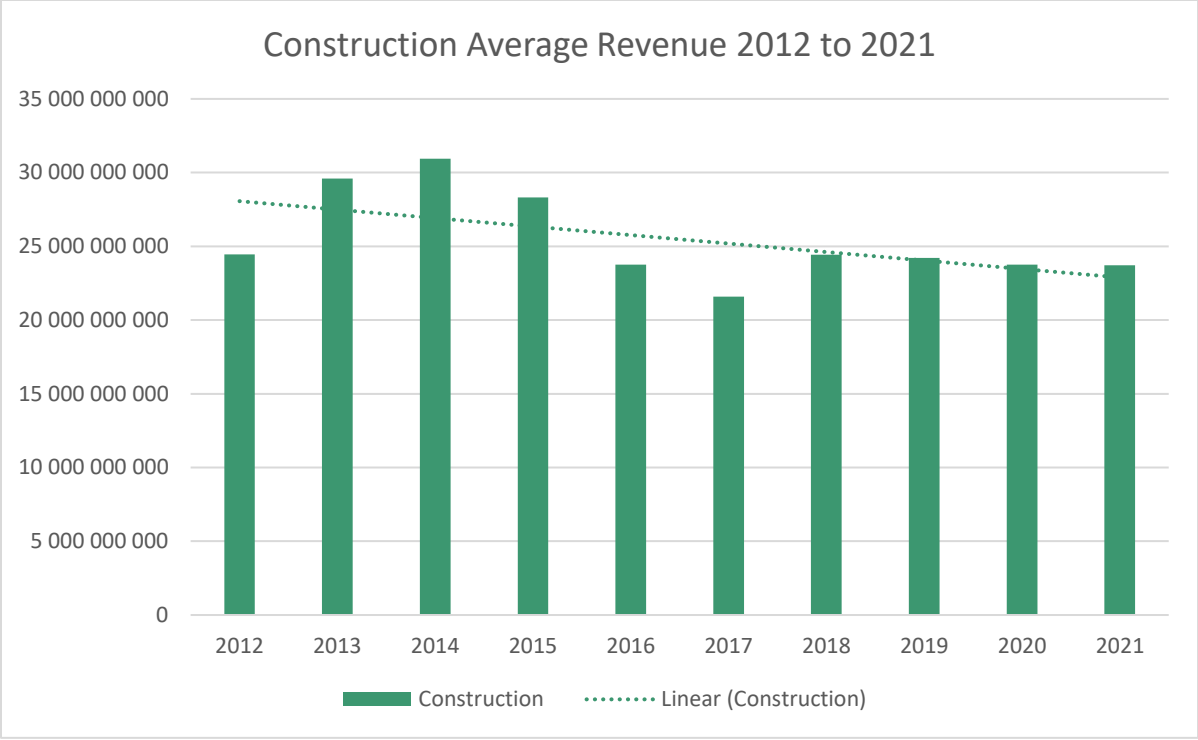


Figure 14 Construction Sector Average Revenue 2012 to 2021

### Profit before Tax

When reporting Profit before Tax, all four companies in the sample reported a turnaround from large losses in the previous financial year. Aveng reported a profit before tax (ZAR 1 billion) for the first time since 2016. Pretoria Portland Cement reported its biggest profit before tax in years, while Murray & Roberts are still struggling to reach profit levels since before 2014. WBHO reported PBT of ZAR 600 million, still far below profit levels of 2014 to 2018.

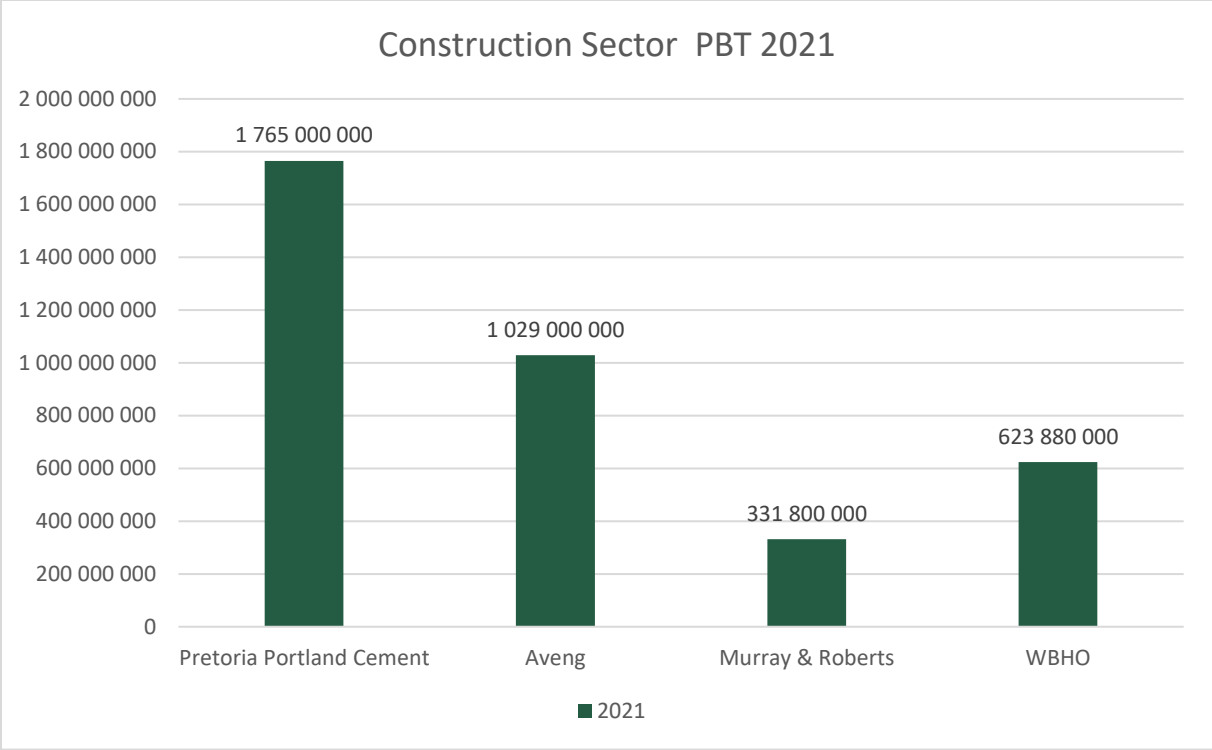


Figure 15 Construction Sector PBT 2021

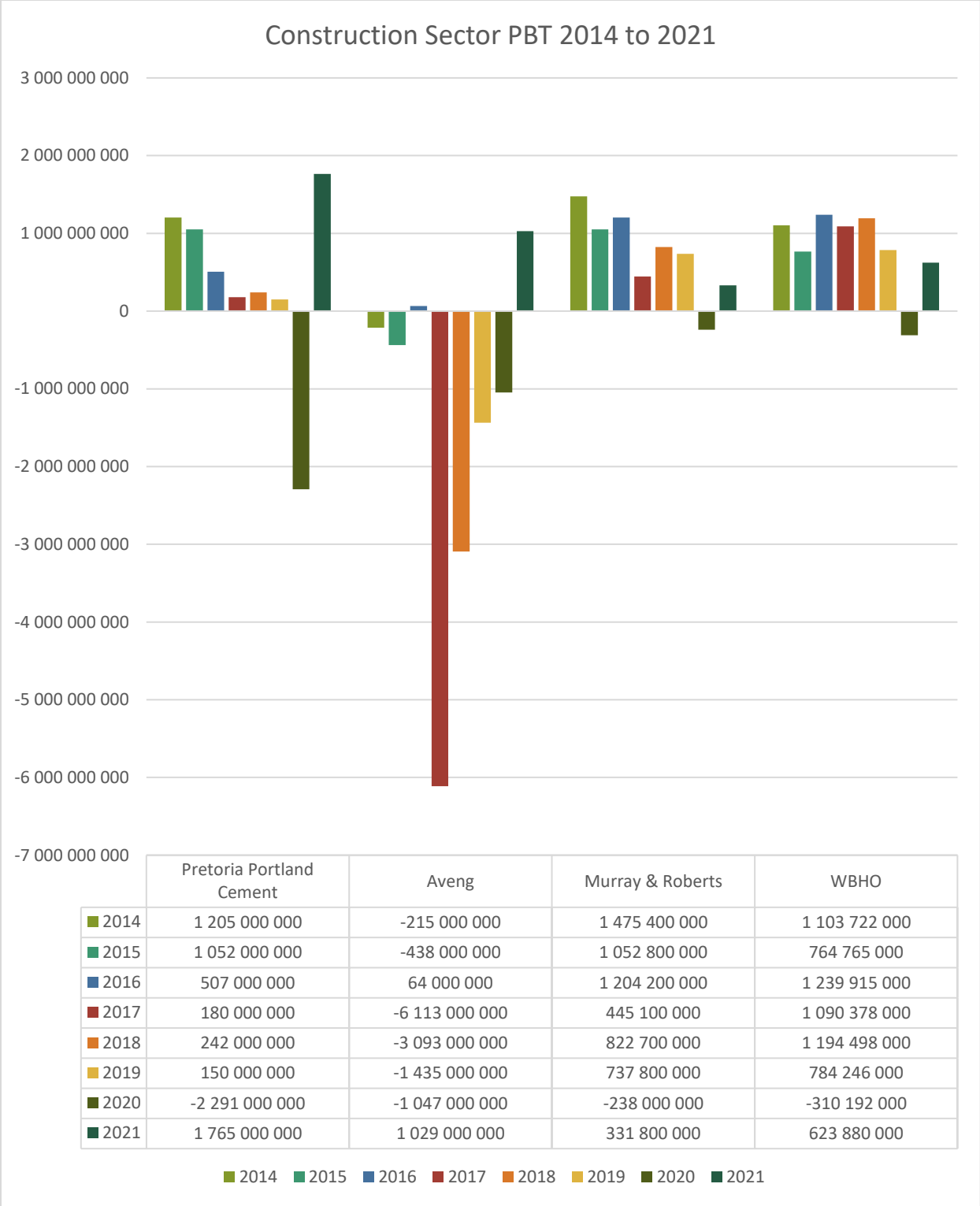


Figure 16 Construction Sector PBT 2014 - 2021

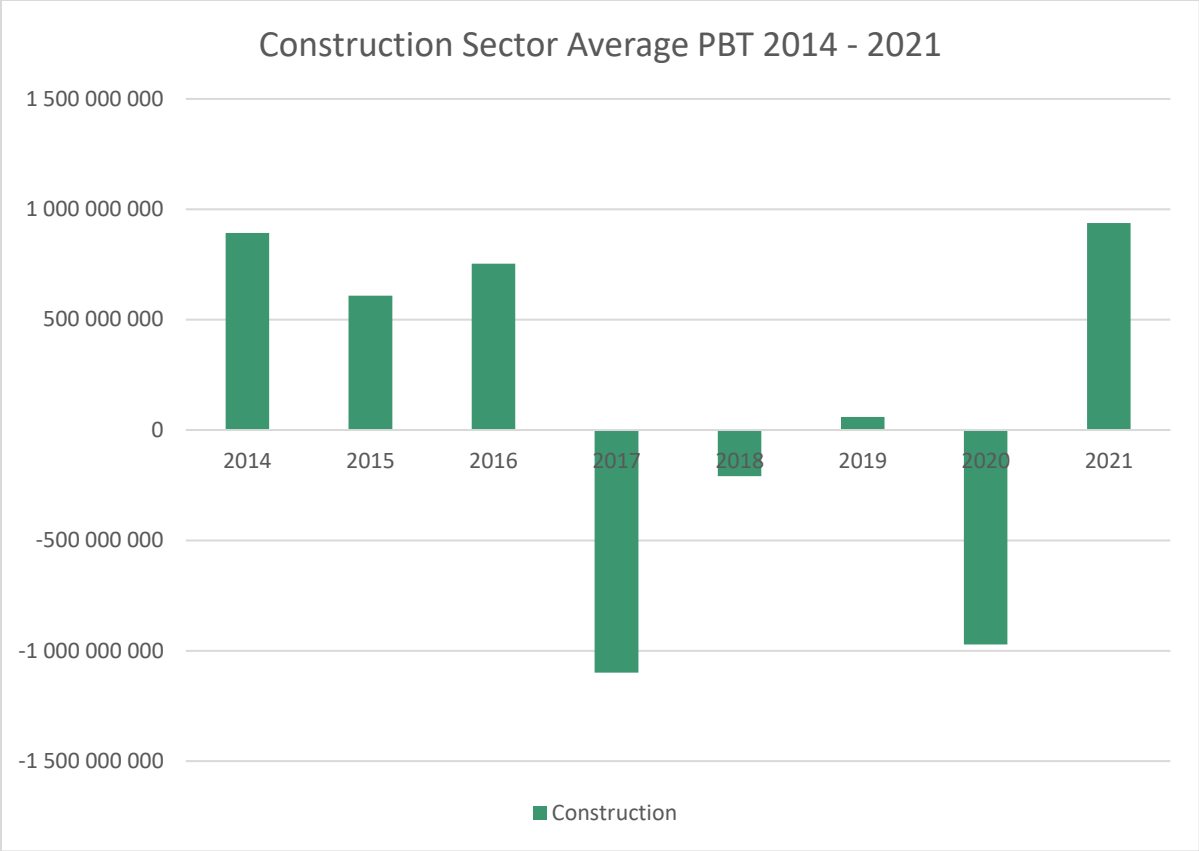


Figure 17 Construction Sector Average PBT 2014 - 2021

## Directors' Remuneration

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. This partially reflects the tumultuous nature of the sector over the course of the last 10 years. From 2020 to 2021, average CEO remuneration went up by over 40%.



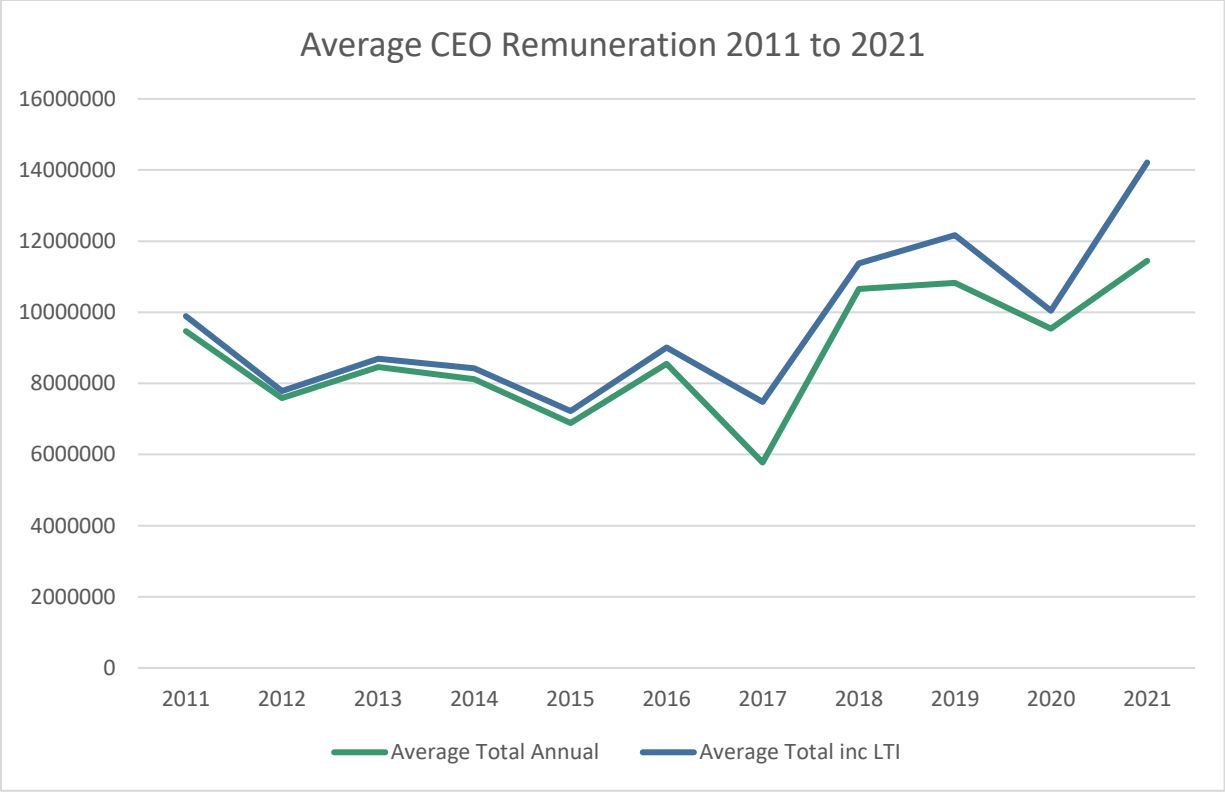


Figure 18 Construction Sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2021

In our sample of the construction sector, Aveng CEO Flanagan received the highest total remuneration which included a cash bonus of ZAR 8 million and an LTI of ZAR 3,6 million.

On average, executive director remuneration in the sample went down by 40% from 2020 to 2021. Non-executive director remuneration went up by 5,5% in the same period.

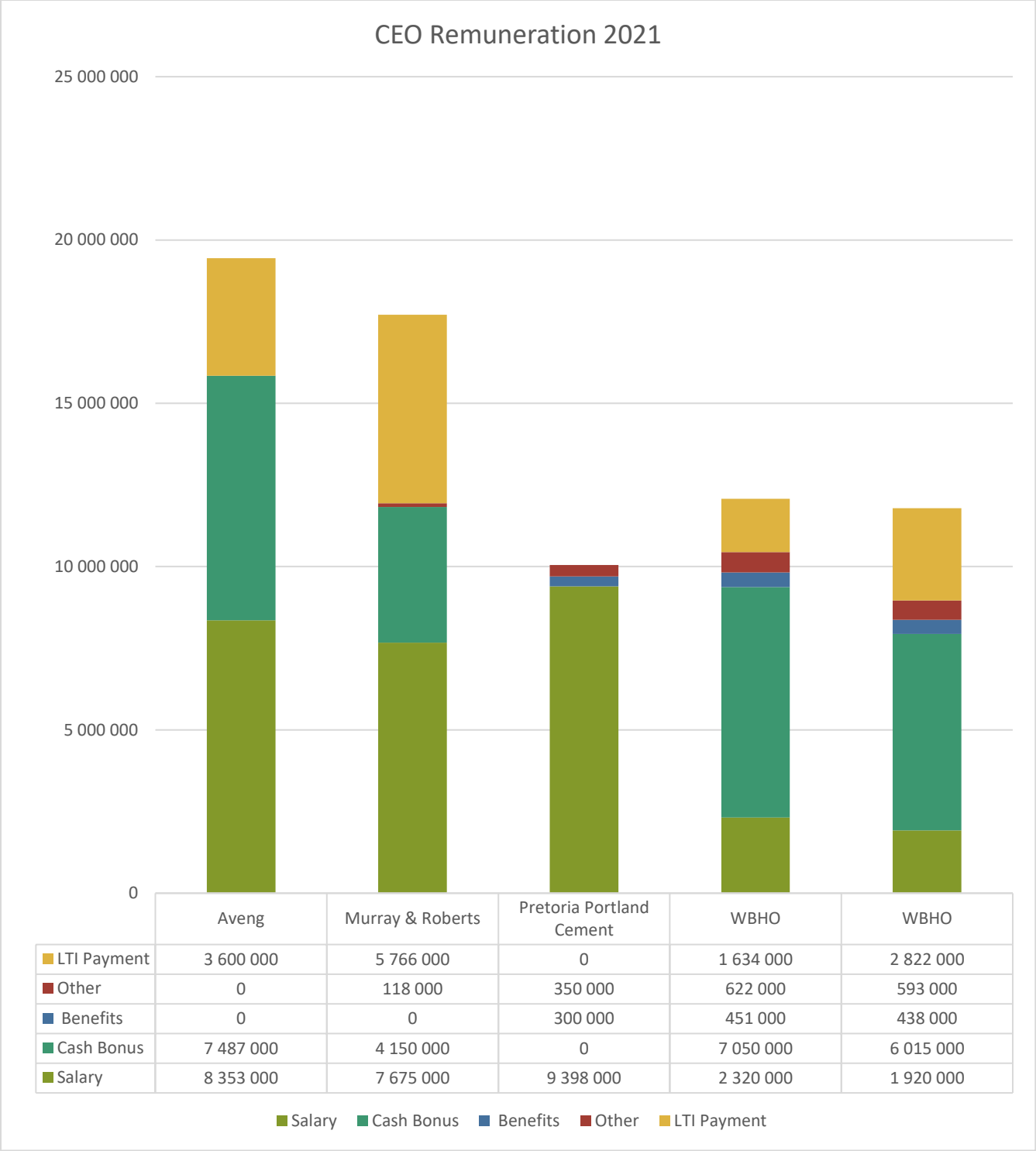


Figure 19 Construction Sector CEO Remuneration 2021

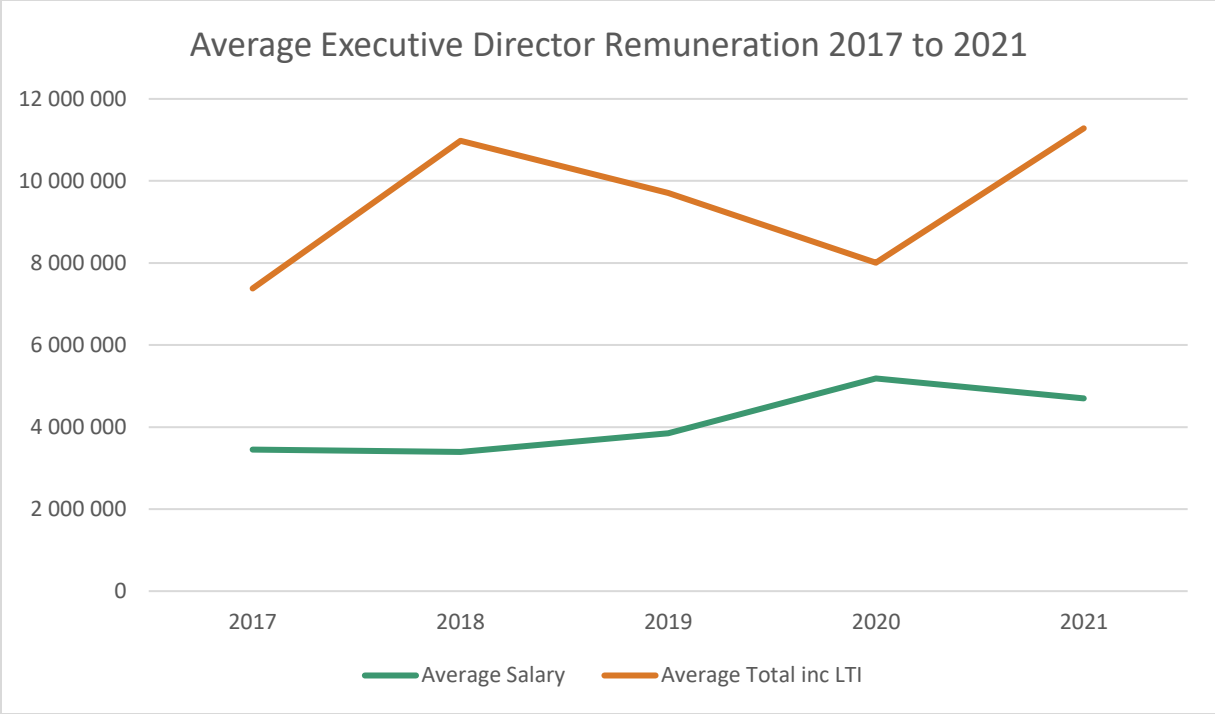


Figure 20 Construction Sector Average Executive Director Remuneration 2017 - 2021

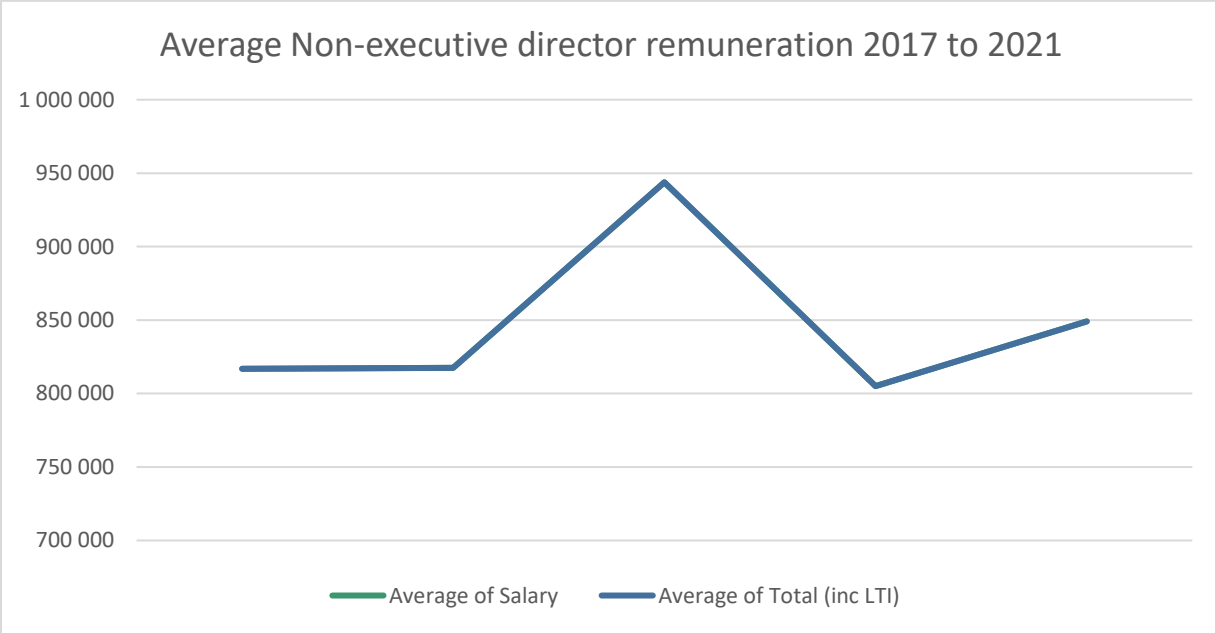


Figure 21 Construction Sector NED Average Total Annual Remuneration 2017 - 2021

# SECTOR REPORT: DIVERSIFIED HOLDINGS

## Introduction

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

Barloworld Limited
Bidvest
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. These effects are very visible in the

As this group of companies operates in various sectors, we can 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’.<sup>15</sup> Barloworld has made several strategic investments and acquisitions to expand its operations and strengthen its position in key markets.

Bidvest operates an assortment of businesses with exposure to several sectors. The share price is up more than 14% this past year, signalling a healthy recovery from pandemic-related pressures.<sup>16</sup>

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<sup>15</sup> <https://www.businesslive.co.za/fm/money-and-investing/2021-11-25-barloworlds-phenomenal-run/>

<sup>16</sup> <https://www.ghostmail.co.za/ghost-bites-vol-84-22-bidvest-rcl-foods-avi-mtn/>

Remgro is an 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.<sup>17</sup>

## Financials

### Revenue

From 2019 to 2020, this group of companies reported that revenue decreased by 4,5%, in line with general trends for 2020. From 2020 to 2021, the group of companies reported an average increase in revenue of 8%, showing some recovery from the pandemic.

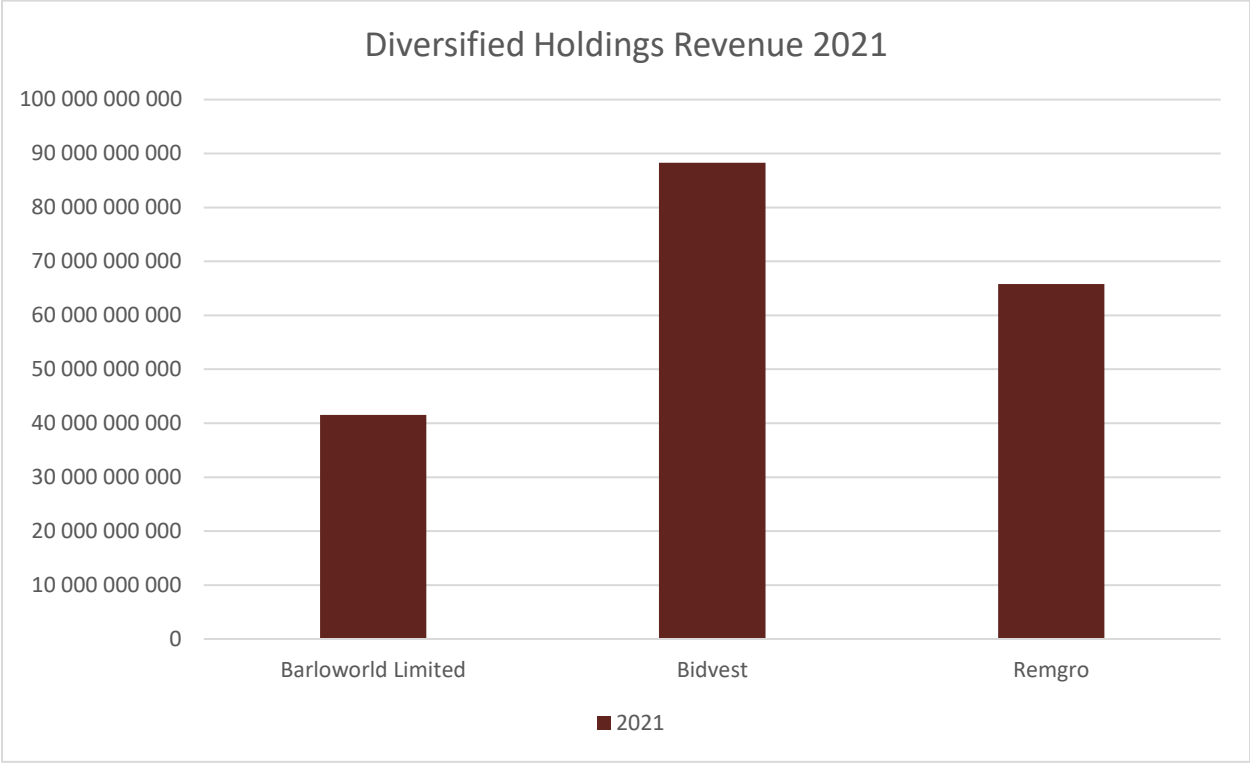


Figure 22 Diversified Sector Revenue 2021

<sup>17</sup> <https://www.moneyweb.co.za/news/companies-and-deals/remgro-still-trading-at-a-significant-discount-durand/>

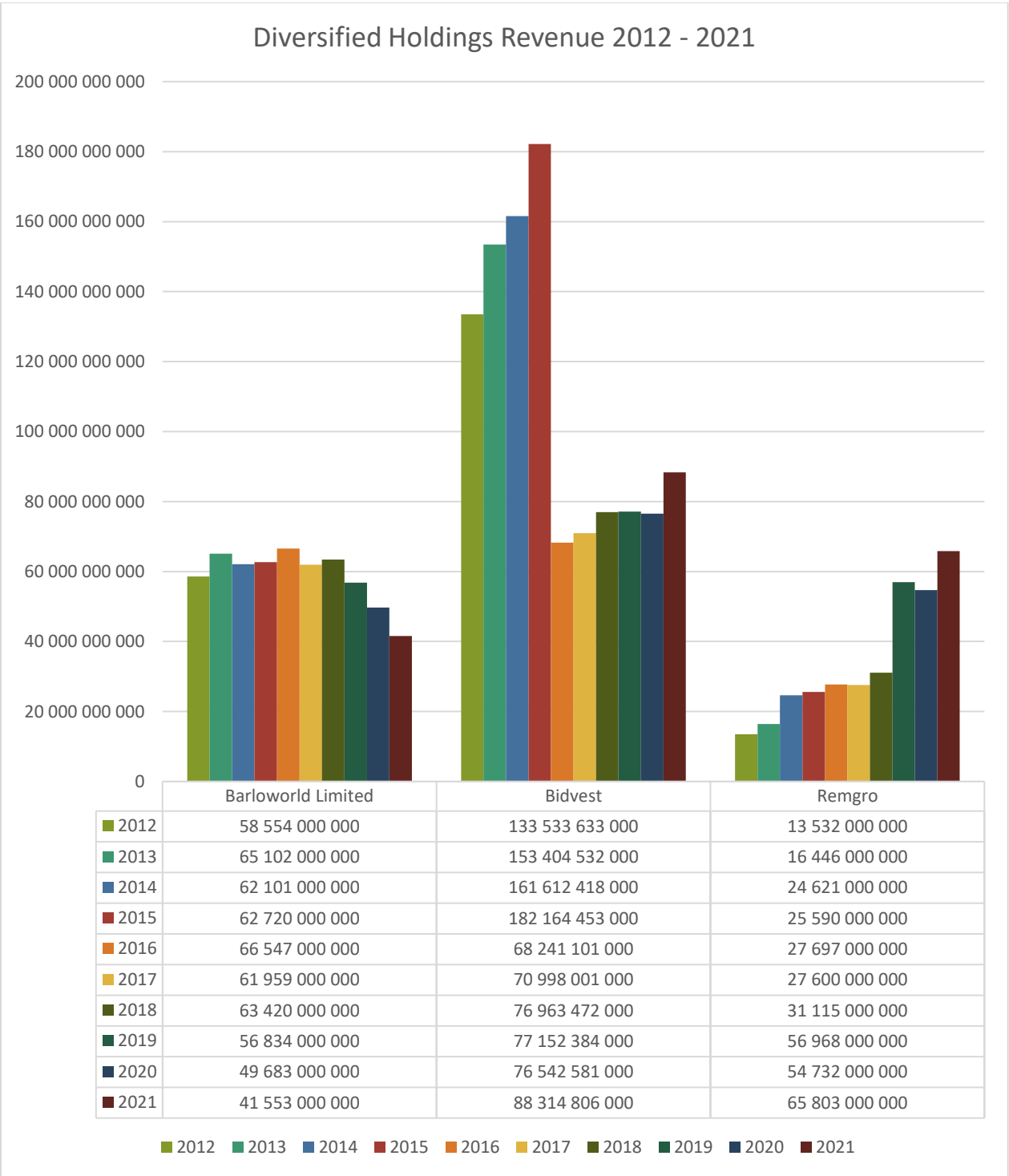


Figure 23 Diversified Holdings Sector Revenue 2012 to 2021

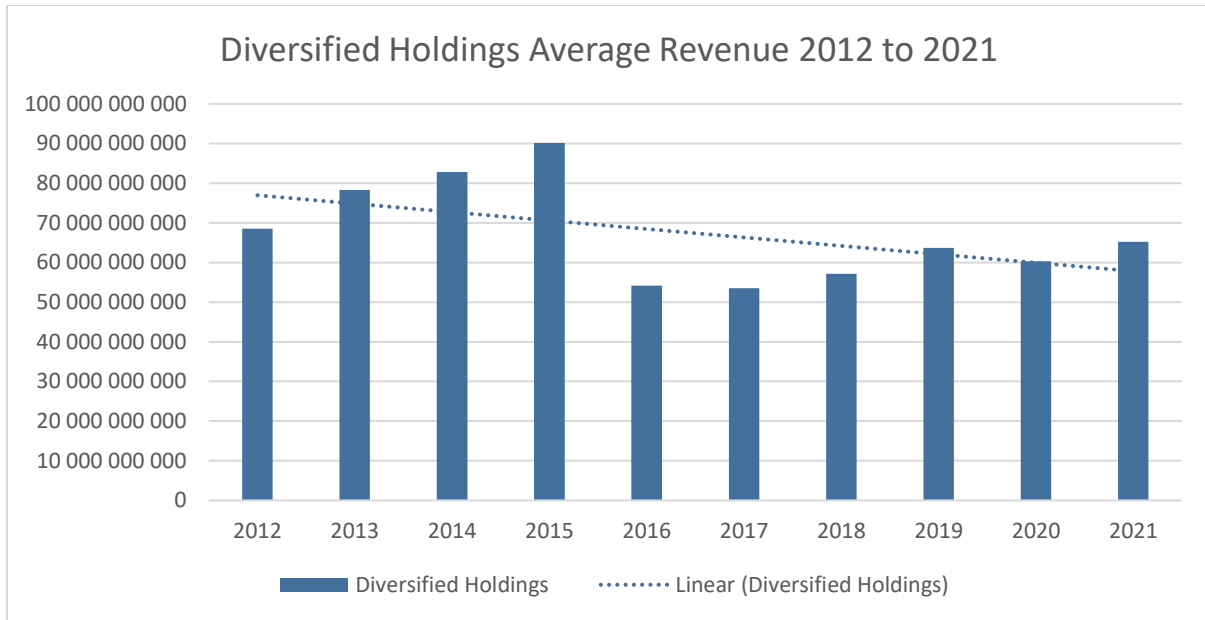


Figure 24 Diversified Holdings Sector Average Revenue 2012 to 2021

### 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. In 2021, companies reported positive changes in PBT – with all three companies in the sample reporting profit similar to pre-pandemic levels. Barloworld reported PBT of ZAR 3,5 billion after reporting a loss in 2020.

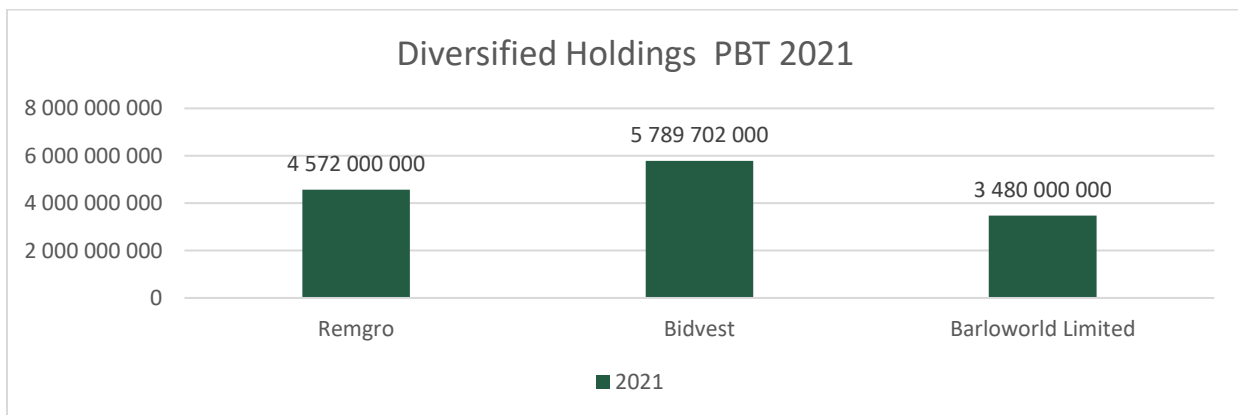


Figure 25 Diversified Holdings Sector Profit before Tax 2021

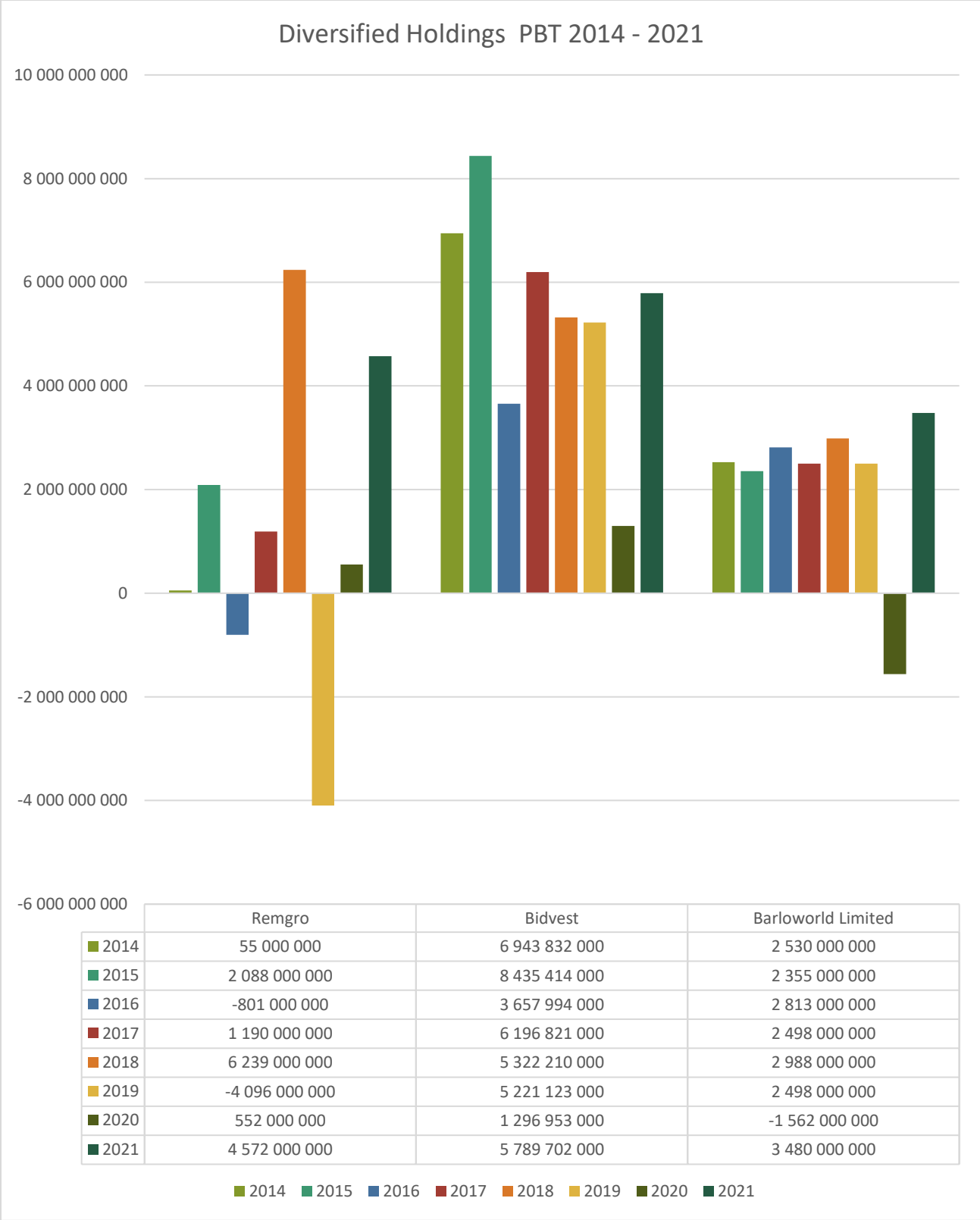


Figure 26 Diversified Holdings Sector Profit before Tax 2014 to 2021



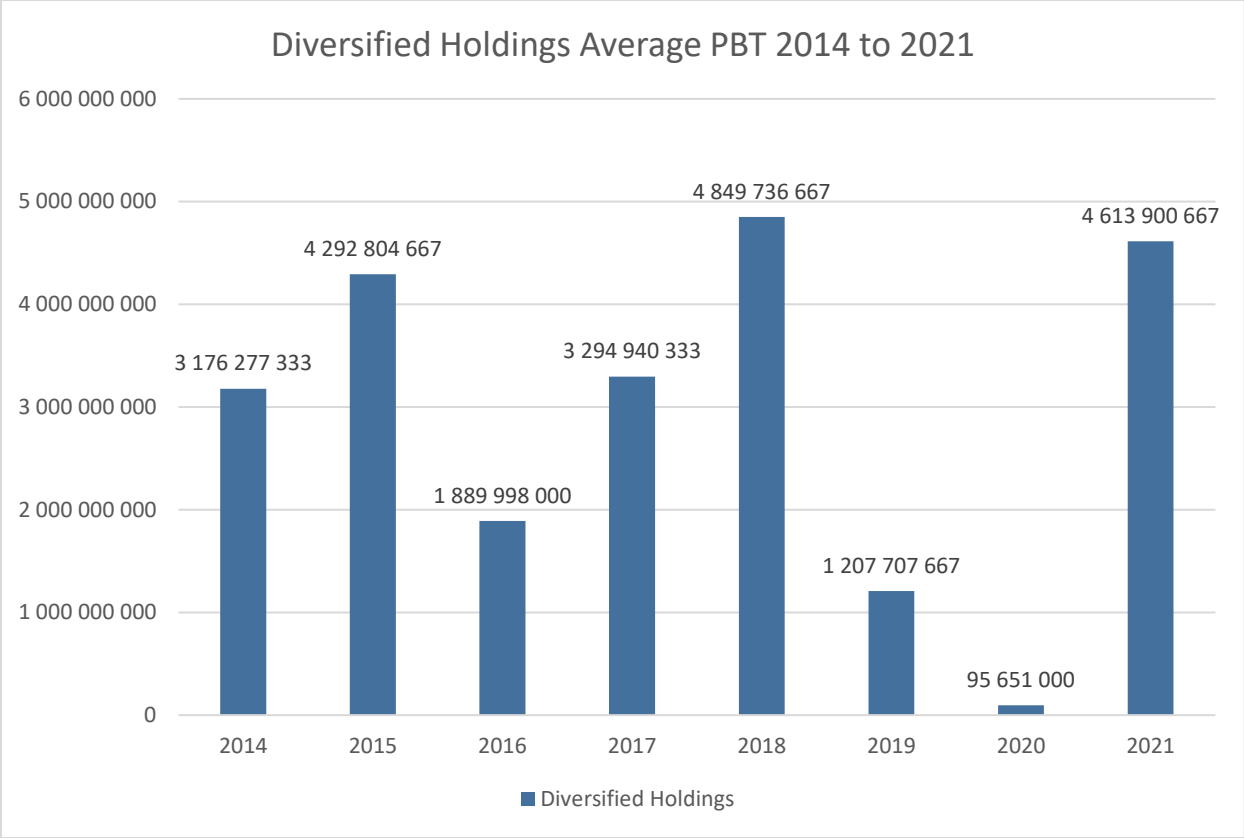


Figure 27 Diversified Holdings Sector Average PBT 2014 - 2021

## Directors' Remuneration

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. In 2021, this number increased by 22,9%.

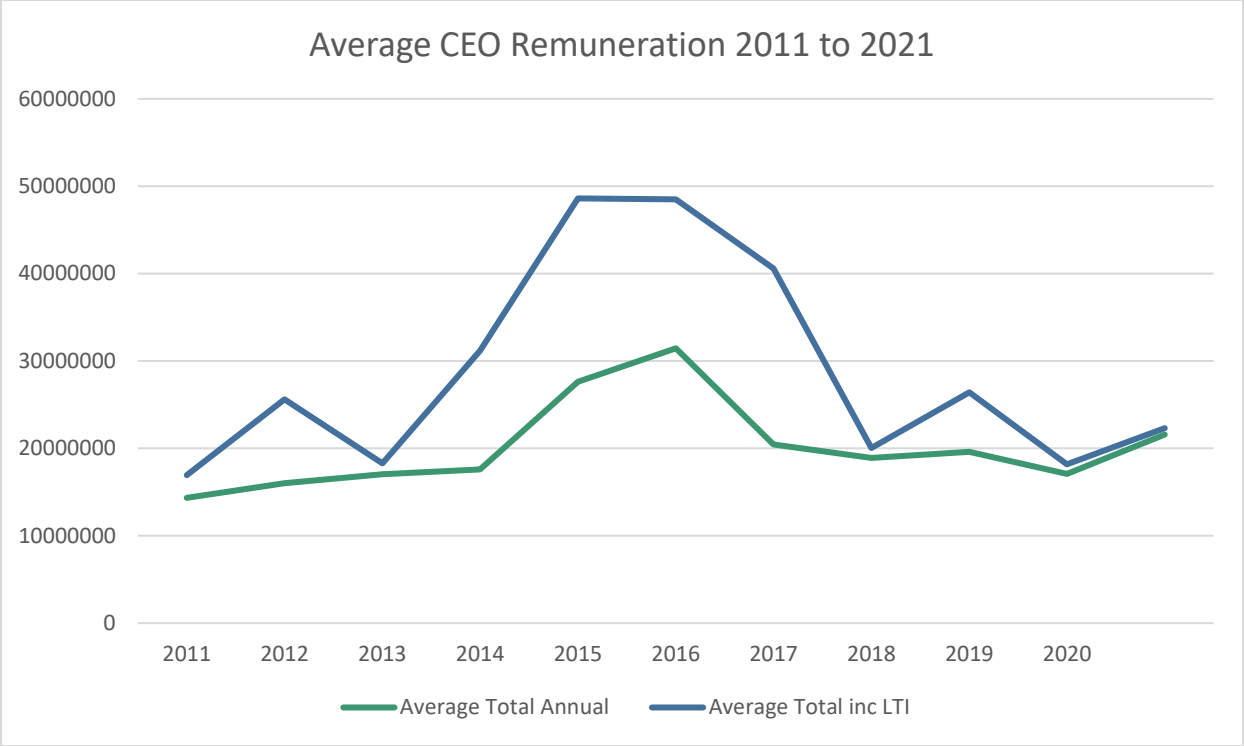


Figure 28 Diversified Sector CEO Remuneration 2011 to 2020

### CEO Remuneration 2021

In October 2020, Bidvest CEO Lindsey Ralphs stepped down and was replaced by new CEO, Mpumi Madisa.<sup>18</sup> Madisa received total remuneration of ZAR 24 million for his first year as CEO.

The average CEO remuneration went up during this time. The only LTI paid in our sample was to Bidvest’s CEO, of just over ZAR 2 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 up by 10% in 2021. In the same time period, non-executive remuneration went up by 6,75%.

<sup>18</sup> <https://www.news24.com/fin24/companies/interview-ceo-mpumi-madisa-plans-for-a-little-more-speed-in-bidvests-acquisition-drive-20210302>

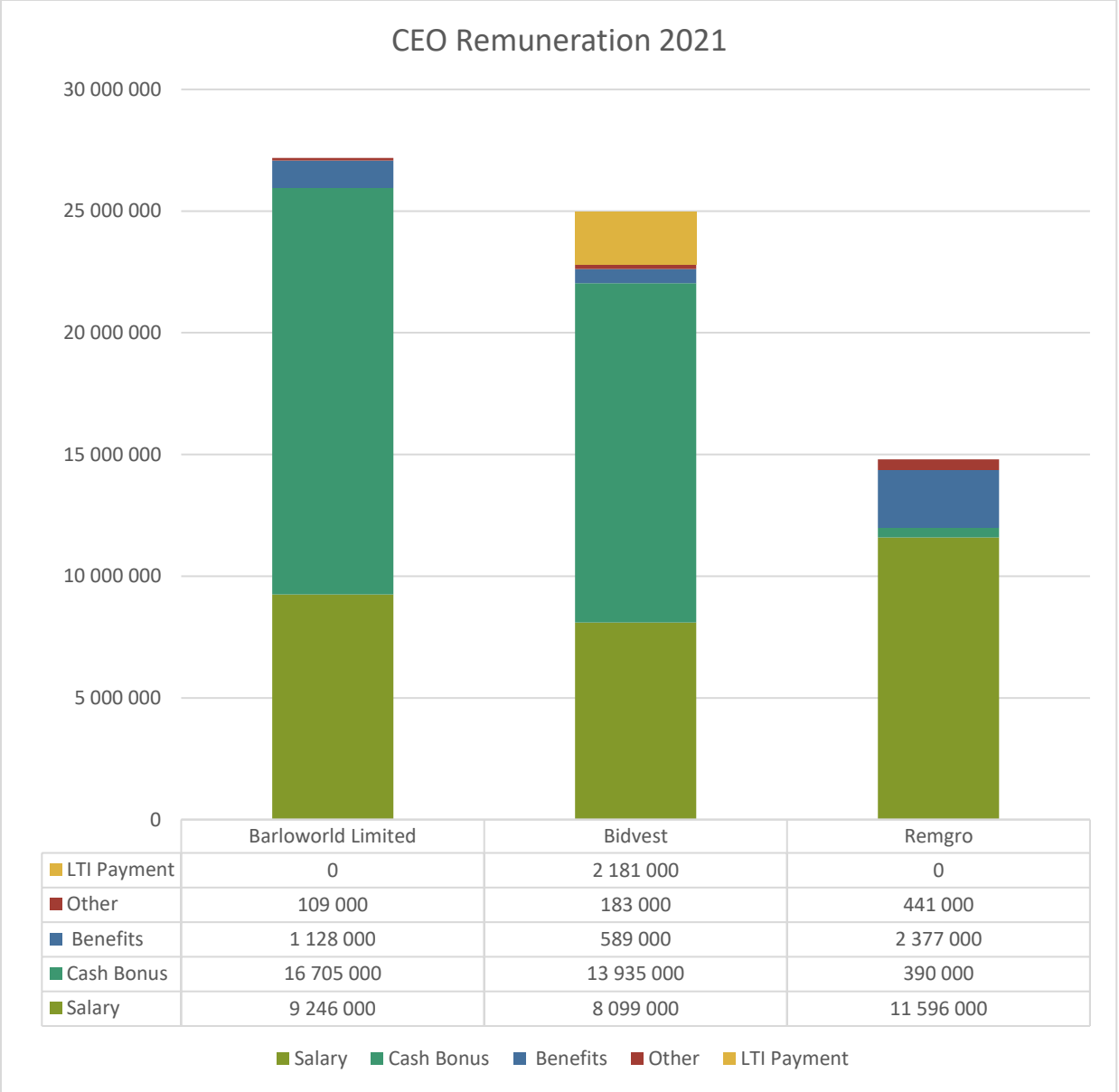


Figure 29 Diversified Holdings Sector CEO Remuneration 2021

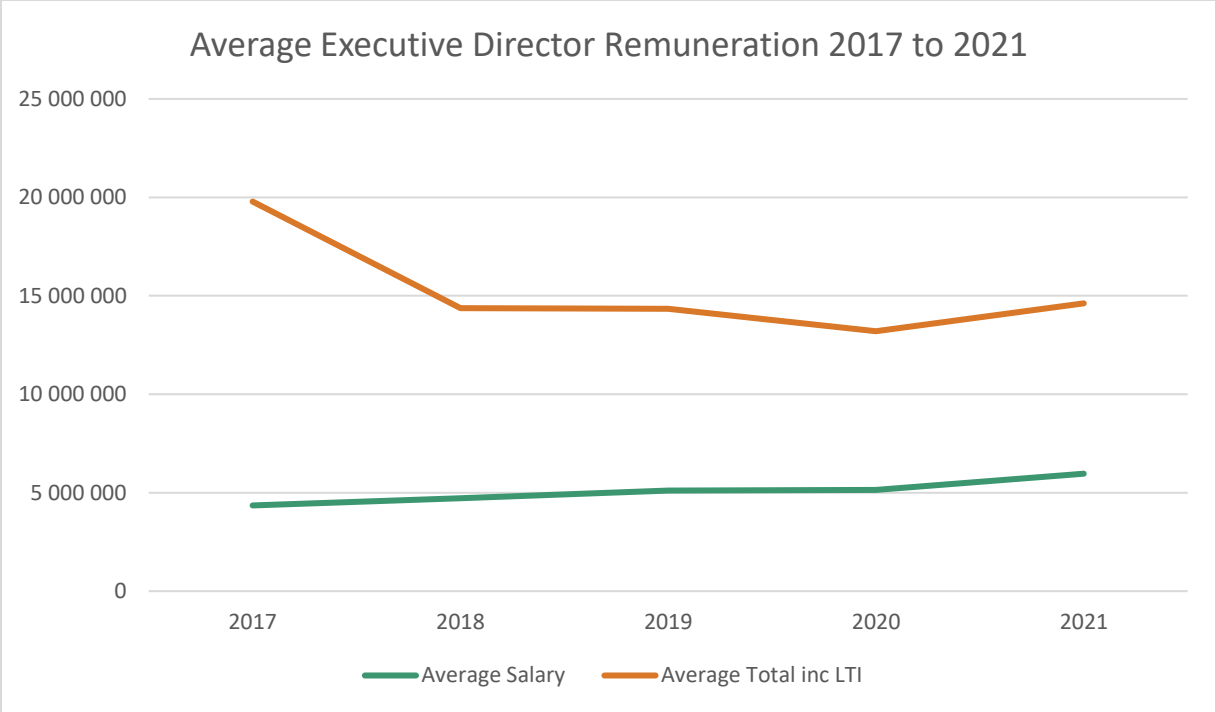


Figure 30 Diversified Holdings Sector Average Executive Director Remuneration 2017 to 2021

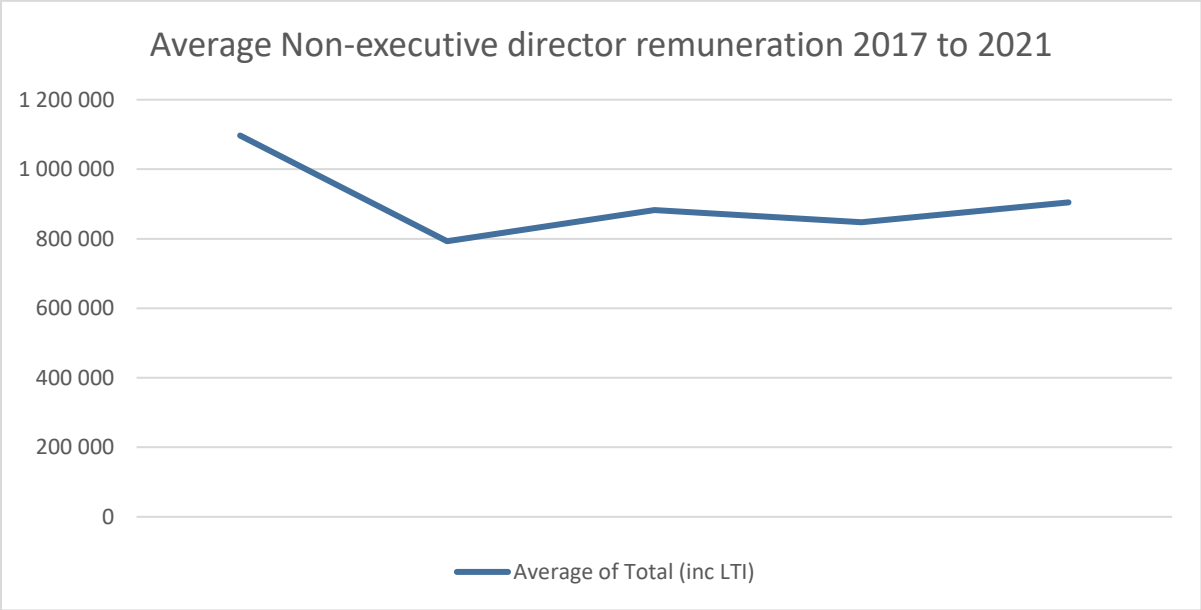


Figure 31 Diversified Holdings Sector NED Average Total Annual Remuneration 2017 to 2021

# 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:

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<b>Anglo-Vaal Industries</b>
<b>Crookes Brothers</b>
<b>Astral Foods</b>
<b>Distell</b>
<b>RCL Foods</b>
<b>Tiger Brands</b>
<b>Tongaat Hulett</b>

---

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.

## COVID-19

The food and beverage sector in South Africa is a major contributor to the country's economy. In 2018, the sector accounted for more than 3% of South Africa's gross domestic product (GDP) and employed over 2 million people.

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 million<sup>19</sup>.

According to a recent report by Statistics South Africa,<sup>20</sup> 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<sup>21</sup> 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%. By July 2022, income in the sector grew by 55,8%.<sup>22</sup> However, this is from a very low base in July 2021. As a whole, 'food and beverage income at constant 2019 prices in July of this year was R5.75-billion, compared with R6.3-billion in the same month in 2019.'

The food and beverage sector in South Africa is facing several challenges. The industry is highly dependent on exports, and South Africa's economic downturn has had a negative impact on the sector. In addition, the industry is facing increasing competition from imported products, particularly in the processed food market.

## Financials

### Revenue

The biggest company by revenue in our sample is RCL Foods, who reported revenue of ZAR 31,7 million in 2021 (*Figure 1*). This value is a 13,7% increase from the 2020 financial year revenue. Tiger Brands and Distell are also big players in the Food and Beverage Sector, with revenues of ZAR 31 billion and 28 billion, respectively, in 2021. Distell reported the highest increase in revenue in our sample: 26% year on year increase in revenue from 2020 to 2021. Tongaat Hullet

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<sup>19</sup> <https://www.2oceansvibe.com/2020/07/21/staggering-numbers-from-sas-food-and-beverage-industry-collapse/#ixzz7DVicgtdl>

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

<sup>21</sup> *Ibid*

<sup>22</sup> <https://www.dailymaverick.co.za/article/2022-09-26-sas-food-and-beverage-sector-battling-to-rebound-after-pandemic-lockdown-measures/>

reported a small decrease in revenue of 3%; while Crookes Brothers (a company that had seen remarkable growth in 2020) reported a decrease in revenue of 9%.

The 2021 financials still reflect the lasting impact of the Covid-19 pandemic.

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.

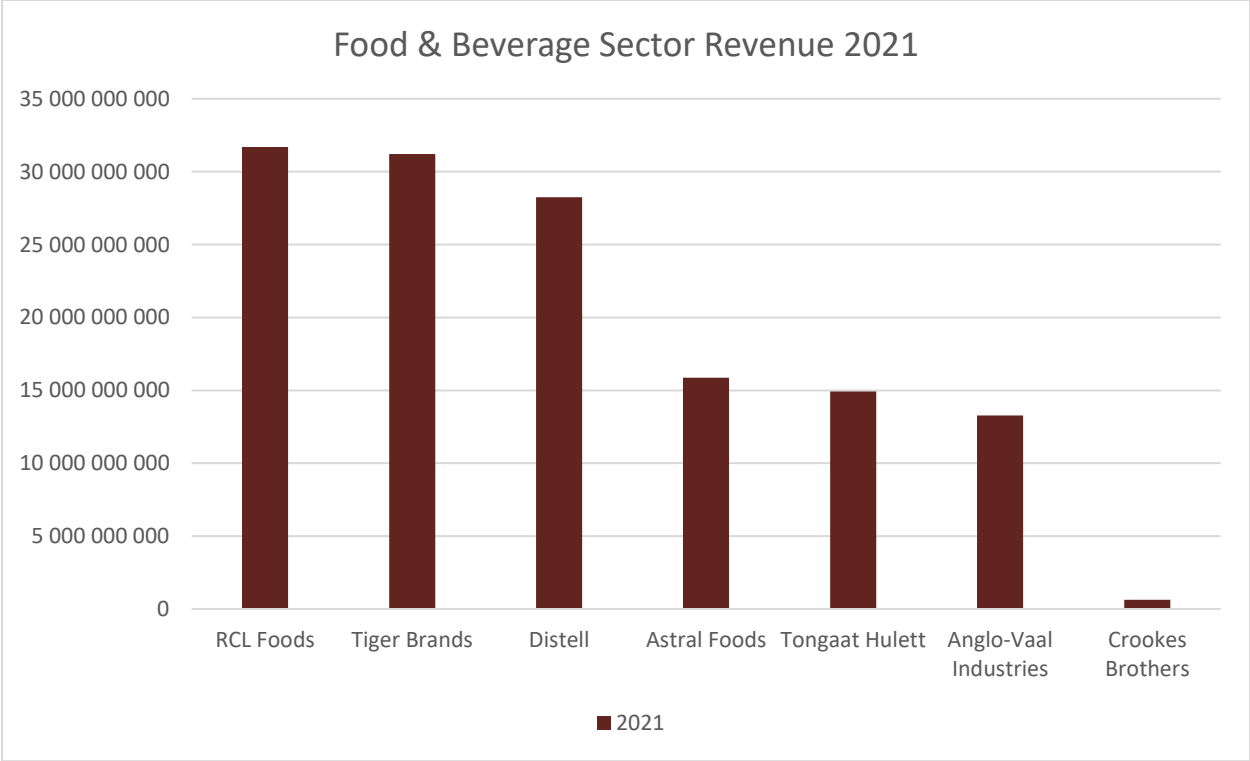


Figure 32 Food & Beverage Sector Revenue 2021

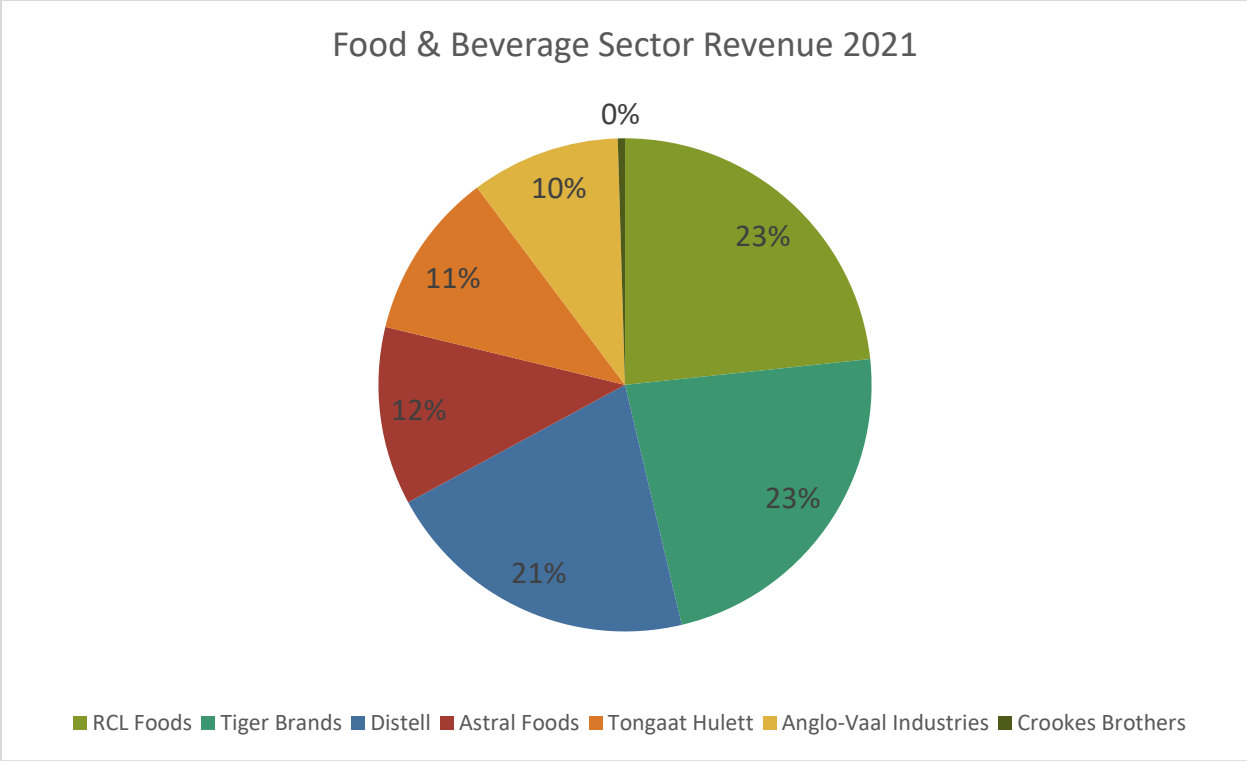


Figure 33 Food & Beverage Sector Revenue Pie Chart 2021



## Food & Beverage Sector Revenue 2012 to 2021

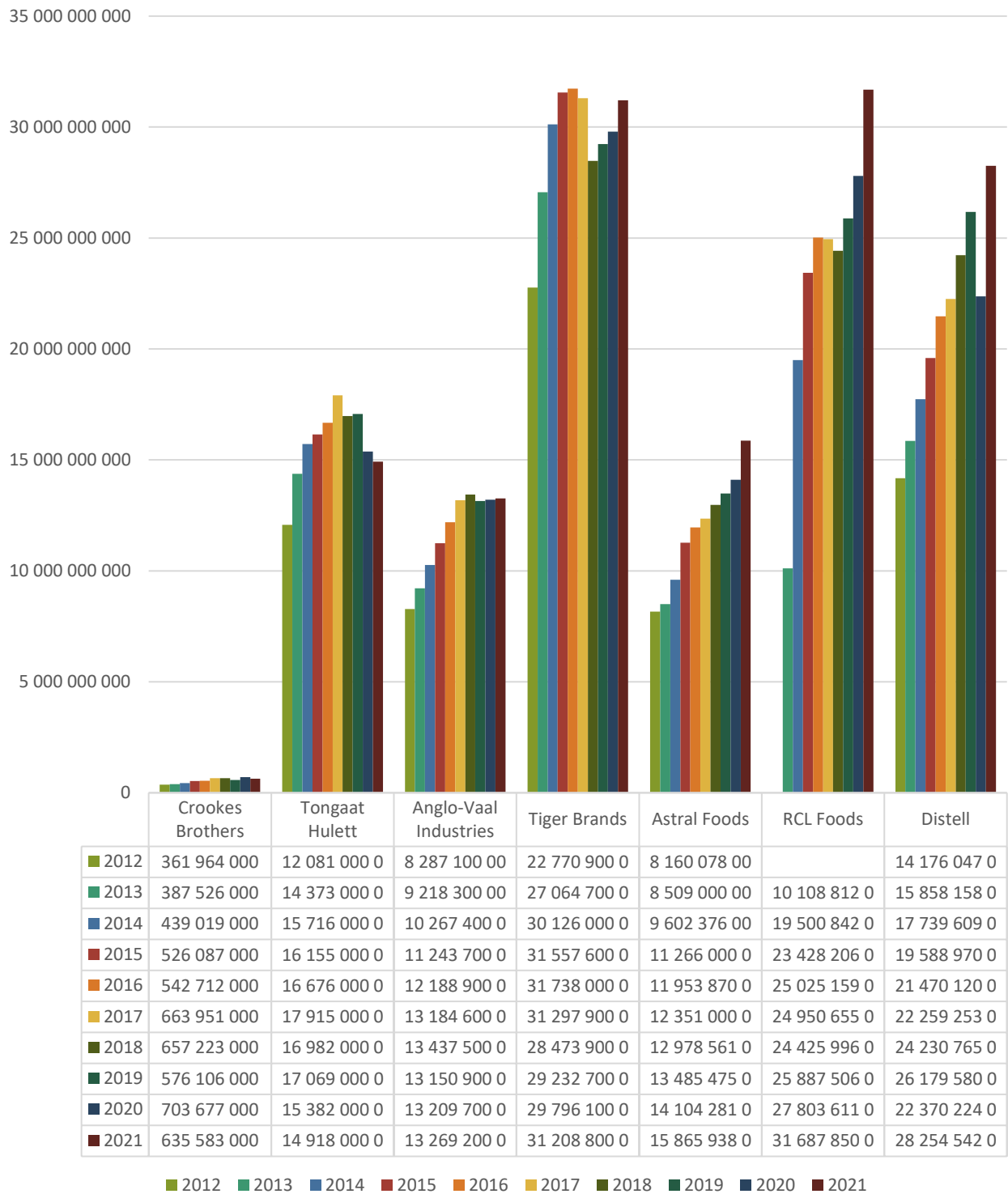


Figure 34 Food & Beverage Sector Revenue 2014 to 2020

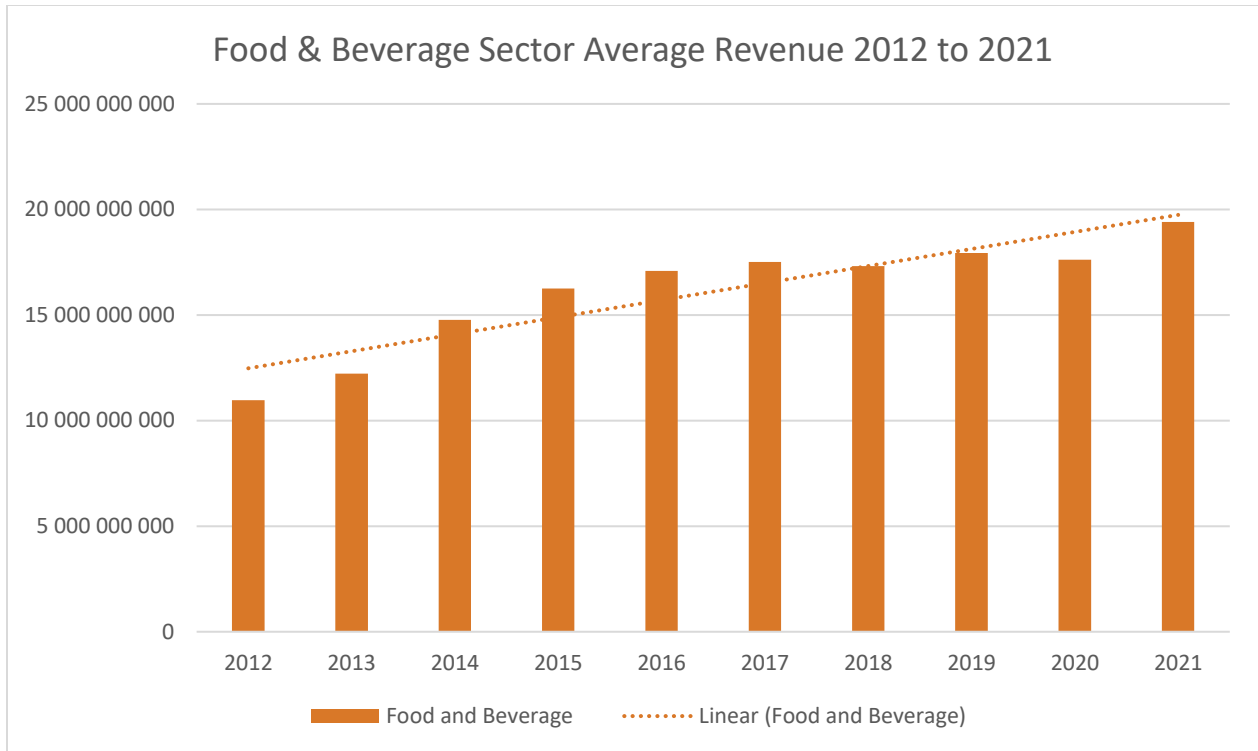


Figure 35 Food & Beverage Sector Average Revenue 2012 to 2021

### Profit before Tax

In 2021, Distell reported a remarkable increase in PBT from ZAR 700 million in 2020 to ZAR 2,6 billion in the 2021 financial year. However, this company delisted from the JSE in 2022 due to being bought out by beer giant Heineken.

RCL foods reported a profit of ZAR 1,3 billion after having reported a loss of over ZAR 1 billion in 2020. RCL has a new CEO: Paul Cruickshank took over from Miles Dally on 1 December 2021 following Dally's retirement. This led to a new executive structure being put in place and the consolidation of the CEO and COO roles.<sup>23</sup> The executives are focused on the food division of this business as this has previously been the most profitable.

<sup>23</sup> <https://www.ghostmail.co.za/rcl-is-far-more-than-just-a-chicken-business/>

Tongaat Hullet, however, reported a loss of ZAR 369 million for the financial year. The business has suffered from ‘years of poor maintenance leading to lower production, higher costs and more capital expenditure.’<sup>24</sup> A drop in sugar prices has severely affected the company further and it is expected to continue to operate at a loss in 2022. The South African operations of the business have been placed into business rescue.

Despite the drop in revenue, Crooks Brothers reported a 17% increase in PBT, while Tiger Brands boasted PBT increase of 8%. Astral Foods reported a decline in PBT of 15%.

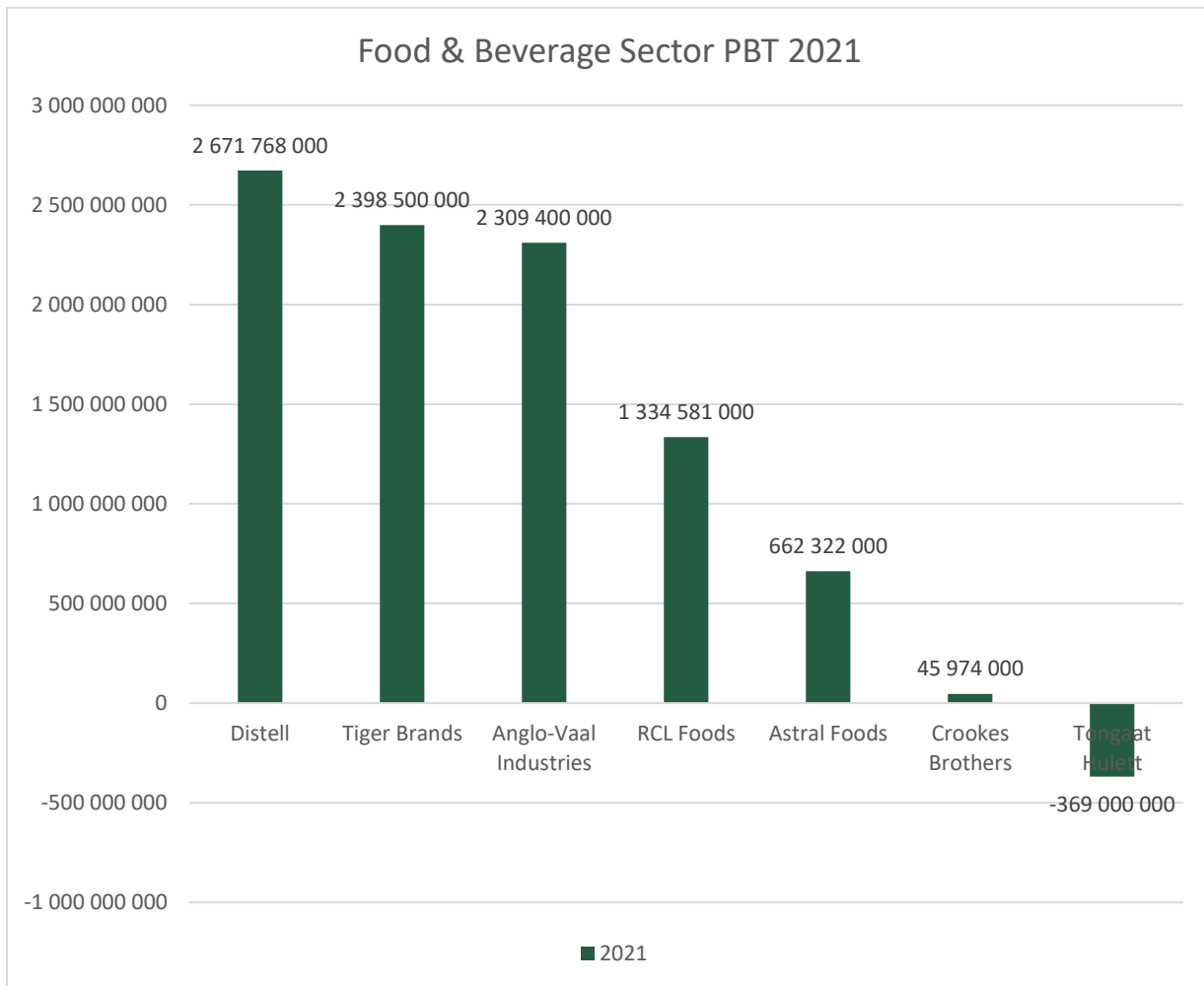
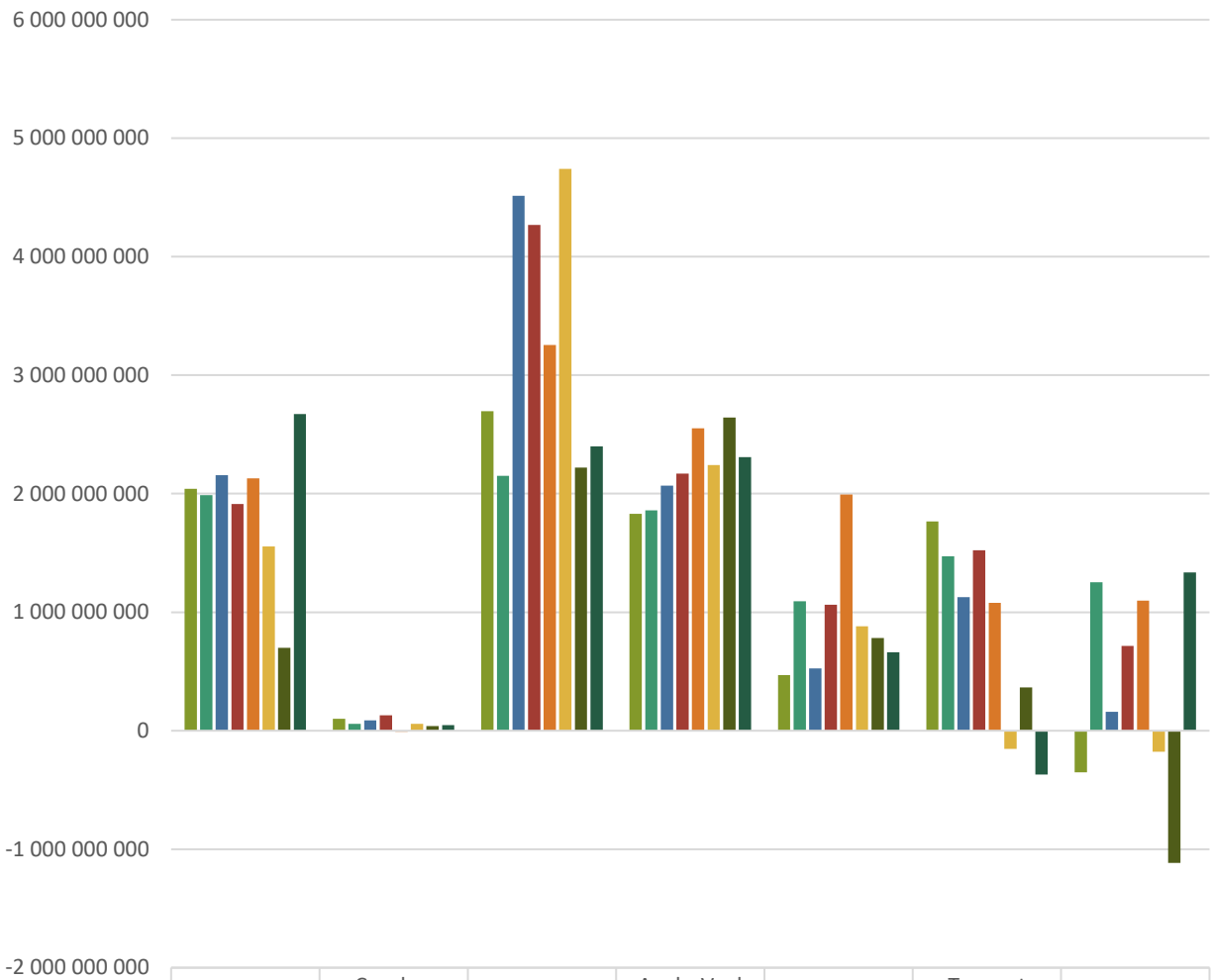


Figure 36 Food & Beverage sector Profit before Tax 2021

<sup>24</sup> <https://www.ghostmail.co.za/tonga-a-horror-story/>

### Food & Beverage Sector PBT 2014 - 2021



	Distell	Crookes Brothers	Tiger Brands	Anglo-Vaal Industries	Astral Foods	Tongaat Hulett	RCL Foods
2014	2 042 111 00	99 282 000	2 696 000 00	1 830 600 00	469 901 000	1 765 000 00	-350 798 000
2015	1 988 685 00	57 910 000	2 150 200 00	1 859 500 00	1 093 594 00	1 472 000 00	1 253 022 00
2016	2 156 376 00	87 017 000	4 515 000 00	2 069 000 00	526 213 000	1 128 000 00	160 703 000
2017	1 913 289 00	130 861 000	4 267 400 00	2 168 600 00	1 063 622 00	1 523 000 00	715 631 000
2018	2 130 621 00	-8 333 000	3 254 100 00	2 552 500 00	1 994 088 00	1 080 000 00	1 097 966 00
2019	1 554 294 00	56 892 000	4 741 100 00	2 242 100 00	882 279 000	-152 000 000	-178 102 000
2020	699 629 000	39 063 000	2 219 800 00	2 642 300 00	781 844 000	365 000 000	-1 114 818 0
2021	2 671 768 00	45 974 000	2 398 500 00	2 309 400 00	662 322 000	-369 000 000	1 334 581 00

2014 2015 2016 2017 2018 2019 2020 2021

Figure 37 Food & Beverage sector Profit before Tax 2014 to 2021

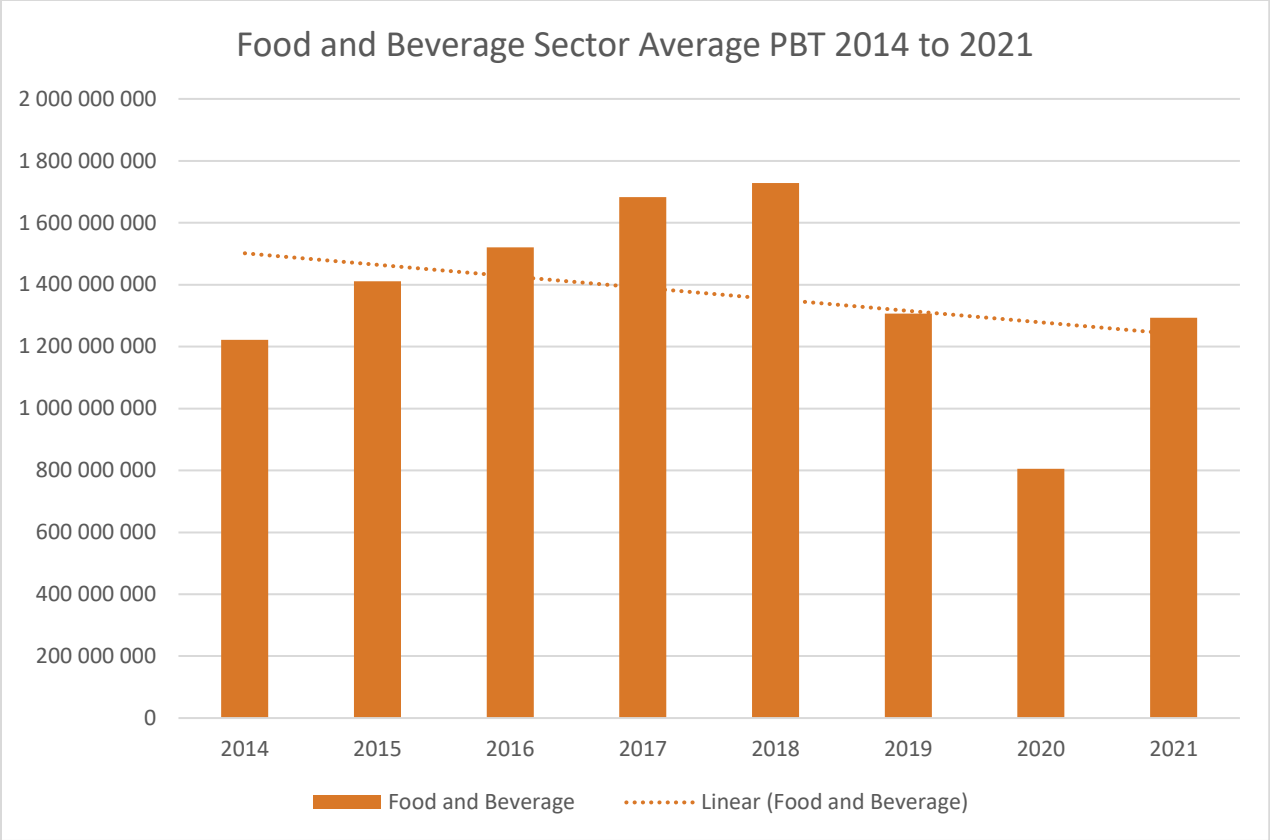


Figure 38 Food & Beverage Sector Average PBT 2014 to 2021

## Directors' Remuneration

We use the LRS MNC database to examine CEO remuneration over the last eleven years for the seven companies in our sample. The average CEO pay excluding LTI for all the companies was ZAR 10 million in 2021, while the average CEO pay including LTI for all the companies was ZAR 14.9 million. This is down 5,6% from 2020. 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.

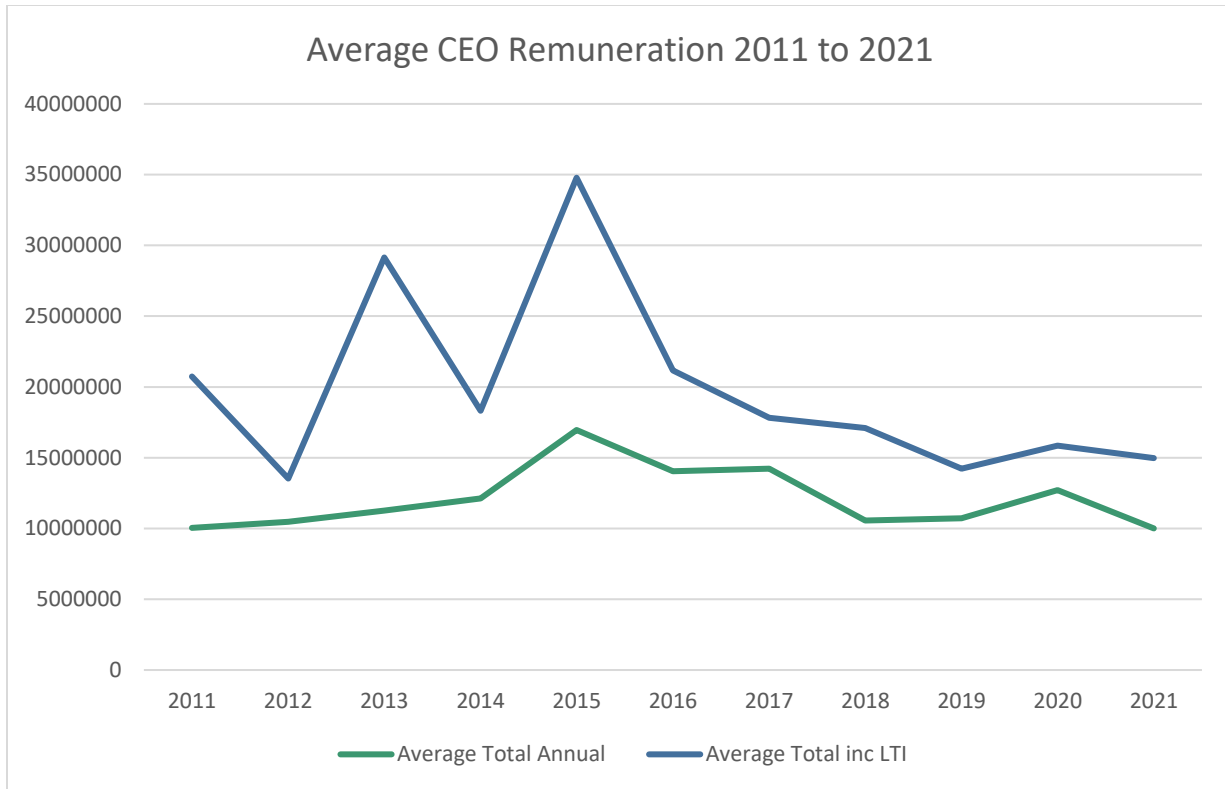


Figure 39 Food & Beverage Sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2020

Simon Crutchley of Anglo-Vaal Industries received the highest CEO remuneration in our sample. He received a total of ZAR 29,5 million (up from ZAR 27 million in 2020). He is followed by the CEO of Distell who received total remuneration of ZAR 23,7 million – inclusive of a ZAR 14 million LTI paid in the year. The Astral Foods CEO also received an LTI in 2021 (ZAR 6,6 million) bringing his total remuneration to ZAR 16 million.

On average, from 2020 to 2021, the total executive director’s remuneration decreased by 9,45%, while the non-executive director’s remuneration increased by 11,6% (see *Figures 10 and 11*).

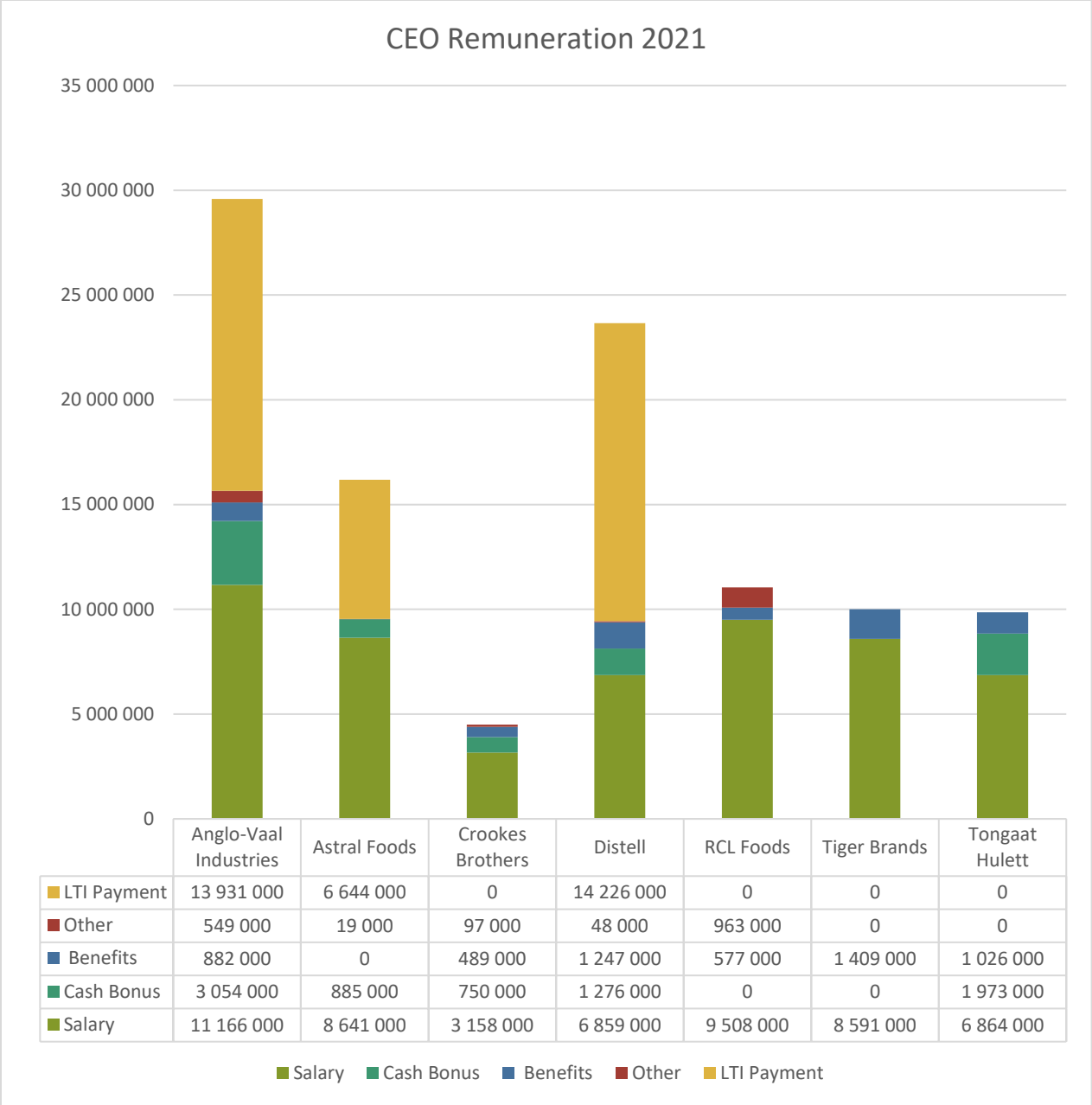


Figure 40 Food & Beverage Sector CEO Remuneration 2021

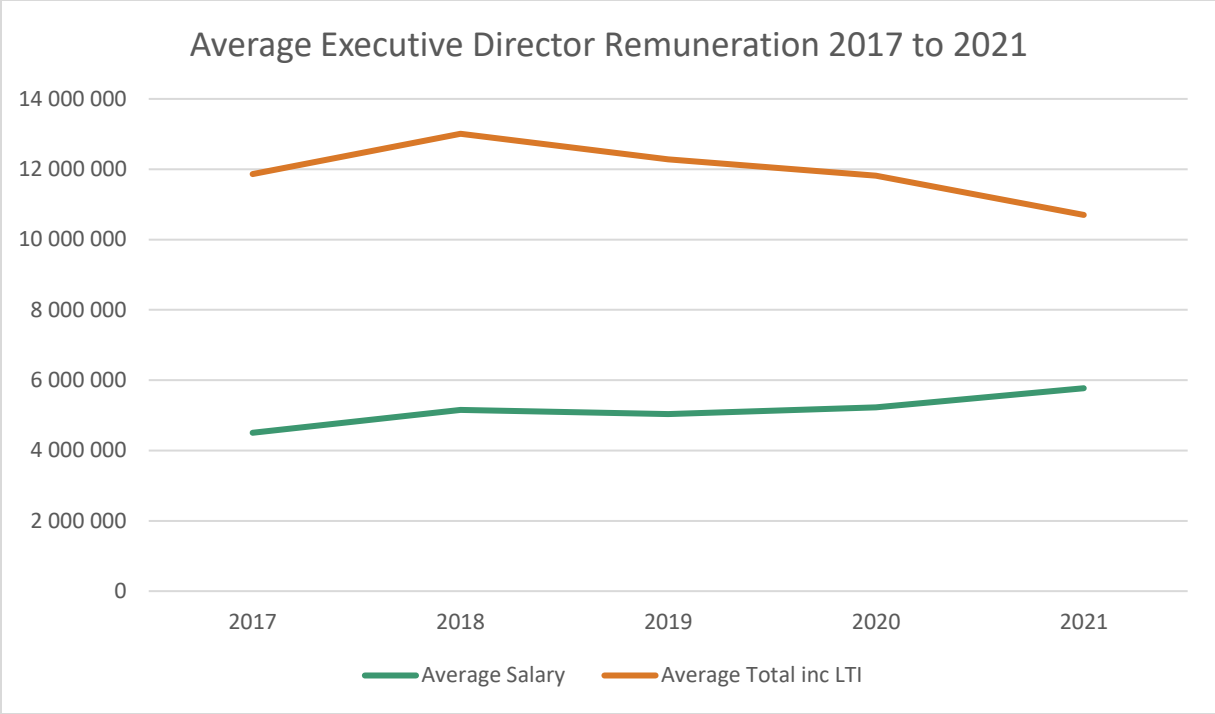


Figure 41 Food & Beverage Sector Executive Director Remuneration 2017 to 2021

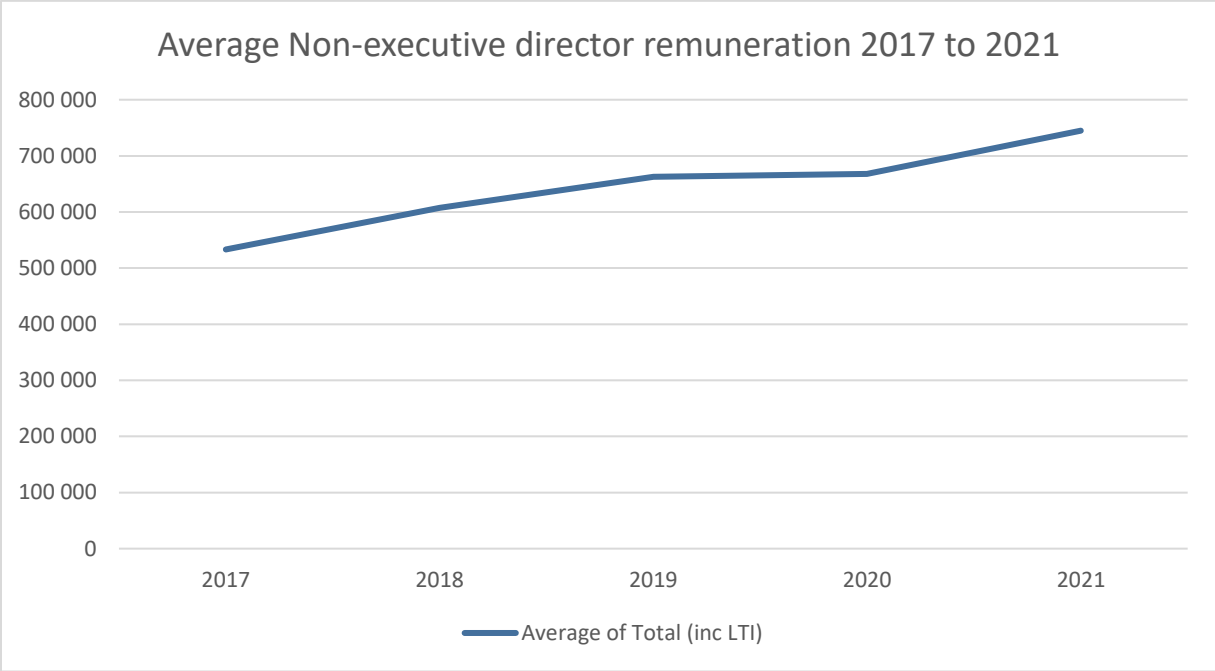


Figure 42 Food & Beverage sector NED Average Total Annual Remuneration 2017 to 2021



# 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.

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**Adcock Ingram**

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**AfroCentric Investments Corporation**

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**Aspen Holdings**

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**Life Healthcare Group**

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**Mediclinic**

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**Network Healthcare Holdings**

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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.

The sector was very hard hit by the pandemic as elective procedures were cancelled. However, as the healthcare sector has normalised, so has the revenue and profit in the sector.

# Financials

## Revenue

In 2021, Mediclinic is the biggest company in the health sector with reported revenue of ZAR 53 billion, as shown in *Figure 1* below (down by about 15% from 2020). This is followed by Aspen Holdings with revenue of ZAR 37,7 billion for the 2021 financial year (down by just over 2% from 2020). Life Healthcare Group (5,9%); Network Healthcare (12,5%), Afrocentric Investments (25%) and Adcock Ingram (n5,8%) all reported an increase in revenue for the financial year.

*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.

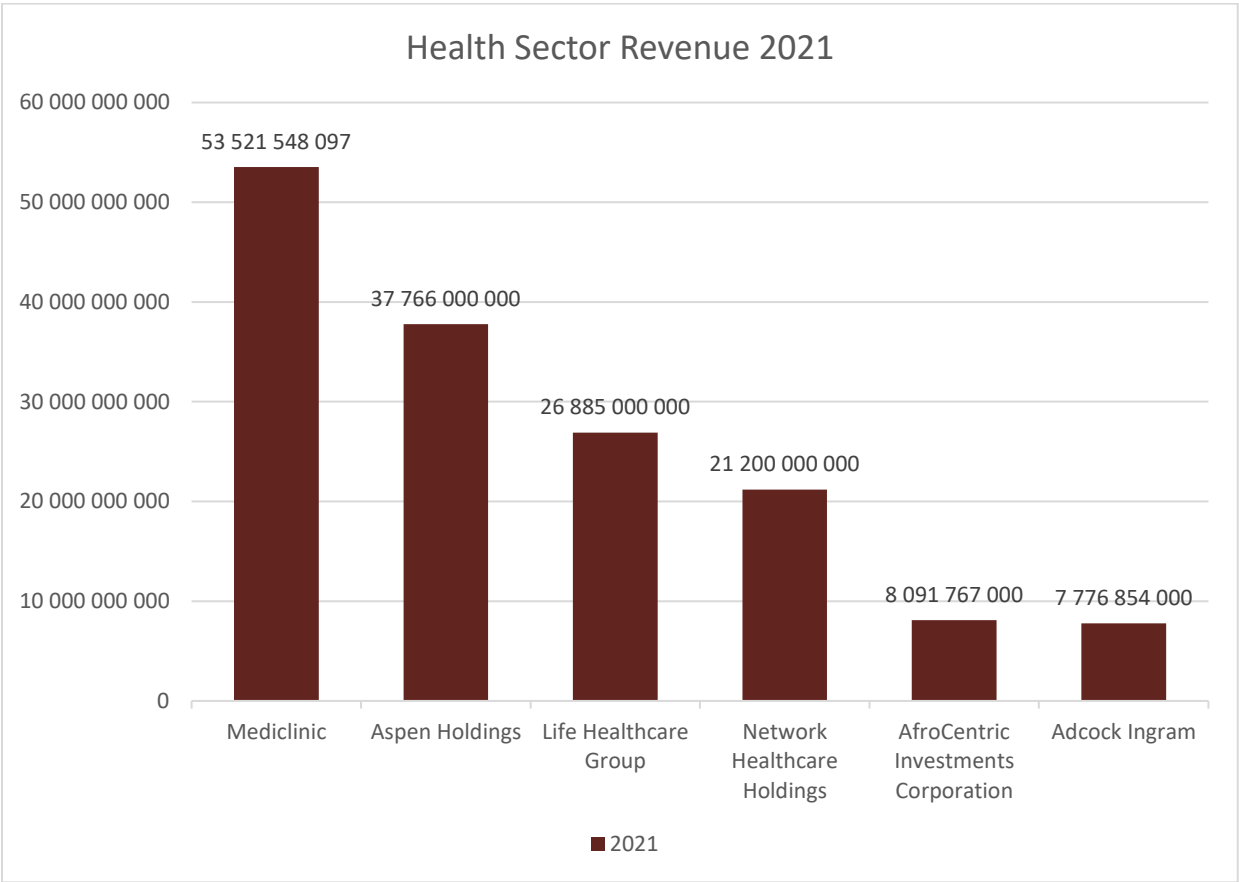


Figure 43 Health Sector Revenue 2021

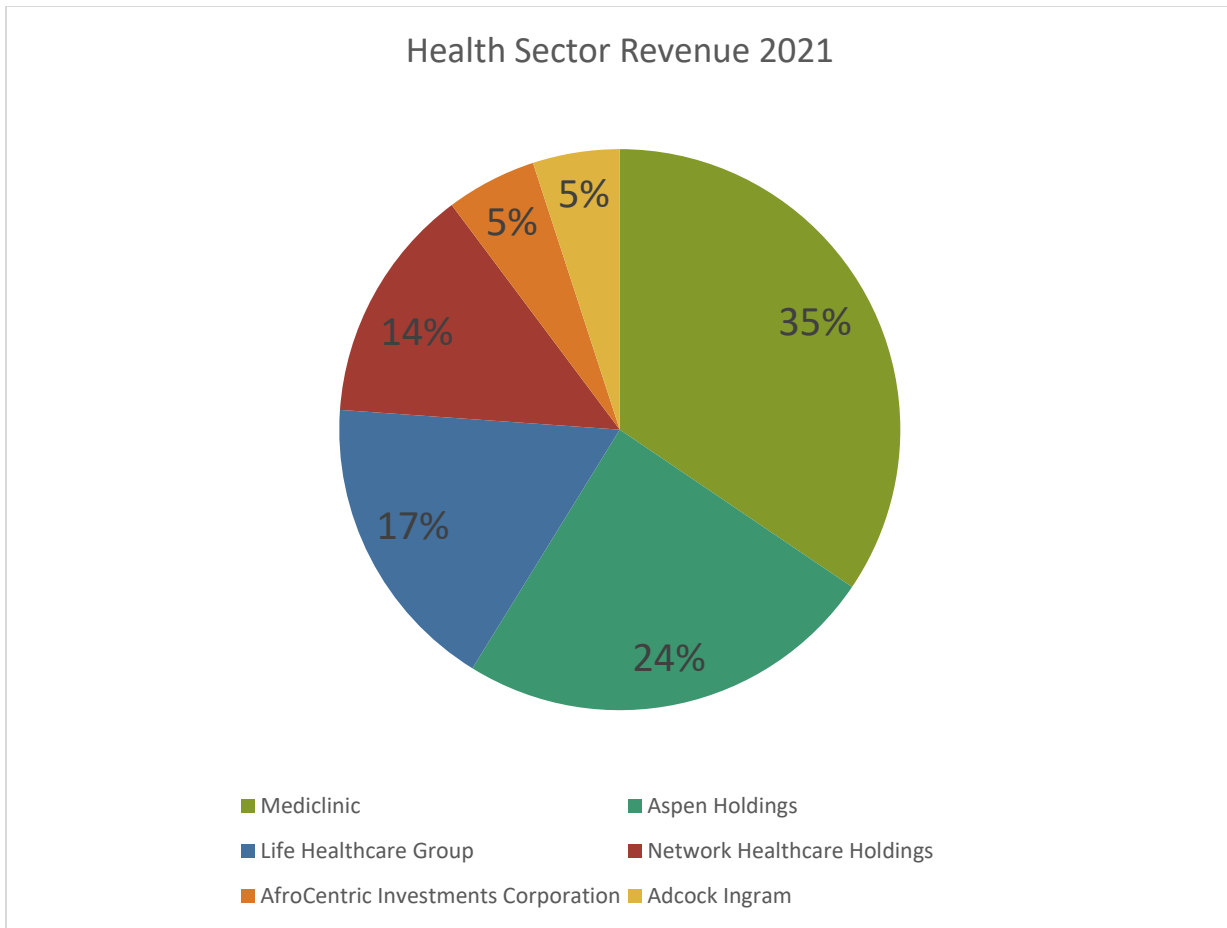
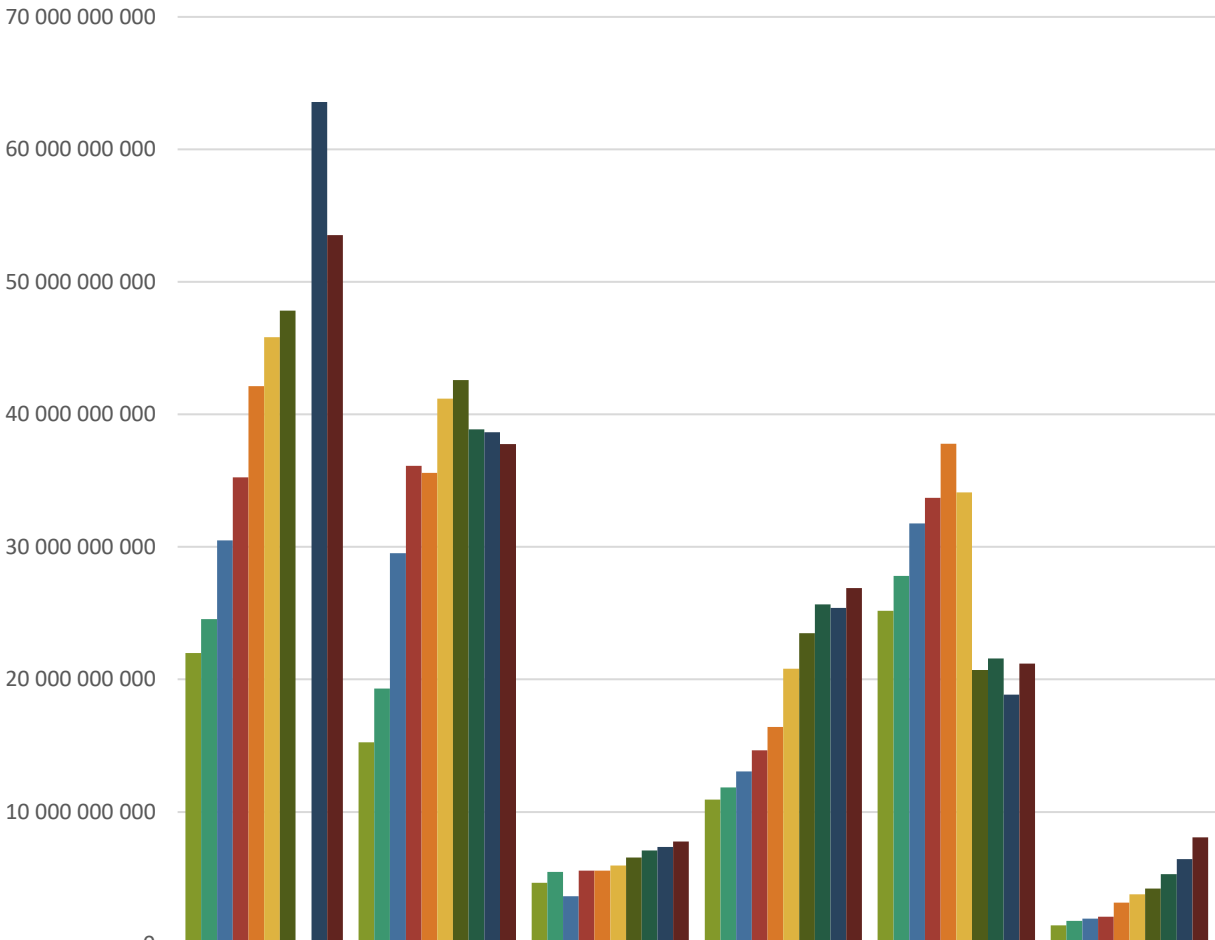


Figure 44 Health Sector Revenue Pie Chart 2021

### Health Sector Revenue 2012 to 2021



	Mediclinic	Aspen Holdings	Adcock Ingram	Life Healthcare Group	Network Healthcare Holdings	AfroCentric Investments Corporation
2012	21 986 000 000	15 255 800 000	4 644 406 000	10 937 000 000	25 174 000 000	1 448 261 000
2013	24 562 000 000	19 308 000 000	5 482 783 000	11 843 000 000	27 801 000 000	1 770 330 000
2014	30 495 000 000	29 515 100 000	3 640 780 000	13 046 000 000	31 783 000 000	1 958 260 000
2015	35 238 000 000	36 126 600 000	5 558 926 000	14 647 000 000	33 711 000 000	2 098 312 000
2016	42 140 000 000	35 600 000 000	5 559 896 000	16 404 000 000	37 796 000 000	3 148 146 000
2017	45 816 666 667	41 200 000 000	5 957 700 000	20 797 000 000	34 125 000 000	3 784 701 000
2018	47 833 333 333	42 596 000 000	6 562 865 000	23 488 000 000	20 717 000 000	4 212 705 000
2019	56 384 615	38 872 000 000	7 089 058 000	25 672 000 000	21 589 000 000	5 296 792 000
2020	63 567 010 309	38 647 000 000	7 346 558 000	25 386 000 000	18 843 000 000	6 440 966 000
2021	53 521 548 097	37 766 000 000	7 776 854 000	26 885 000 000	21 200 000 000	8 091 767 000

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Figure 45 Health Sector Revenue 2014 to 2021

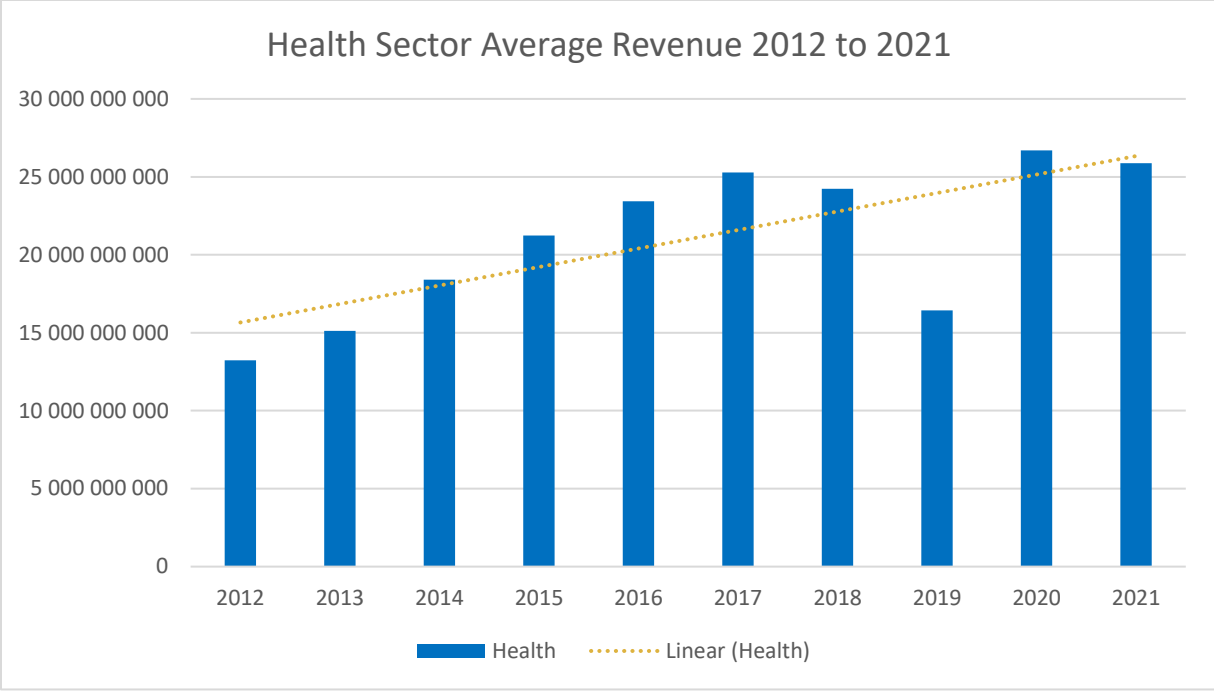


Figure 46 Health Sector Average Revenue 2012 to 2020

### Profit before Tax

From 2019 to 2020, average PBT in this sector fell dramatically. However, the companies seem to be recovering well: average reported PBT for the sample went up by over 300% (from a very low base in 2020).

Mediclinic, the largest company in the sample, reported a profit for the first time since 2017. Life Healthcare group also reported a healthy turnaround from 2020, however reported profits are still below pre-pandemic levels. Network Healthcare holding reported PBT of ZAR 1,1 billion – a 60% increase on 2020. Adcock Ingram is the only company in the sample to report a decrease in PBT (of around 2,6%).

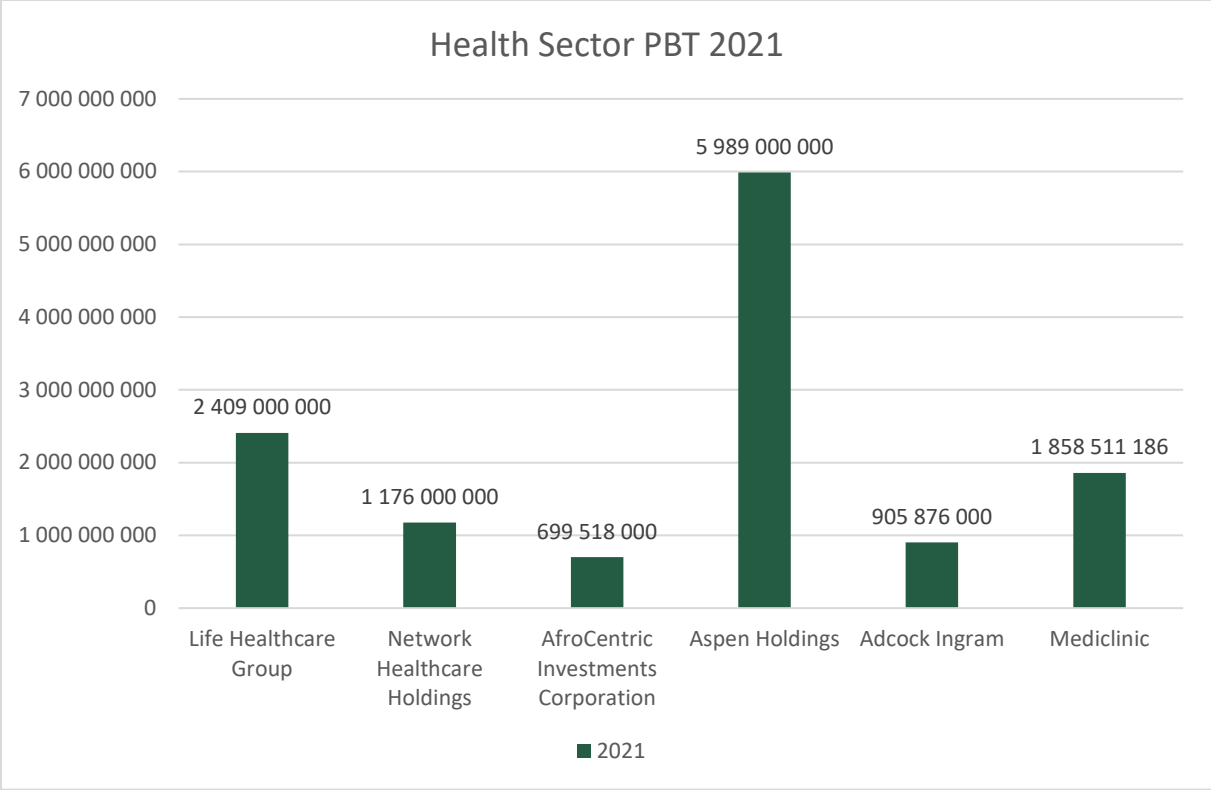


Figure 47 Health Sector Profit before Tax 2021



Figure 48 Health Sector Profit before Tax 2014 to 2021

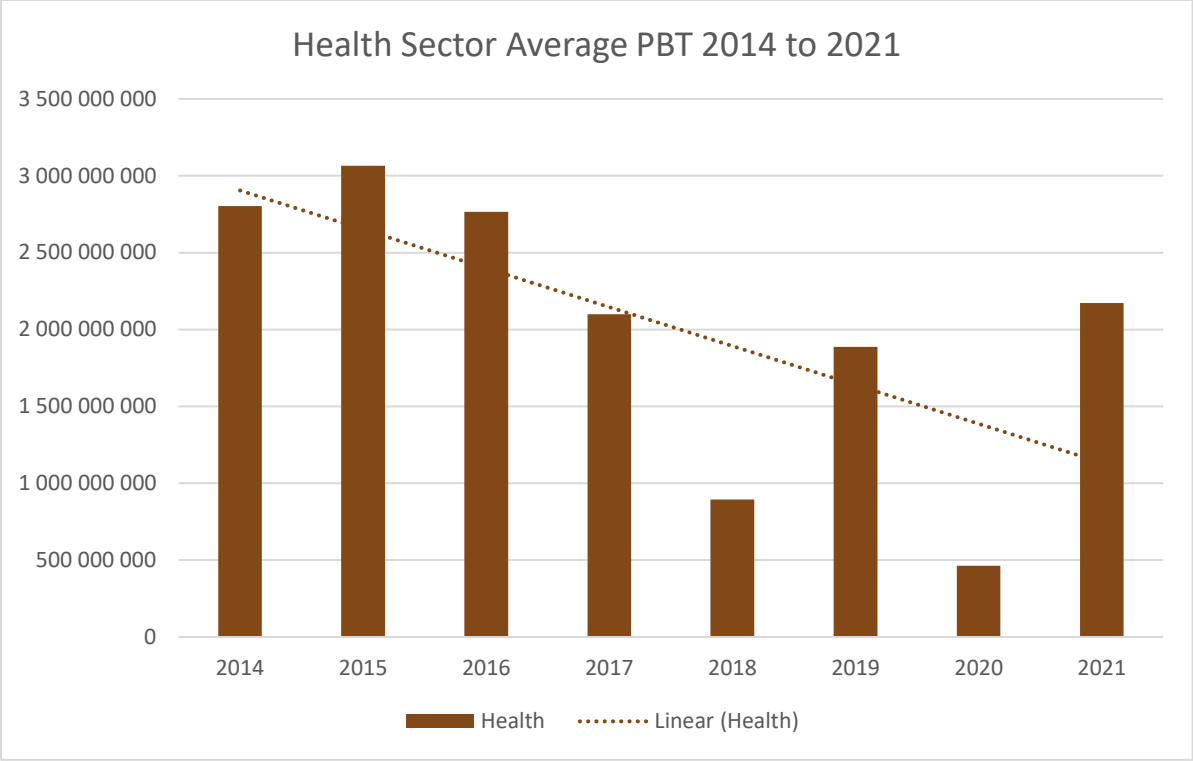


Figure 49 Health Sector Average PBT 2014 to 2020

## Directors’ Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven 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 2020 to 2021, CEO remuneration on average, increased from ZAR 9 million to ZAR 17,6 million.



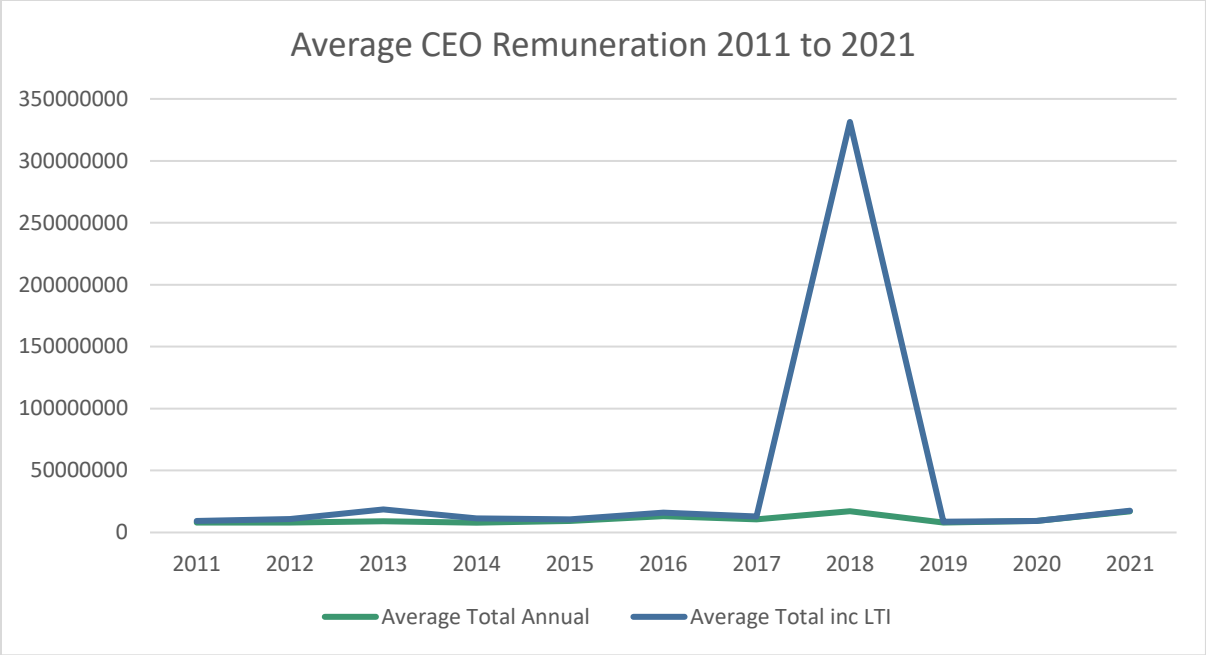


Figure 50 Health Sector CEO Remuneration 2011 to 2020

### CEO Remuneration 2020

In 2021, the CEO of Mediclinic Ronnie van der Merwe received total remuneration of ZAR 26,7 million, more than double his remuneration in 2020 (ZAR 12 million). This is inclusive of a ZAR 15 million cash bonus. The CEO of Aspen Holdings, Stephen Saad, received total remuneration of ZAR 24 million, an 18% increase on the previous year.

From 2020 to 2021, the average total executive director’s remuneration went down by 13%. In the same period, average non-executive remuneration went up by 31%.

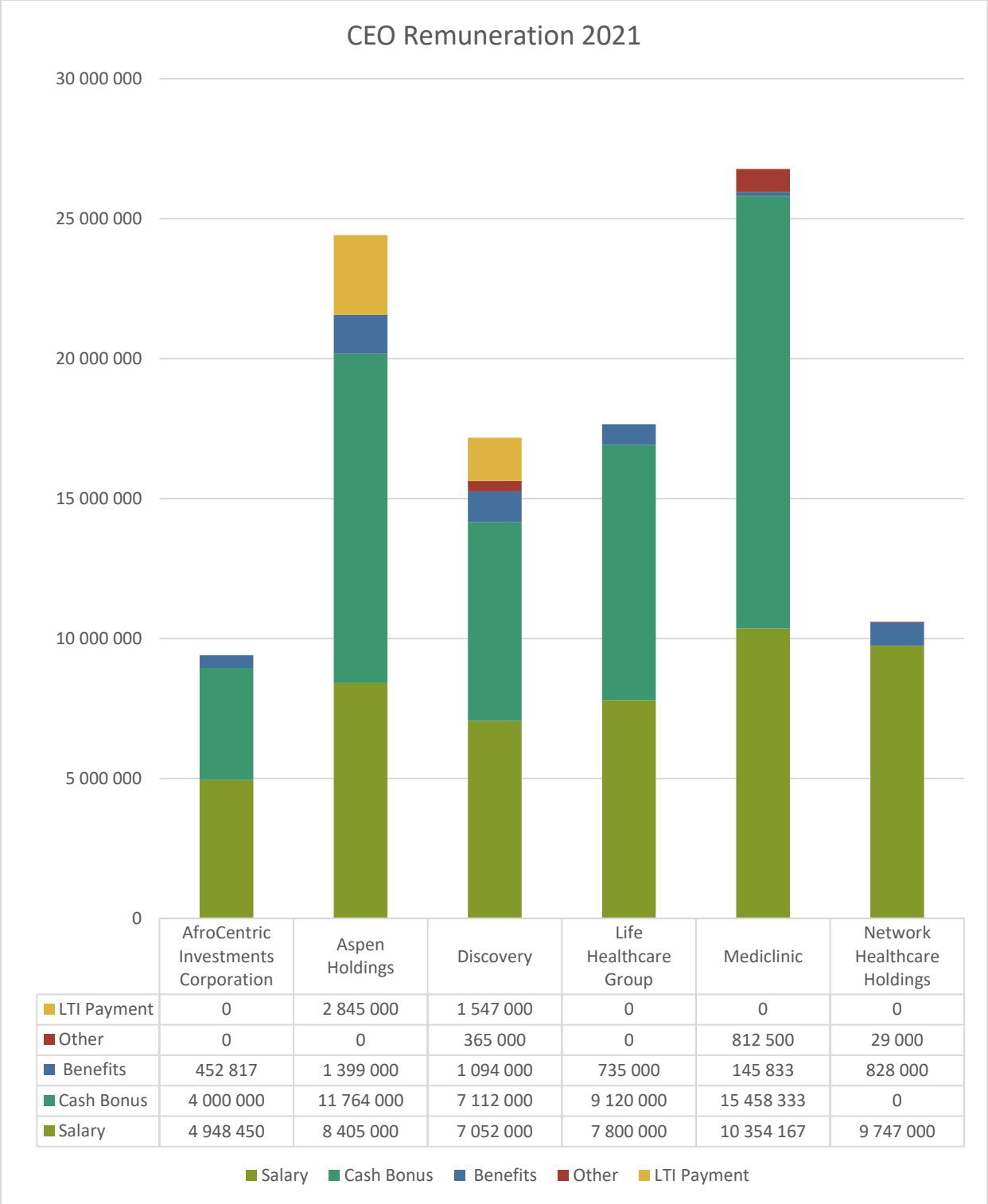


Figure 51 Health Sector CEO Remuneration 2021

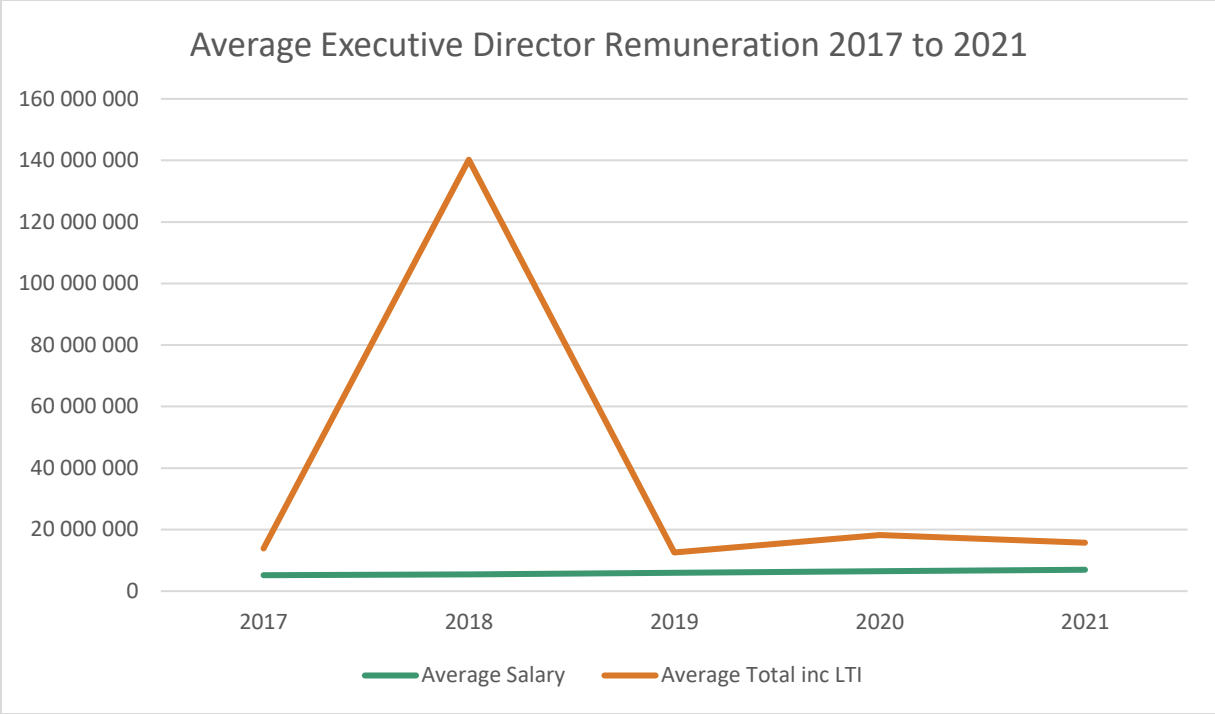


Figure 52 Health Sector Average Executive Director Remuneration 2017 to 2021

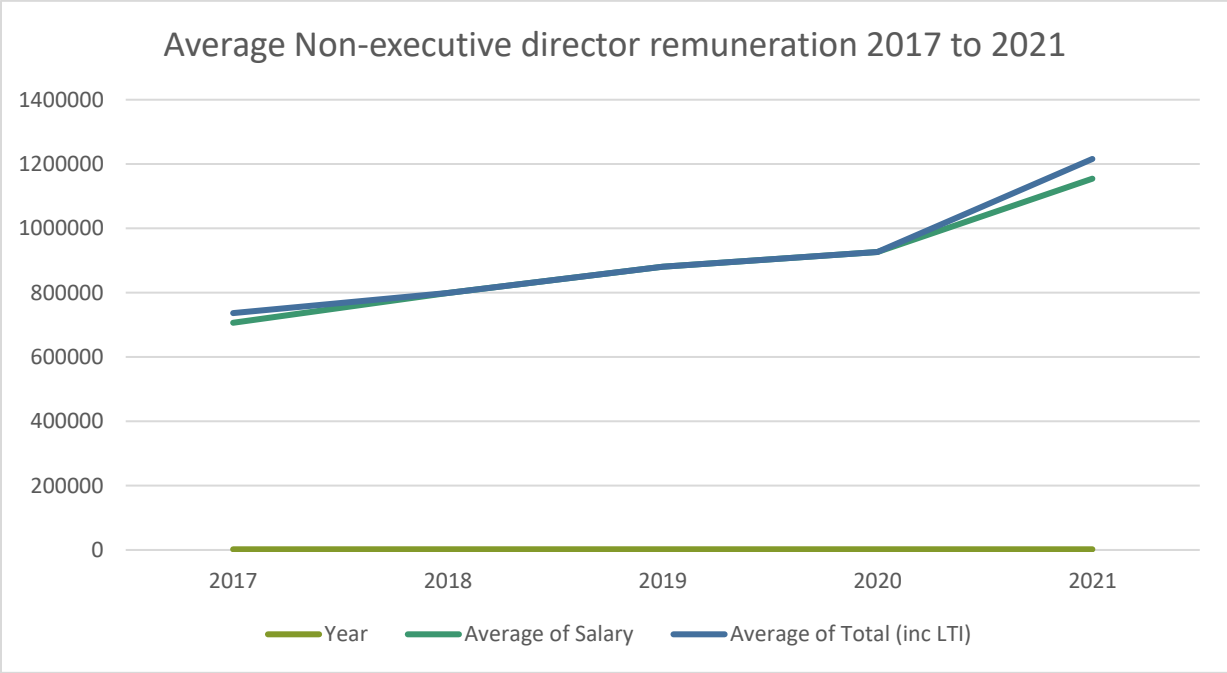


Figure 53 Health Sector NED Average Total Annual Remuneration 2017 to 2021

# 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 2020 and 2021, COVID-19 caused a significant slowdown in world trade and disrupted global supply chains. Local and international travel was brought to a complete halt and remained limited well into 2021. In addition to these disruptions, South Africa's national lockdowns over the course of 2020 and 2021 severely impacted the hospitality sector. These effects can be seen in the 2021 financial year.

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 pandemic, the sector employed more than 330,000 people.<sup>25</sup>

According to Nedbank, despite the opening of international travel, 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

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<sup>25</sup> <https://partners.24.com/TheBiggerPicture/HospitalityBeyondCovid19/index.html>

in 2022.<sup>26</sup> The latest surveys from the UN World Tourism Organisation (UNWTO) indicate ‘that the improvements seen in in 2022 will carry through to 2023’.<sup>27</sup>

## 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. In 2021, average revenue increased by 26% but is still lower than 2012 at around ZAR 3,3 billion on average (in 2021 this number as ZAR 6,5 billion).

City Lodge Hotels reported a further drop in revenue from 2020 to ZAR 507 million (a drop of 56%). Both Sun International and Tsogo Sun reported increases in revenue (38% and 51% respectively); though these numbers are still well below 2019 figures.

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<sup>26</sup> <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>

<sup>27</sup> <https://www.ghostmail.co.za/a-check-in-on-the-hotel-sector/>

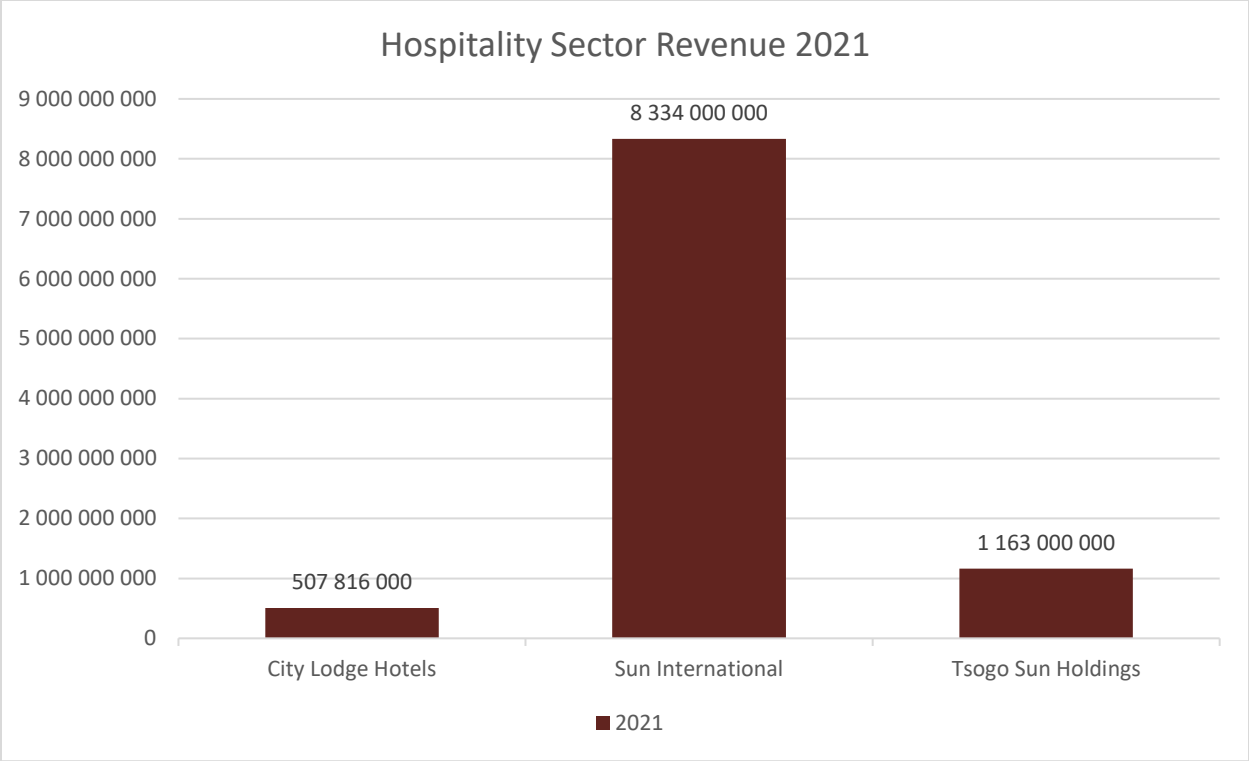


Figure 54 Hospitality Sector Revenue 2020

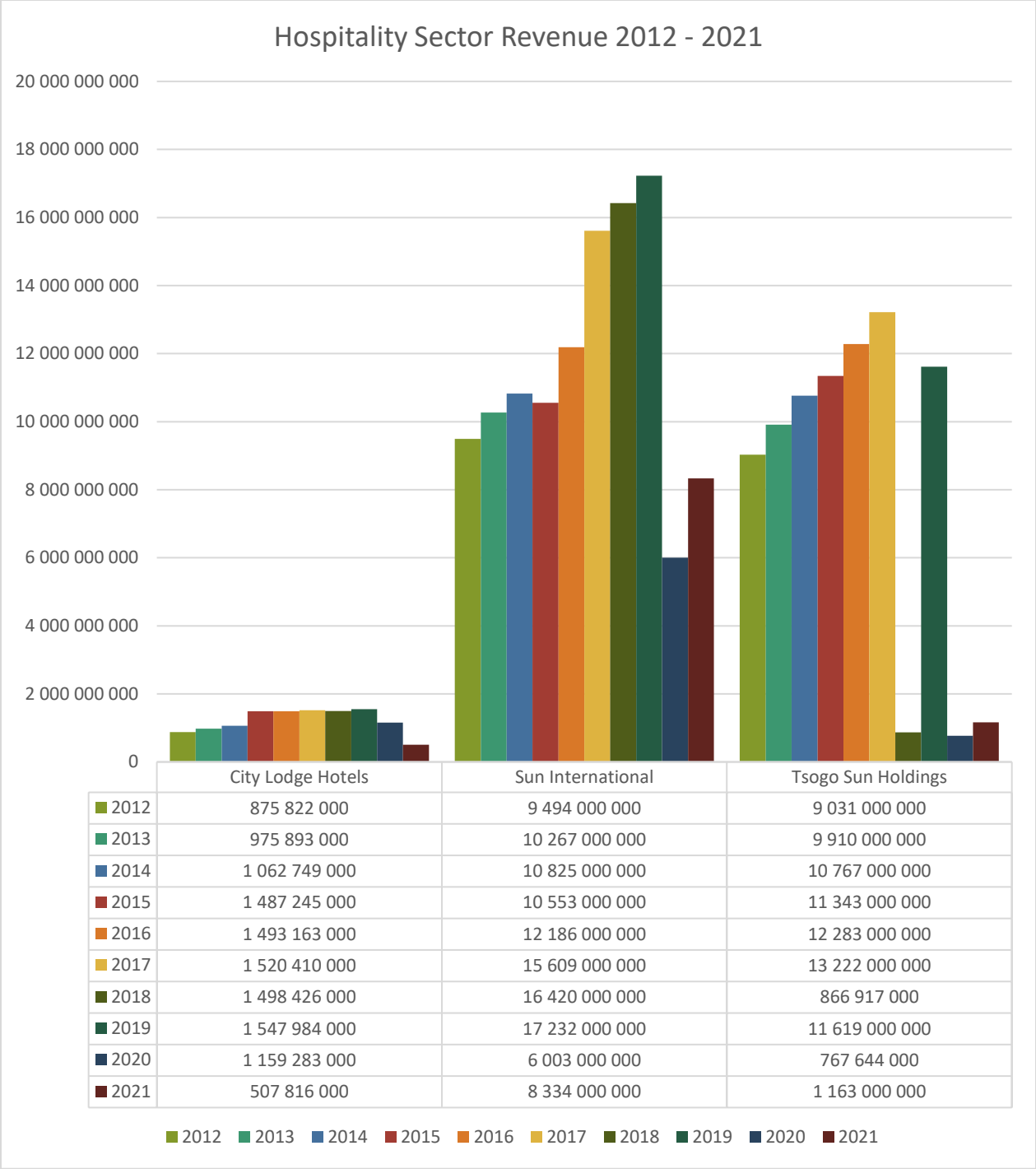


Figure 55 Hospitality Sector Revenue 2014 to 2021



Figure 56 Hospitality Sector Average Revenue 2012 to 2020



## Profit before Tax

In 2020, Tsogo Sun reported a loss of ZAR 1,2 billion, Sun International reported a loss of ZAR 1,6 million and City Lodge Hotels reported a loss of ZAR 582 million. In 2021, both Tsogo Sun and City Lodge report further losses. Sun International was the only company in the sample to report a profit before tax (ZAR 574 million).

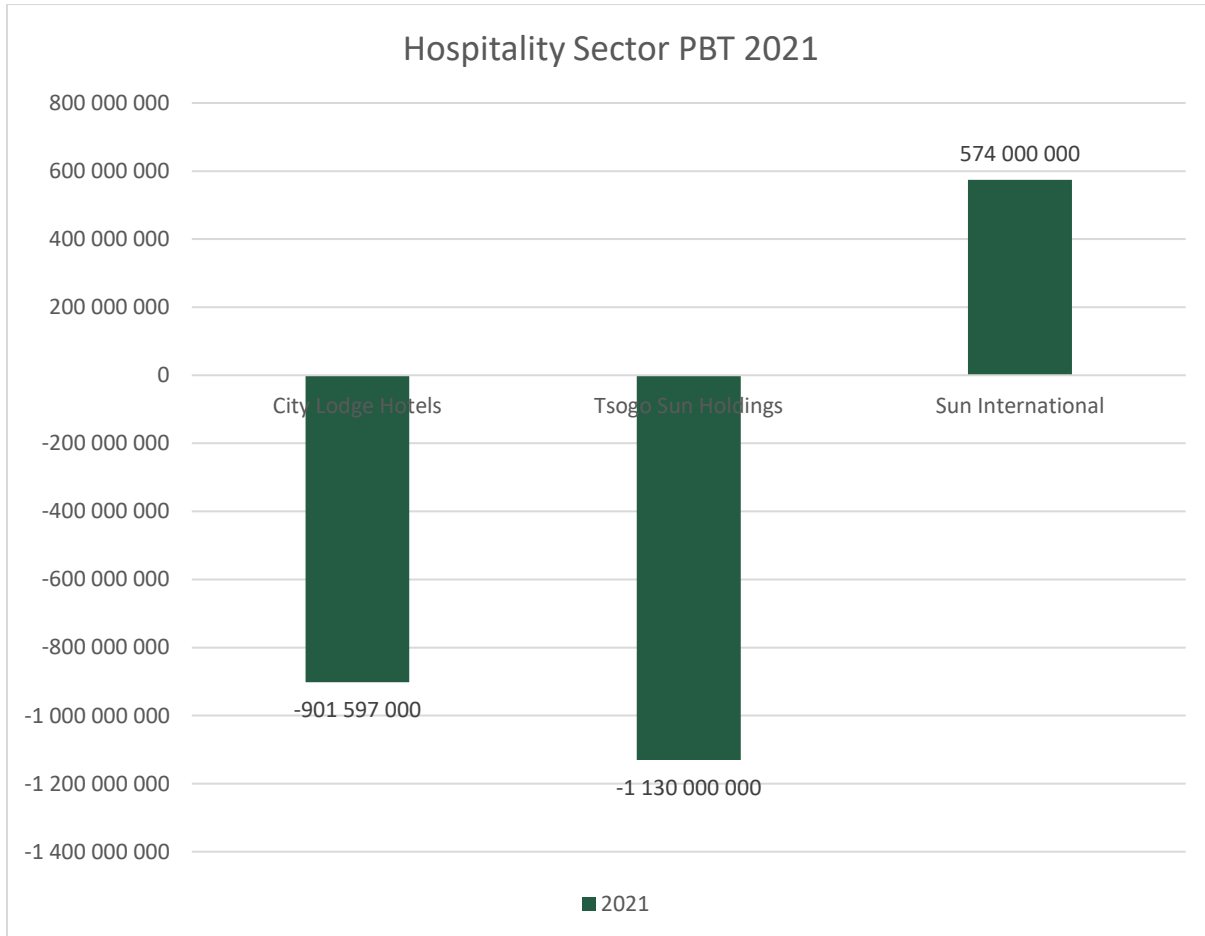


Figure 57 Hospitality Sector Profit before Tax 2021

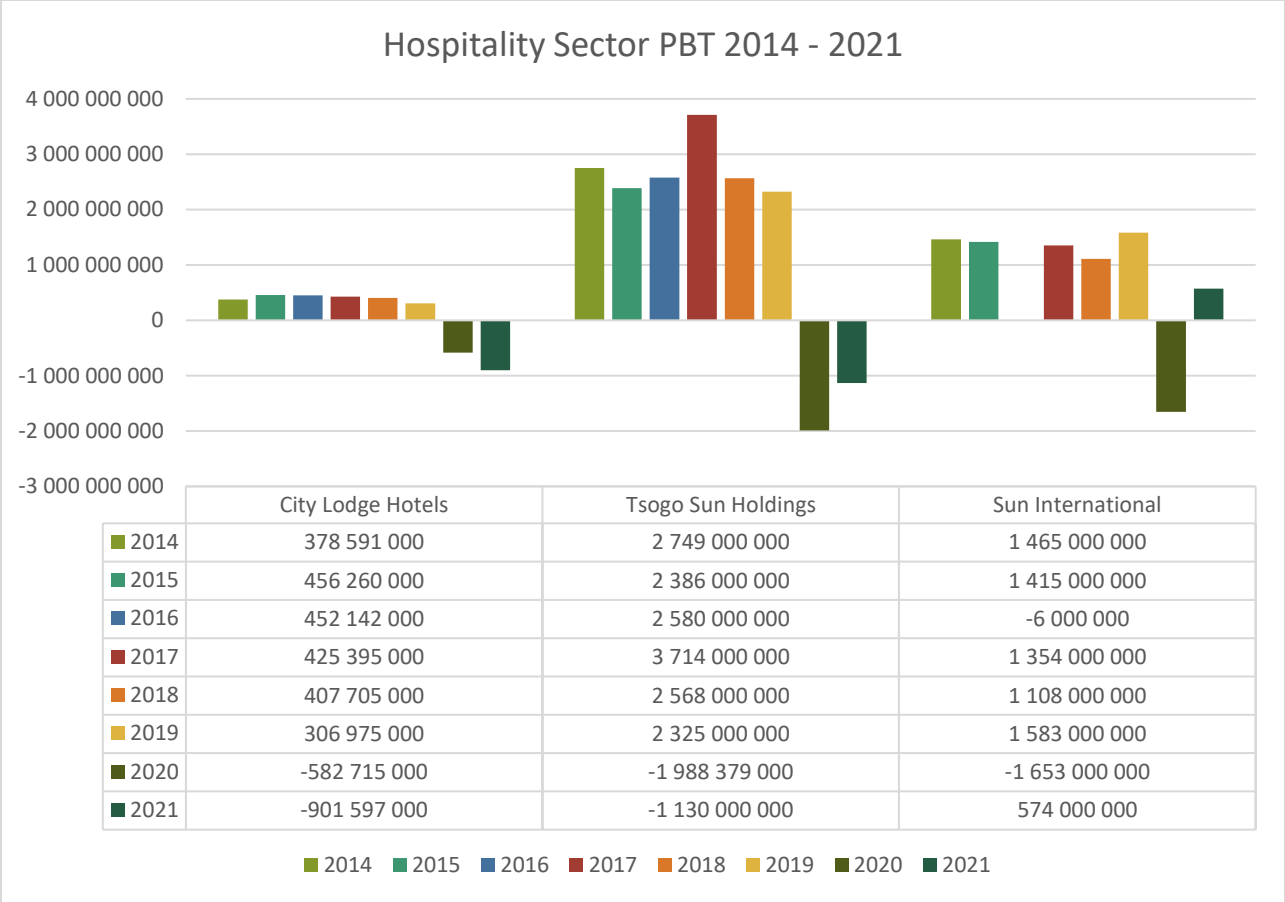


Figure 58 Hospitality Sector PBT 2014 to 2021



Figure 59 Hospitality Sector Average PBT 2014 - 2021

# Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven years. In the Hospitality sector, and our sample specifically, we see the general trend over time being inconsistent and downwards. In 2020, CEO remuneration went down. Given the dire situation of the sector, this is reflective of the losses the companies were facing. In 2021, average CEO remuneration went up by 2,67%.

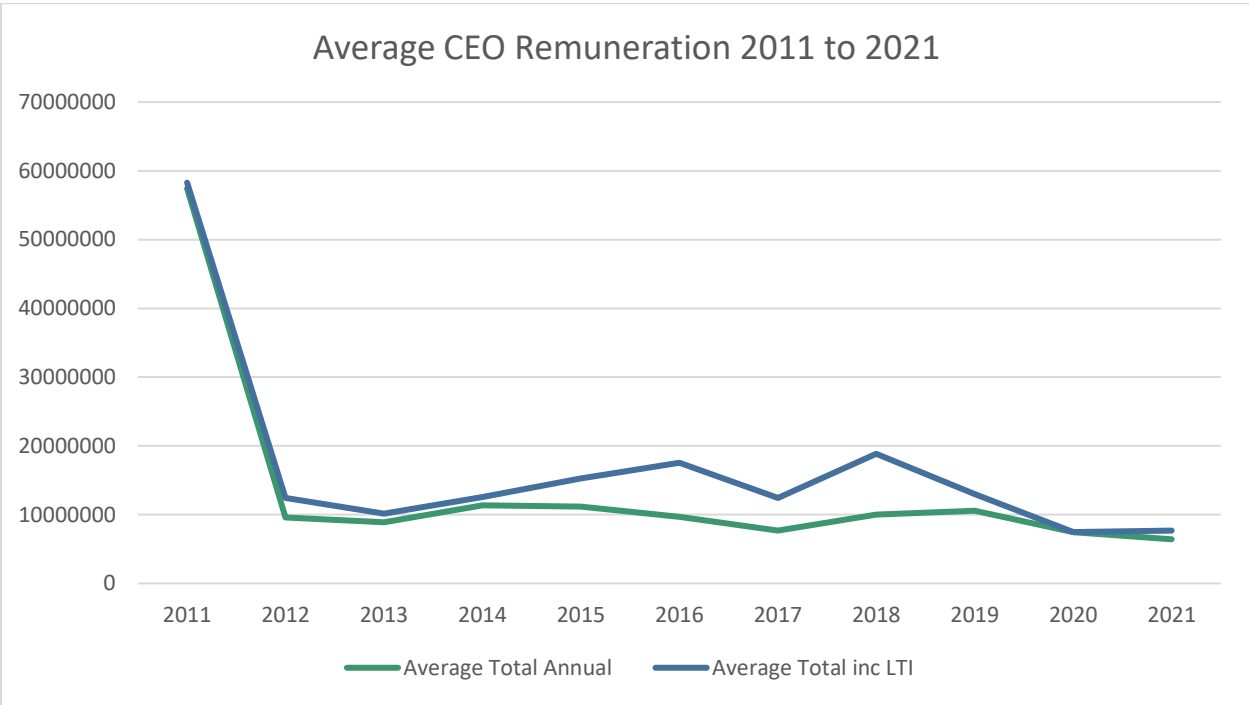


Figure 60 Hospitality Sector CEO Remuneration 2011 to 2021

## CEO Remuneration 2020

In the Hospitality sector, the CEO of Sun International received total remuneration of ZAR 15 million, more than double the remuneration reported in 2020 (ZAR 6 million). City Lodge Hotels CEO received full remuneration of ZAR 5,6 million, and Tsogo Sun Holdings CEO received just over ZAR 2 million.

On average, in our sample, executive remuneration went up by 55% (mainly due to the low payments made in 2020); and non-executive director remuneration went down by 6% from 2020 to 2021.

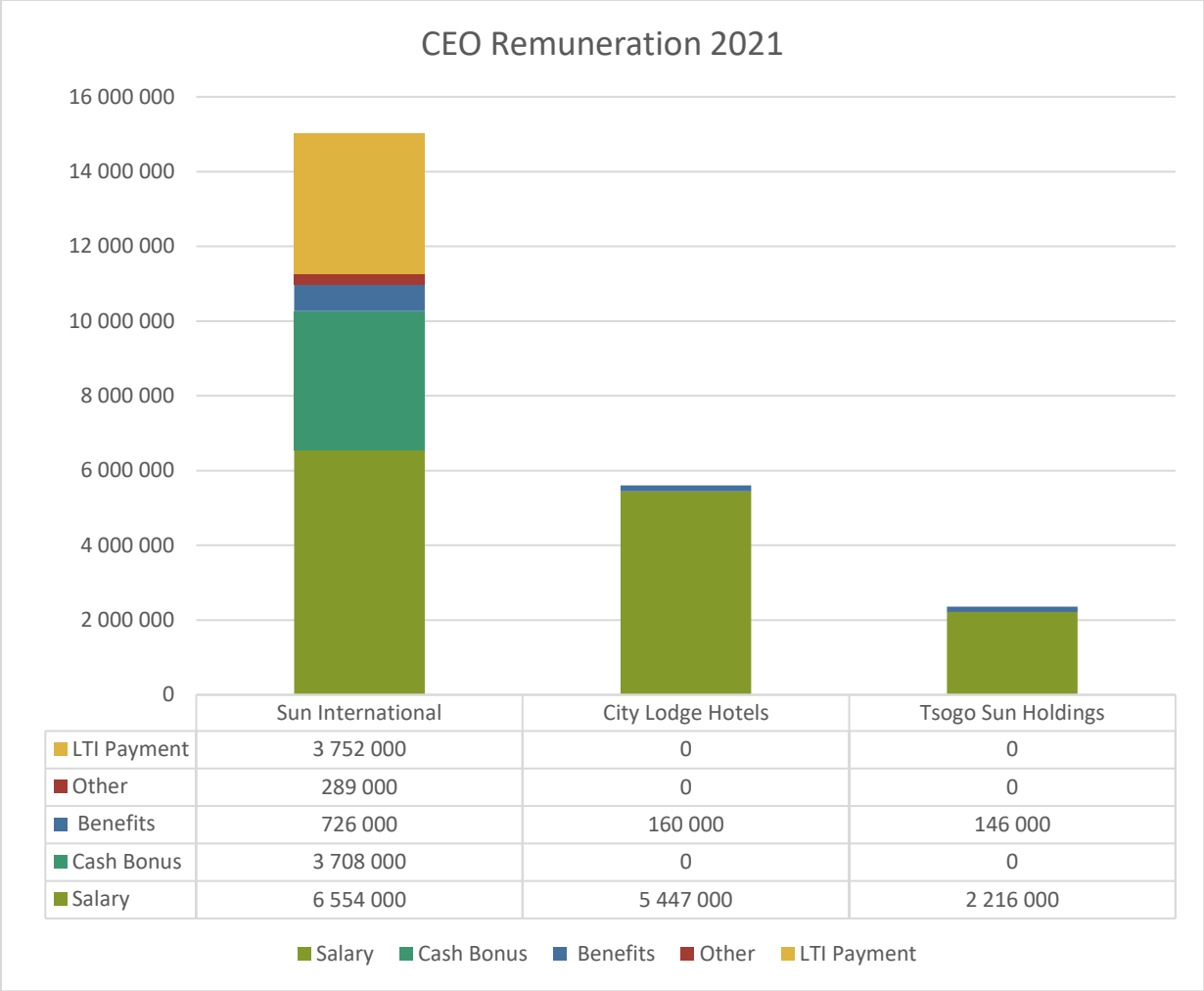


Figure 61 Hospitality Sector CEO remuneration 2021

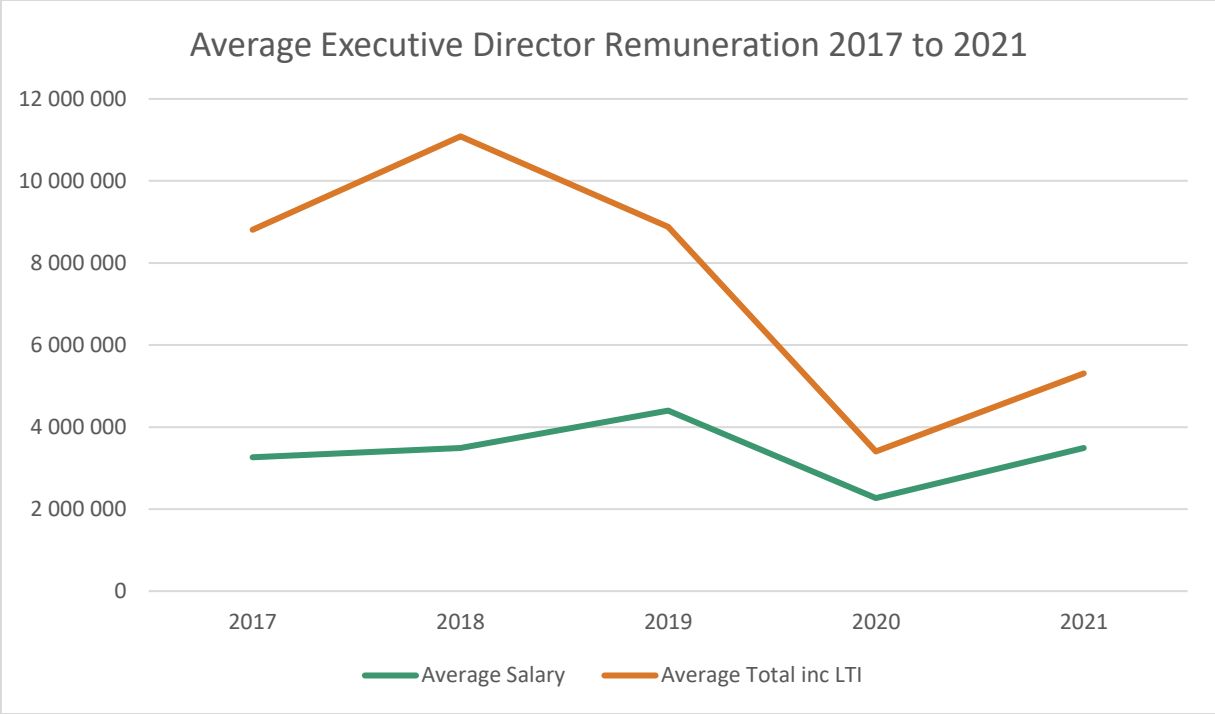


Figure 62 Hospitality ED Average Remuneration 2017 - 2021

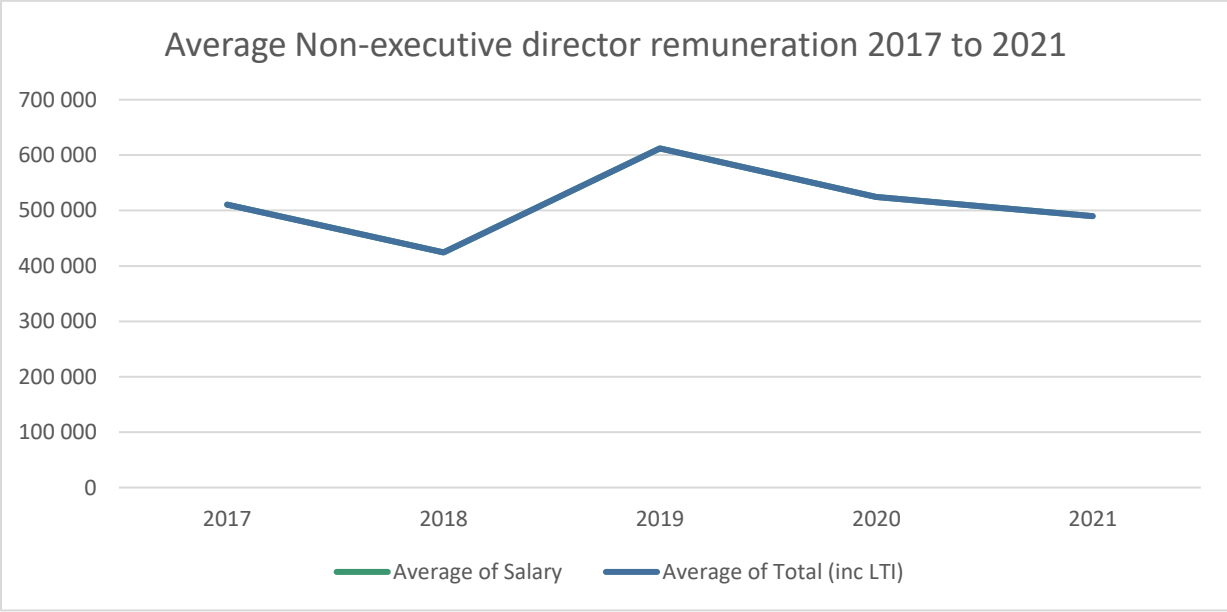


Figure 63 Hospitality NED Average Remuneration 2017 - 2021

# SECTOR REPORT: INDUSTRIAL

## Introduction

In this sector, our sample includes seven companies listed on the Johannesburg Stock Exchange. This sample is a mix of support services, industrial, chemicals and one state-owned enterprise. These companies are:<sup>2829</sup>

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<b>AECI</b>
<b>Altron</b>
<b>ArcelorMittal SA</b>
<b>Eskom Holdings Limited</b>
<b>Invicta Holdings</b>
<b>Reunert</b>
<b>Sasol</b>

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South Africa has a strong industrial tradition dating back 150 years. The seven companies in our sample employ thousands of people. This shows why it is a crucial industry for the LRS to monitor. The rich data extracted from the LRS's MNC Database 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

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<sup>28</sup> Denel was previously included in this group of companies but failed to submit its financial statements for 2021.

<sup>29</sup> African Oxygen (Afrox) was previously including in this list but has been delisted from the JSE.

national lockdowns and restrictions in 2020 and 2021 have severely impacted the industrial sector.

South Africa's industrial sector faces several challenges, including high unemployment, low levels of economic growth, and a lack of access to finance for small and medium-sized enterprises. In addition, the country is facing a skills shortage, with many workers lacking the training and education needed to fill the high-skilled jobs being created in the industrial sector. The industry is also facing increased competition from foreign firms, which can make it difficult for local companies to compete. Another major challenge is the high cost of electricity, which can make it difficult for manufacturers to operate efficiently and remain competitive.

## Financials

### Revenue

From our sample, Eskom Holdings Limited and Sasol remain the biggest companies in the Industrial Sector, with revenue of ZAR 204 billion and ZAR 201 billion respectively, as shown in Figure 1 chart below. The 2021 value is a 2.44% increase from the 2020 financial year revenue for Eskom Holdings Limited and a 6% decrease for Sasol in the same period. Invicta Holdings is the smallest company in our sample with a revenue of ZAR 6,2 billion. Compared to 2020, the company recorded a 37,7% decrease in revenue for the 2021 financial year.

Acelor Mittal reported a 61% increase in revenue, but this is from a low base in 2020 and the company is still well below 2018 revenue levels. Similarly, Reunert reported a 19% increase in revenue, but at ZAR 9 billion this is still lower than the ZAR 10 billion reported in 2018 and 2019. AECI reported an 8% increase, reporting to the highest revenue since we've monitored the company (ZAR 26 billion). Altron reported a decrease of 7,5% (to ZAR 15 billion) and Invicta reported a decrease of over 37%.

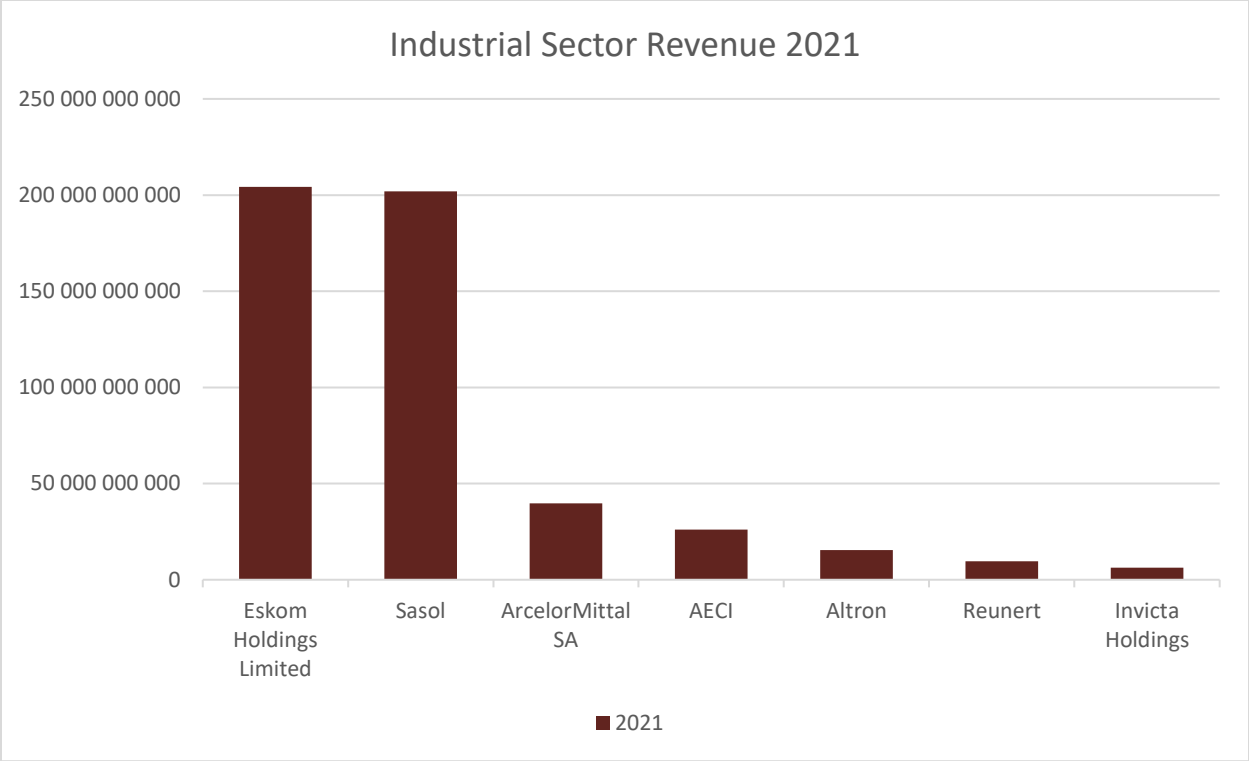
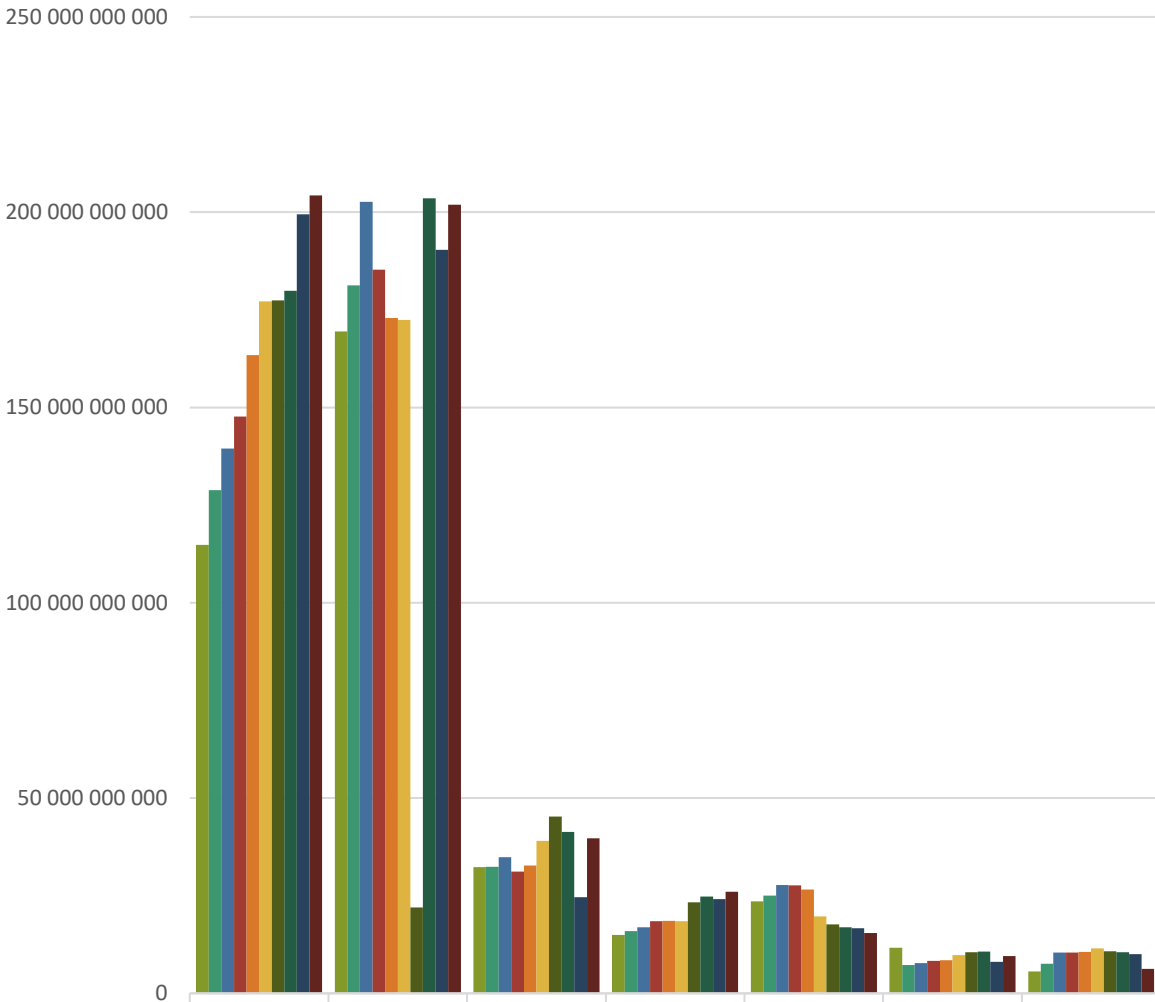


Figure 64 Industrial Sector Revenue 2021



## Industrial Sector Revenue 2021



	Eskom Holdings Limited	Sasol	ArcelorMittal SA	AECI	Altron	Reunert	Invicta Holdings
2012	114 847 000	169 446 000	32 291 000	14 916 000	23 563 000	11 662 200	5 599 464 0
2013	128 869 000	181 269 000	32 421 000	15 942 000	25 049 000	7 246 700 0	7 557 899 0
2014	139 506 000	202 683 000	34 852 000	16 903 000	27 772 000	7 773 800 0	10 465 000
2015	147 691 000	185 266 000	31 141 000	18 446 000	27 623 000	8 300 000 0	10 459 567
2016	163 395 000	172 942 000	32 737 000	18 596 000	26 592 000	8 511 000 0	10 635 850
2017	177 136 000	172 407 000	39 022 000	18 482 000	19 717 000	9 773 000 0	11 527 873
2018	177 424 000	21 983 000	45 274 000	23 314 000	17 681 000	10 492 000	10 743 537
2019	179 892 000	203 576 000	41 353 000	24 799 000	16 925 000	10 714 000	10 499 704
2020	199 468 000	190 367 000	24 643 000	24 111 000	16 713 000	8 046 000 0	10 037 636
2021	204 326 000	201 910 000	39 708 000	26 053 000	15 453 000	9 575 000 0	6 251 484 0

■ 2012  
 ■ 2013  
 ■ 2014  
 ■ 2015  
 ■ 2016  
 ■ 2017  
 ■ 2018  
 ■ 2019  
 ■ 2020  
 ■ 2021

Figure 65 Industrial Sector Revenue 2014 to 2021

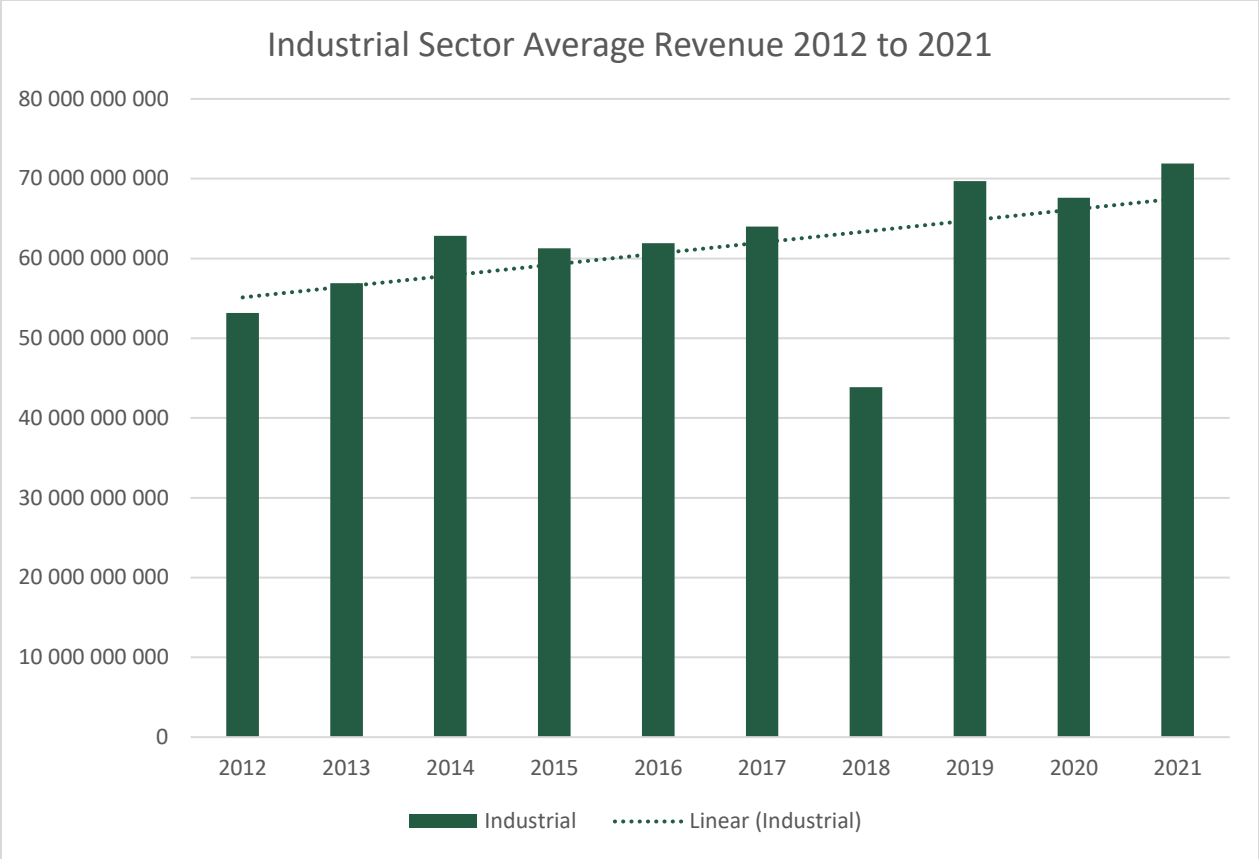


Figure 66 Industrial Sector Average Revenue 2012 to 2021

### Profit before Tax

Most companies in this sector made a significant loss in the 2020 financial year. In 2021, Altron reported a big increase in profit before tax due to discontinued operations. Sasol, which had reported a loss of ZAR 117 billion in 2020, reported PBT of ZAR 10,7 billion in 2021. Arcelor Mittal turned around a loss in 2019 and 2020 to a PBT of ZAR 6,6 billion in 2021. AECL increase profit to the same levels as before the pandemic (ZAR 1,8 billion). Reunert reported an increase to ZAR 1 billion in PBT, similar to reported PBT in 2019. Invicta Holdings turned around a loss in 2020 to a PBT of ZAR 457 million, still well below previous profit levels. Eskom reported a loss of ZAR 24 billion.



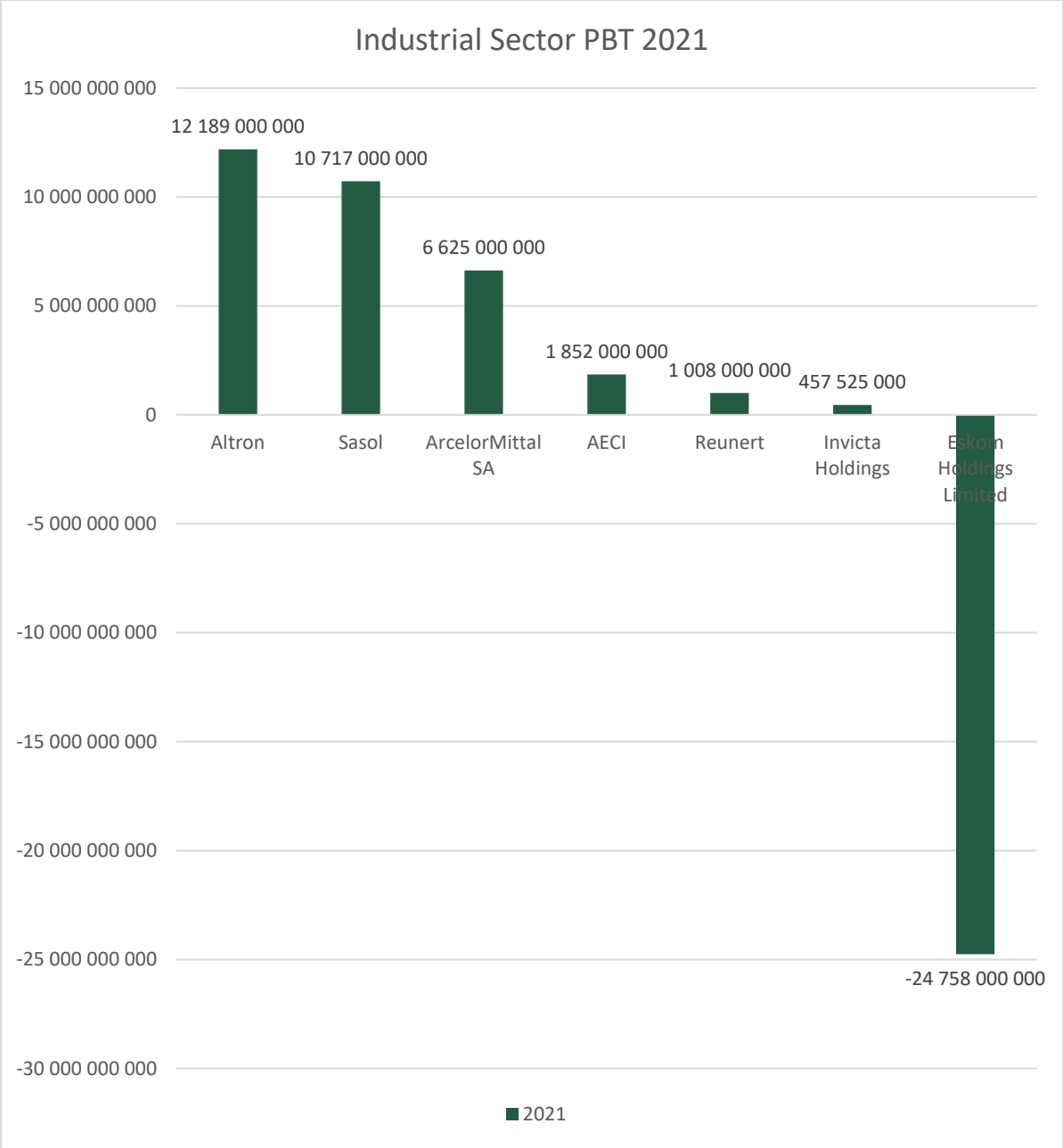


Figure 67 Industrial sector Profit before Tax 2021



Figure 68 Industrial sector Profit before Tax 2014 to 2021

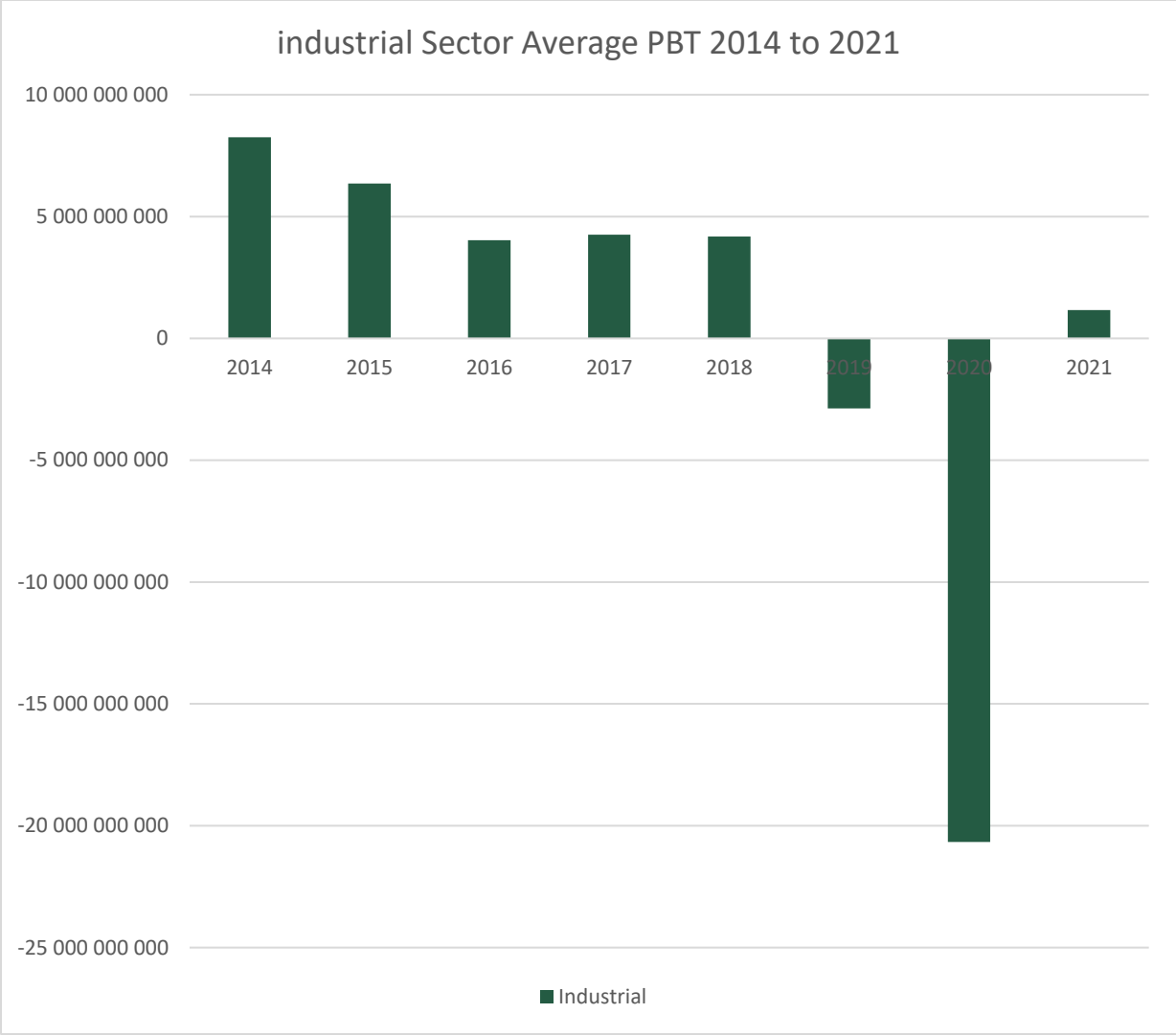


Figure 69 Industrial Sector Average PBT 2014 to 2021

## Directors’ Remuneration: a ten-year retrospective

We use the LRS MNC database to examine CEO remuneration over the last eleven years for the seven 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 2020, the total remuneration including LTI increased by 3,14% in 2021 (on top of a 24% increase in 2020).

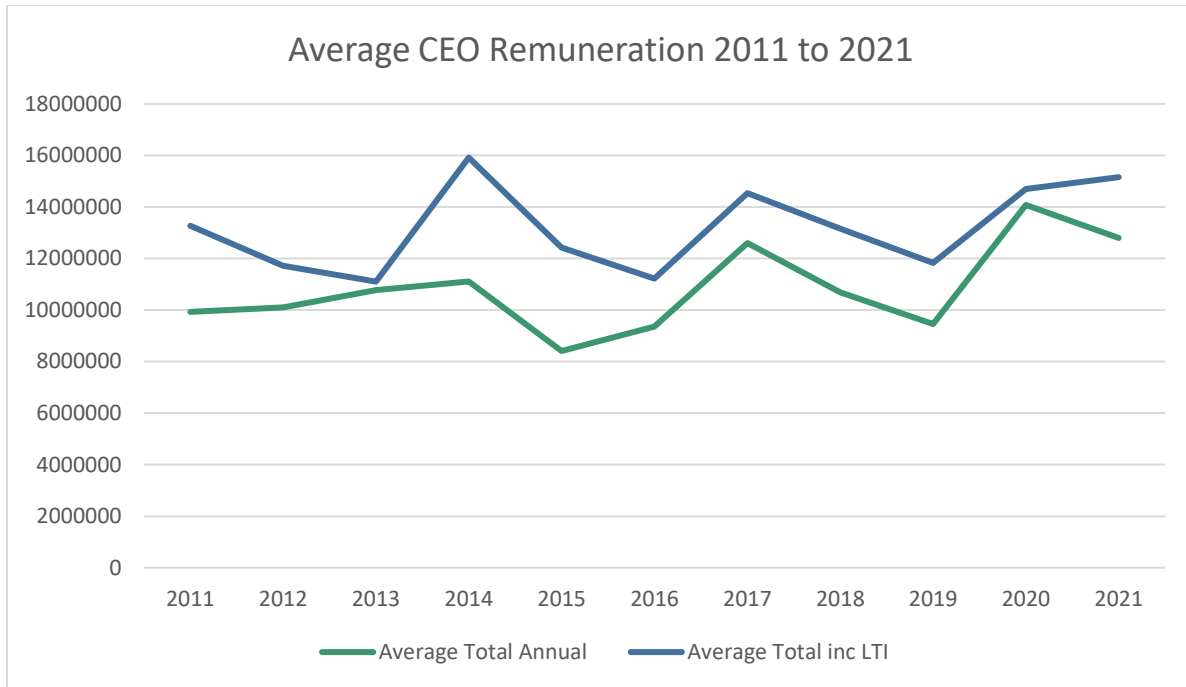


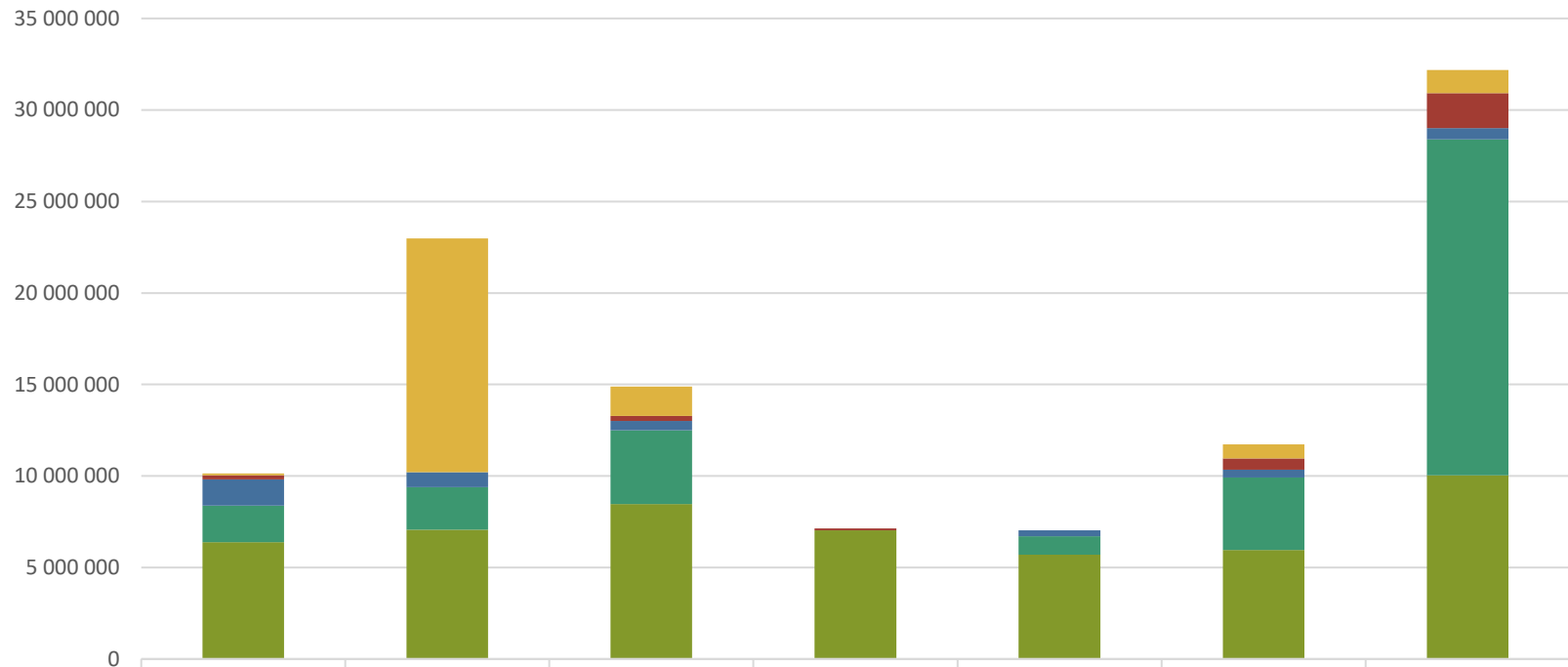
Figure 70 Industrial Sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2021

The highest paid CEO in the sample is the CEO of Sasol, Fleetwood Grobler, who received total remuneration of ZAR 32 million for the 2021 financial year. This is inclusive of a ZAR 18 million cash bonus and salary of ZAR 10 million. The CEO of Altron received an LTI of ZAR 12 million, making his total remuneration for the year ZAR 22,9 million. The highest salary as paid to Sasol CEO Grobler (ZAR 10 million), with the CEO of Arcelor Mittal being second in line with a salary of ZAR 8,5 million (and total remuneration of 14,9 million).

On average, from 2020 to 2021, the average executive director remuneration went up slightly by 0,81% and total non-executive remuneration went down by 8,7% (see *Figure 9 and 10*).

### CEO Remuneration 2021



	AECl	Altron	ArcelorMittal SA	Eskom Holdings Limited	Invicta Holdings	Reunert	Sasol
LTI Payment	109 000	12 773 000	1 600 000	0	0	778 000	1 255 000
Other	221 000	0	272 139	98 000	0	600 000	1 923 000
Benefits	1 443 000	828 000	521 151	0	319 000	432 000	607 000
Cash Bonus	1 994 000	2 327 000	4 036 500	0	997 000	3 958 000	18 366 000
Salary	6 380 000	7 060 000	8 458 833	7 040 000	5 708 000	5 963 000	10 032 000

■ Salary ■ Cash Bonus ■ Benefits ■ Other ■ LTI Payment

Figure 71 Industrial Sector CEO Remuneration 2021

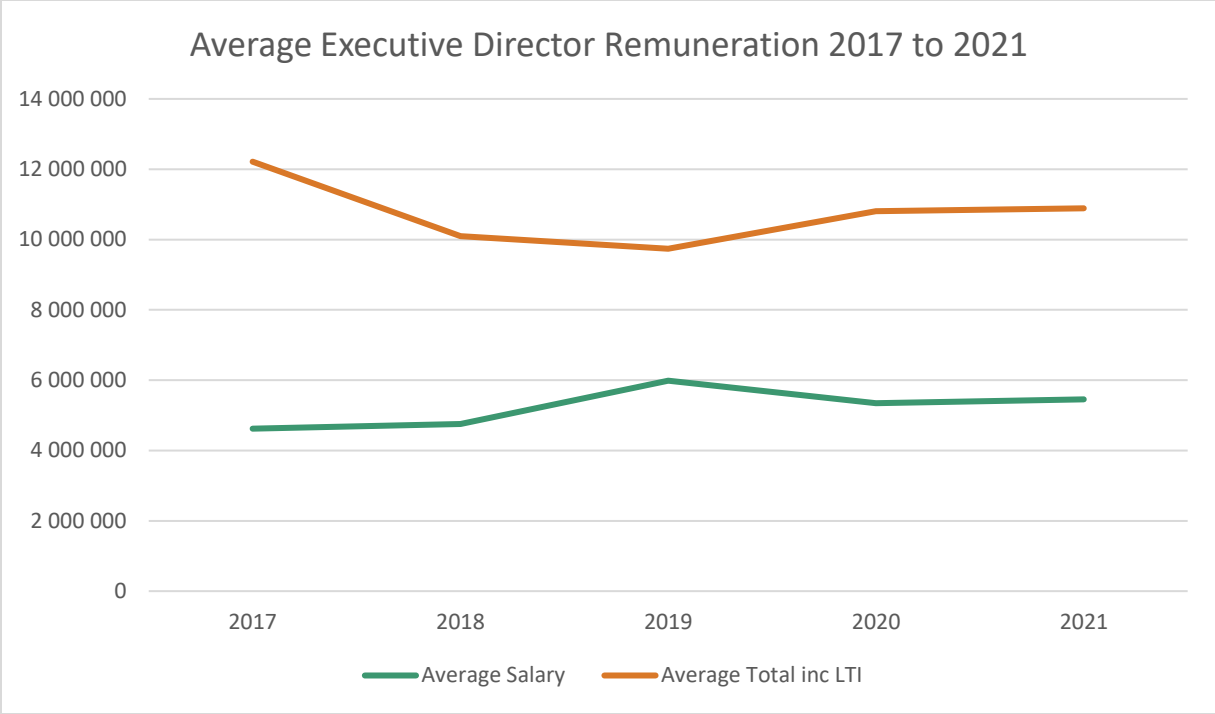


Figure 72 Industrial Sector Executive Director Remuneration 2017 to 2021

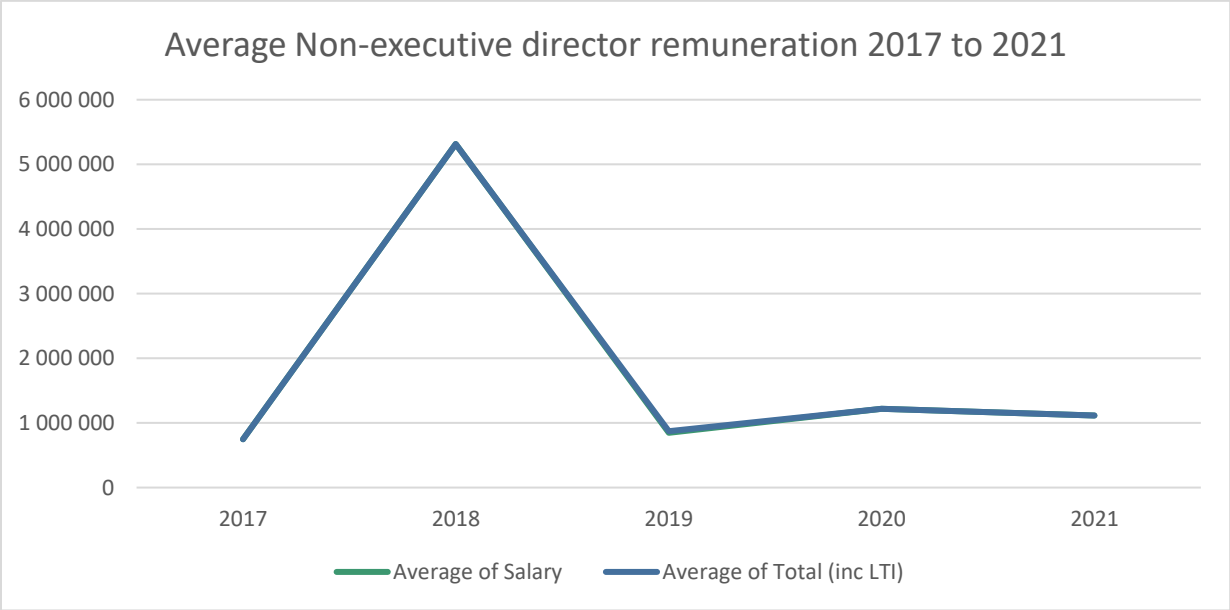


Figure 73 Industrial sector NED Average Total Annual Remuneration 2017 to 2021



# 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:

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

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The South African mining sector employed 458,954 in 2021.<sup>30</sup> These make the mining sector a vital industry for the LRS to monitor. The rich data extracted from the LRS's MNC Database enables a retrospective view of company performance over the last ten years. We also analyse the high remuneration packages received by directors in this sector.

## The Sector

Mining in South Africa has been a major industry for many years, and it continues to play a significant role in the country's economy. However, the industry has faced several challenges in recent years, including load shedding.

Load shedding has been a major problem in South Africa in recent years. The country's power grid is under strain, and as a result, blackouts and power outages have become common. This has had a major impact on the mining industry, which relies heavily on electricity to power its operations. Load shedding disrupts operations, leading to production losses and lower profits for mining companies. It has also posed safety risks for workers, as some mines have been forced to shut down temporarily due to power outages. In addition, load shedding has made it more difficult for mining companies to invest in new technology and equipment, as the unreliable power supply makes it difficult to plan for the future.

With high employment numbers, the mining sector in South Africa is a key socio-economic contributor.<sup>31</sup> 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.<sup>32</sup>

The mining sector is very reliant on manpower. Where there has been an increase in jobs, it has mainly been through labour brokers and subcontractors and not workers directly employed by these companies. According to STATSSA<sup>33</sup>:

*If the mining sector is represented by a group of 100 workers, 39 are employed in the platinum group metals sector, 21 in the coal sector and 20 in the gold sector. The iron ore sector is a much smaller recruiter, employing 5 of every 100 employees. The remaining 15 employees work across*

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<sup>31</sup> <https://www.miningreview.com/coal/decarbonising-south-africas-mining-sector/>

<sup>32</sup> <https://www.dailymaverick.co.za/article/2021-11-23-the-decline-of-south-africas-mining-sector-in-five-charts/>

<sup>33</sup> <https://www.statssa.gov.za/?p=14682>

*smaller operations, which include the production of other minerals, lime works and stone quarrying.*

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’.<sup>34</sup> South African Minister of Mineral Resources and Energy Gwede Mantashe has called on the sector to ‘prioritise the safety of workers’.

The sector has showed remarkable resilience through the disruption of global supply chains in 2020 and 2021 as well as loadshedding. The numbers below reflect this. However, globally the pressure for low-carbon energy is growing and the need for a ‘just transition’ is pressing. To read more about this, please see resources [here](#).

## Financials

### Revenue

Glencore Xstrata is the biggest company by revenue in our sample from the mining sector. The company reported revenue of ZAR 3 trillion in the 2021 financial year, as shown in figure 1 below. This value is a 59% increase from the 2020 financial year revenue, though this increase is from a low base set in the Covid-19 pandemic.

In terms of revenue, BHP Billiton and Anglo-American plc are also big players in the mining sector with revenues of ZAR 845 billion (18% increase) and ZAR 659 billion (49% increase) respectively in 2021. Anglo American plc reported its highest ever revenue in 2021.

Petra Diamonds, the smallest company in our sample, reported a 13% increase in revenue for the 2021 financial year. Even with the impact of the covid-19 pandemic, most companies in our sample reported a significant increase in revenue. Compared to 2020, Anglo American Platinum’s revenue increased by 55%, Sibanye Gold’s revenue increased by 35%, Impala Platinum increased by 85%, and the revenue of African Rainbow Minerals increased by 73%.

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<sup>34</sup> <https://allafrica.com/stories/202111260300.html>

*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) dominate the space. From the graph below (see *Figure 4*), we see that the average revenue has increased sharply over the course of the latest financial year.

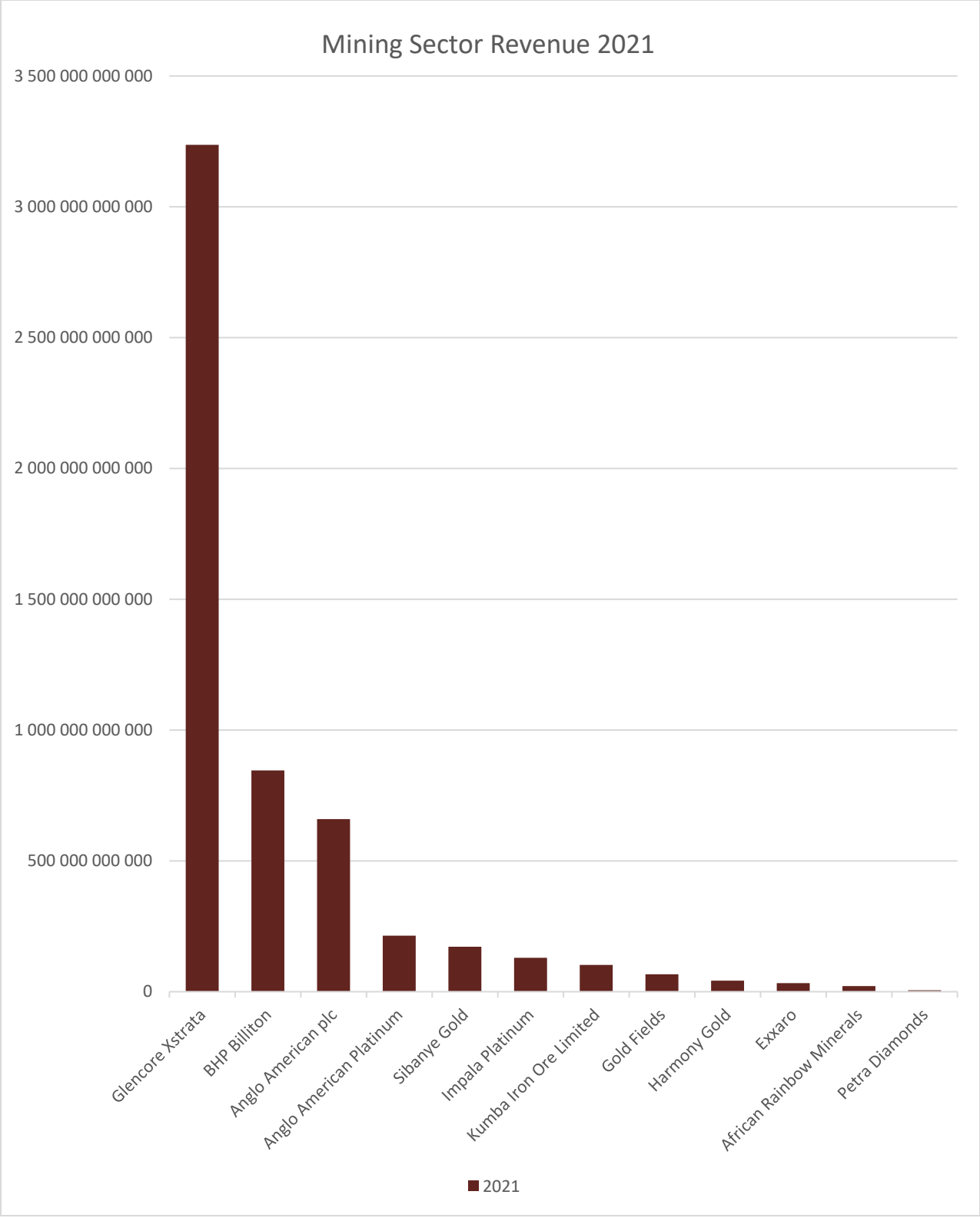


Figure 74 Mining Sector Revenue 2021

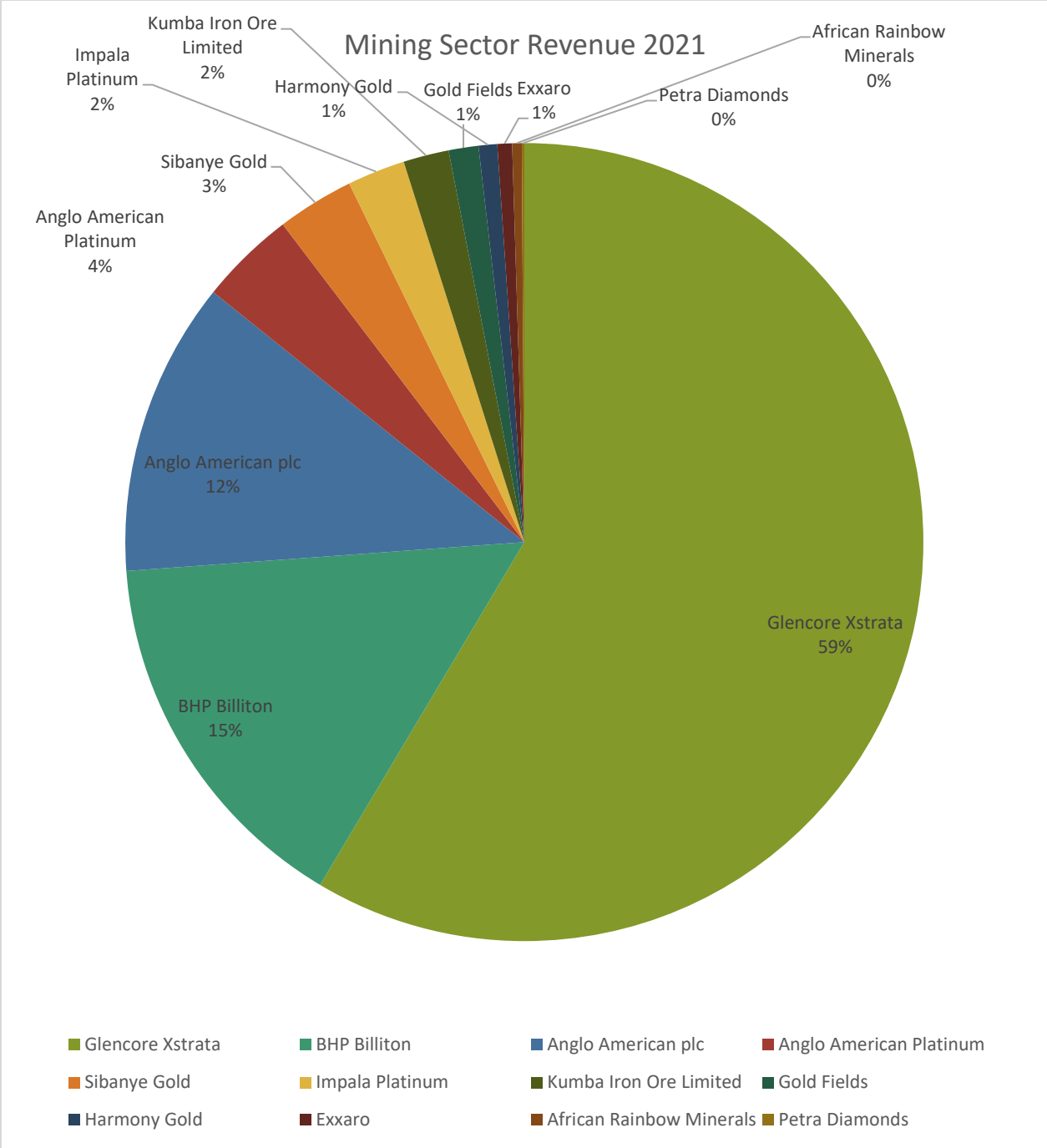


Figure 75 Mining Sector Revenue Pie Chart 2021

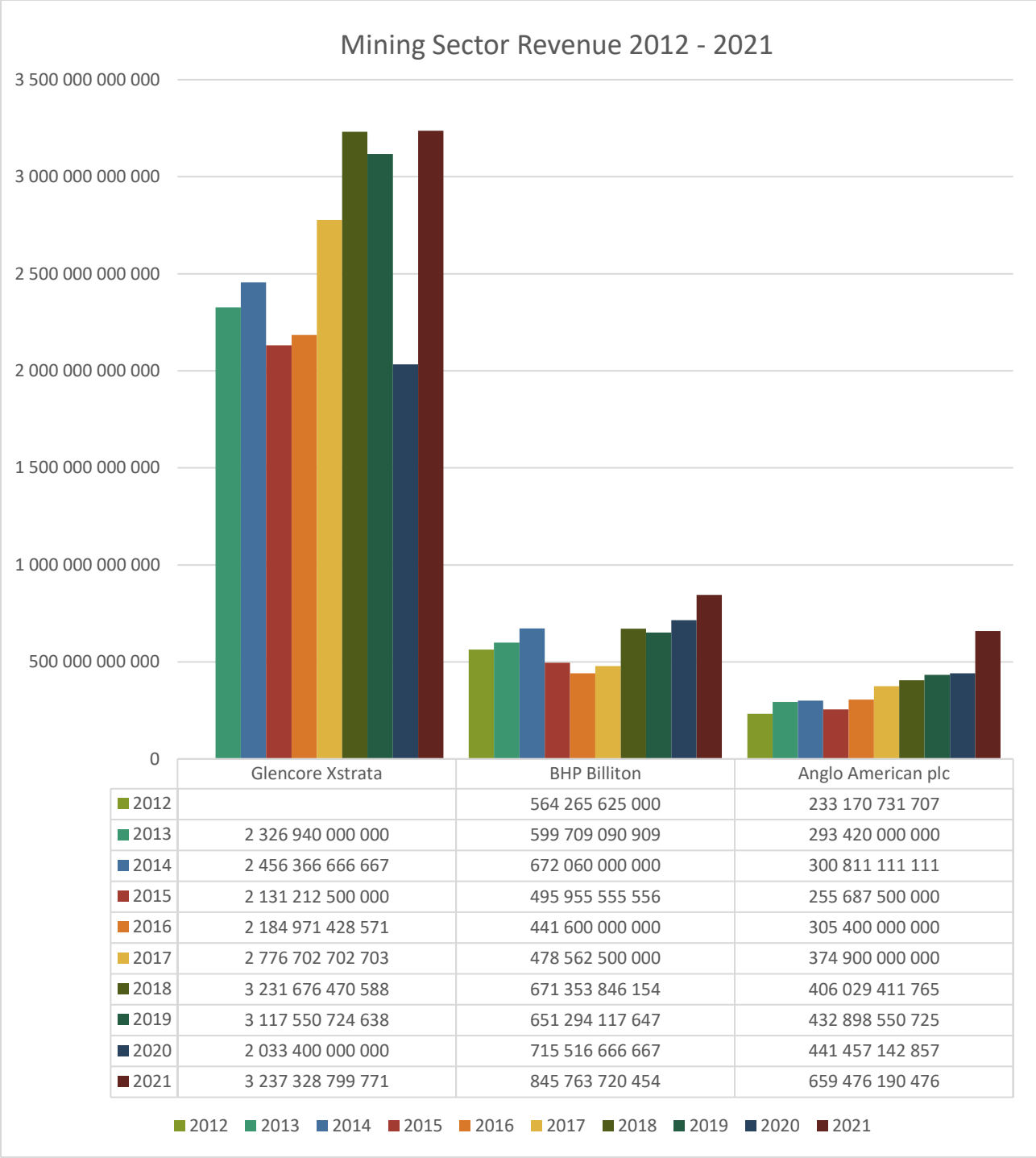


Figure 3a: Mining Sector Revenue 2014 to 2021

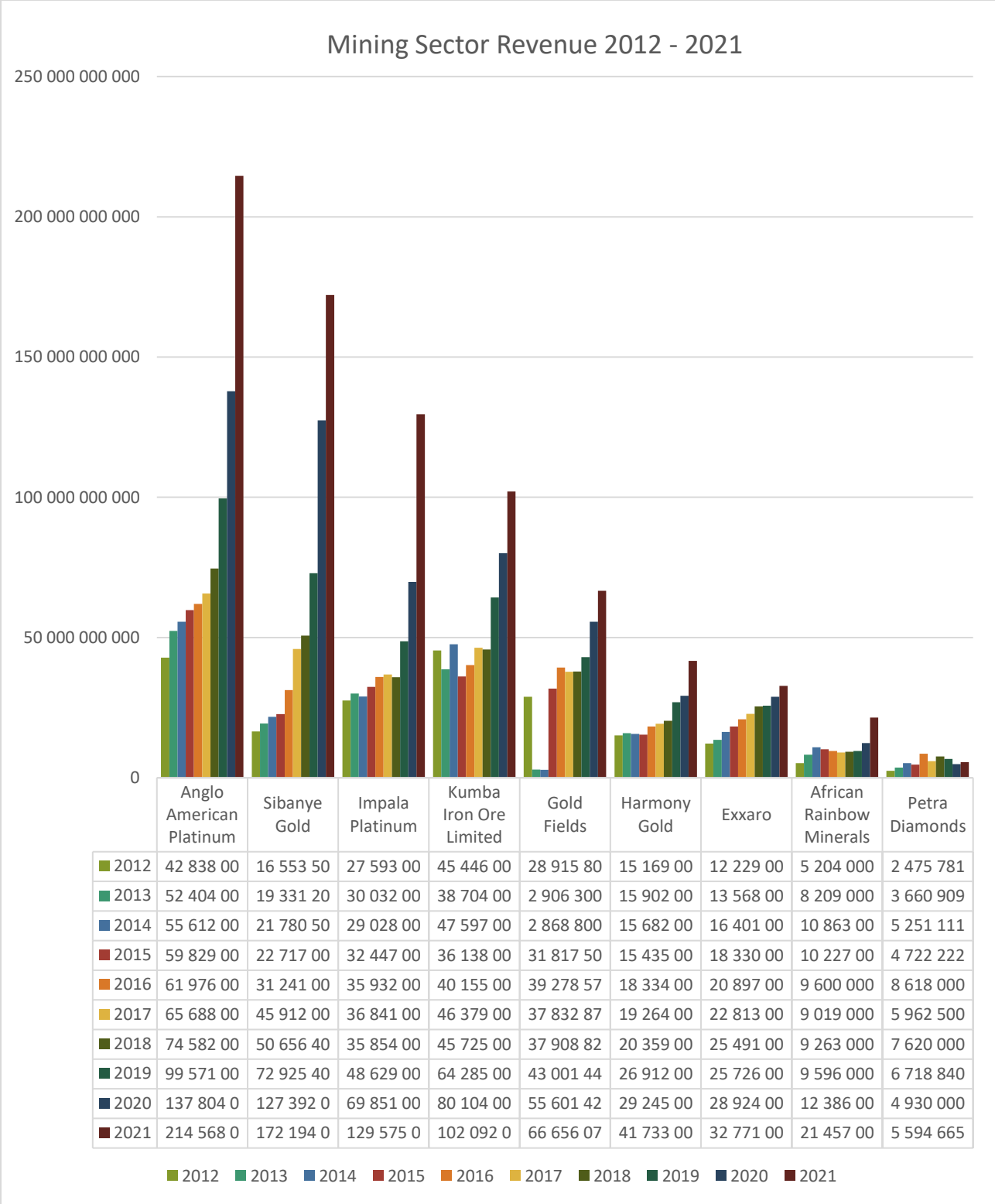


Figure 3b: Mining Sector Revenue 2012 to 2021



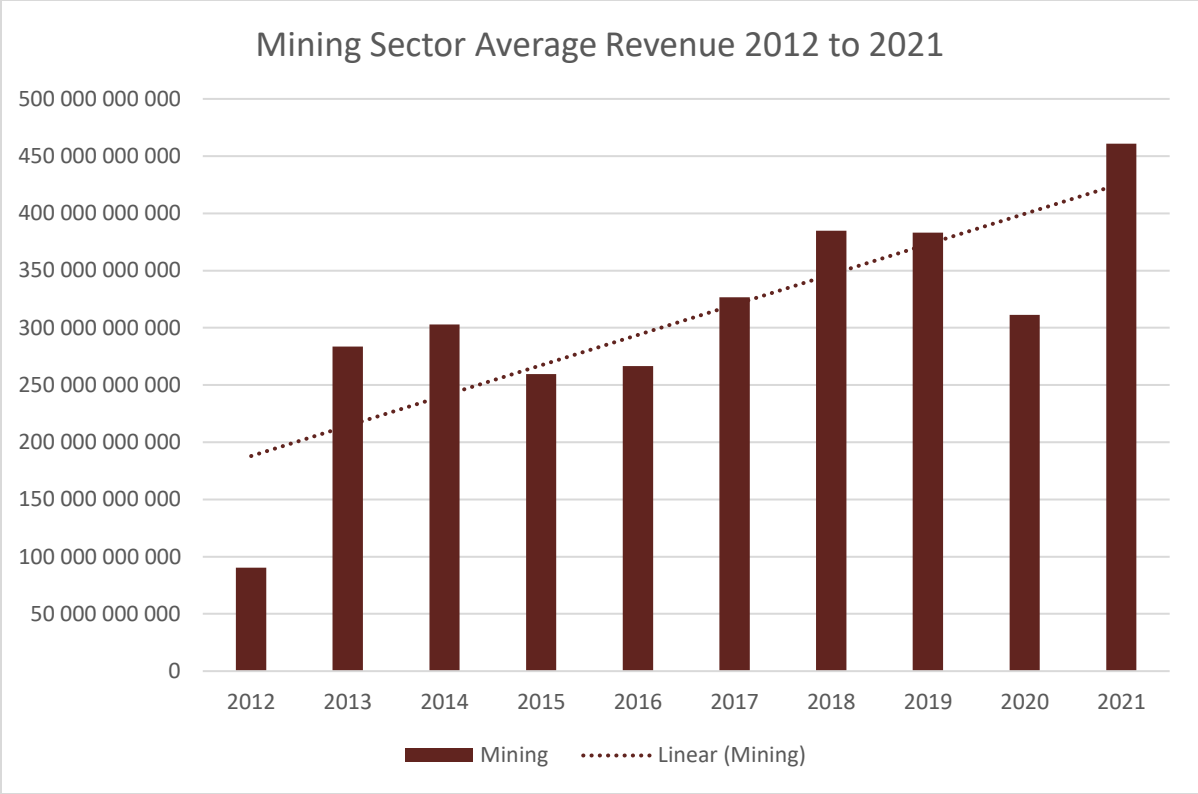


Figure 76 Mining Sector Average Revenue 2012 to 2021

### Profit before Tax

BHP Billiton reported a significant Profit before Tax of ZAR 342 billion for the 2021 financial year and is the biggest earner in the sample for 2021. Anglo American PLC reported a huge increase in PBT from ZAR 78 billion in 2020 to ZAR 272 billion in 2021.

Glencore Xstrata, Petra Diamonds and Harmony Gold all recovered from reported losses in the 2020 financial year to turning a profit in 2021. Glencore Xstrate reported its highest PBT since we started monitoring the company at over ZAR 117 billion, Petra Diamonds reported ZAR 3,7 billion in profit before tax and Harmony Gold reported PBT of ZAR 6,3 billion.

The figures below show the volatility of the sector with companies turning from profit to loss quickly.

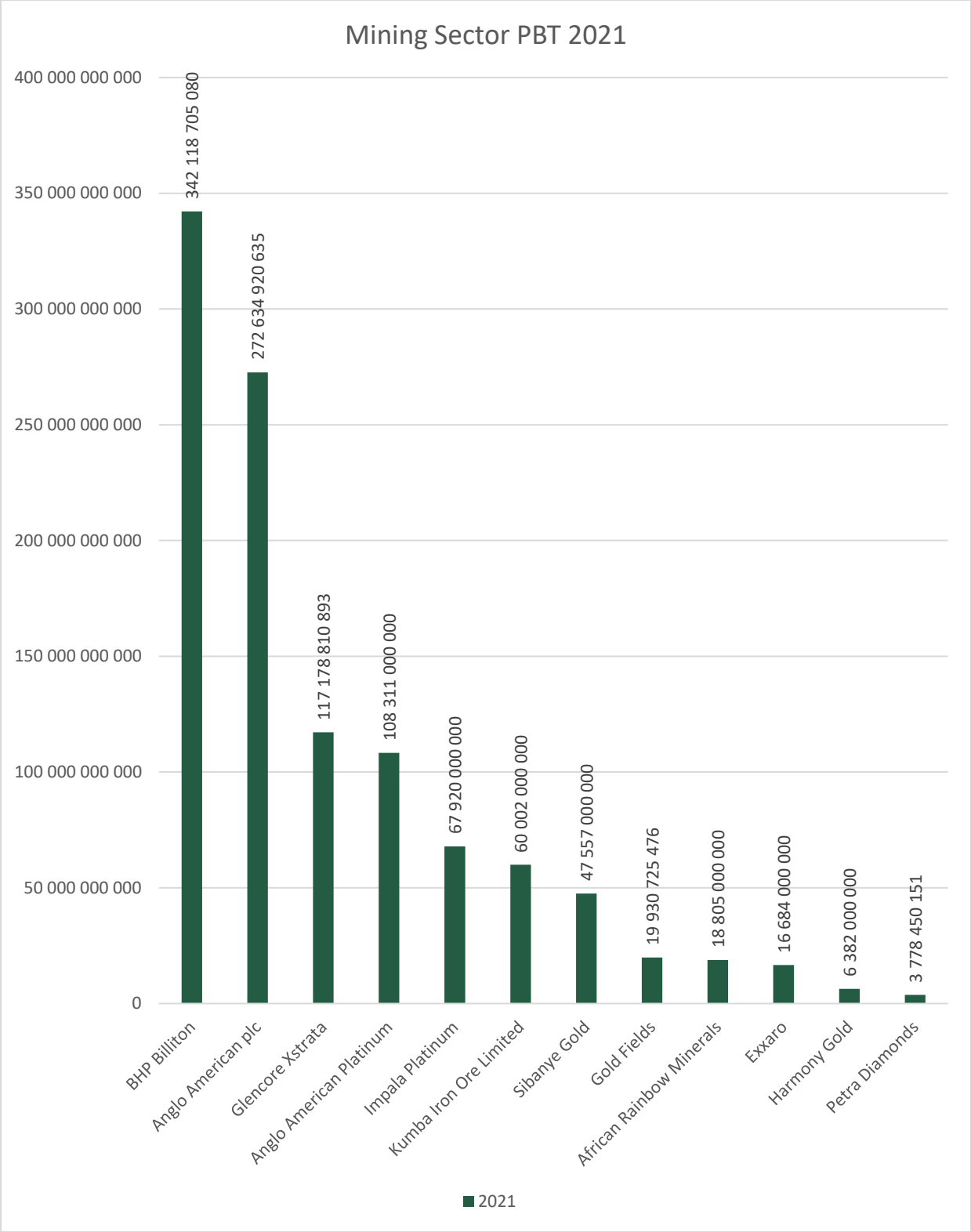


Figure 77 Mining sector Profit before Tax 2021

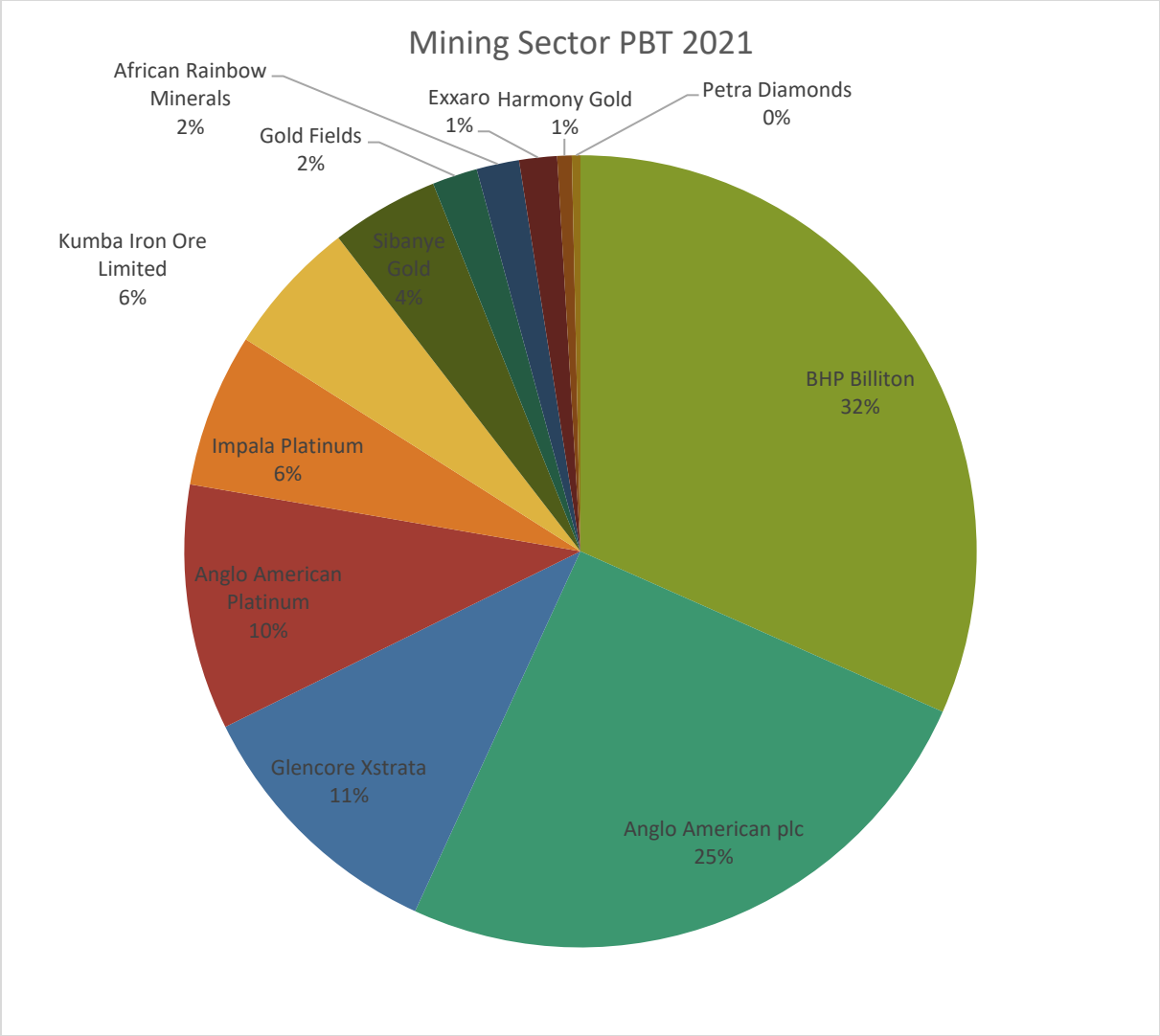


Figure 78 Mining sector Profit before Tax 2021

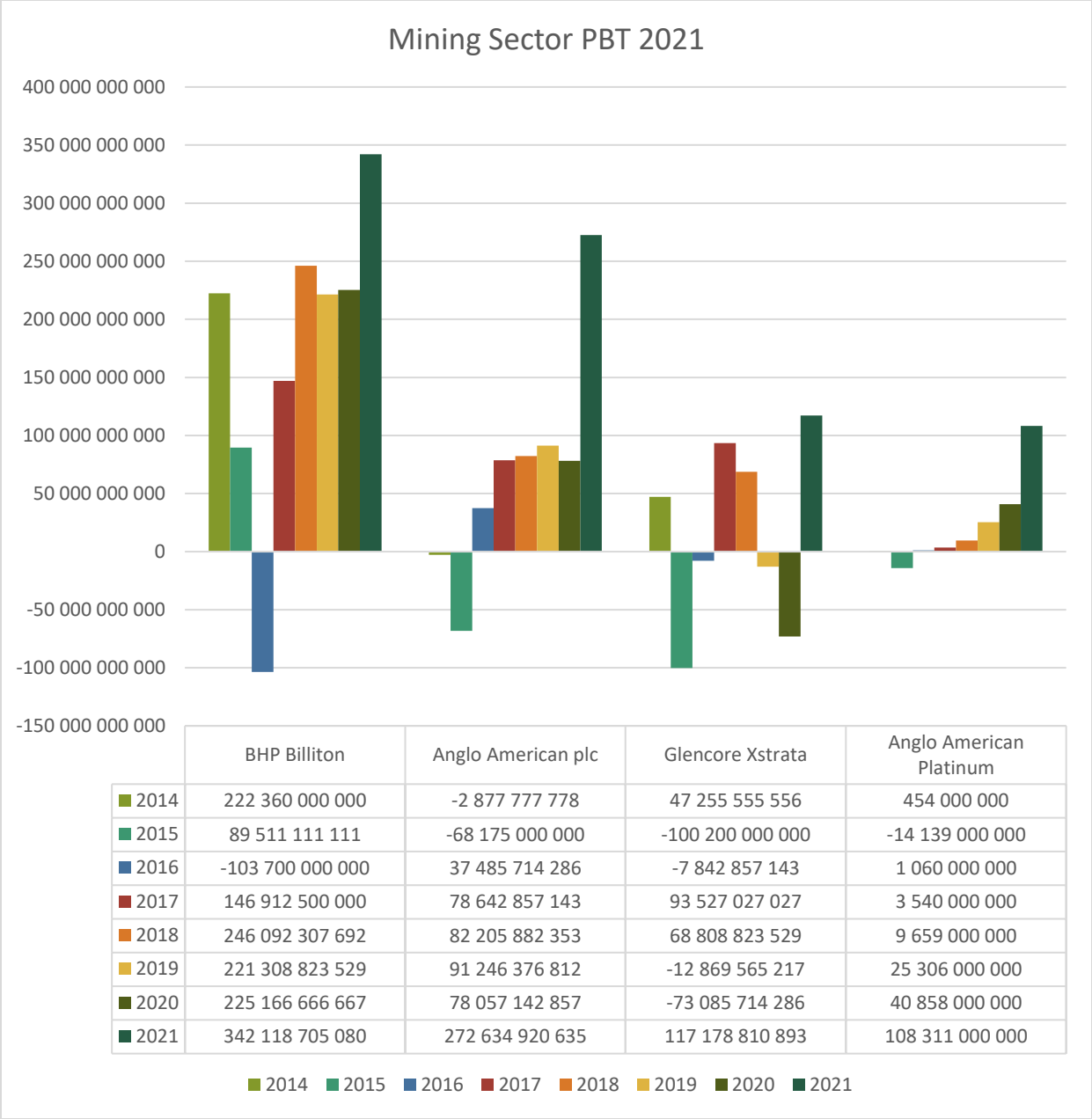


Figure 79 Mining sector Profit before Tax 2014 to 2021

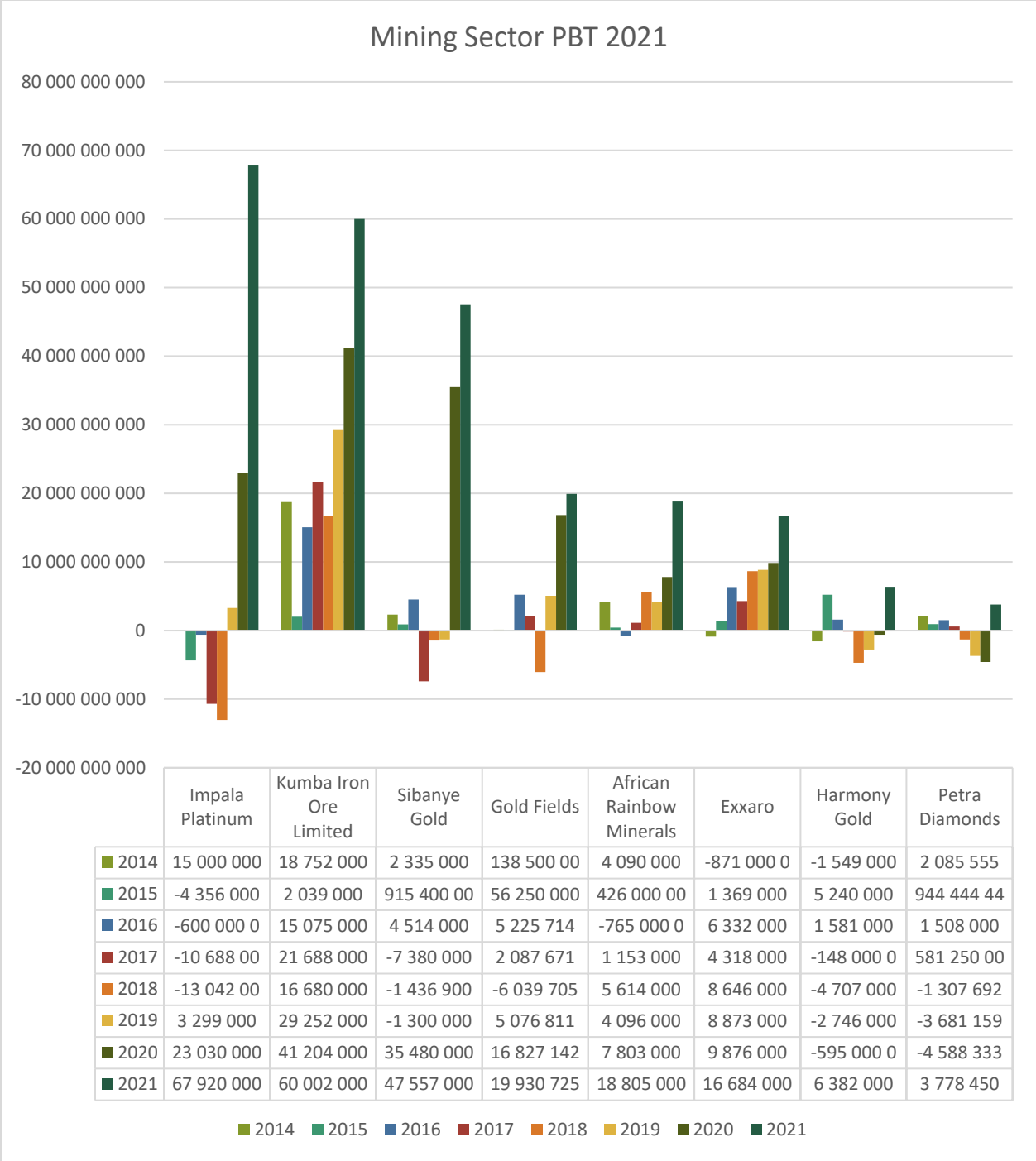


Figure 80 Mining sector Profit before Tax 2014 to 2021

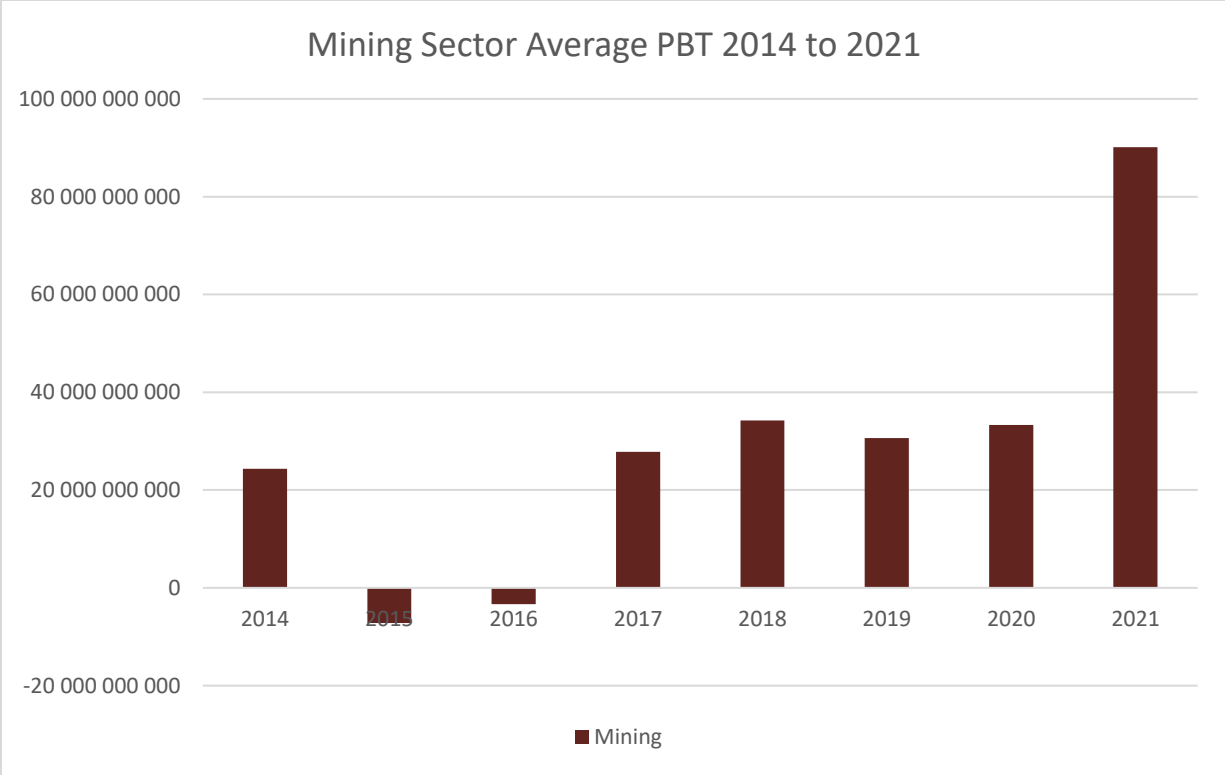


Figure 81 Mining Sector Average PBT 2014 to 2021

## Directors' Remuneration

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 45 million in 2021. When looking at *Figure 9*, we see that 2021 showed a large gap between the average total remuneration without LTI and total remuneration including LTI. This is because large LTIs were paid to Sibanye Gold CEO (ZAR 270 million); Anglo American plc CEO (ZAR 123 million); BHP Billiton CEO (ZAR 110 million); and Impala Platinum CEO (80 million). These are extremely high LTIs. We see a sharp increase from previous years in total remuneration for these executives.

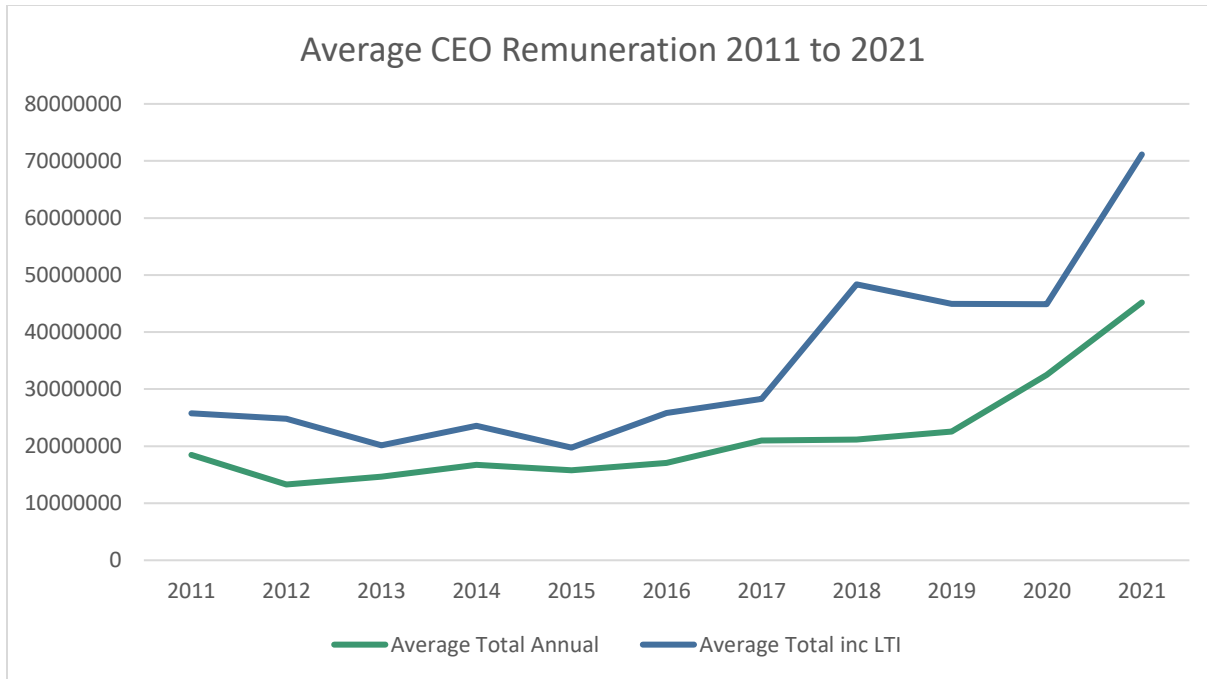


Figure 82 Average CEO Remuneration 2011 to 2021

## CEO Remuneration 2021

Neal Froneman of Sibanye-Stillwater received the highest CEO remuneration for the year, inclusive of a ZAR 270 million bonus. The Association of Mineworkers and Construction Union (AMCU) opposed this bonus when bargaining for a wage increase for their members<sup>35</sup> saying ‘[w]e only asked for R1,000 as an increase when he is earning R1,500 per minute and R215 per second.’ Froneman claims that ‘his pay was benchmarked against his peers in the mining industry.’<sup>36</sup> However, Froneman was paid more than ZAR 80 million more than his closest ‘peer’ (Cutifani of Anglo American plc who received total remuneration of ZAR 210 million - inclusive of a ZAR 47 million cash bonus).

On average, from 2020 to 2021, the total executive director’s remuneration decreased by 63%, while the non-executive director’s remuneration increased by 1% (see *Figures 12 and 13*).

<sup>35</sup> <https://ewn.co.za/2022/04/28/amcu-accuses-sibanye-stillwater-of-arrogance-after-ceo-receives-r300-payout>

<sup>36</sup> <https://www.citizen.co.za/news/sibanye-stillwater-ceo-may-2022/>

### CEO Remuneration 2021

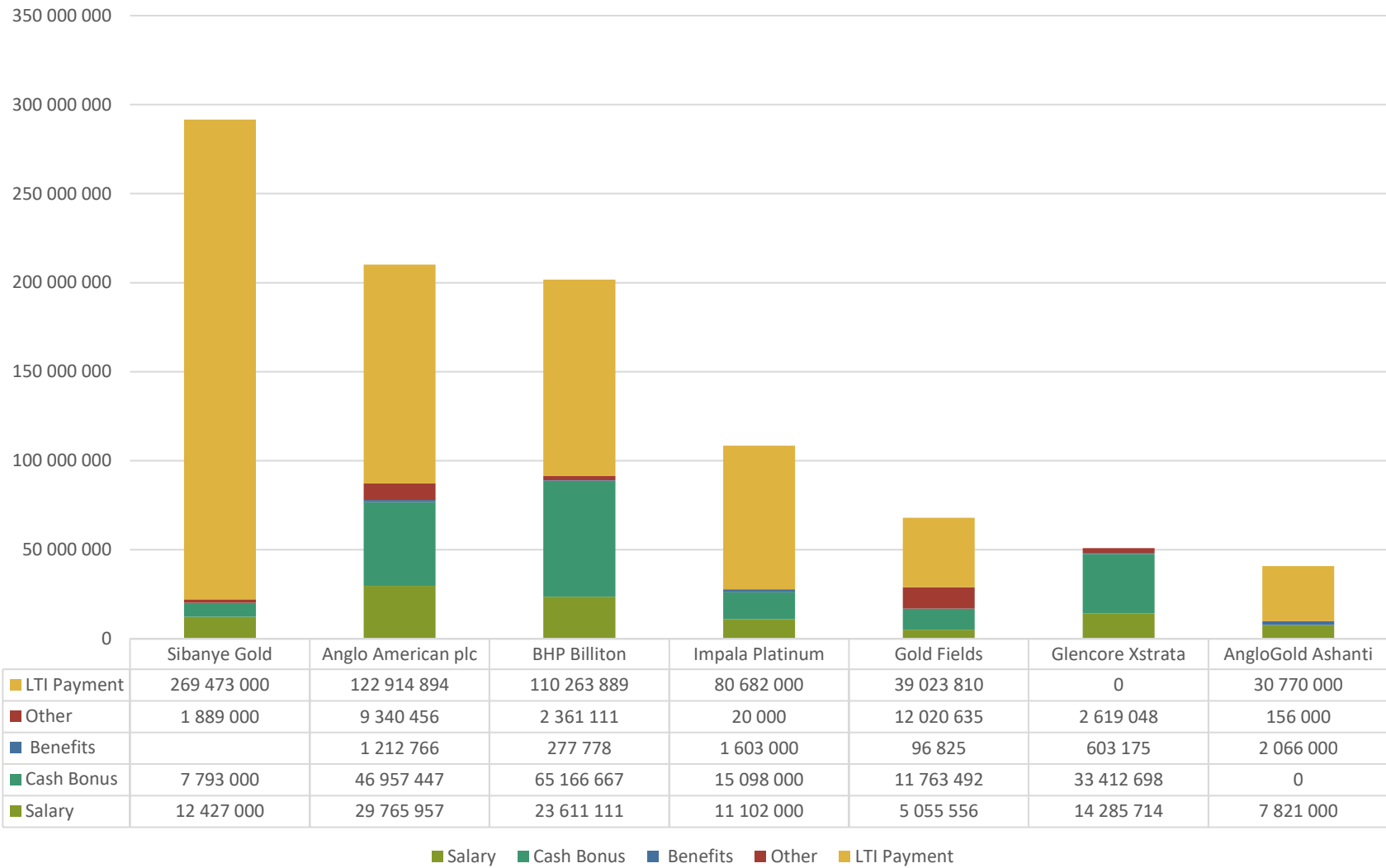
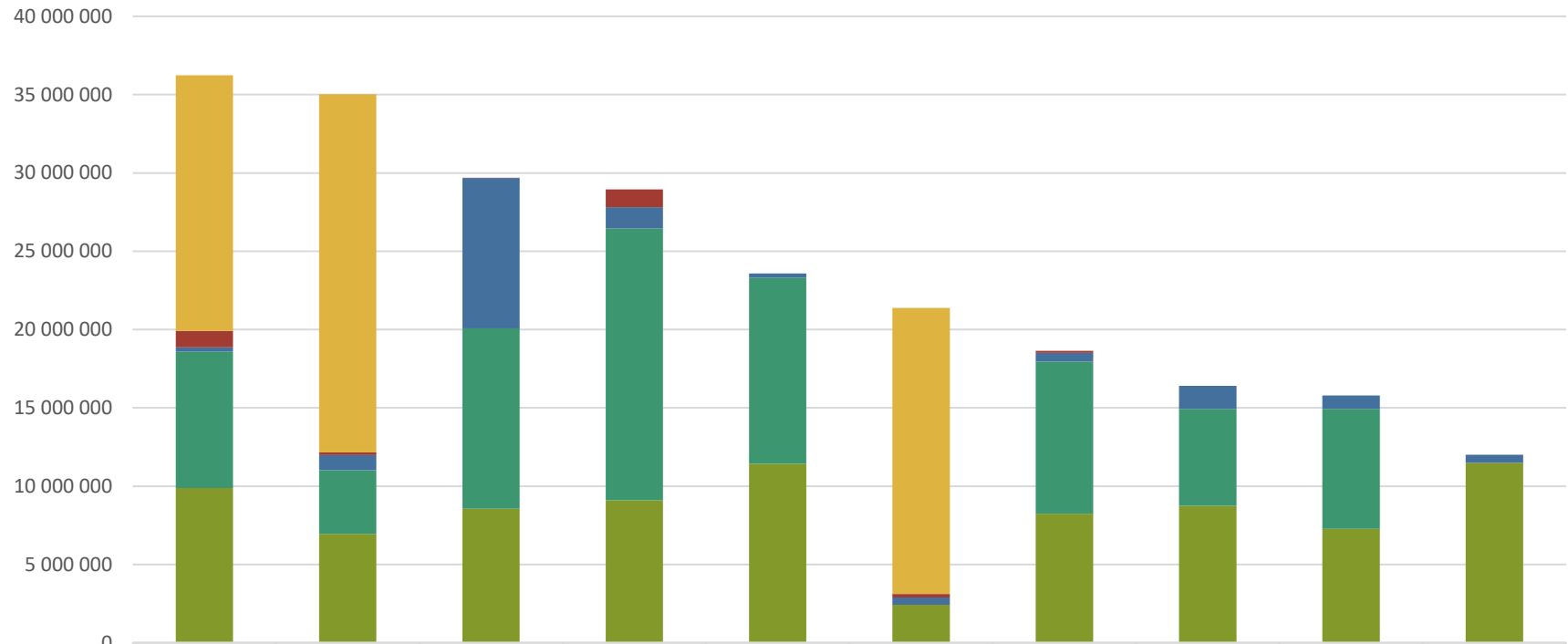


Figure 83 CEO Remuneration 2021



### CEO Remuneration 2021



	Kumba Iron Ore Limited	Exxaro	African Rainbow Minerals	Anglo American Platinum	Gold Fields	Anglo American Platinum	African Rainbow Minerals	Harmony Gold	Petra Diamonds	Glencore Xstrata
LTI Payment	16 335 000	22 856 637	0	0	0	18 267 811	0	0	0	0
Other	1 040 000	180 482	2 000	1 142 178	0	221 342	139 000	0	0	0
Benefits	279 000	953 956	9 587 000	1 361 362	280 952	455 002	555 000	1 471 000	865 980	523 810
Cash Bonus	8 704 000	4 079 336	11 531 000	17 348 744	11 876 190	0	9 711 000	6 192 000	7 660 078	0
Salary	9 885 000	6 947 131	8 551 000	9 095 017	11 420 635	2 430 525	8 237 000	8 740 000	7 270 588	11 476 190

■ Salary ■ Cash Bonus ■ Benefits ■ Other ■ LTI Payment

Figure 84 CEO Remuneration 2021

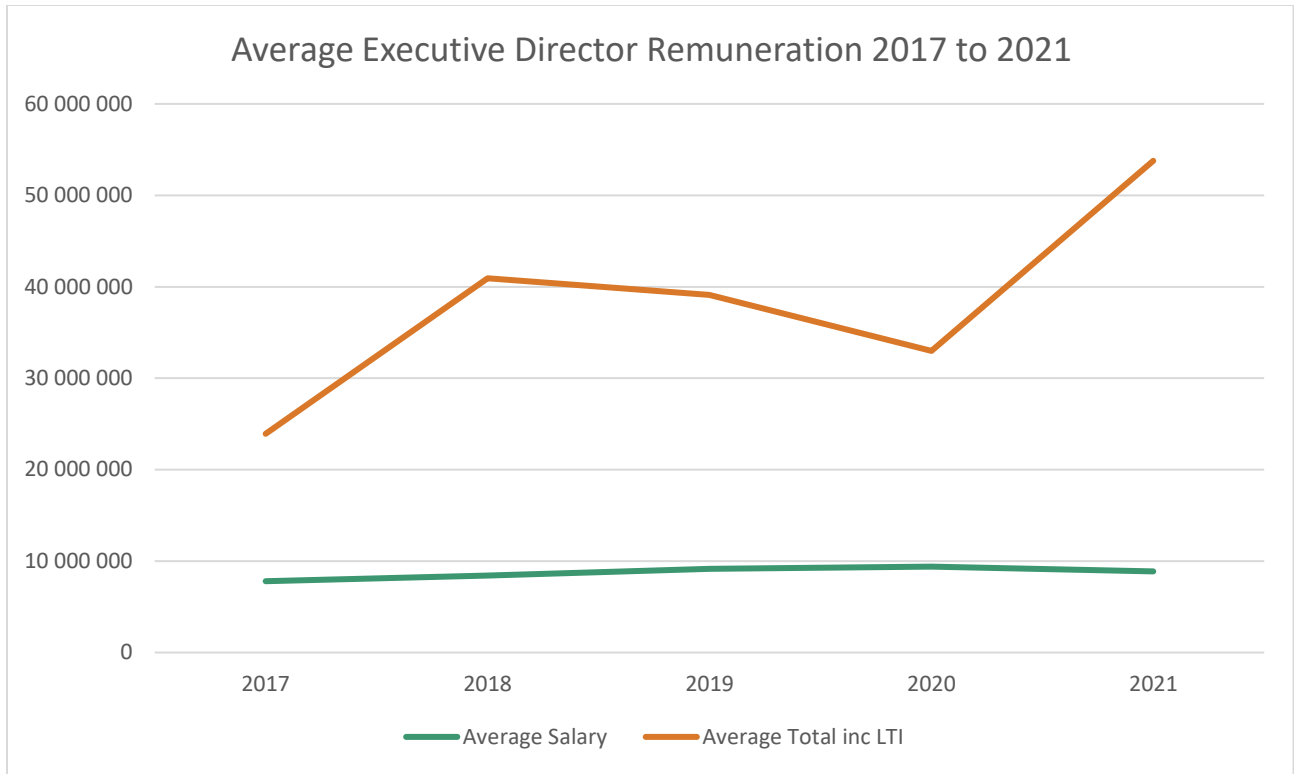


Figure 85 Mining Sector Executive Director Remuneration 2017 to 2021

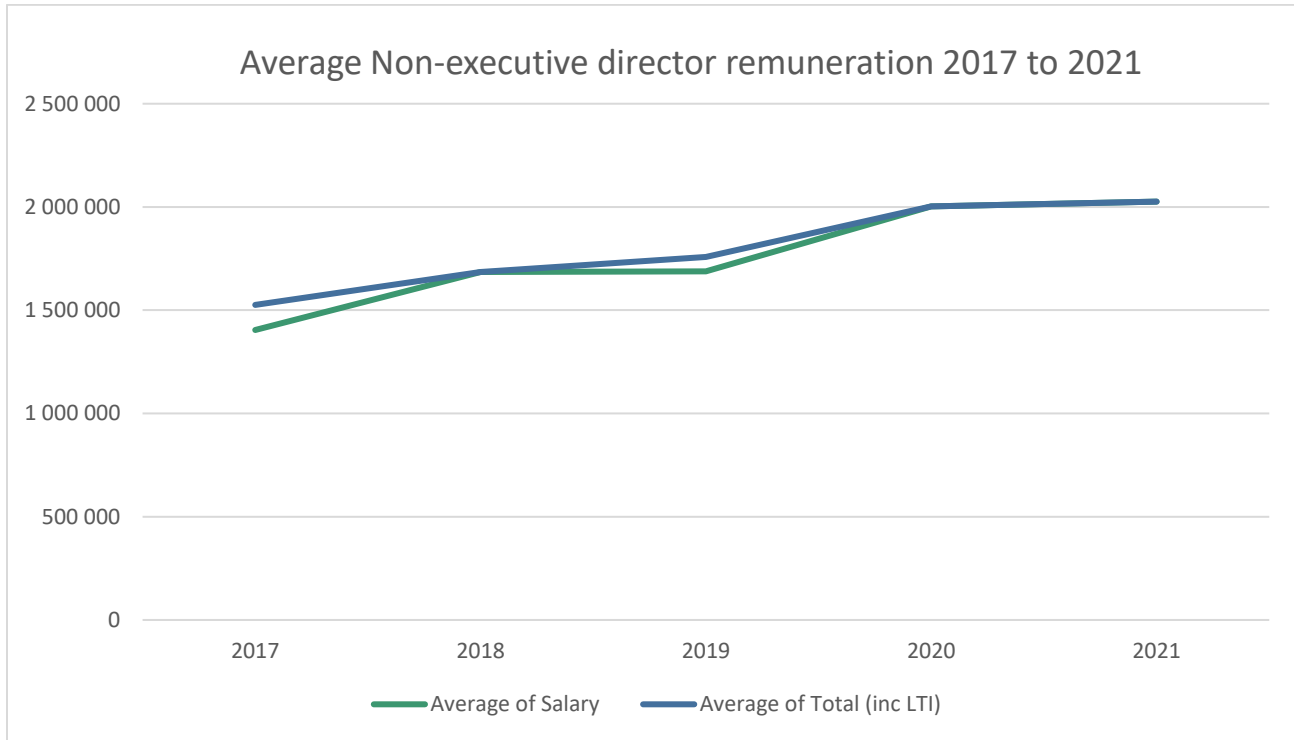


Figure 86 Mining sector NED Average Total Annual Remuneration 2017 to 2021

# 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

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.<sup>37</sup> 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 3,5% increase in revenue. Nampak reported the biggest increase in revenue from ZAR 11 billion 2020 to ZAR 13,9 billion in 2021 (23,8% increase), recovering from the largest drop in revenue in 2020 at 23%, from over ZAR 14 billion to ZAR 11 billion.

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<sup>37</sup> <https://www.mordorintelligence.com/industry-reports/south-africa-paper-packaging-market>

Mondi Group reported a year-on-year increase of 4% increase in revenue, while Sappi reported a 0,44 decrease in revenue.

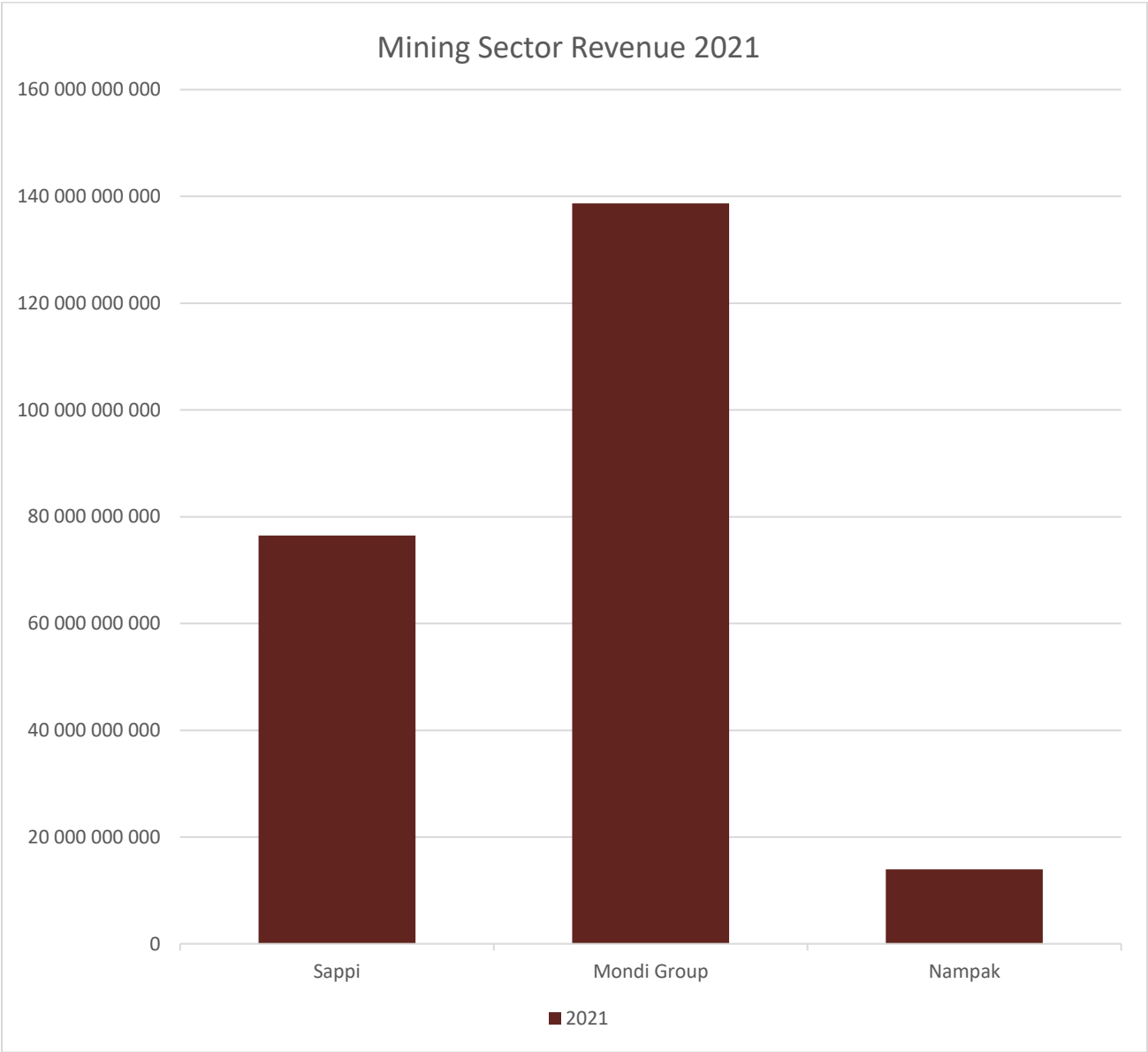


Figure 87 Paper & Packaging Sector Revenue 2021

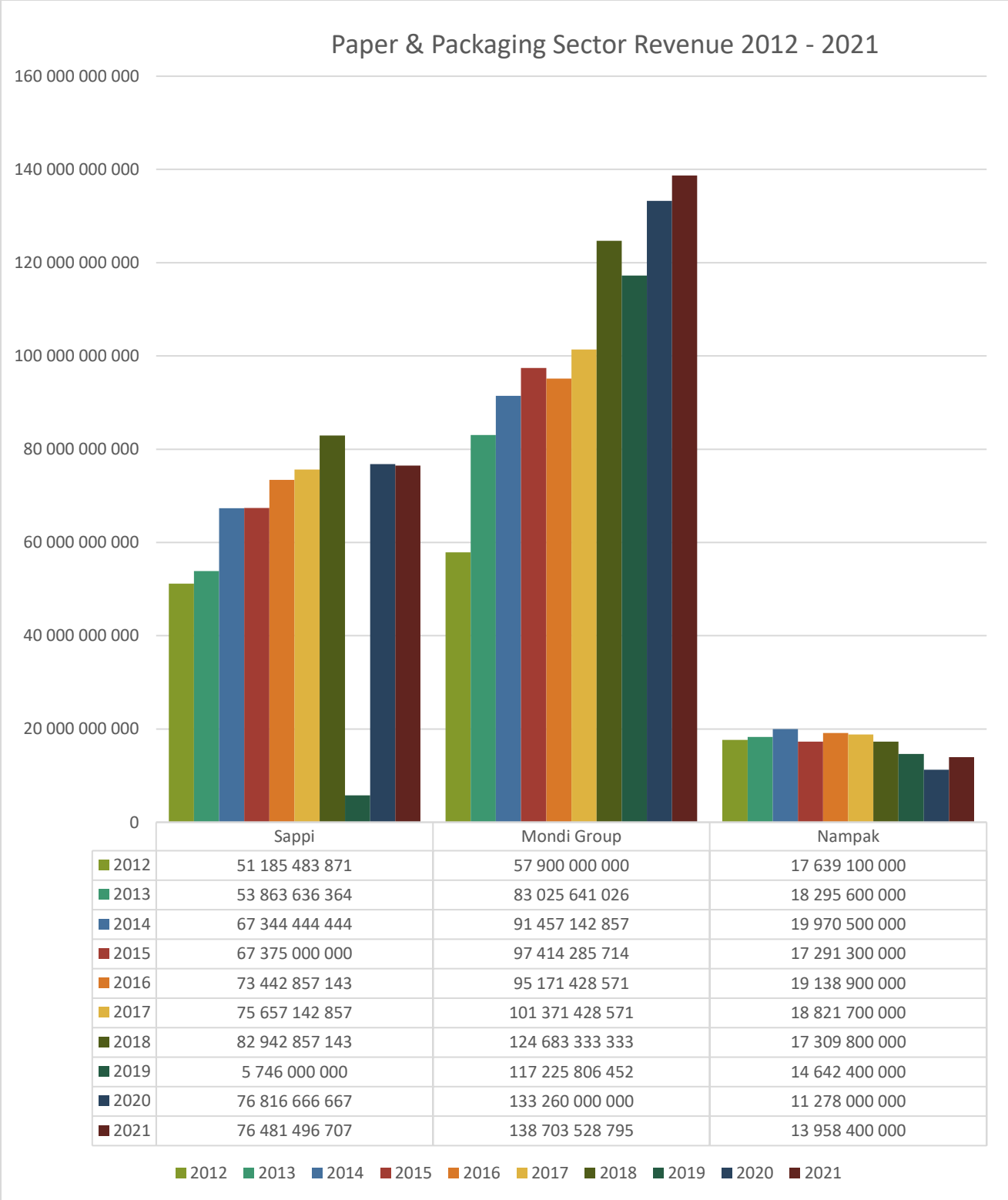


Figure 88 Paper & Packaging Sector Revenue 2012 to 2021

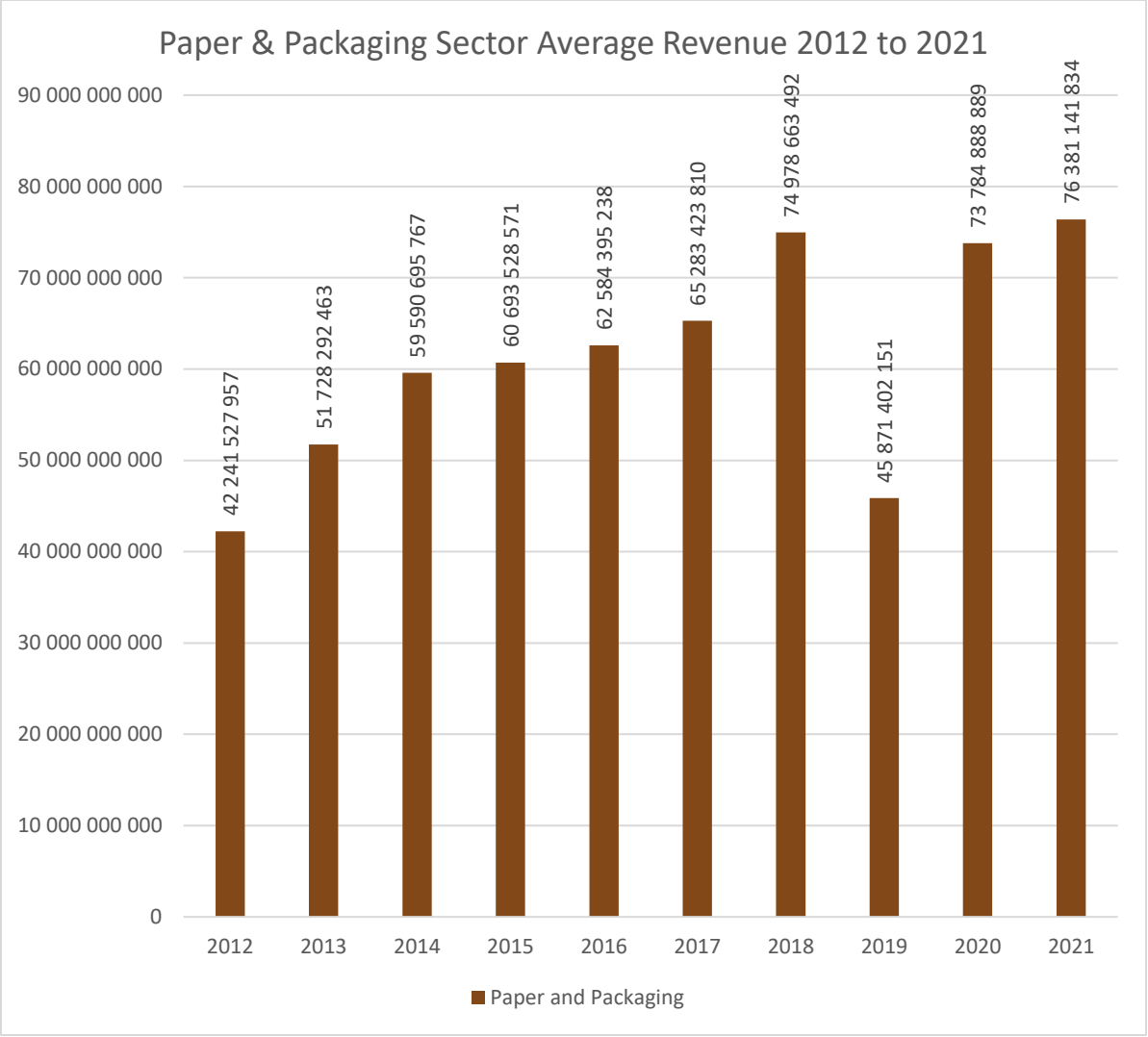


Figure 89 Paper & Packaging Sector Average Revenue 2012 to 2021

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. In 2021, the sector showed some recovery and all three companies reported increases in PBT. Both Nampak and Sappi reported PBT after having reported losses in 2020, while Mondi group reported a 6,7% increase for the year.

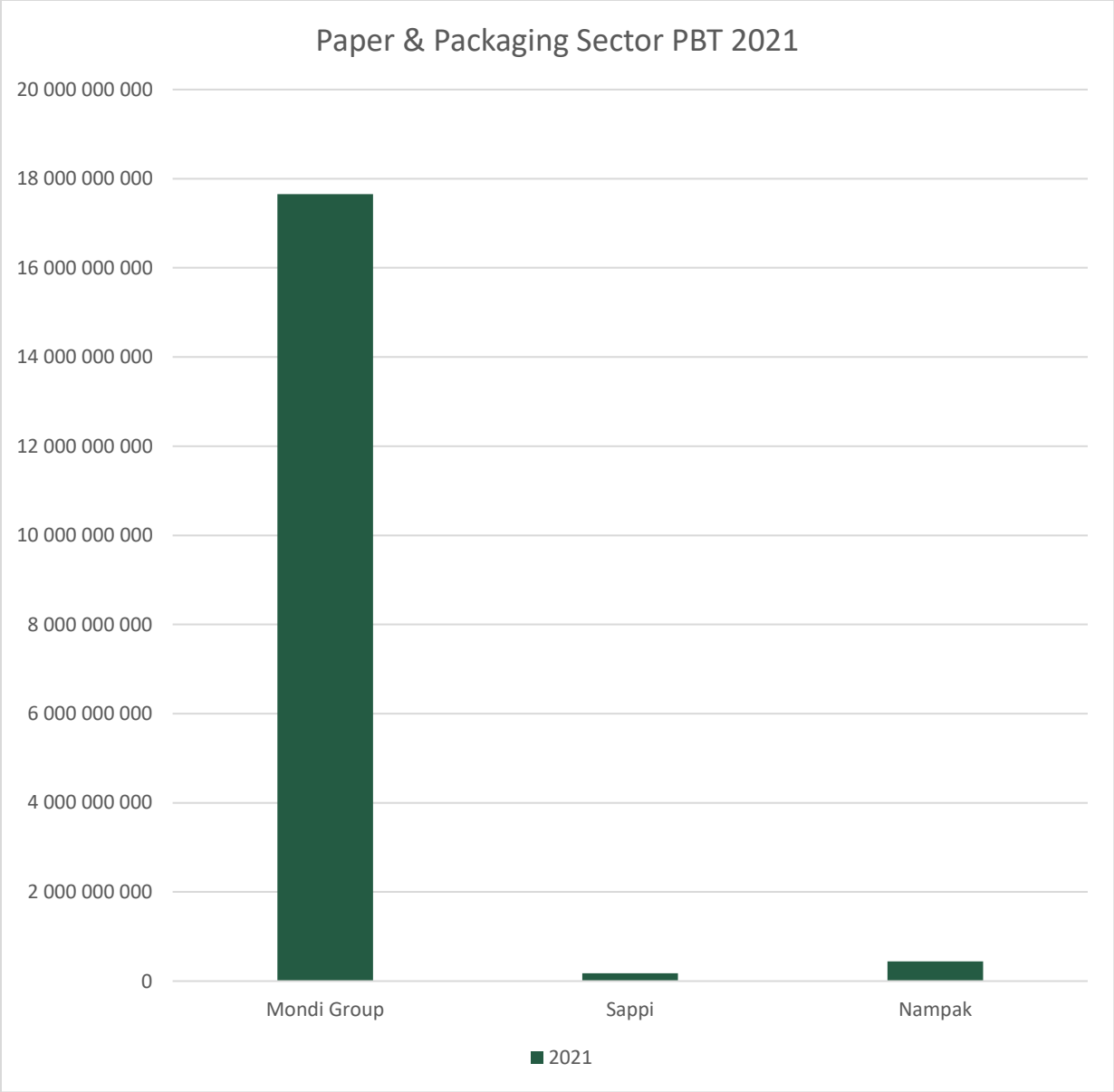


Figure 90 Paper & Packaging Sector Profit before Tax 2021

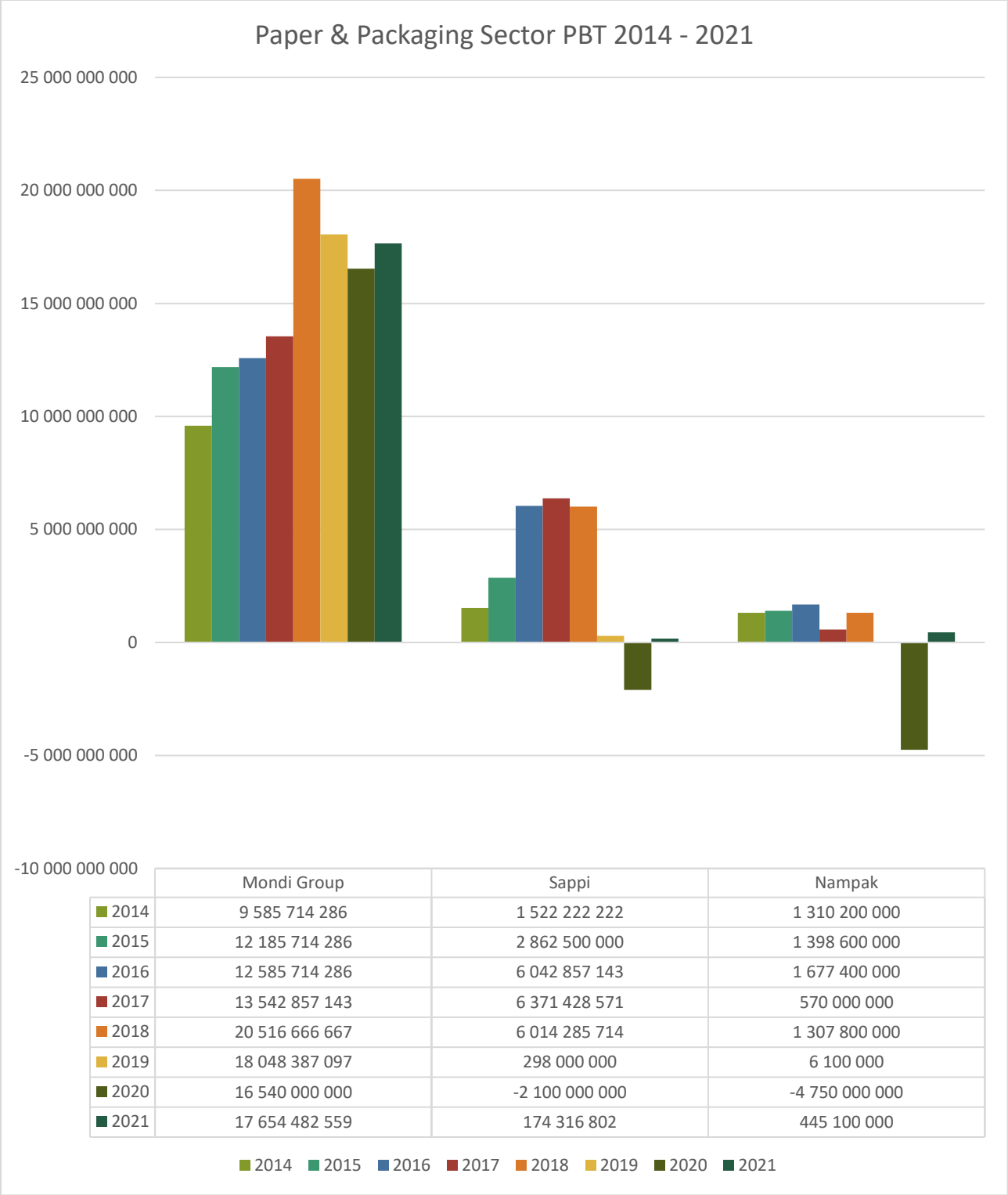


Figure 91 Paper & Packaging Sector Profit before Tax 2014 to 2021



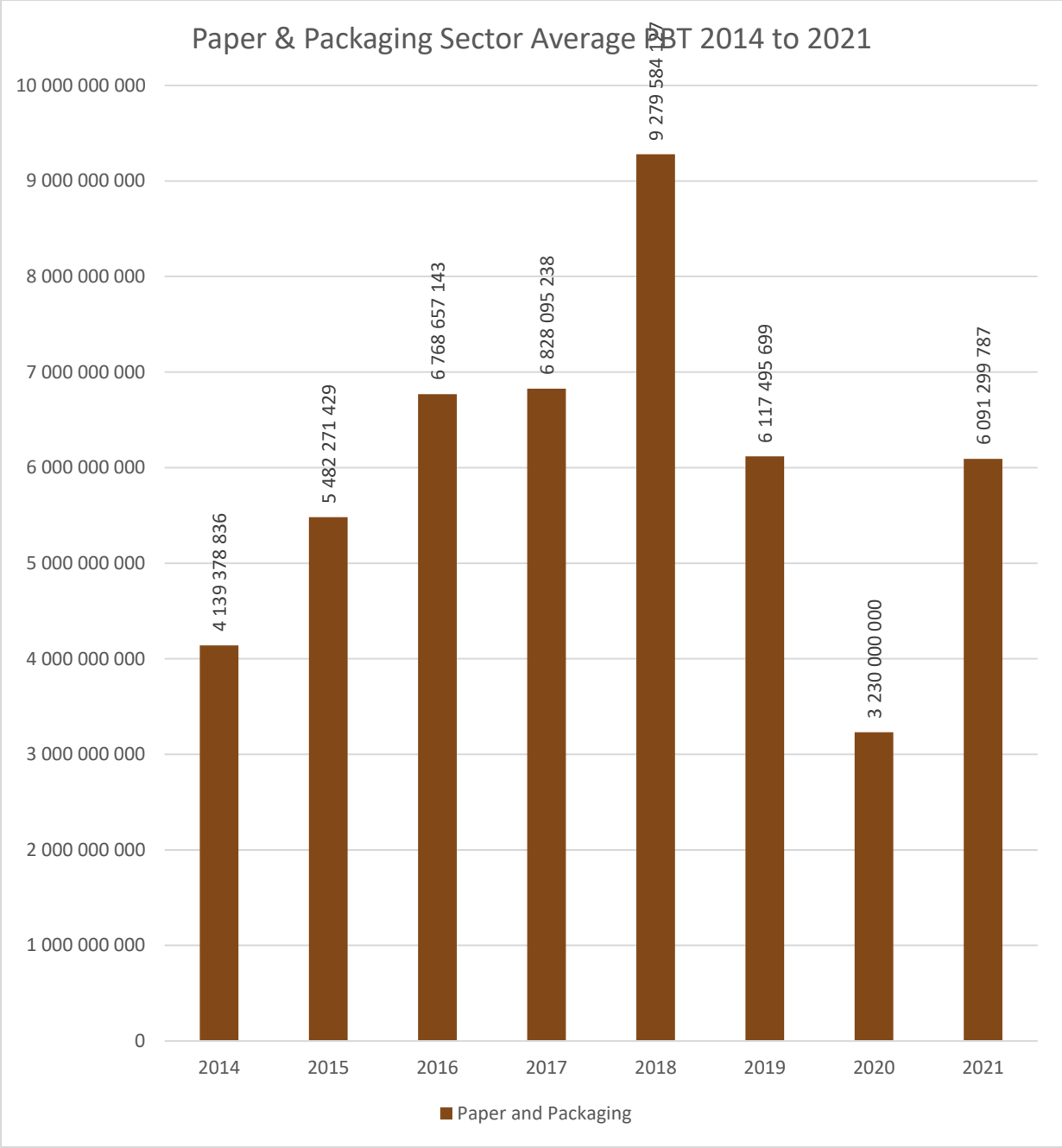


Figure 92 Paper & Packaging Sector Average PBT 2014 to 2021

### Directors' Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven years. In the Paper & Packaging sector, and our sample specifically, we see the general trend over time being erratic. LTIs also are not traditionally very high in this industry. In 2021, we see a larger

gap between average salary and average including LTI, reflecting the increase in bonuses paid for this year. On average, total CEO remuneration including LTI increase by 34% year on year.

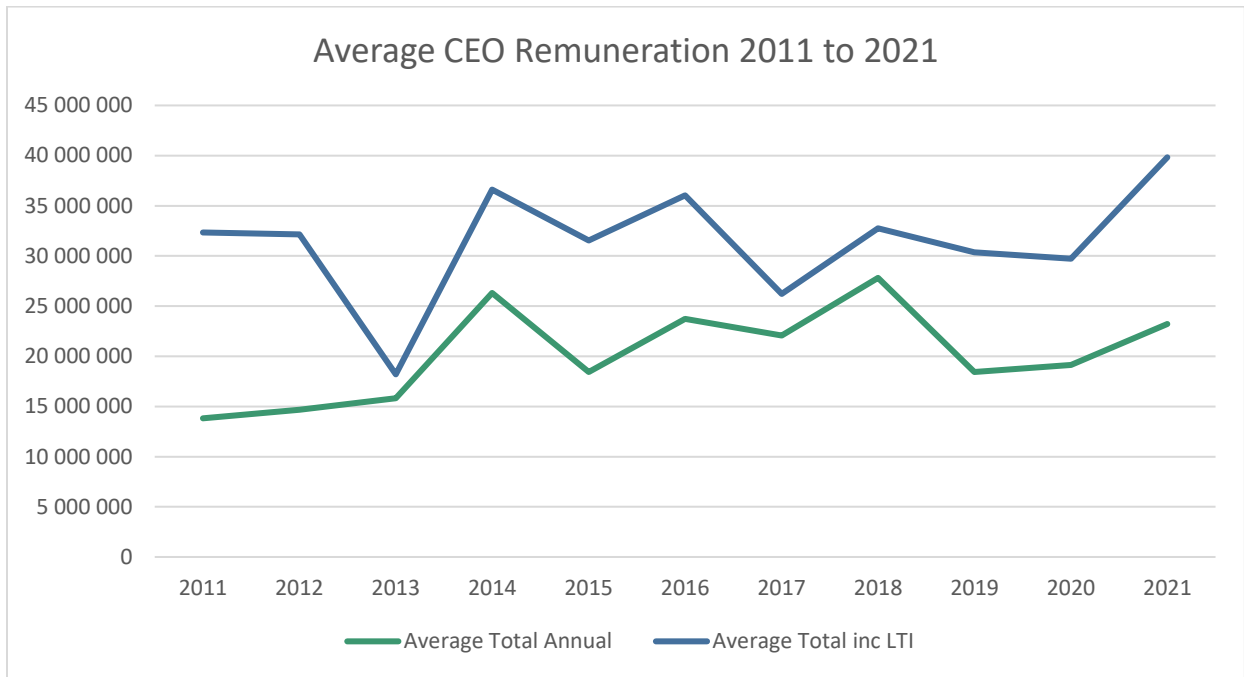


Figure 93 Paper & Packaging Sector CEO Remuneration 2011 to 2021

### 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. In 2021, King’s total remuneration increased by 37% to ZAR 74 million, including an LTI payment of ZAR 48 million.

Smuts, CEO of Nampak, received total remuneration of ZAR 26 million (up from ZAR 10 million in 2020 making this a 160% increase). This includes a cash bonus of ZAR 18 million. The CEO of Sappi, Binnie, received remuneration of ZAR 19 million, slightly down from 2020.

On average, executive remuneration went up by 60% from 2020 to 2021. Non-executive remuneration went up by about 9% in the same period.

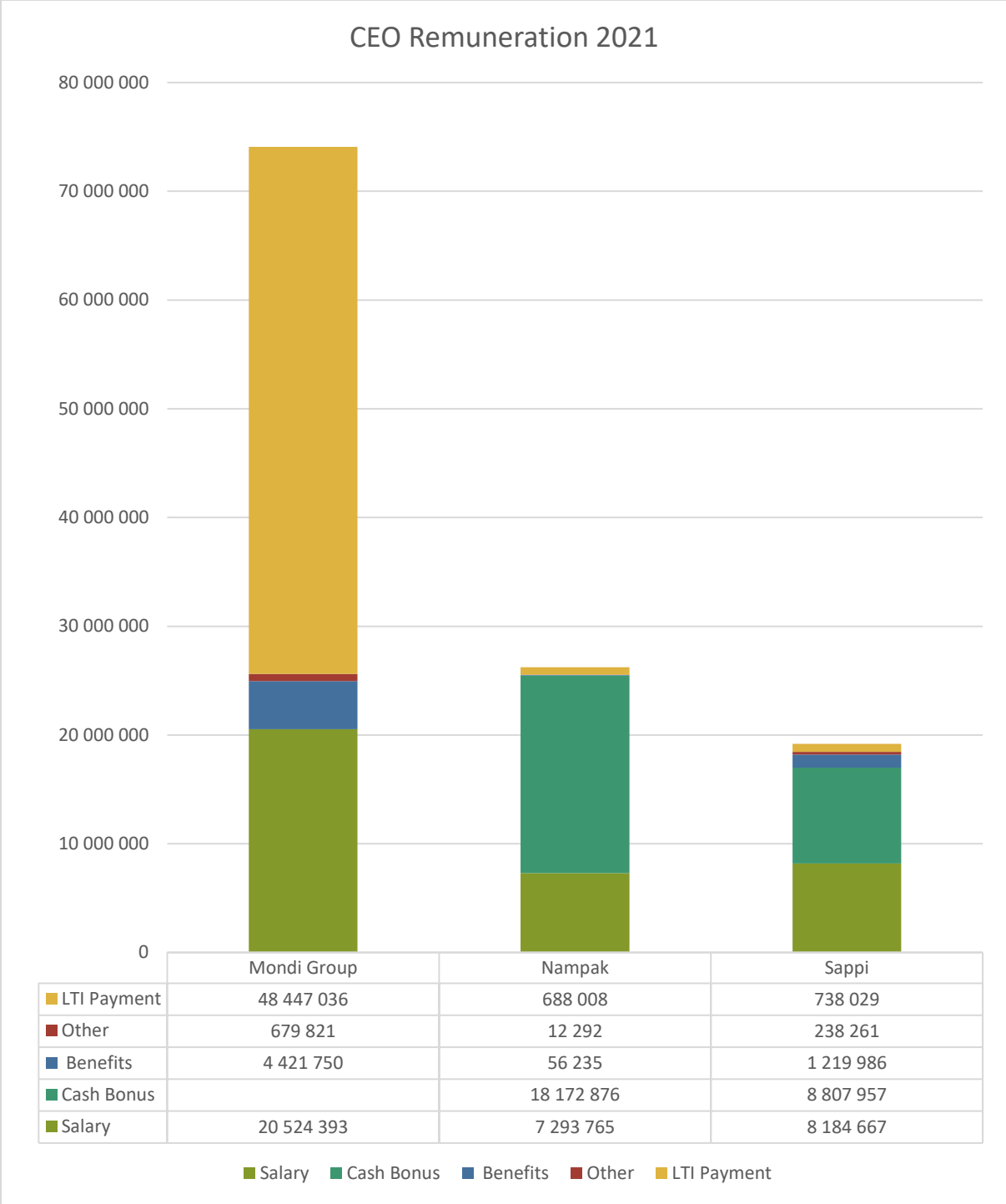


Figure 94 Paper & Packaging Sector CEO Remuneration 2021

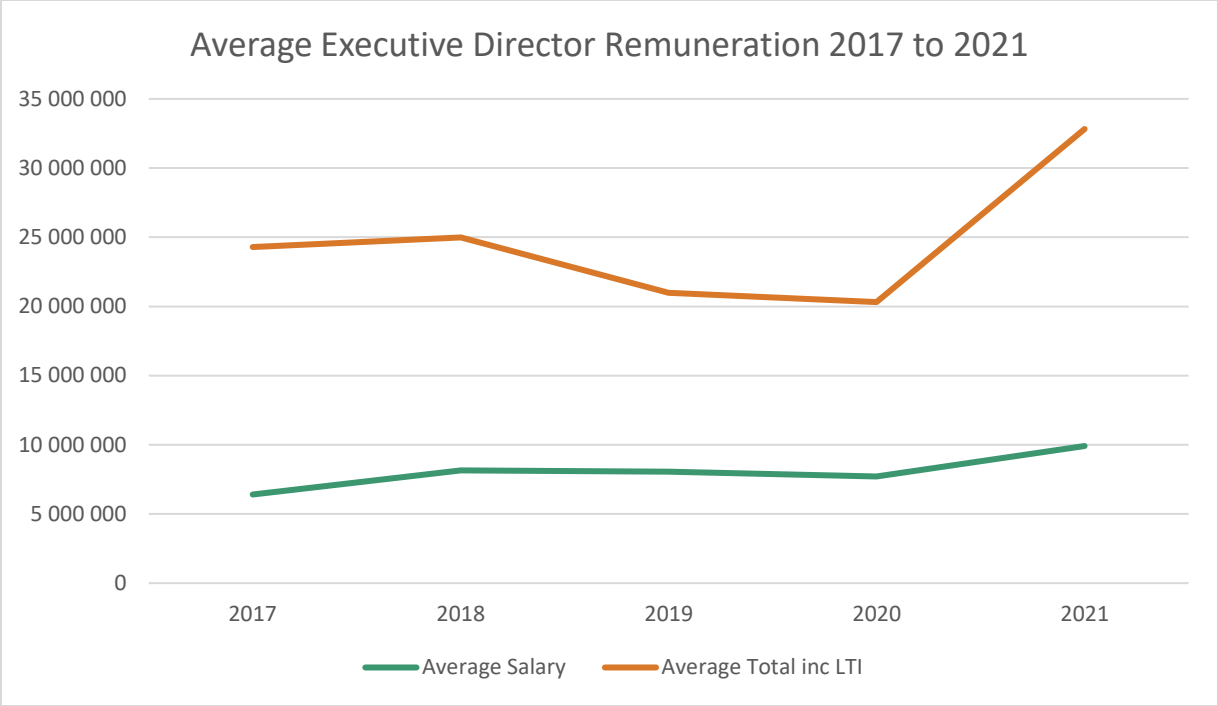


Figure 95 Paper & Packaging Sector Average Executive Director Remuneration 2017 to 2021

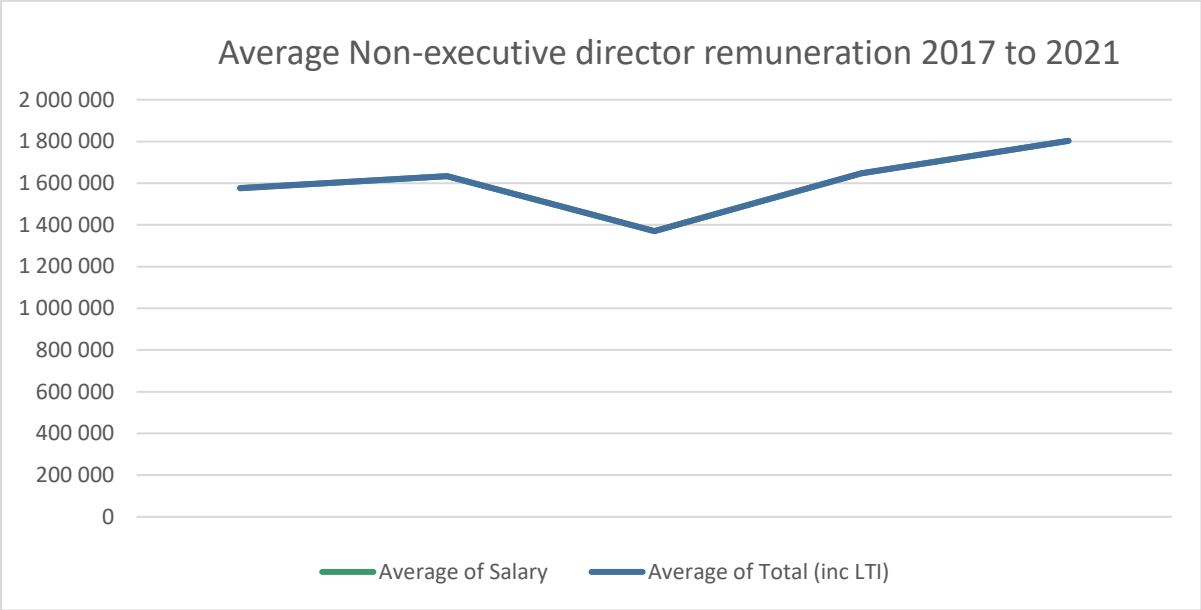


Figure 96 Paper & Packaging Sector NED Average Total Annual Remuneration 2017 to 2021

# 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:

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<b>Cashbuild</b>
<b>Foschini</b>
<b>Massmart</b>
<b>Mr Price</b>
<b>Pick n Pay Stores Ltd</b>
<b>Shoprite</b>
<b>Spar</b>
<b>Truworths</b>
<b>Woolworths</b>

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

## The Sector

Retail is still not performing at the levels it was before the Covid-19 pandemic: 'During the first 11 months of 2021, total retail trade sales were 3.2% higher than the figure for January to

November 2020, but still 4.7% lower than during the corresponding period in 2019 (in real terms).<sup>38</sup>

Retail trade sales represent close to 20% of South Africa's GDP.<sup>39</sup> While this has been good for retailers in the past, the Covid pandemic and Eskom's power cuts have meant that growth in this sector has been slow. More recently, the impact of the war in Ukraine on supply chains and inflation, as well as interest rate changes have put even more pressure on consumers.

The pandemic along with local and international lockdowns has led to a noticeable shift in the way households shop. South Africans are spending less on alcohol, clothing, eating at restaurants, furniture, appliances and hotels. Alongside this, unemployment in South Africa has reached record highs, meaning people simply have less money to spend.

Shoprite is the largest retailer in the country with a market capitalisation of R130 billion – which is more than Pick n Pay and Spar combined. Pick n Pay dominated this same market in the 1980s, but Shoprite has continually grown over the course of the last 20 years to dominate the space. Shoprite is extremely good at centralised distribution and technology, which has enabled this growth over its competitors. The CEOs of these two retailers have played an important role in their growth. Both retailers have recently introduced new CEOs (Pieter Engelbrecht at Shoprite and Pieter Boone at Pick n Pay). Engelbrecht has continued to grow Shoprite by offering competition to Woolworths in the high-end grocery offering and continuing to grow market share at the lower end of market.<sup>40</sup> Shoprite is also in the process of closing some stores in the Rest of Africa and focusing on the local market.

Pick n Pay is rapidly growing its lower end offering with the brand Boxer and are planning on expanding this brand by over 200 stores in the coming year.

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<sup>38</sup> <https://www.dailymaverick.co.za/opinionista/2022-01-25-long-road-ahead-for-the-retail-sector-particularly-e-commerce/>

<sup>39</sup> <https://www.dailymaverick.co.za/opinionista/2022-01-25-long-road-ahead-for-the-retail-sector-particularly-e-commerce/>

<sup>40</sup> <https://www.ghostmail.co.za/jse-retailers-where-is-the-value/>

Spar, another big competitor in the sector, runs a very different kind of business. Spar doesn't own most of the stores brandishing its name – but does deliver to these stores.

The biggest news in the sector is that Walmart is buying out Massmart, and subsequently will delist the company. Walmart, the American retail giant, bought control of Massmart 10 years ago. Walmart bought a 51% stake in Massmart for more than USD 2.5 billion. Since then, the company has lost more than 80% in value. Walmart seems to have lost patience with the company and failing the turnaround plan (which was buffeted by ZAR 4 billion in Covid-19 related aid from Walmart to Massmart), has decided to buy the remaining part of Massmart and delist the company. This move was approved by shareholders on Friday 21 October – Walmart had offered a 50% premium on the share price at the time to entice shareholders to the deal. With further conditions still needing to be met, the expected delisting date is approximately 8 November 2022.

This is likely not good news for workers at the company. Firstly, the delisting means that we will not have access to the level of information that the company was previously compelled to make public. This means that we will no longer have access to remuneration packages for executives, and that financial information will be less freely available. Walmart will be able to make more dramatic changes to the company in its unlisted form – like selling off parts of the business that aren't performing well. In its operations in America, Walmart is very openly anti-union. The unions in our alliances will no doubt face challenges when dealing with this company.<sup>41</sup>

Three clothing retailers (Truworths, The Foschini Group and Mr Price); and two hybrid retailers Woolworths and Cashbuild have not performed well in the last five years (aside from Cashbuild). Both Woolworths and Truworths made some bad business decisions. However, despite being aimed at a very high end of the market, Woolworths has a remarkably high market share in terms of food retail (around 10%) – in a country with such high unemployment, it's unlikely that the company will be able to grow substantially with its current offering.<sup>42</sup>

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<sup>41</sup> <https://www.populardemocracy.org/news/how-walmart-persuades-its-workers-not-unionize>

<sup>42</sup> <https://www.ghostmail.co.za/discretionary-retailers-on-the-jse-part-1/>

The pandemic 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 your 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.<sup>43</sup> By the end of 2021, however, online retail will likely account for only 4% of all retail in South Africa. However, retail groups Woolworths, Truworths, Foschini and Mr Price recorded online sales ranging from only 2% to 5% of total sales during their latest interim reporting periods.

With all the above restrictions, retailers will likely remain under immense pressure in the near future.<sup>44</sup> Both Shoprite and Pick n Pay seem to be weathering the storm and are making positive changes in their business structures, which will put them ahead of their competitors.

## Financials

### Revenue

On average, this list of companies reported a 3,1% (see *Figure 4*) increase in revenue in what could be termed one of the most difficult years in retail. The effects of the pandemic can easily be seen in the 2021 financials.

The biggest increase in revenue was reported by Truwoths, with an increase of 31,9% or approximately ZAR 4 billion. Cashbuild (25%), Shoprite (9%), Pick n Pay (4%), Woolworths (3,45) and Spar (3%) all reported an increase in revenue as. Shoprite, the biggest employer in the sector, reported revenue growth slowed from the previous year, when it grew by 4,3%. Mr Price reported a small drop in revenue (- 1%); Foschini reported a drop of 7,5% while Massmart fell by another 10,5%.

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<sup>43</sup> <https://www.businessinsider.co.za/sas-online-retail-has-more-than-doubled-in-two-years-but-the-best-is-probably-over-2021-5>

<sup>44</sup> <https://www.ghostmail.co.za/sa-retail-spending-at-risk/>



From the chart below (*Figure 1*), Shoprite remains the biggest company in the retail sector, with Spar and Pick and Pay following. Massmart has been overtaken as the fourth biggest retailer in our sample by revenue by Woolworths, mainly due to multiple store closures the 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.

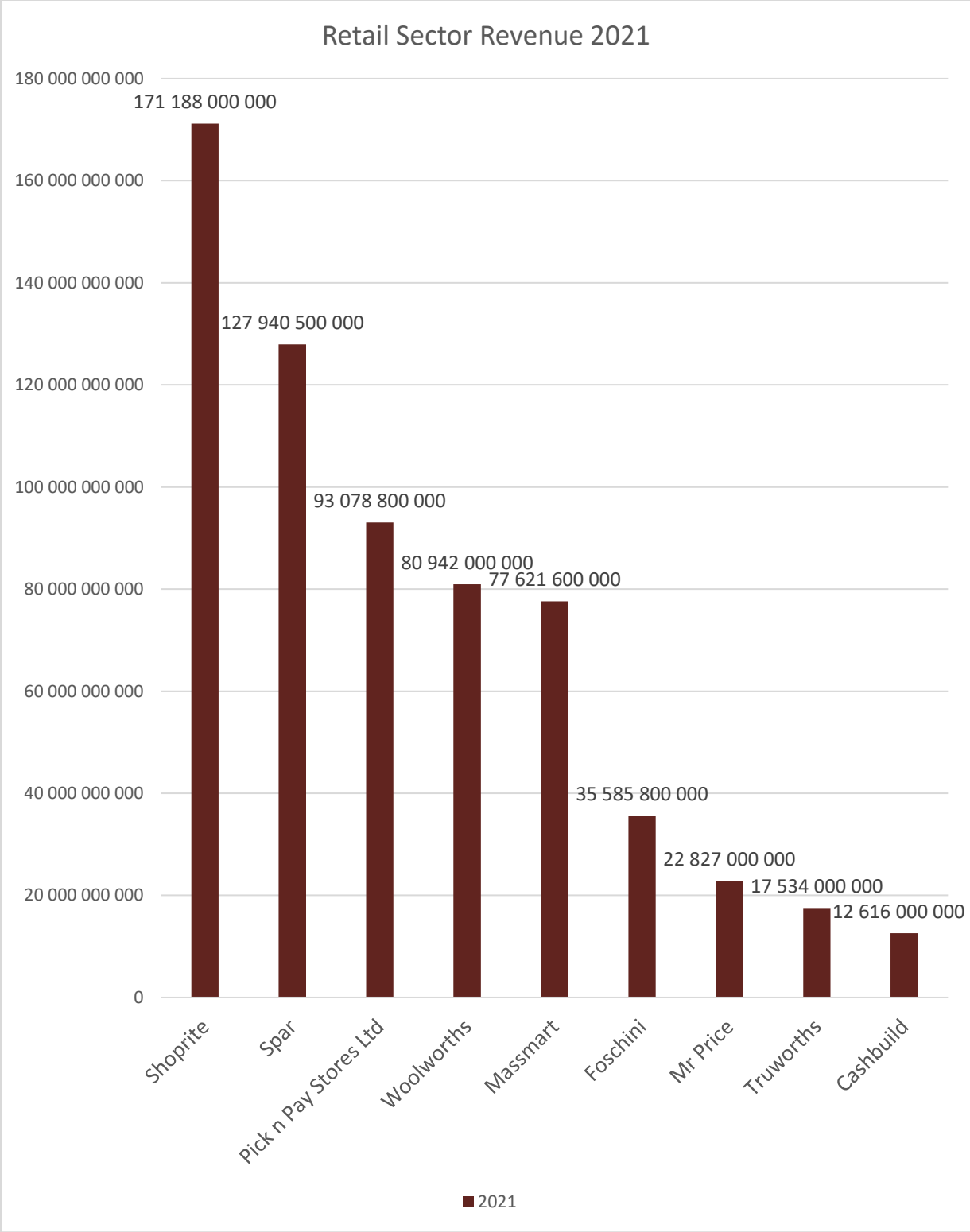


Figure 97 Retail Sector Revenue 2021

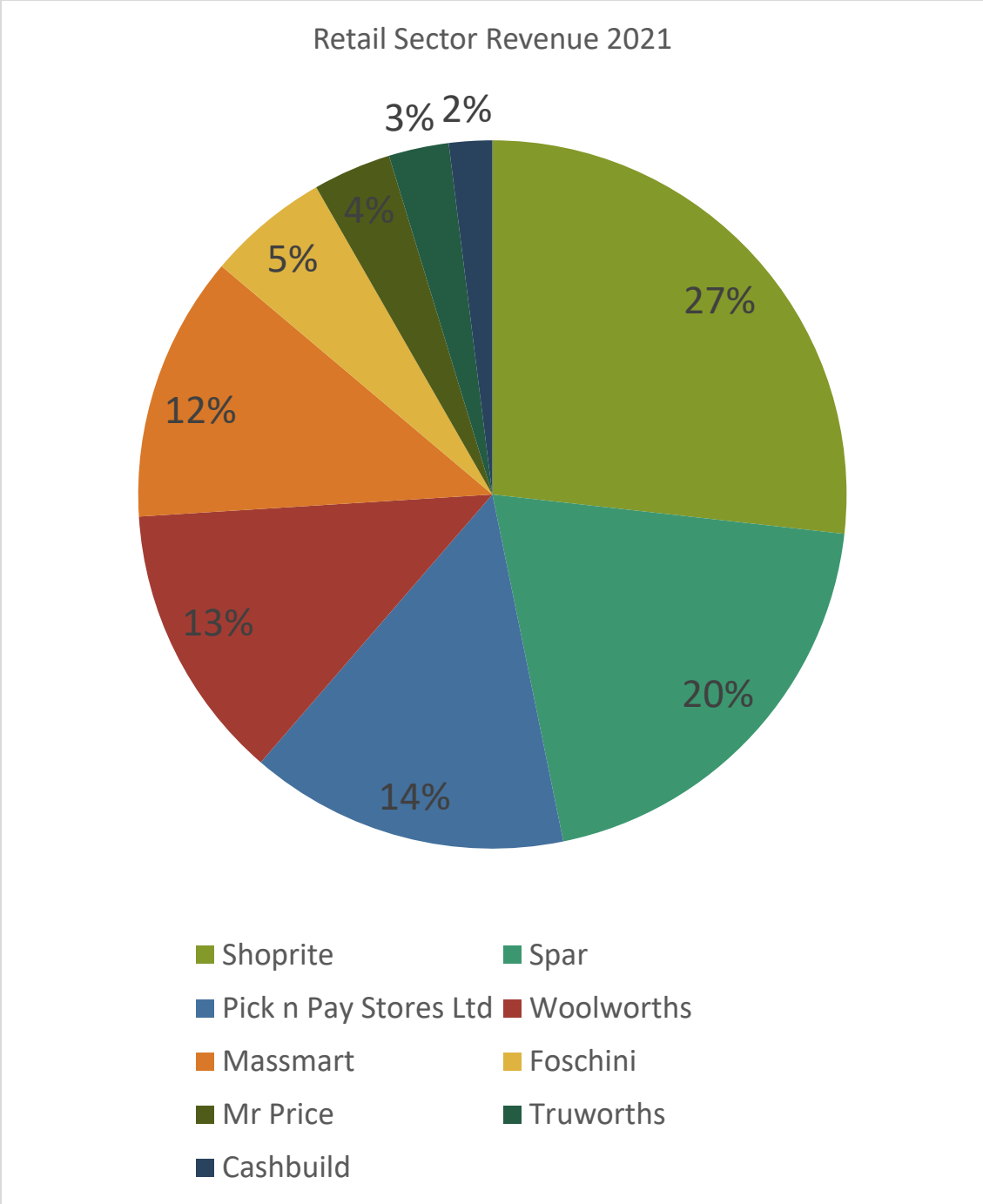


Figure 98 Retail Sector Revenue Pie Chart 2021

## Retail Sector Revenue 2021

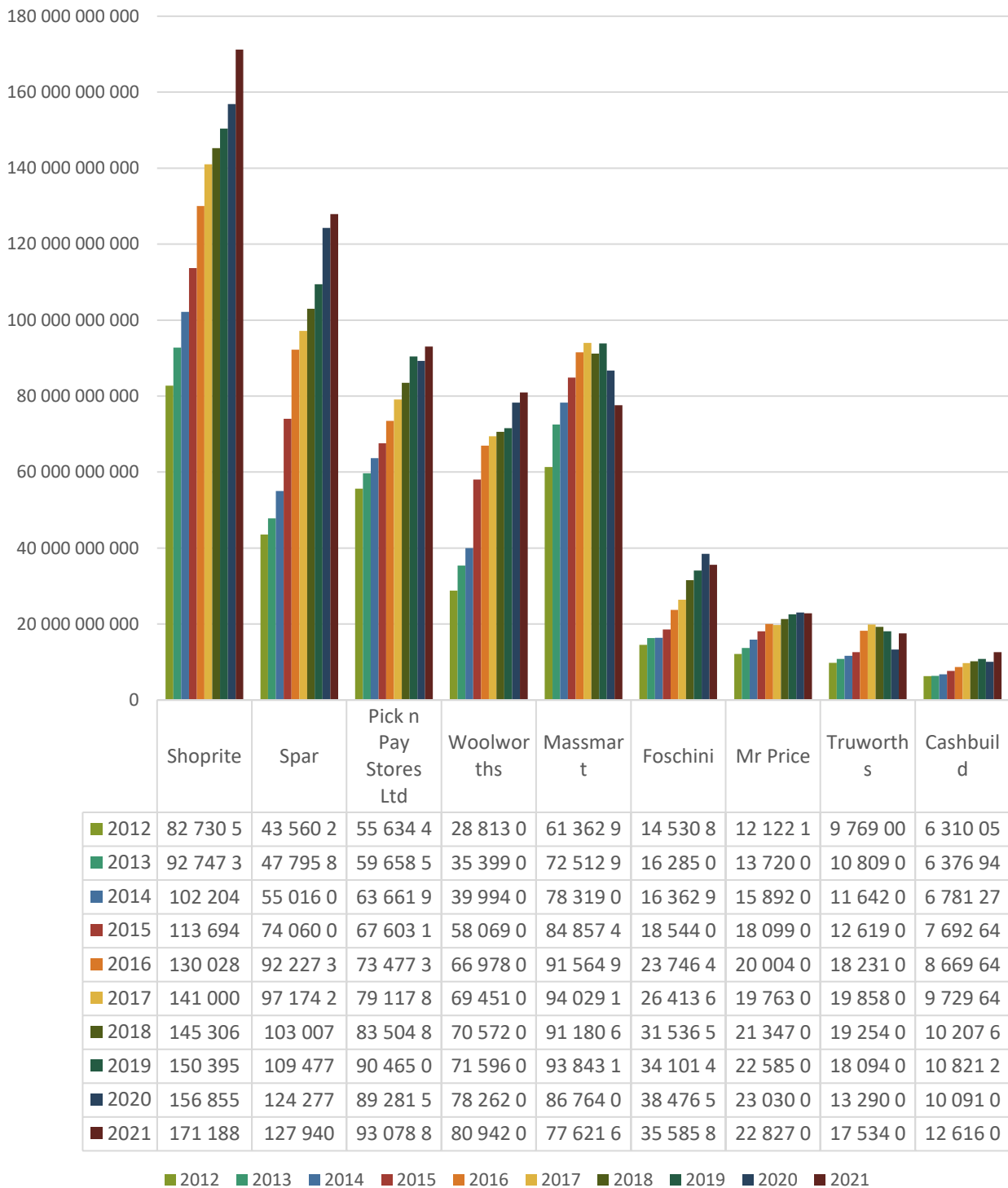


Figure 99 Retail Sector Revenue 2012 to 2021



Figure 100 Retail Sector Average Revenue 2012 to 2021

### Profit before Tax

In 2020 companies in this sample reported some significant losses. Only one company reported an increase in Profit before Tax – Woolworths - who reported a Profit for the first time since 2017. In 2021, five out of the nine companies on the list reported an increase in profit before tax. Cashbuild reported a significant increase of 145%, and Woolworths reported an increase of over 137%. Cashbuilld saw a drop in revenue in 2020 that accounts for this large increase, however the company has made some significant increases and have surpassed pre-Covid levels of revenue. For Woolworths, that reported a loss in 2018 and 2019, this increase still does not bring the company back to the profit before tax of 2016.

Foschini reported a massive drop in profit before tax – reporting a loss of ZAR 1,7 billion for the first time. Massmart continued to operate at a loss. For the 2021 financial year, the company reported a loss of over ZAR 1,9 billion (see Figure 5).

Shoprite remains the biggest earner in the sample with profit before tax of almost ZAR 7 billion – however this number is lower than profit before tax in both 2017 and 2018, suggesting that the retailer is still recovering from a difficult trading time in South Africa and in the rest of Africa.

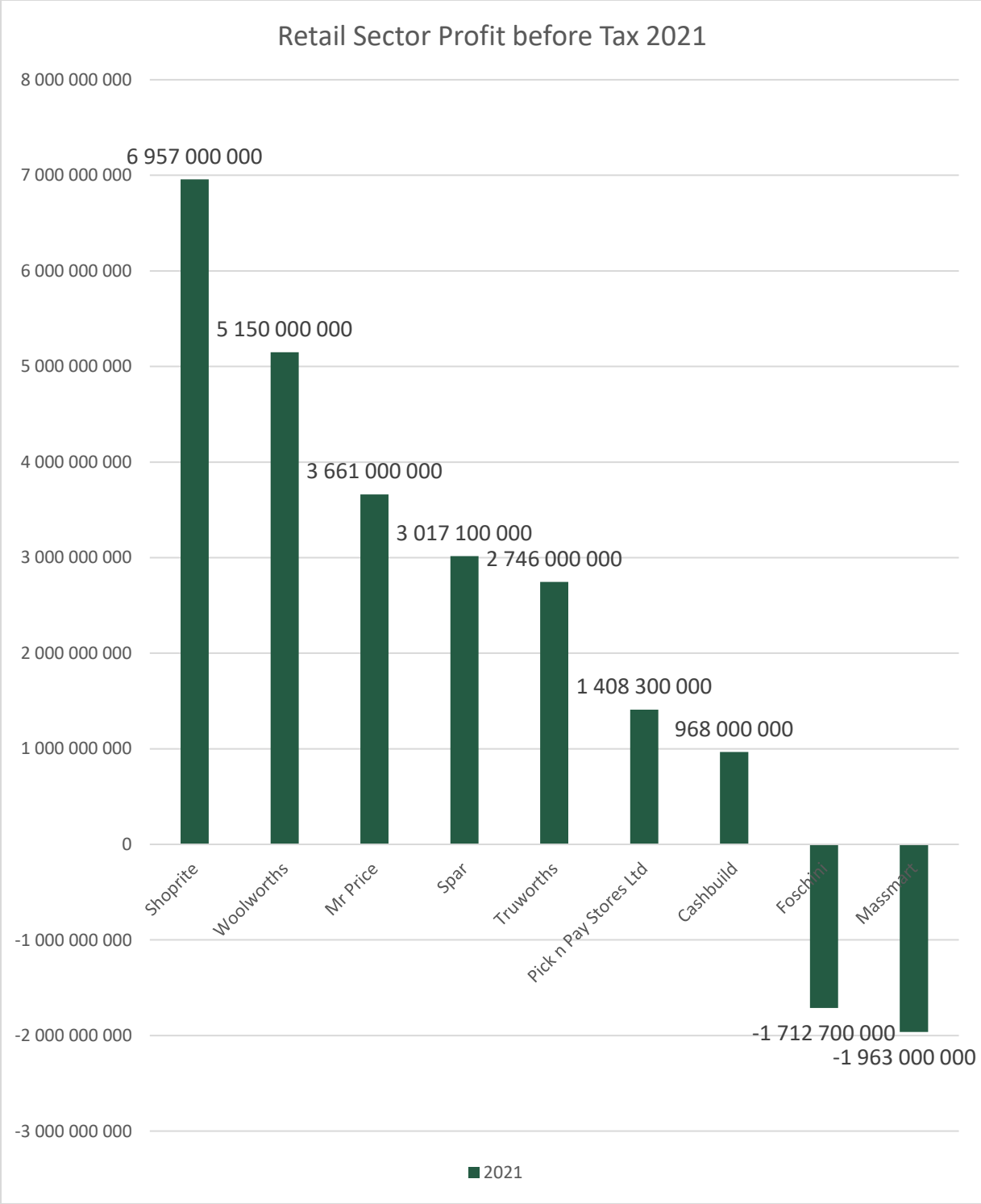


Figure 101 Retail Sector Profit before Tax 2021

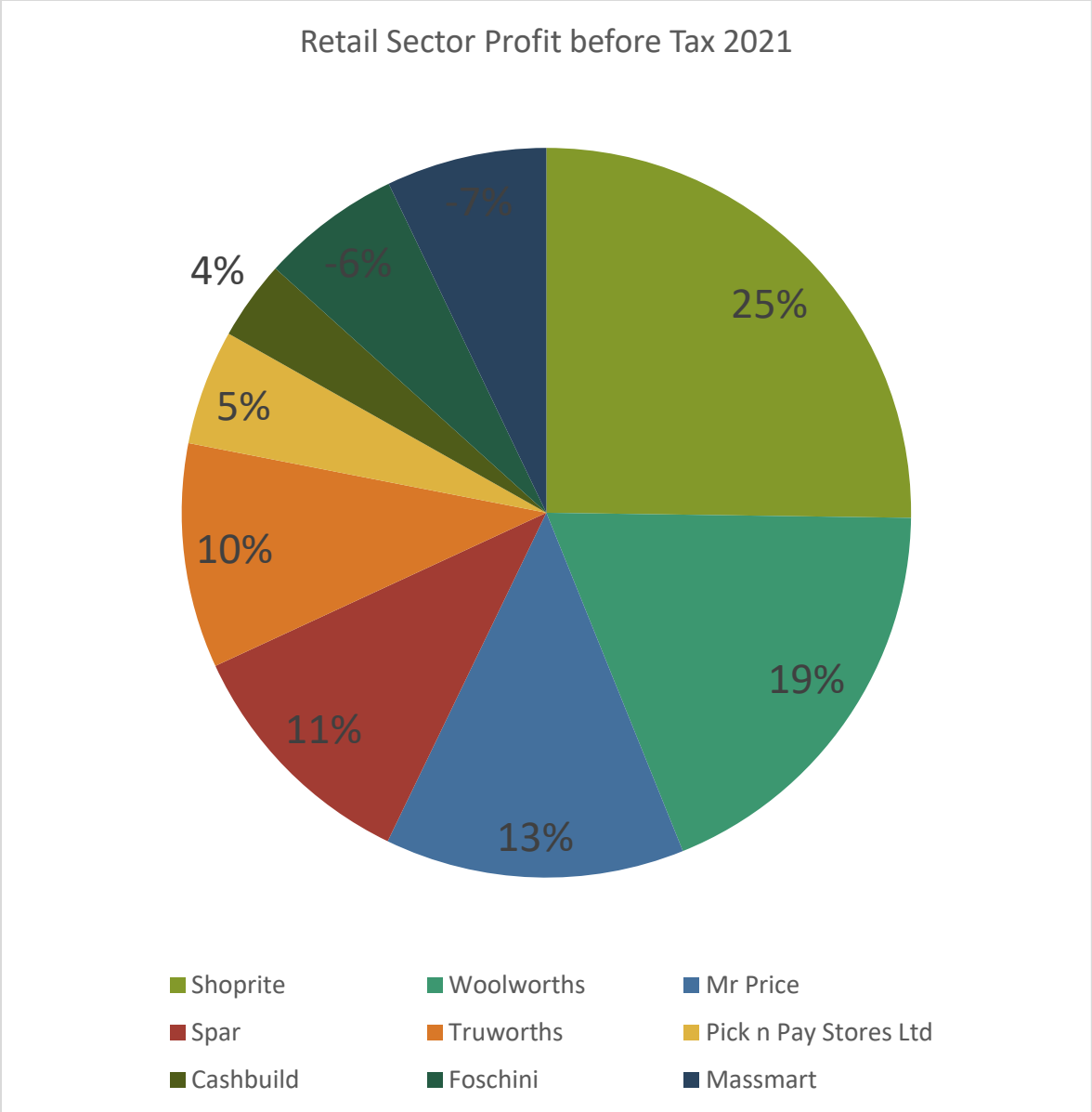


Figure 102 Retail Sector Profit before Tax 2021



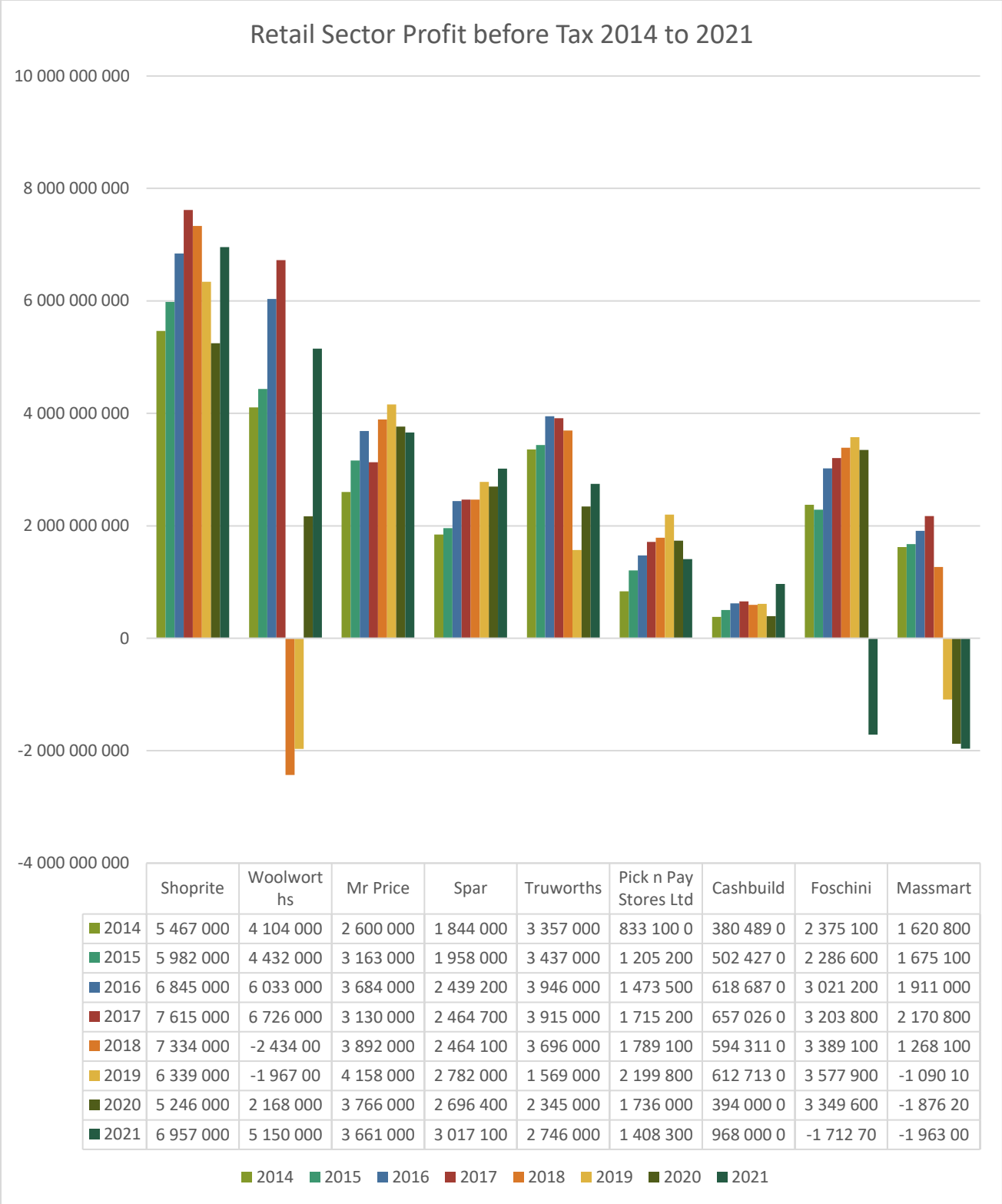


Figure 103 Retail Sector Profit before Tax 2014 to 2021

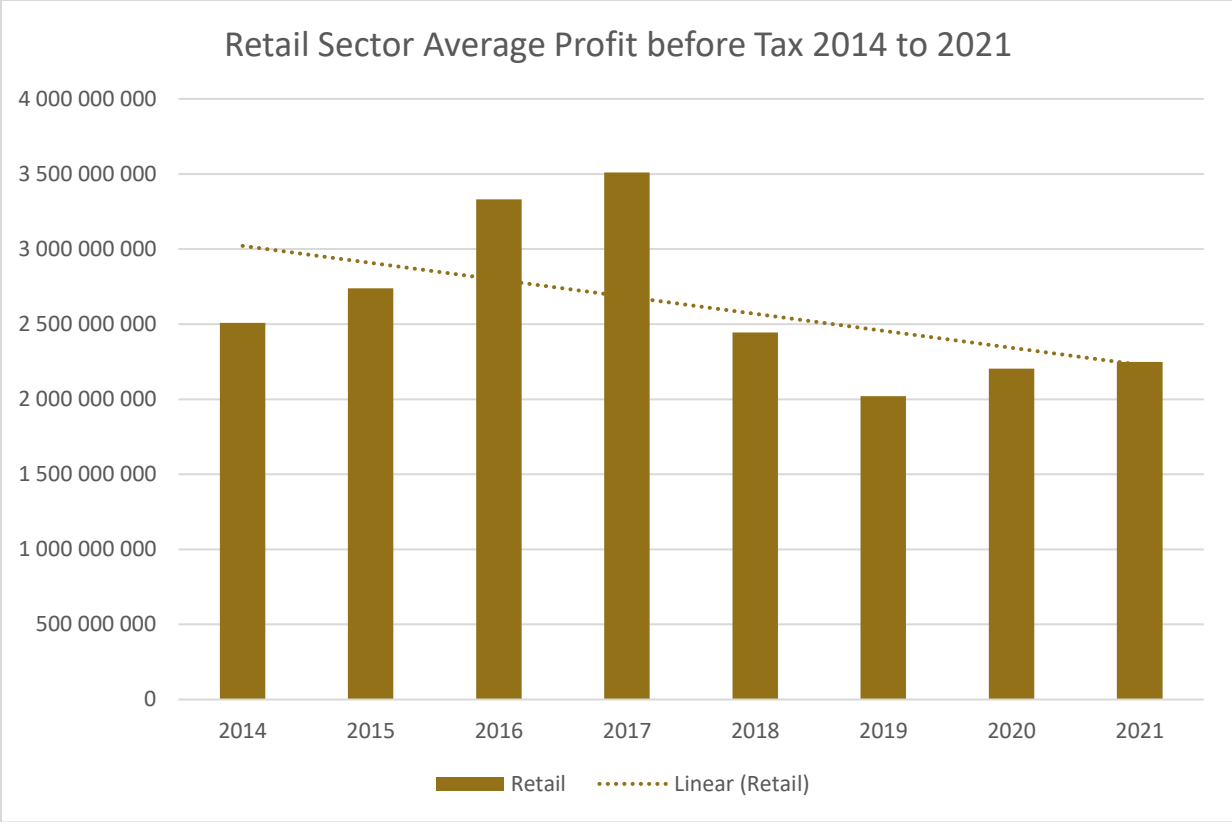


Figure 104 Retail Sector Average PBT 2014 to 2021

## Directors’ Remuneration

The LRS MNC database allows us to look at CEO remuneration over the course of the last eleven 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*). There is another spike in 2021, when CEO of Pick n Pay Richard Brasher retired and received an LTI payment of ZAR 115 million.

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. In 2021, this gap widens significantly – mainly due to the LTI paid to the outgoing CEO of Pick n Pay.

From 2020 to 2021, average total remuneration (including LTI) went up by over 100% - almost no LTIs were paid in 2020 due to the effects of the pandemic, so the increase is from a low base, However, the average is the highest it's been since 2016.

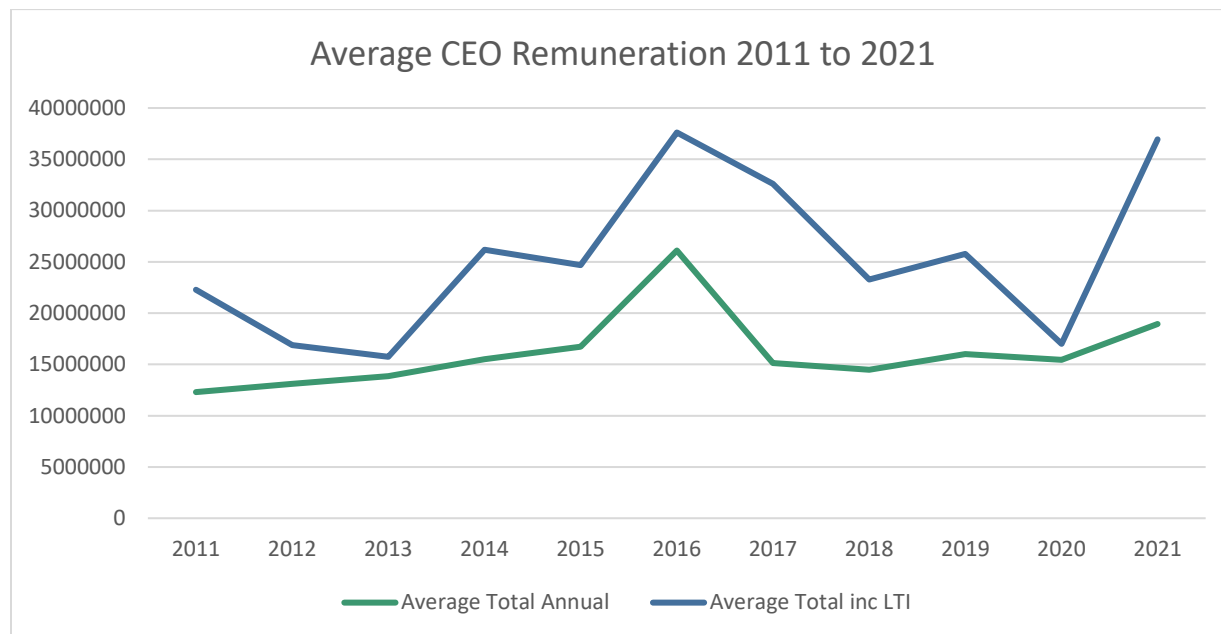


Figure 105 Retail Sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2021

In the retail sector, the outgoing CEO of Pick n Pay, Richard Brasher, received total remuneration of ZAR 153 million, which includes an LTI payment of ZAR 115 million and a cash bonus of ZAR 20 million. This makes him the highest earner in the sample for the 2021 year. The new CEO of Pick n Pay is Pieter Boone, who was appointed as the CEO on 20<sup>th</sup> April 2021.

According to the annual integrated report, Pieter Boone is praised for his strong leadership in difficult times as he was 'on the ground' in KwaZulu-Natal in the immediate aftermath of the unrest, directing operations and ensuring food delivery and essentials to the communities of KwaZulu-Natal from other parts of the countries with exceptional efficiency.<sup>45</sup>

<sup>45</sup> Pick n Pay Integrated Annual Report 2022: <https://www.picknpayinvestor.co.za/downloads/annual-report/2022/fy22-integrated-annual-report-single-pages.pdf> [Page 10]

The previous CEO, Richard Brasher, received a huge remuneration in 2021, which mostly consists of an LTI payment. Excluding both short-term and long-term incentives, the CEO's (Boone and Brasher) total guaranteed package increased by about 26.38%, from ZAR 14.6 million in 2021 to ZAR 18.4 million in 2022.

Despite significant and ongoing losses, Massmart CEO Mitchell Slape earned total remuneration of over ZAR 29 million. This is inclusive of a ZAR 8 million LTI as well as over ZAR 10 million in 'benefits'. This is concerning given the ongoing losses the company is facing, the retrenchments and store closures. The CEO of Truworths has retired after being in the position for 30 years. His 2021 remuneration included a ZAR 15 million cash bonus and a ZAR 19 million LTI payment.

On average, from 2020 to 2021, average total executive remuneration went up over 100%. In the same time period, average non-executive remuneration went down by 1,8%.

### CEO Remuneration 2021

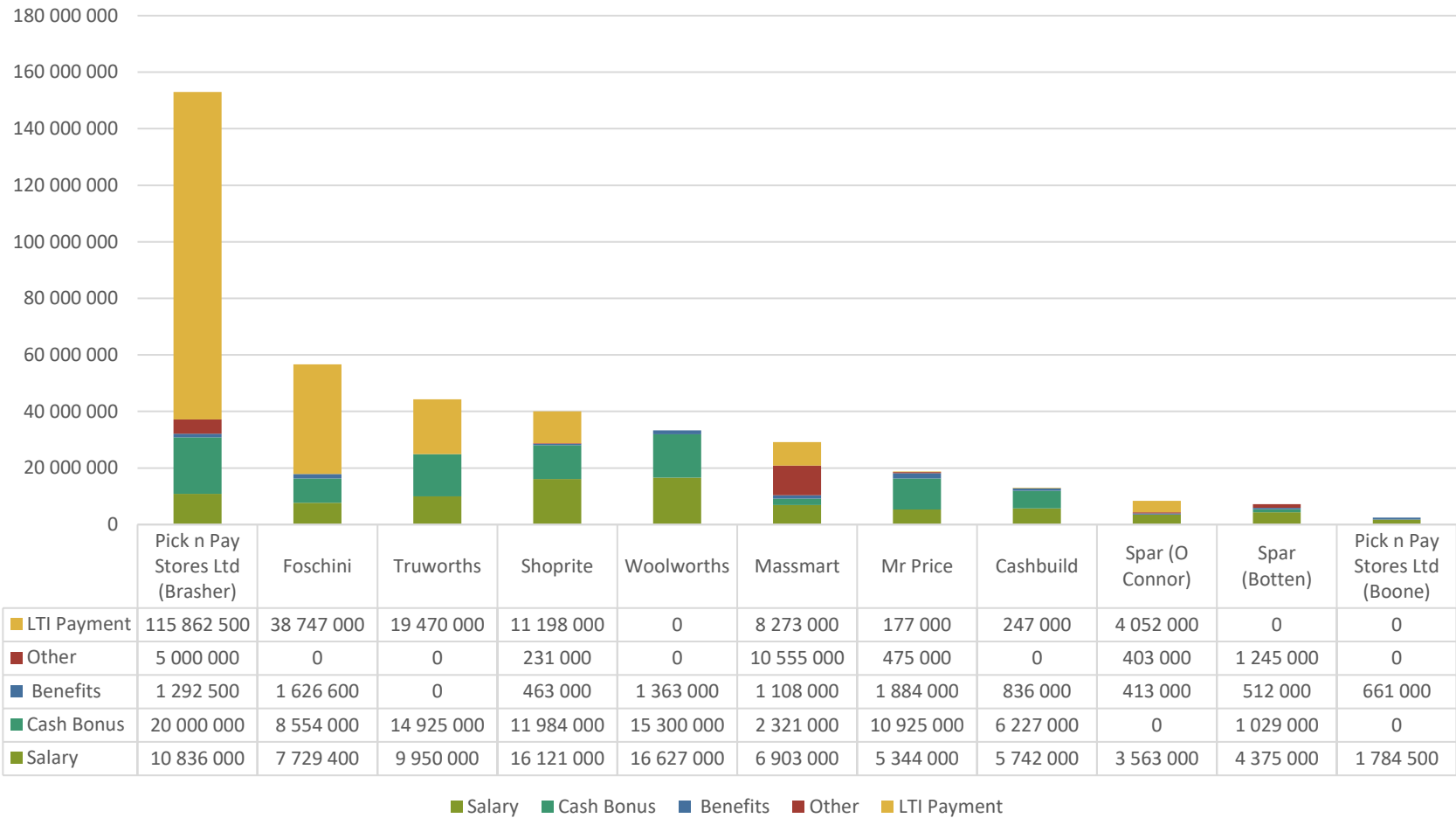


Figure 106 Retail Sector CEO Remuneration 2021

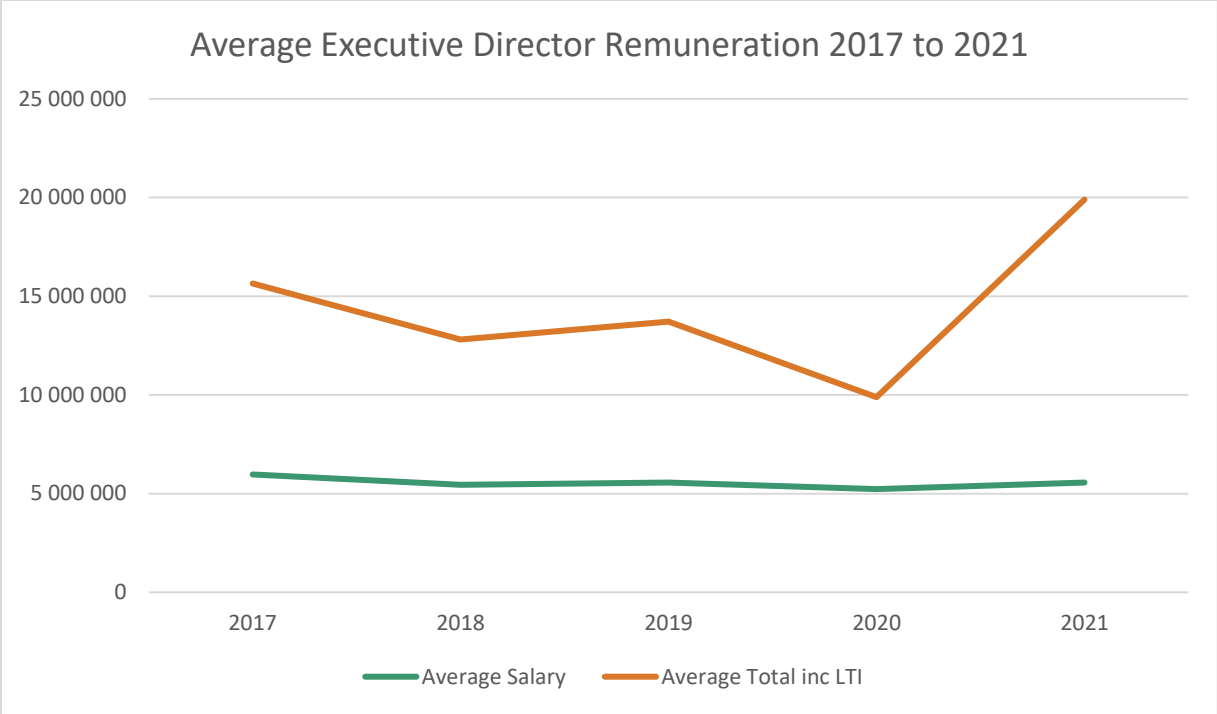


Figure 107 Retail Sector Average Executive Director Remuneration 2017 to 2021

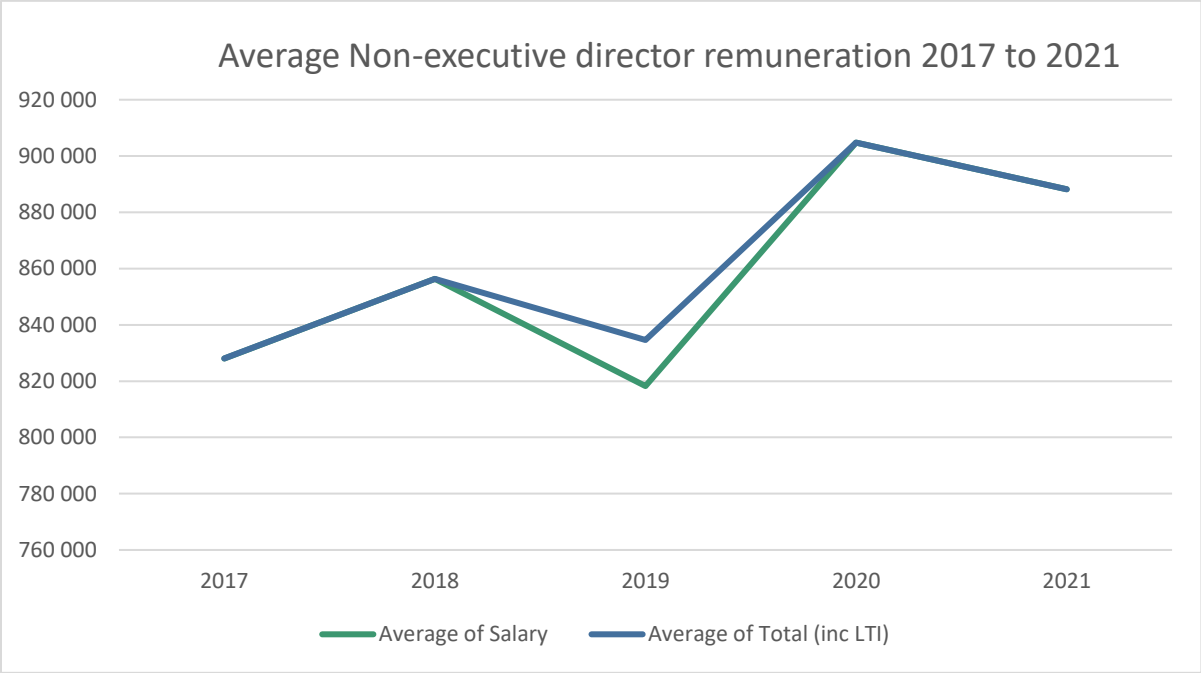


Figure 108 Retail Sector NED Average Total Annual Remuneration 2017 to 2021

# 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:

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**MTN Group**

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**Telkom**

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**Vodacom Group Limited**

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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. The rich data extracted from the LRS's MNC Database 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

The telecommunications sector in South Africa is an important contributor to the country's economy and plays a crucial role in connecting people and businesses. The sector is dominated by a few major players, including Vodacom, MTN, and Telkom, which offer a range of services including mobile phone and internet services.

South Africa has a relatively high level of mobile phone and internet penetration, with over 90% of the population having access to a mobile phone and more than 50% having access to the internet. The government has been working to increase access to telecommunications services in rural and underserved areas through initiatives such as the Universal Service and Access Fund.<sup>46</sup>

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<sup>46</sup> <http://www.usaasa.org.za/usaif/>

In recent years, the telecommunications sector in South Africa has faced challenges including regulatory uncertainty, competition from new entrants, and the impact of the COVID-19 pandemic.

The sector generates its income from two main services: telecommunications (which includes the provision of fixed, mobile and internet services) and broadcasting. MTN, the biggest company in the sample, has 285 million customers in 19 markets. MTN was recently in talks with Telkom about a potential acquisition, but these talks fell flat as no agreement could be reached.<sup>47</sup>

According to Brand Finance's 2022 annual report on the most valuable and strongest brands in South Africa, MTN was elected as the country's most valuable brand for a eleventh consecutive year: 'MTN's value has extended its lead over second-ranked Vodacom (brand value up 5% to R29.9 billion) meaning that MTN's brand value is now worth almost exactly double Vodacom's brand value.'<sup>48</sup> Both companies together control over 70% of the South African mobile market in terms of subscribers.<sup>49</sup>

## 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. Telkom recorded 0.4% increase in revenue in 2021 when compared to the previous year. Telkom remains a small competitor when compared to other MTN and Vodacom.

*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

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<sup>47</sup> <https://www.ghostmail.co.za/ghost-bites-gold-fields-massmart-mc-mining-mtn/>

<sup>48</sup> <https://brandfinance.com/press-releases/south-african-brands-power-economy-as-mtn-bounces-back-from-covid-19-to-remain-most-valuable-south-african-brand>

<sup>49</sup> <https://www.news24.com/fin24/companies/battle-of-the-brands-latest-report-highlights-which-sa-companies-ruled-the-roost-in-2020-20210525>



its highest revenue since 2014 which grew by a further 1,27% in 2021 to ZAR 181 billion. On average, the three companies reported an 3% increase.

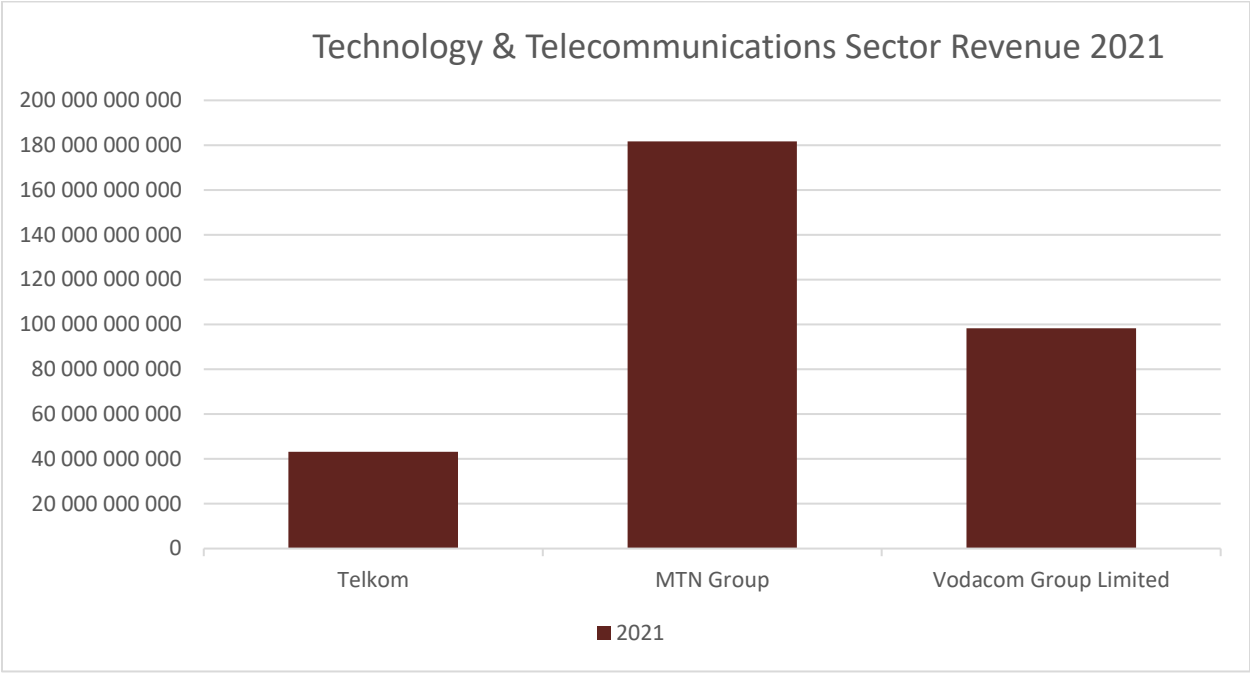


Figure 109 Technology and Telecommunications Sector Revenue 2021

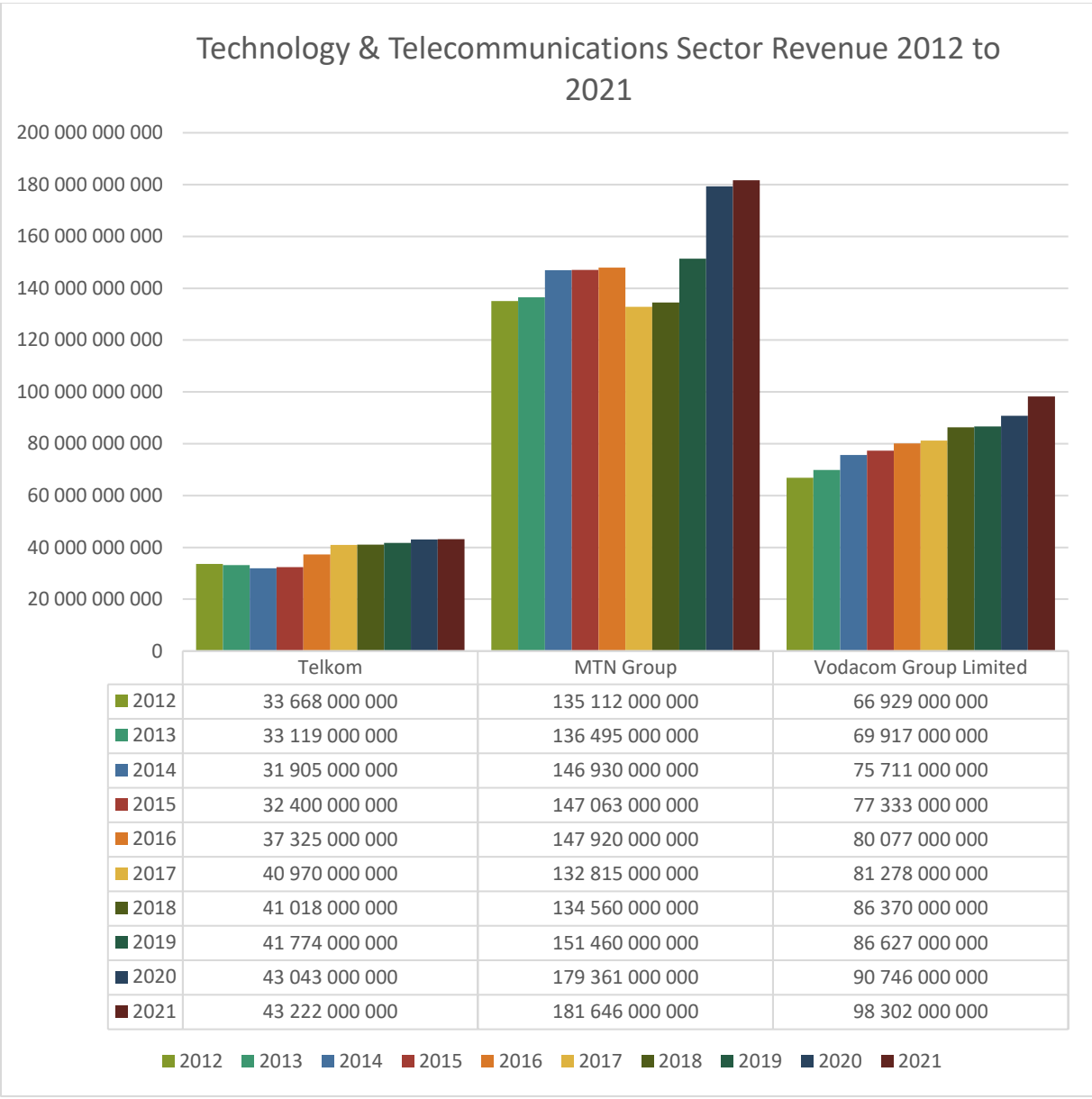


Figure 110 Technology and Telecommunications Sector 2012 to 2021

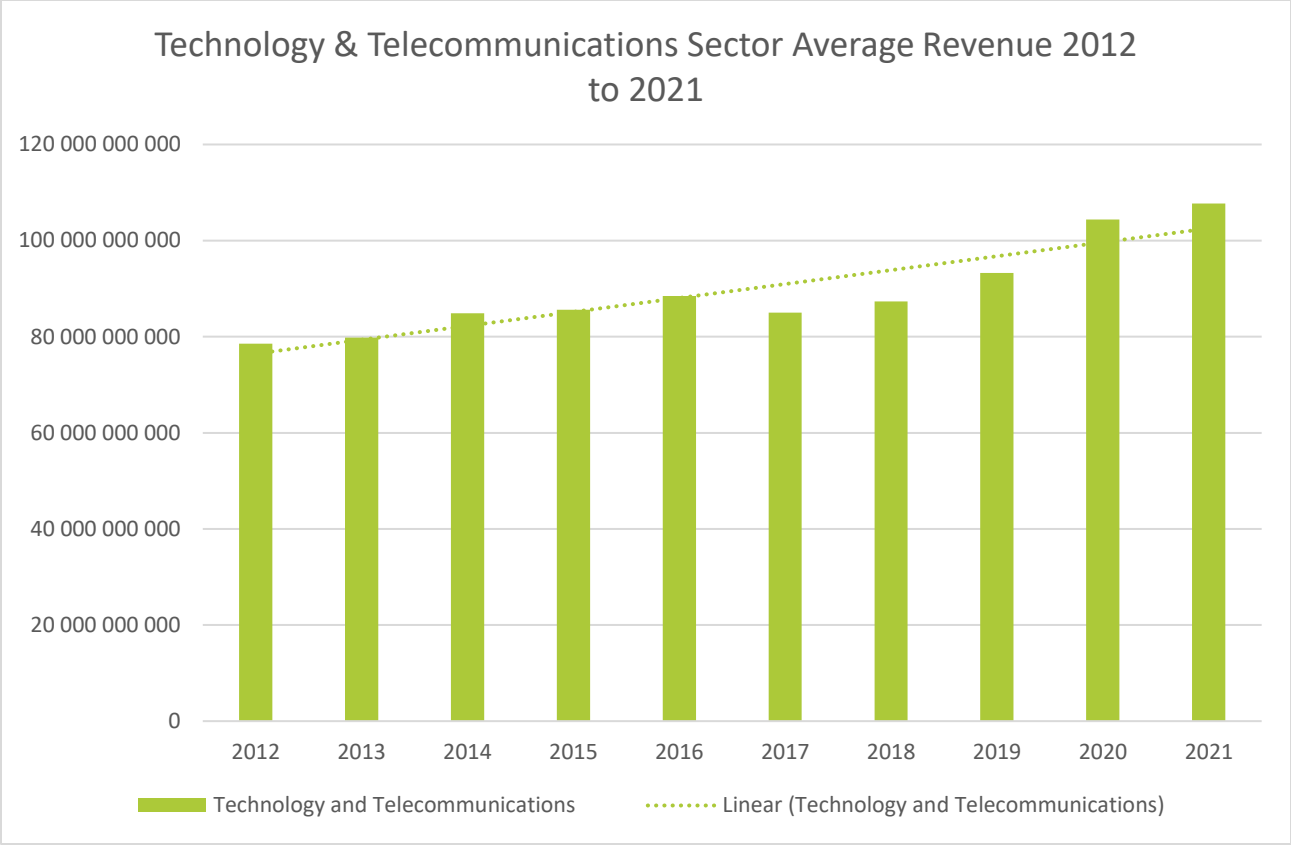


Figure 111 Technology and Telecommunications Sector Average Revenue 2012 to 2021

### Profit before Tax

MTN remains the biggest earner in the sample with reported PBT of ZAR 28 billion (a slight decrease of 0,9% since 2020). Telkom took a huge hit in PBT in 2020 but has recovered to reported PBT of ZAR 3,5 billion (still lower than 2019, 2018 and 2017).

On average, the 2020 PBT for the three companies went up by 5,7%, compared to the 2020 value. From the graph below (see Figure 8), we see a steady upward trend in PBT since 2016.

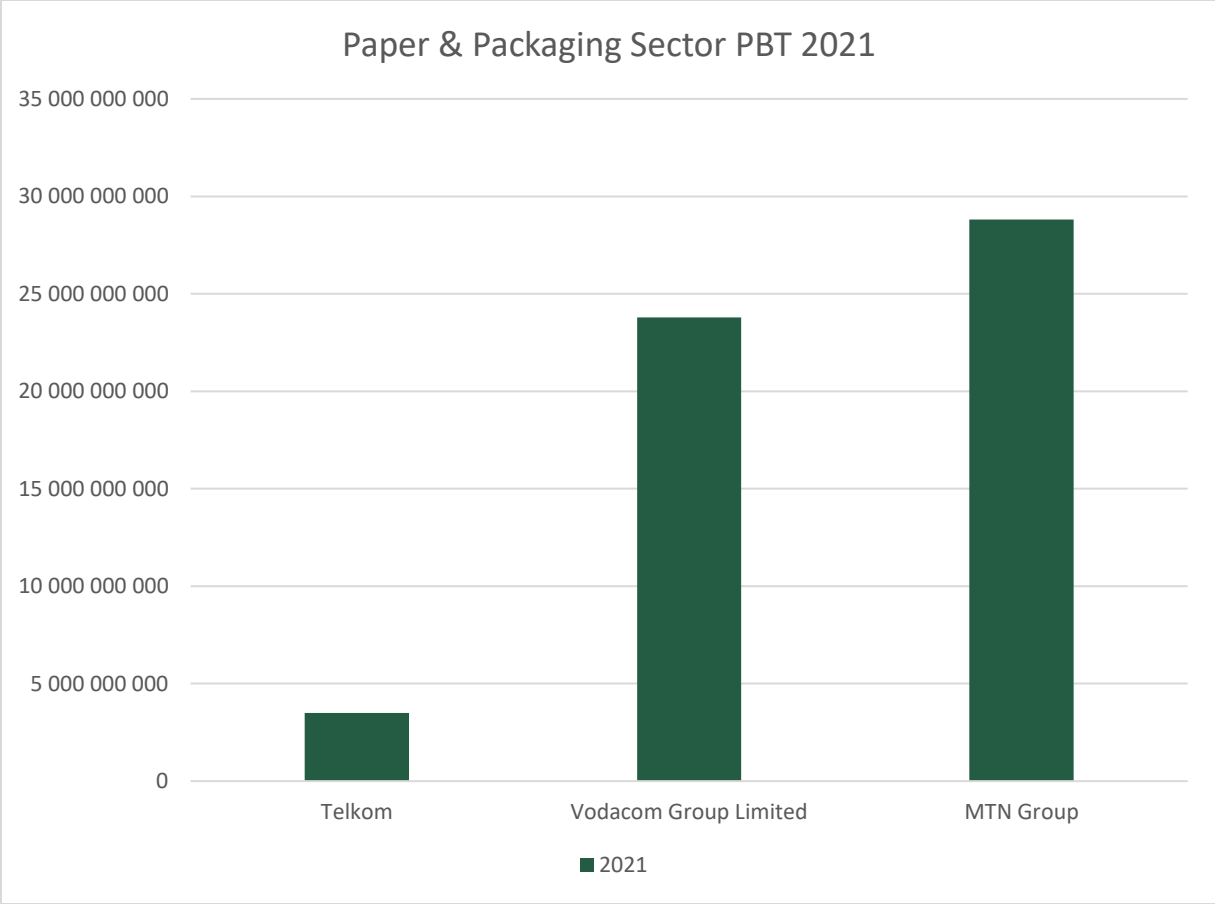


Figure 112 Technology and Telecommunications sector Profit before Tax 2021

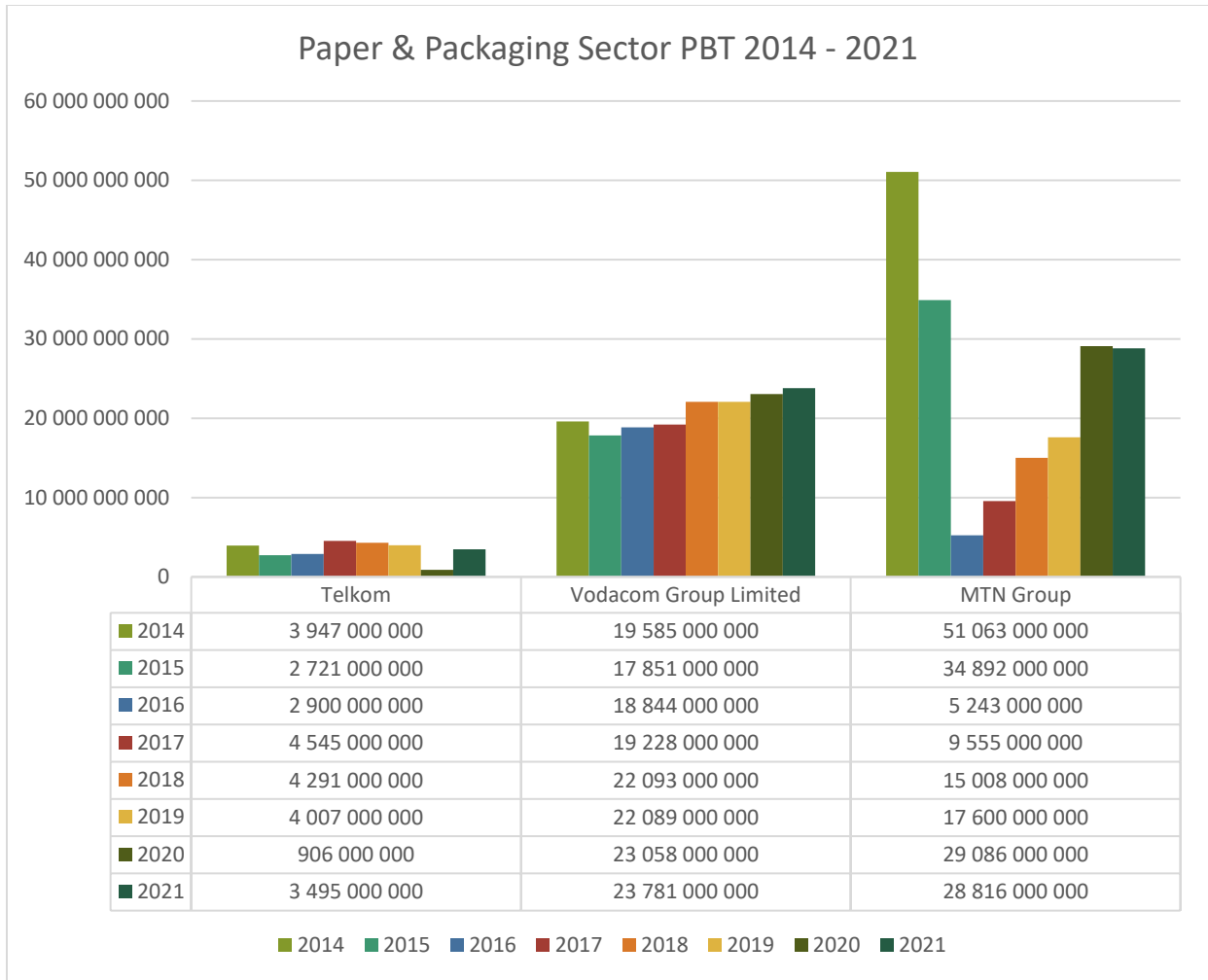


Figure 113 Technology and Telecommunications sector Profit before Tax 2014 to 2021

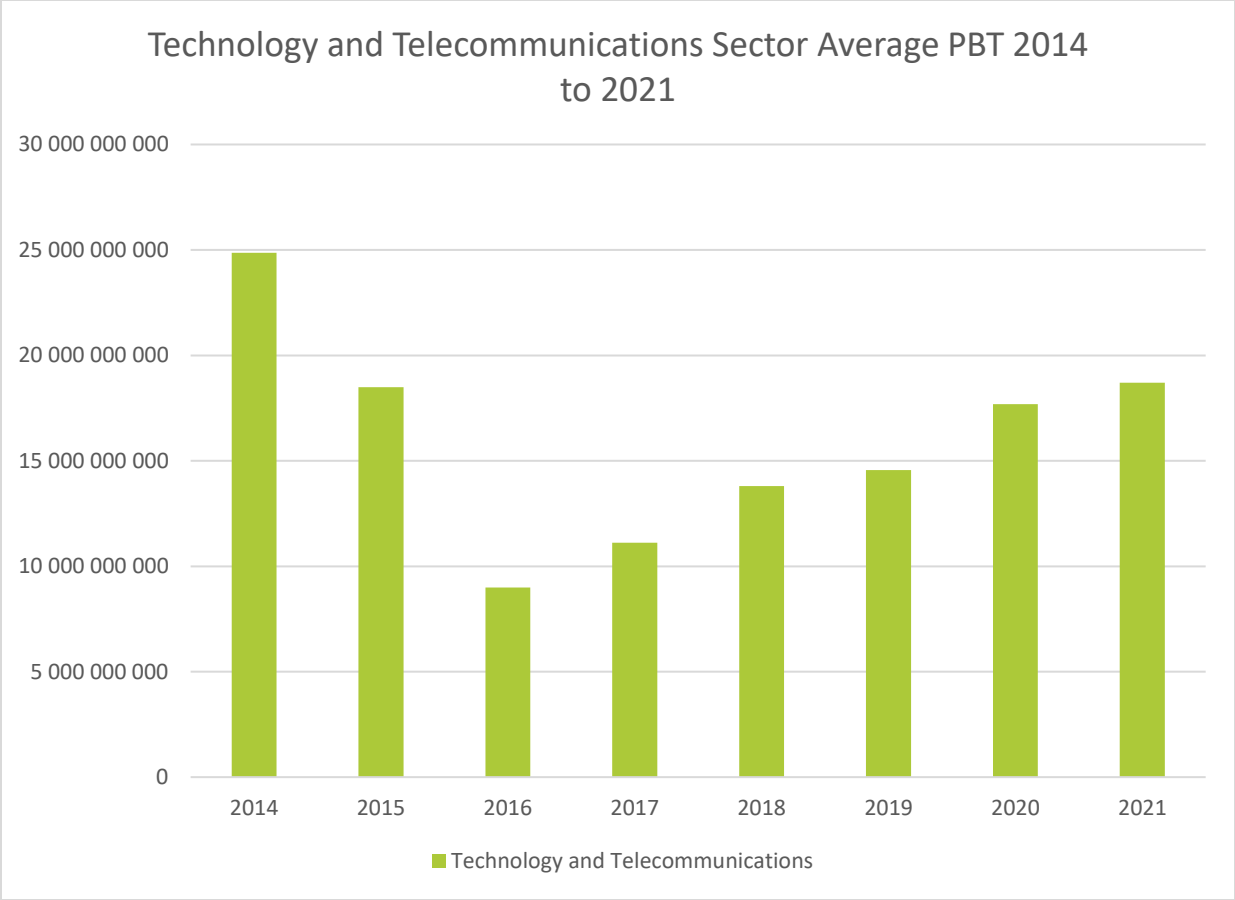


Figure 114 Technology and Telecommunications sector Average PBT 2014 to 2021

## Directors’ Remuneration

The LRS MNC database allows us to look at CEO remuneration over the last eleven 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. From 2020 to 2021, average total remuneration for CEOs in the sector increased by 5,2%. This is mainly due to an 18% increase in average salary payment.

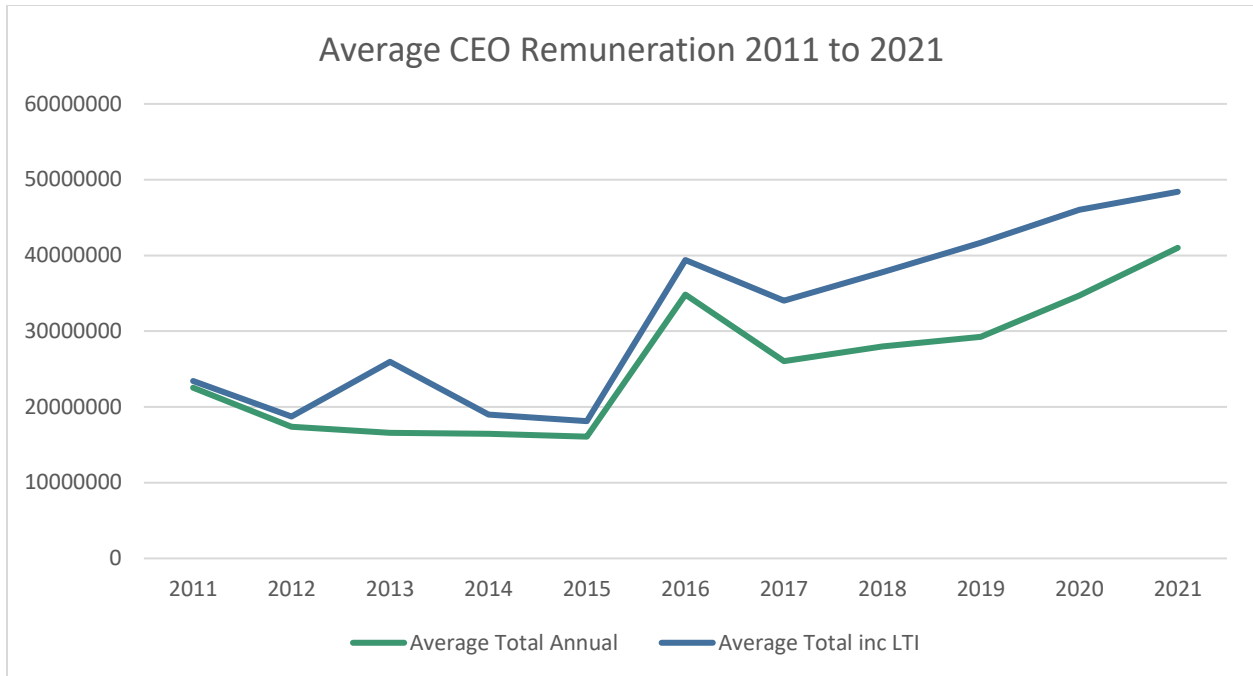


Figure 115 Technology and Telecommunications sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2020

The CEO of Vodacom Aziz Joosub's remuneration for 2021 included ZAR 21 million as an LTI payment, ZAR 17 million as a cash bonus and ZAR 11,7 million as salary bringing his total remuneration to ZAR 52,6 million, the highest in the sample.

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. His remuneration for 2021 includes ZAR 5,3 million LTI, ZAR 29 million cash bonus and ZAR 15 million salary. His salary is the highest in the sample.

Despite low performance in 2021, Telkom CEO SN Maseko received a cash bonus of ZAR 10 million and a total remuneration of ZAR 35 million in 2021 - a huge 60% increase on his 2020 package of ZAR 21,8 million.

From 2020 to 2021, the average total executive director remuneration went up by 9,9% (due to large LTIs). In the same period, average non-executive remuneration went up by 5,5%.

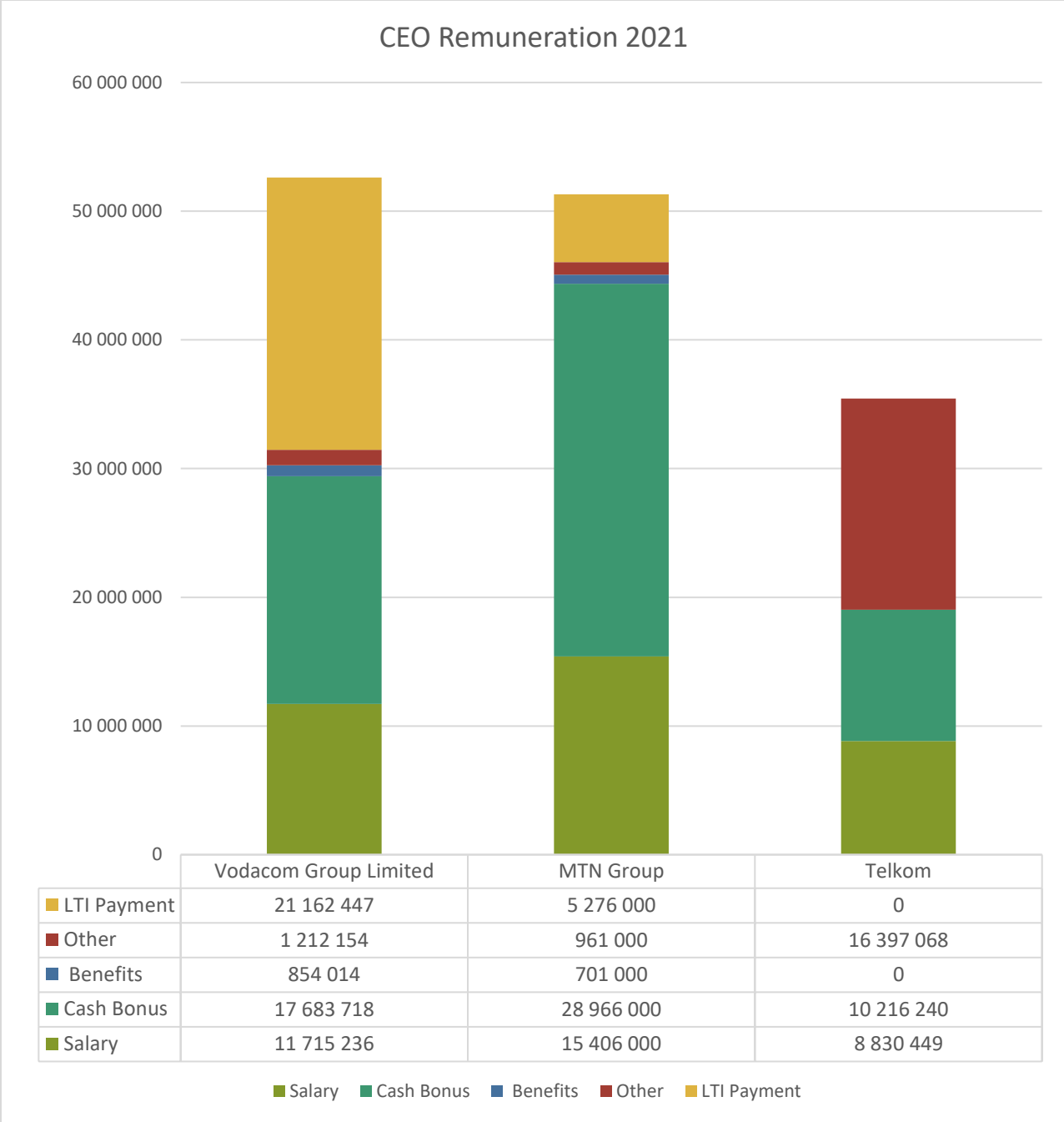


Figure 116 Technology and Telecommunications sector CEO Remuneration 2021



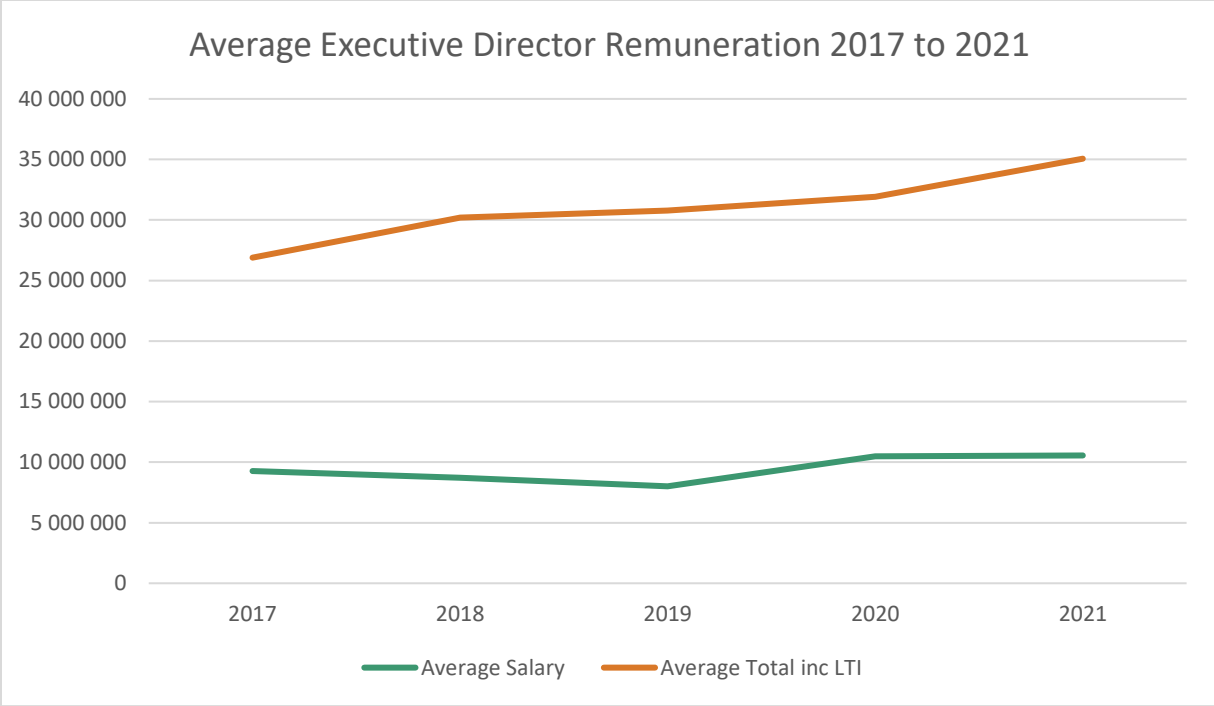


Figure 117 Technology and Telecommunications sector Executive Director Remuneration 2017 to 2021

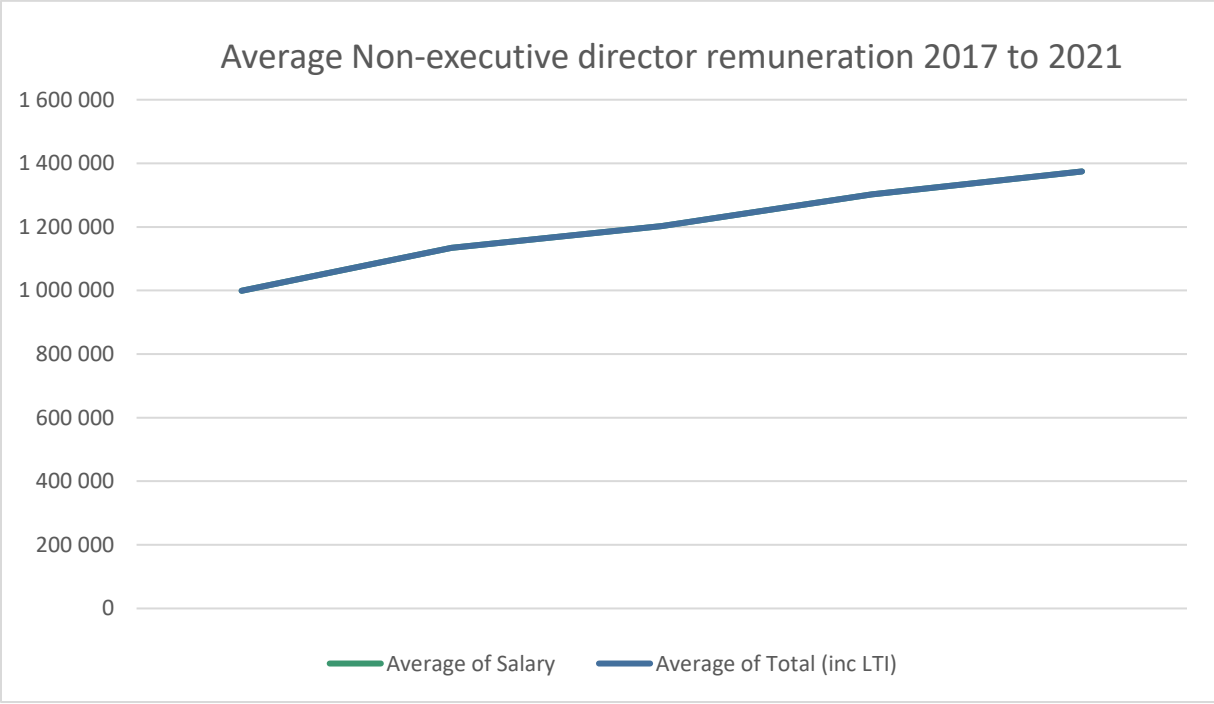


Figure 118 Technology and Telecommunications sector NED Average Total Annual Remuneration 2017 to 2021

# 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:

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<b>ACSA (Airports Company South Africa)</b>
<b>Grindrod</b>
<b>Imperial Holdings (now Imperial Logistics)</b>
<b>Super Group</b>
<b>Transnet</b>

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A recent estimate of the South African Department of Transport<sup>50</sup> 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 employ thousands of people. This makes it a key industry for the LRS to monitor.

The rich data extracted from the LRS's MNC Database enables a retrospective view of company performance over the last seven years. We also analyse the remuneration packages received by directors in this sector.

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<sup>50</sup> [https://www.transport.gov.za/documents/11623/39906/4\\_EconomicStatus2017.pdf/c47470b7-90f4-48cf-bd96-b82878d651fa](https://www.transport.gov.za/documents/11623/39906/4_EconomicStatus2017.pdf/c47470b7-90f4-48cf-bd96-b82878d651fa)

## The Sector

The transport industry in South Africa plays a vital role in the country's economy, providing crucial connections between businesses, consumers, and markets. The industry encompasses a range of modes of transportation, including road, rail, air, and maritime.

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%.<sup>51</sup> Several potential investors have expressed an interest in buying a stake in ACSA, but Transport Minister Fikile Mbalula maintains that the entity is not for sale.<sup>52</sup>

Transnet has been unable to meet demand due to poor performance, including a lack of trains, cable theft, and poor maintenance.<sup>53</sup> Transnet's volumes have dropped by 24% in the last five years, and its 'average monthly gross tonnes/km/locomotive key performance indicator shows a 33% drop in efficiency over five years'.<sup>54</sup> This is reflected in its poor performance below, and experts have warned of the state entity's 'imminent collapse' without drastic reform.

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<sup>51</sup> <https://businesstech.co.za/news/business/530384/south-african-airports-expect-good-news-for-december-holidays/>

<sup>52</sup> <https://www.news24.com/fin24/companies/airports-company-sa-is-not-for-sale-says-mbalula-20220909>

<sup>53</sup> <https://www.iol.co.za/business-report/companies/kumba-lowers-its-guidance-for-2022-2023-2024-thanks-to-transnet-88f62982-5166-4f44-bd17-f00f9d1e2d34>

<sup>54</sup> <https://www.engineeringnews.co.za/article/association-warns-of-imminent-collapse-of-transnet-2022-11-16>

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.

## Financials

### Revenue

The state-owned company Transnet is the biggest company in terms of revenue in the sample sector with a revenue of ZAR 67 billion, despite a 10% drop in revenue from 2020 to 2021. This is closely followed by Imperial holdings (now Imperial Logistics) with a ZAR 52 billion revenue for the 2021 financial year (up 12% since 2020). Super Group and Grindrod reported increases in revenue of 14% and 4% respectively. ACSA reported 70% loss in revenue from 2020 to 2021.

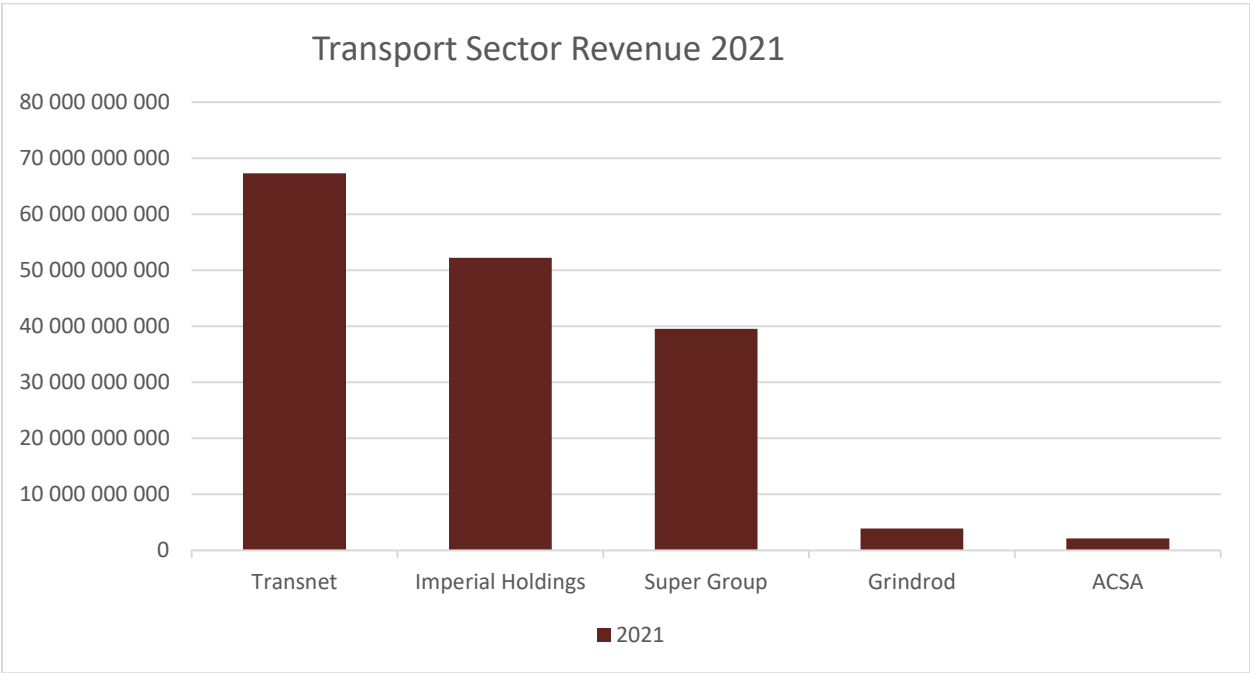


Figure 119 Transport Sector Revenue 2021

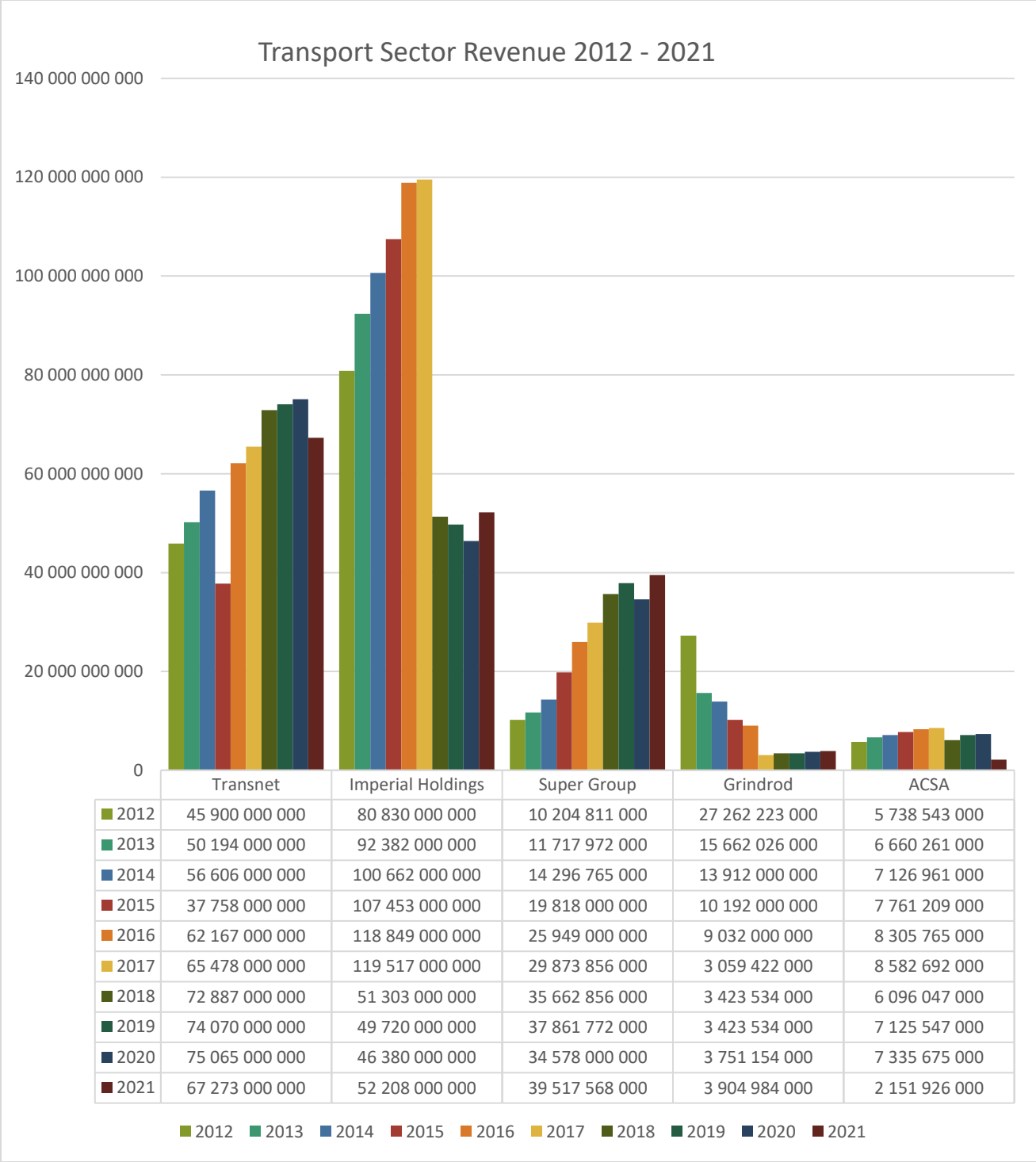


Figure 120 Transport Sector Revenue 2012 to 2021

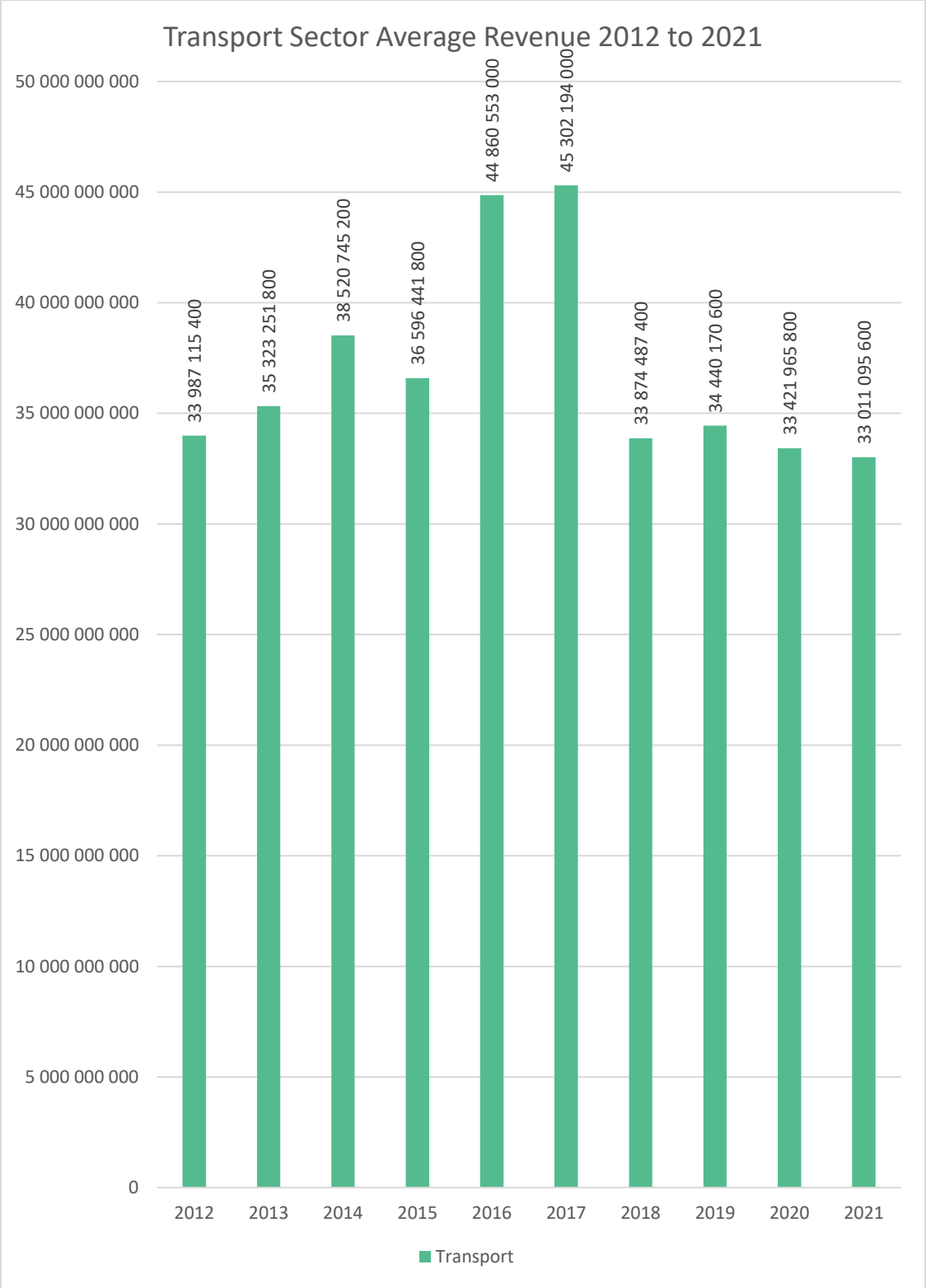


Figure 121 Transport Sector Average Revenue 2012 to 2021

## Profit before Tax

Imperial holdings reported a big increase in PBT from 2020 to 2021, from ZAR 277 million to ZAR 808 million. Grindrod, which had reported a loss in 2020 (- ZAR 291 million) reported profit of ZAR 352 million in 2021. However, this is far from pre-pandemic numbers. Super Group reported a loss in 2020 but reported a PBT of ZAR 1,7 billion in 2021 – still far below the ZAR 2,3 billion reported in 2019. Similarly, ACSA reported a loss of ZAR 3,6 billion. Transnet reported a loss of over ZAR 10 billion.

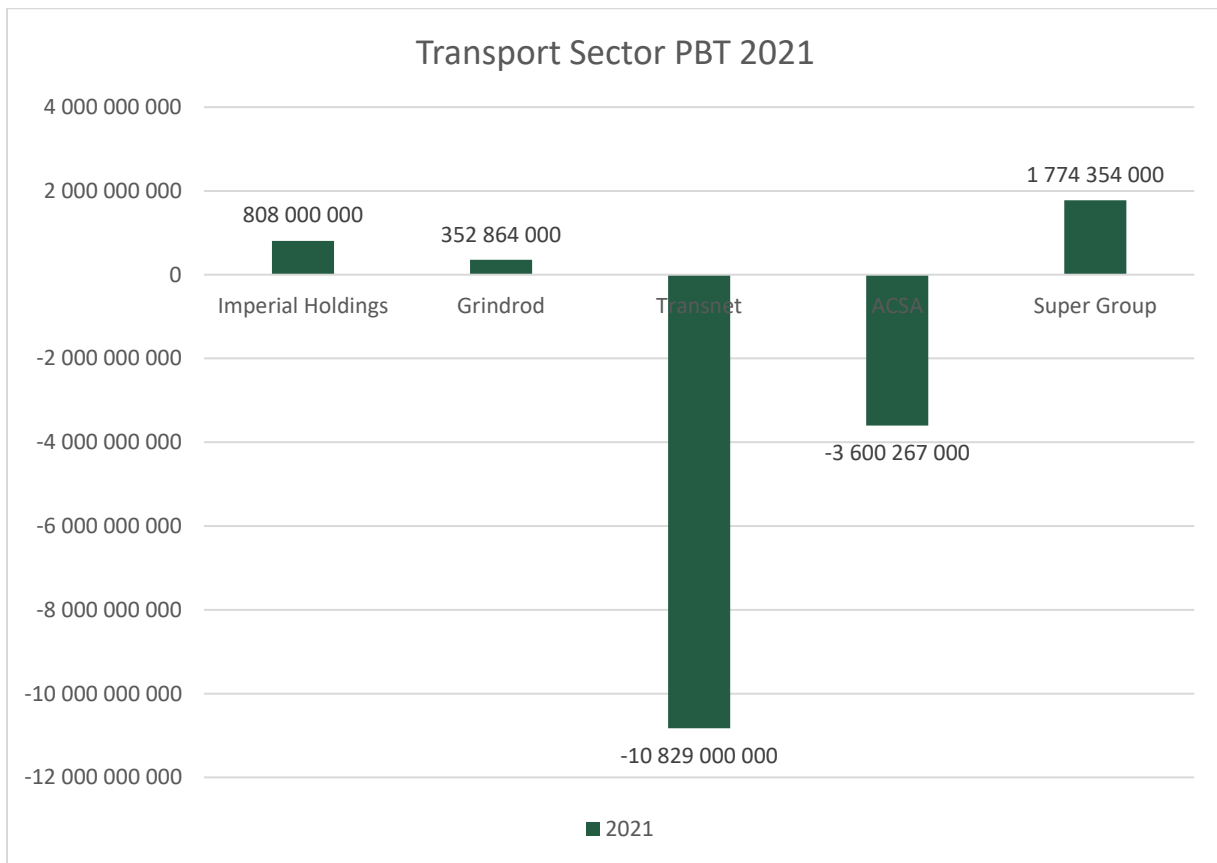


Figure 122 Transport sector Profit before Tax 2021



Figure 123 Transport sector Profit before Tax 2014 to 2021



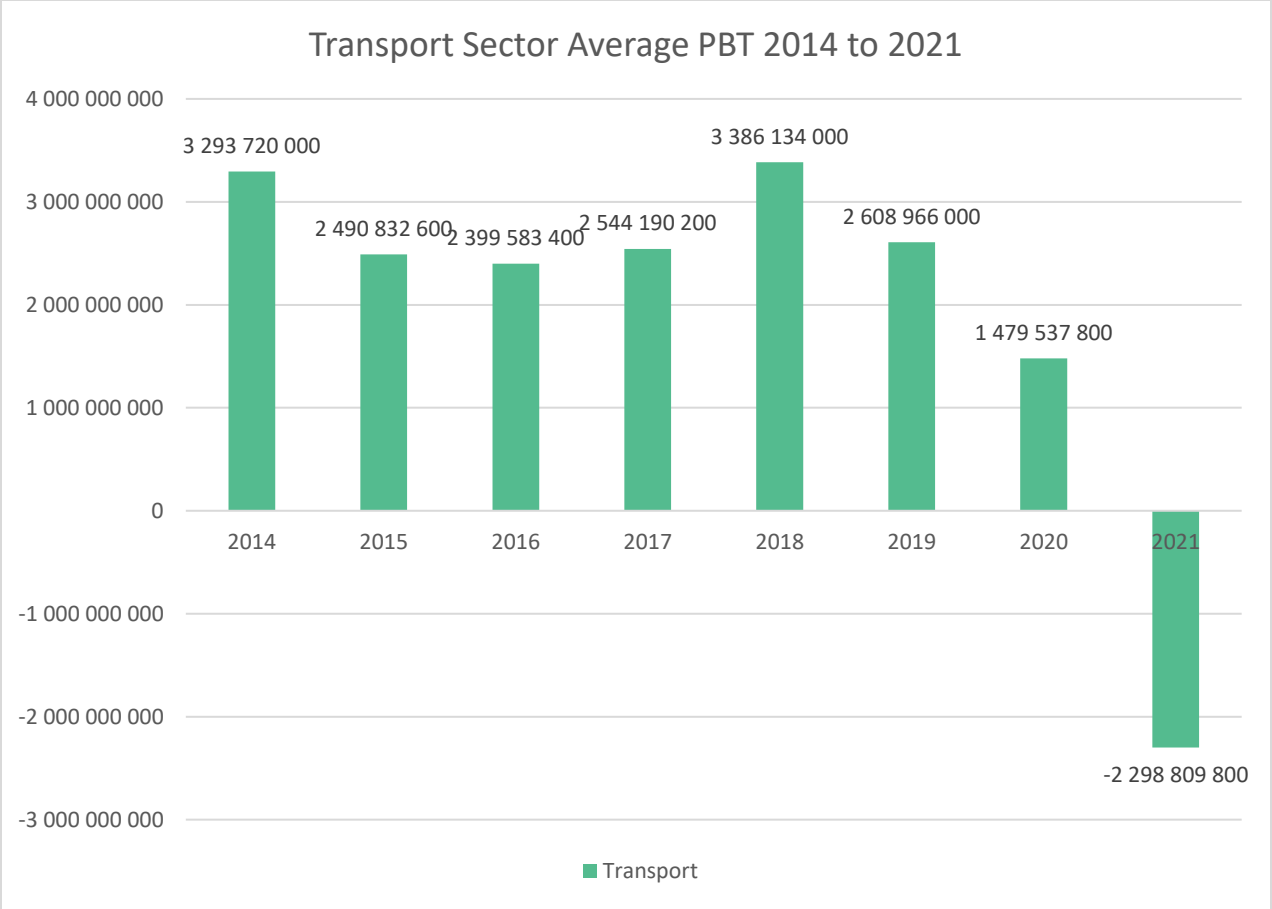


Figure 124 Transport Sector Average PBT 2014 to 2021

## Directors’ Remuneration

We use the LRS MNC database to examine CEO remuneration over the last eleven 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. In 2021, average total remuneration increased by 75% to the highest figure we’ve reported – ZAR 13,5 million.

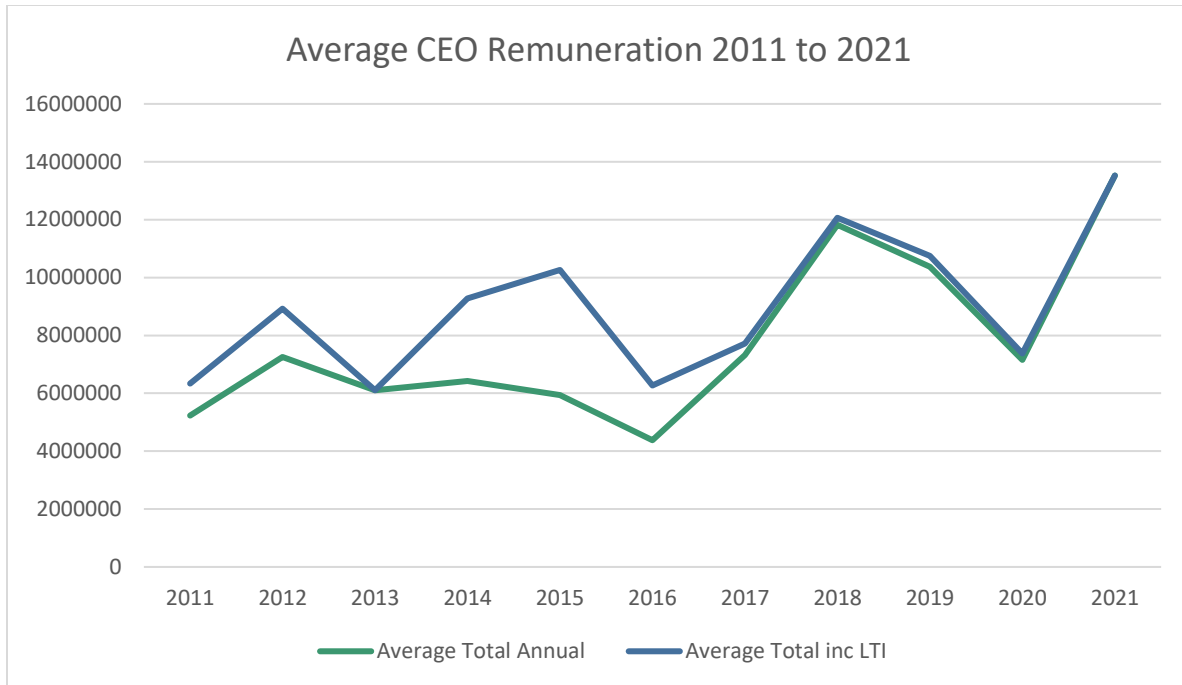


Figure 125 Transport Sector CEO Remuneration 2011 to 2021

### CEO Remuneration 2020

The highest earner in the sample for the 2021 financial year is the CEO of Imperial Holdings, Mohammed Akoojee, whose total remuneration was ZAR 26 million for the year, including a large ZAR 14 million cash bonus. Second was Grindrod CEO, Andrew Waller, whose total remuneration was ZAR 15,9 million for the year, inclusive of a ZAR 8 million cash bonus. No LTIs were paid this year.

On average, from 2020 to 2021, the total executive director and non-executive director's remuneration decreased by 75% and 9,7%, respectively (see *Figure 9 and 10*).

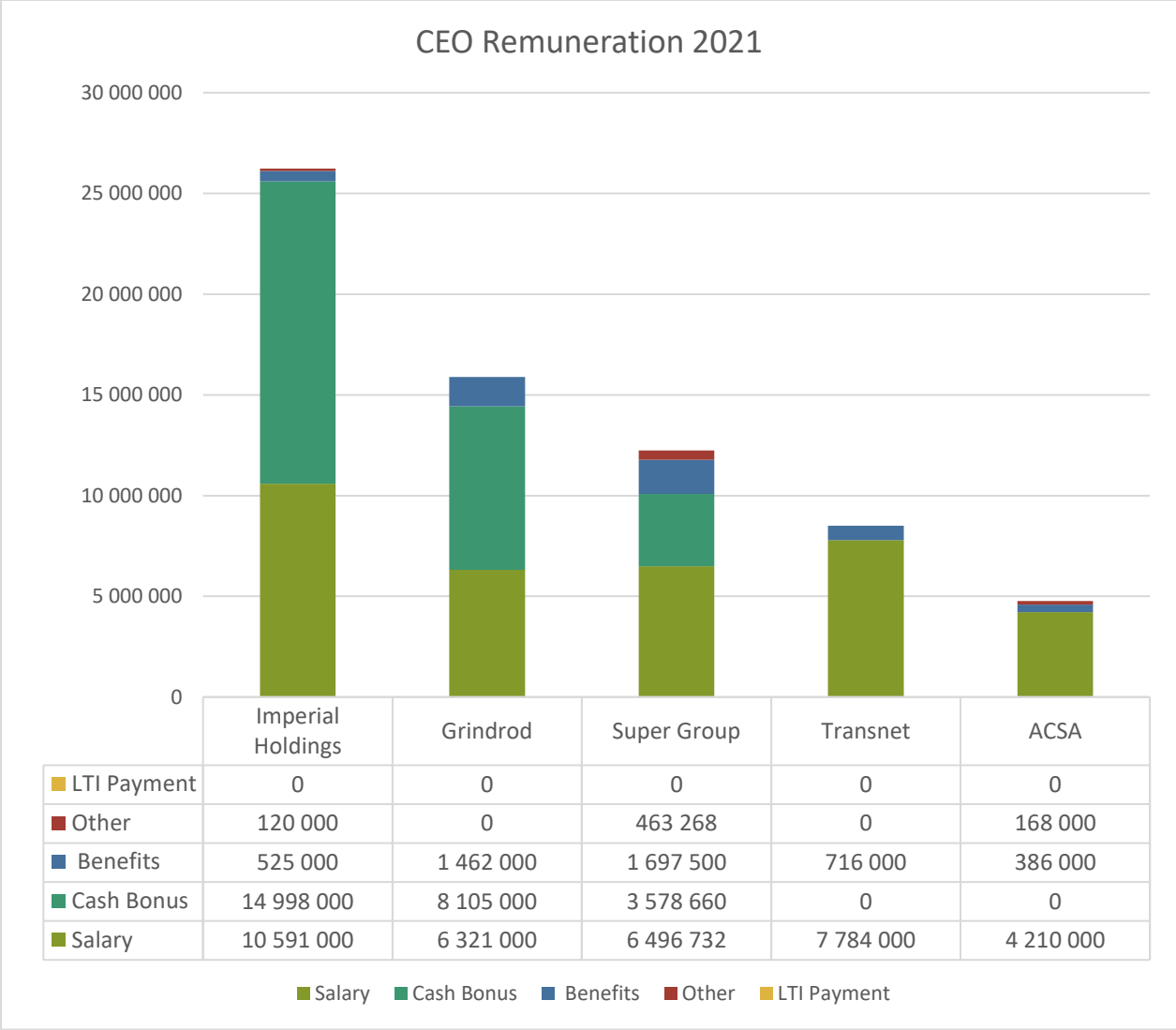


Figure 126 Transport Sector CEO Remuneration 2021

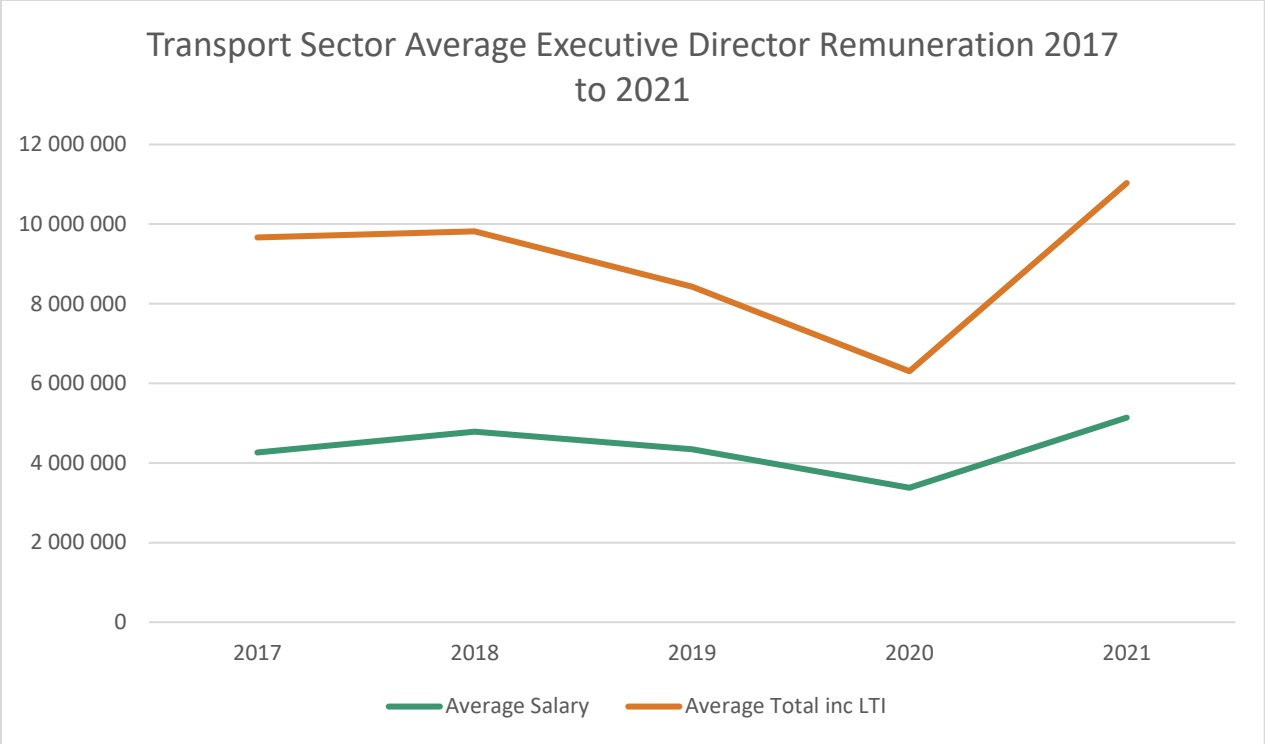


Figure 127 Transport Sector Average Executive Director Remuneration 2017 to 2021

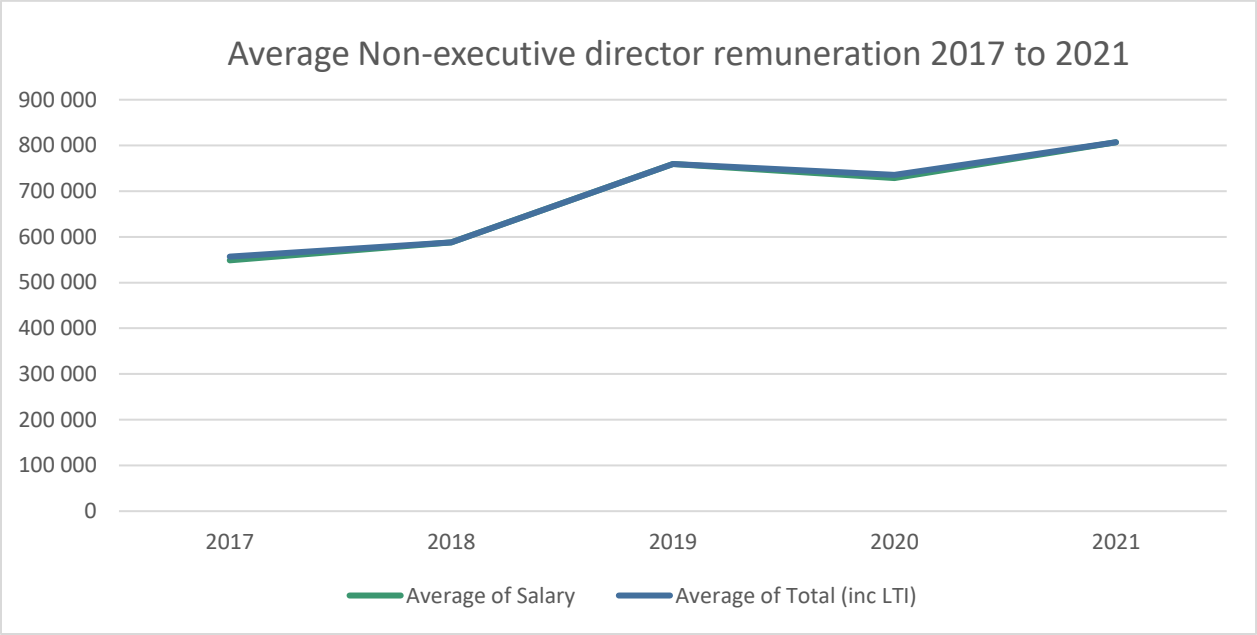


Figure 128 Transport sector NED Average Total Remuneration 2017 to 2021