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# MINING SECTOR REPORT 2021

**LRS** Labour  
Research  
Service

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

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## 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>

The South African mining industry employed 514 859 individuals in 2019.<sup>1</sup> These make the mining sector a vital industry for the LRS to monitor. Firstly, this report looks at the significant effect the COVID 19 pandemic has had on the sector. The rich data extracted from the LRS's [MNC Database](#) further enables a retrospective view of company performance over the last seven years. We also analyse the high remuneration packages received by directors in this sector.

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<sup>1</sup><http://www.statssa.gov.za/?p=14682#:~:text=Employment%20has%20gone%20up%2C%20but%20not%20for%20mine%20employees&text=The%20South%20African%20mining%20industry,20%20in%20the%20gold%20sector.>

## The Sector

With high employments numbers, the mining sector in South Africa is a key socio-economic contributor.<sup>2</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>3</sup>

The sector is also not unscathed by the COVID-19 pandemic. According to recent indications by the Minerals Council South Africa, the total impact of Covid-19 could ultimately result in a year-on-year South African mining decline of over 25%. The outcome of such dramatic production declines, coupled with several operations being placed on hold, has resulted in liquidity challenges for several companies.<sup>4</sup> In a recent report by the accounting firm, PricewaterhouseCoopers (PwC), the firm warns that losses incurred by companies from suspended operations due to the impact of the Covid-19 may create opportunities for big companies to buy the assets of struggling companies.<sup>5</sup>

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>6</sup> South African Minister of Mineral Resources and Energy Gwede Mantashe has called on the sector to 'prioritise the safety of workers'.

## Financials

### Revenue

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

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<sup>2</sup> <https://www.miningreview.com/coal/decarbonising-south-africas-mining-sector/>

<sup>3</sup> <https://www.dailymaverick.co.za/article/2021-11-23-the-decline-of-south-africas-mining-sector-in-five-charts/>

<sup>4</sup> <https://www.pwc.co.za/en/assets/pdf/sa-mine-2020.pdf>

<sup>5</sup> <http://www.pwc.co.za/mining>

<sup>6</sup> <https://allafrica.com/stories/202111260300.html>

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

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

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

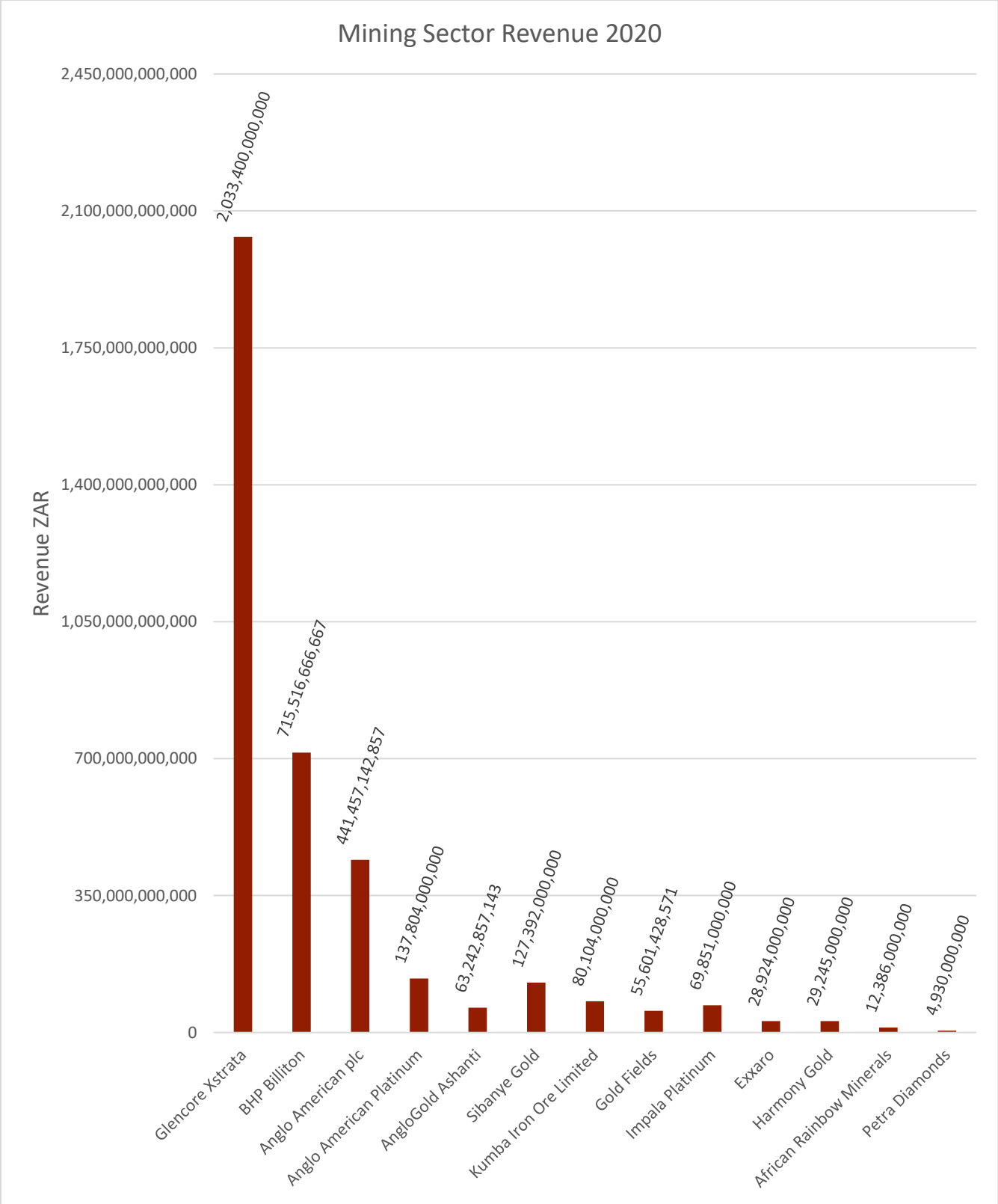


Figure 1 Mining Sector Revenue 2020

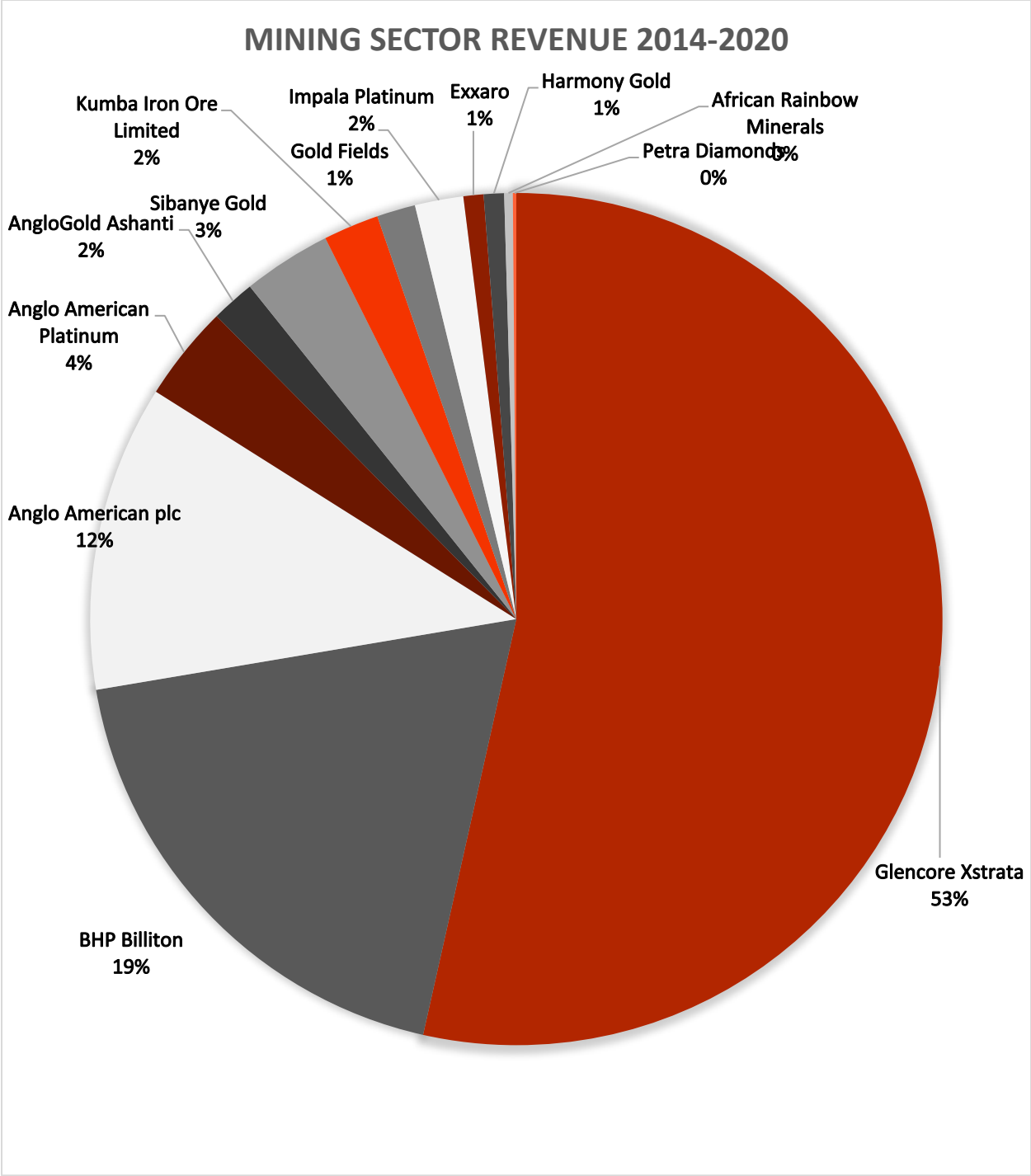


Figure 2 Mining Sector Revenue Pie Chart 2020



Figure 3a: Mining Sector Revenue 2014 to 2020

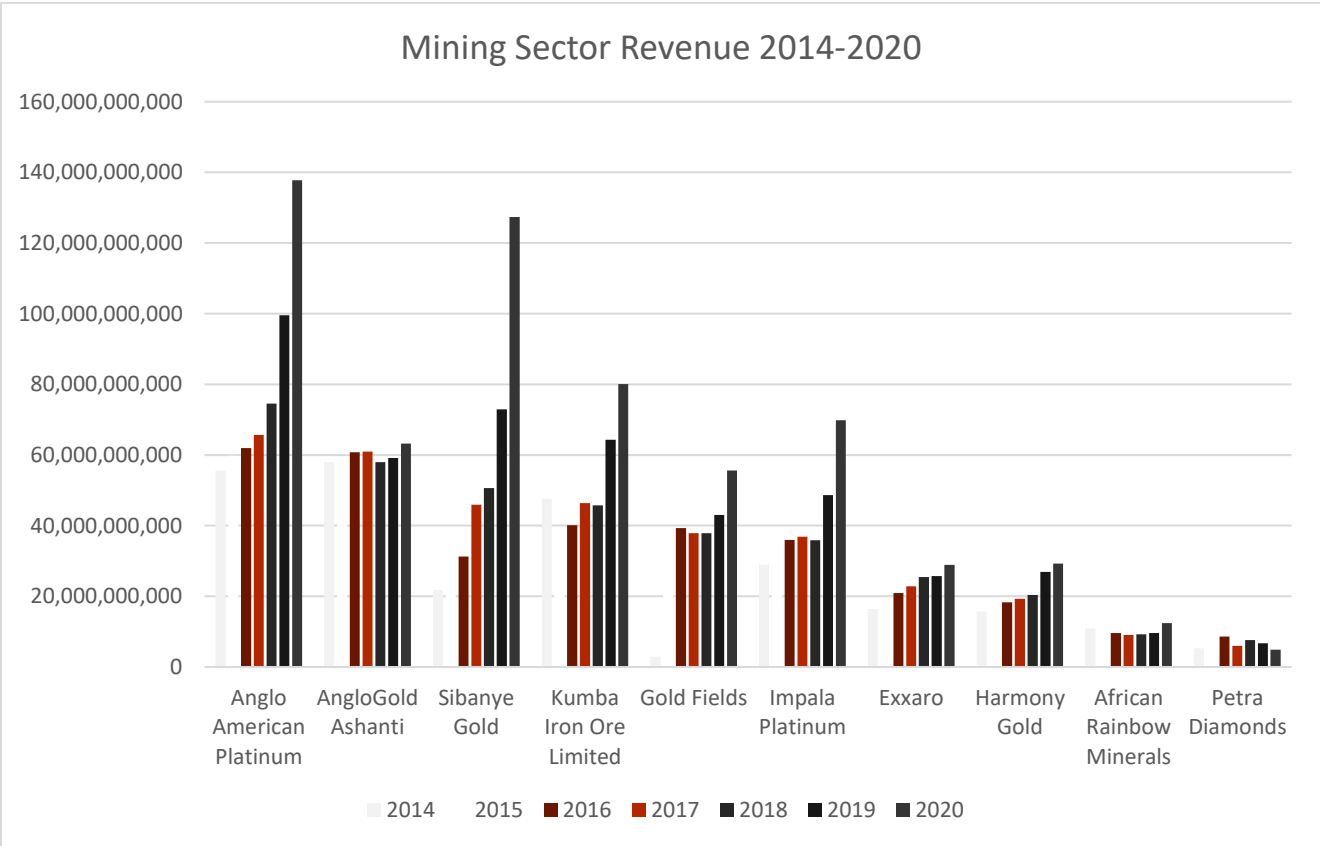


Figure 3b: Mining Sector Revenue 2014 to 2020





Figure 3 Mining Sector Average Revenue 2012 to 2020

### Profit before Tax

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

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

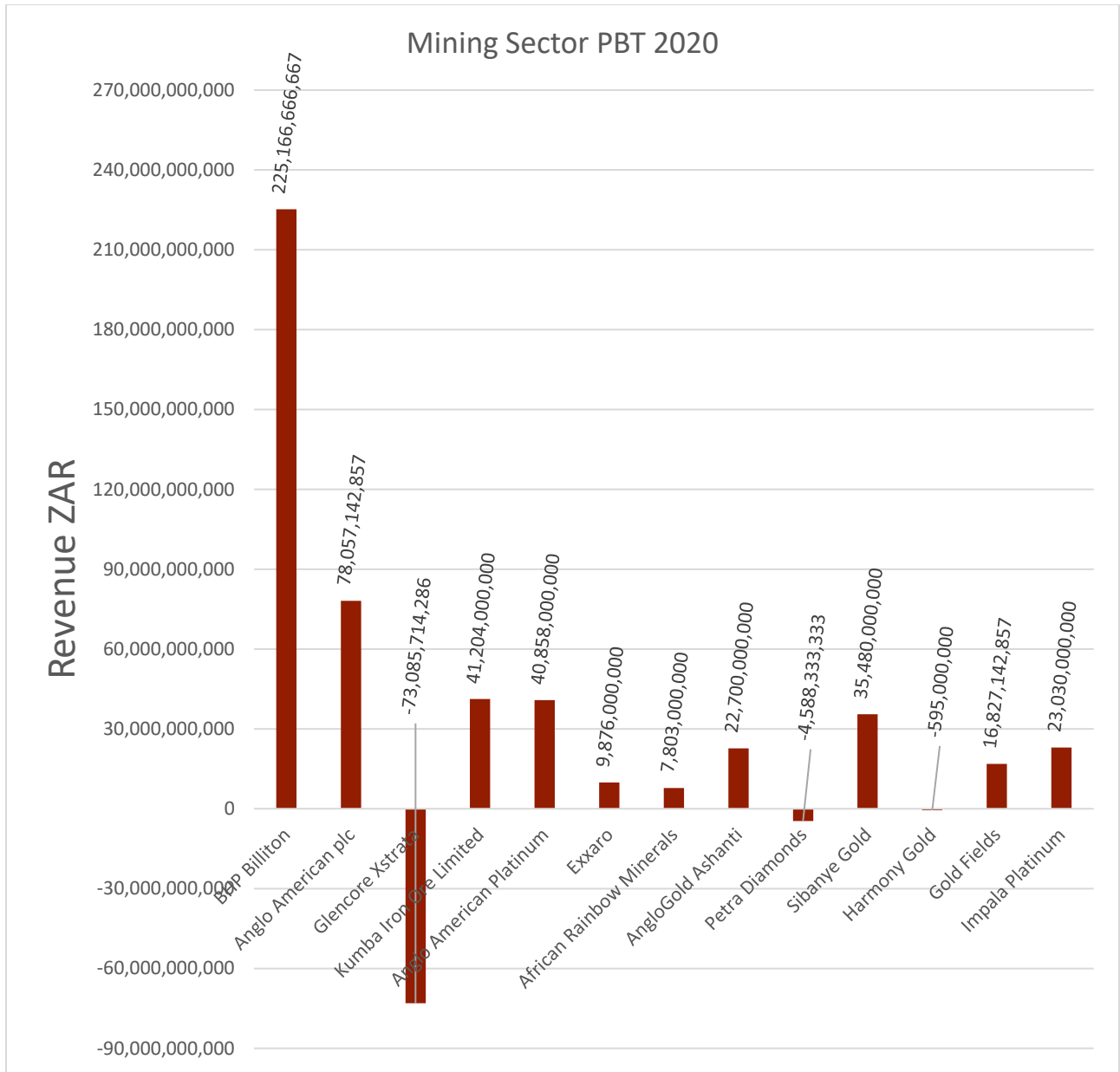


Figure 4 Mining sector Profit before Tax 2020

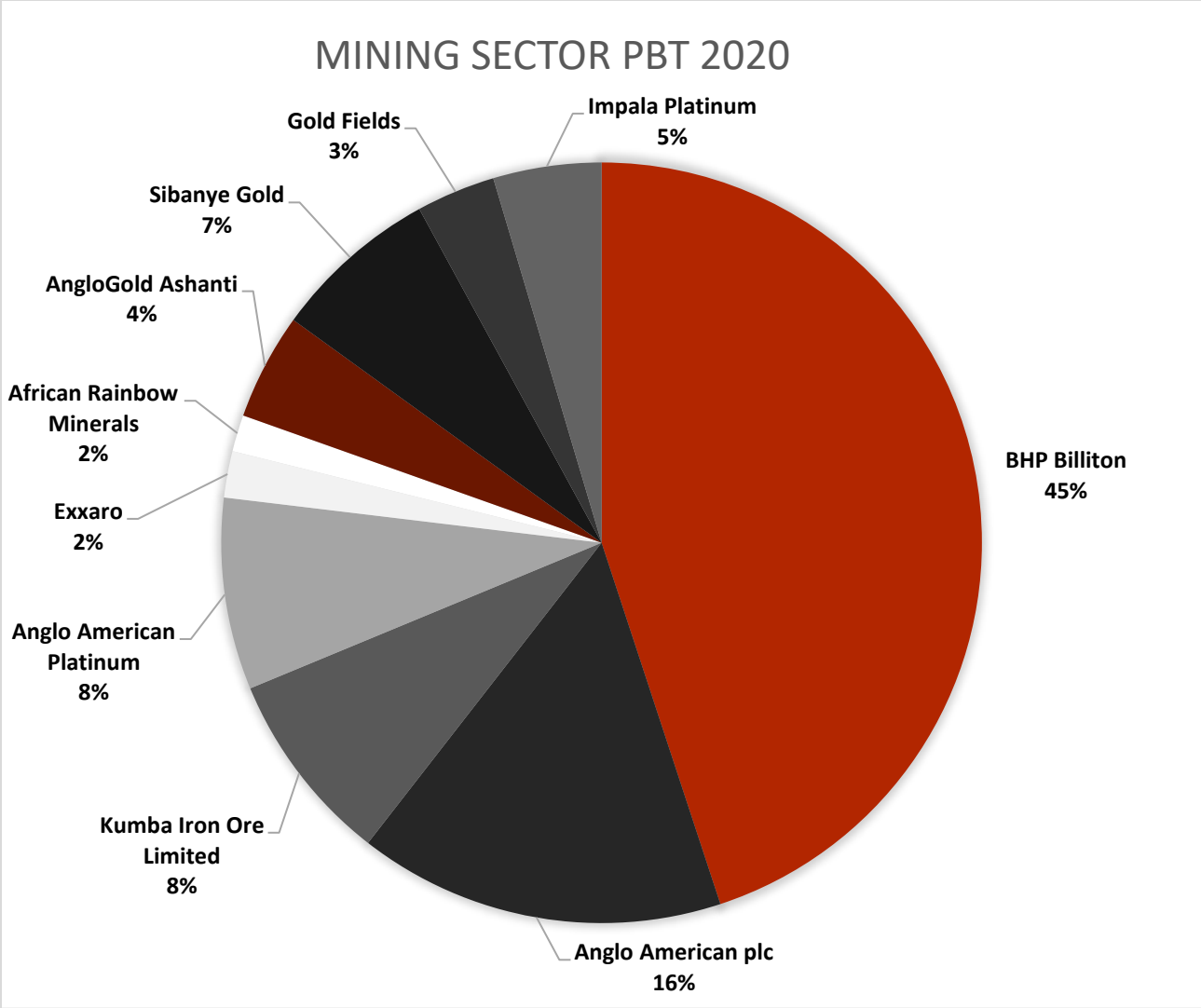


Figure 5 Mining sector Profit before Tax 2020

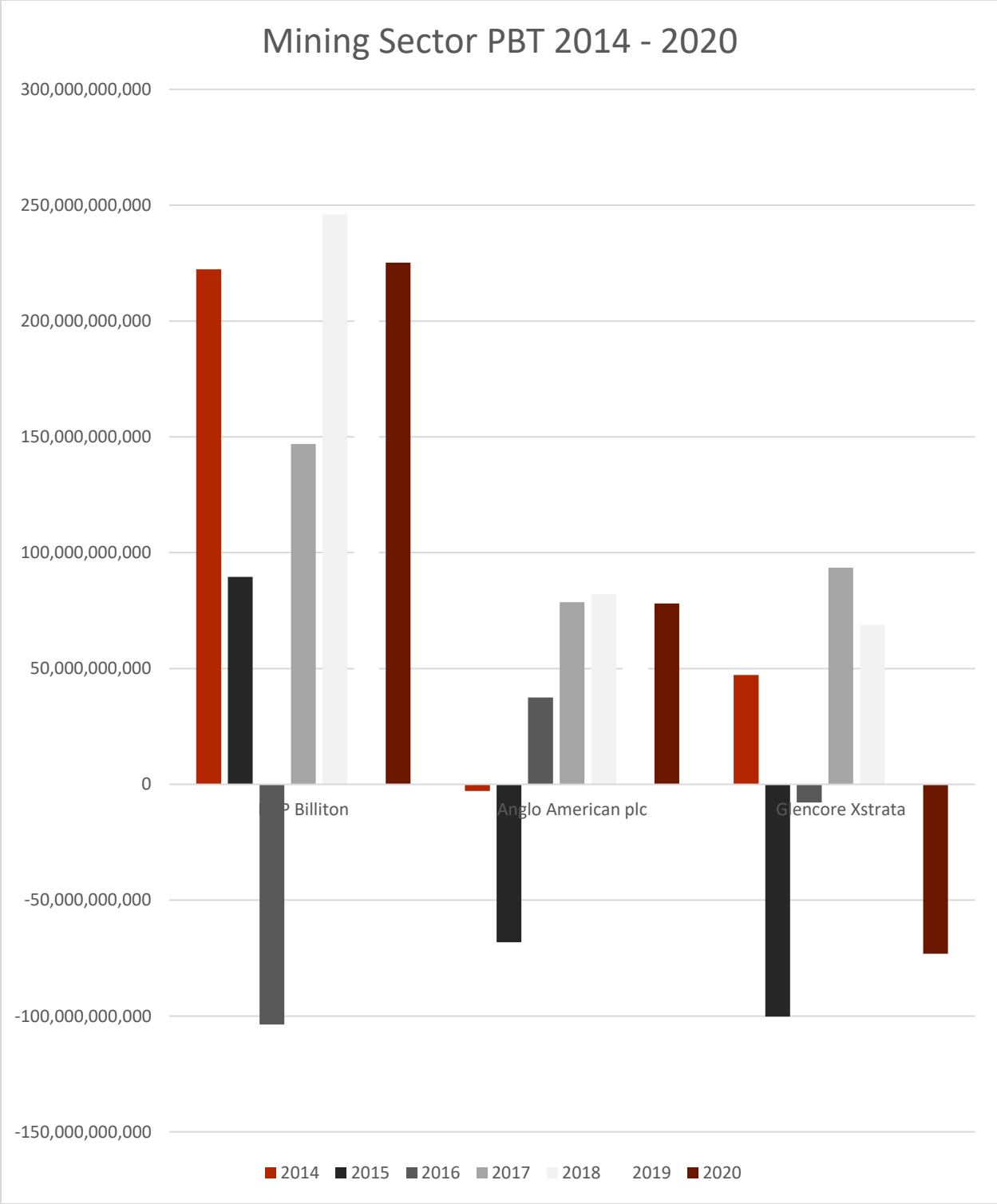


Figure 6b Mining sector Profit before Tax 2014 to 2020

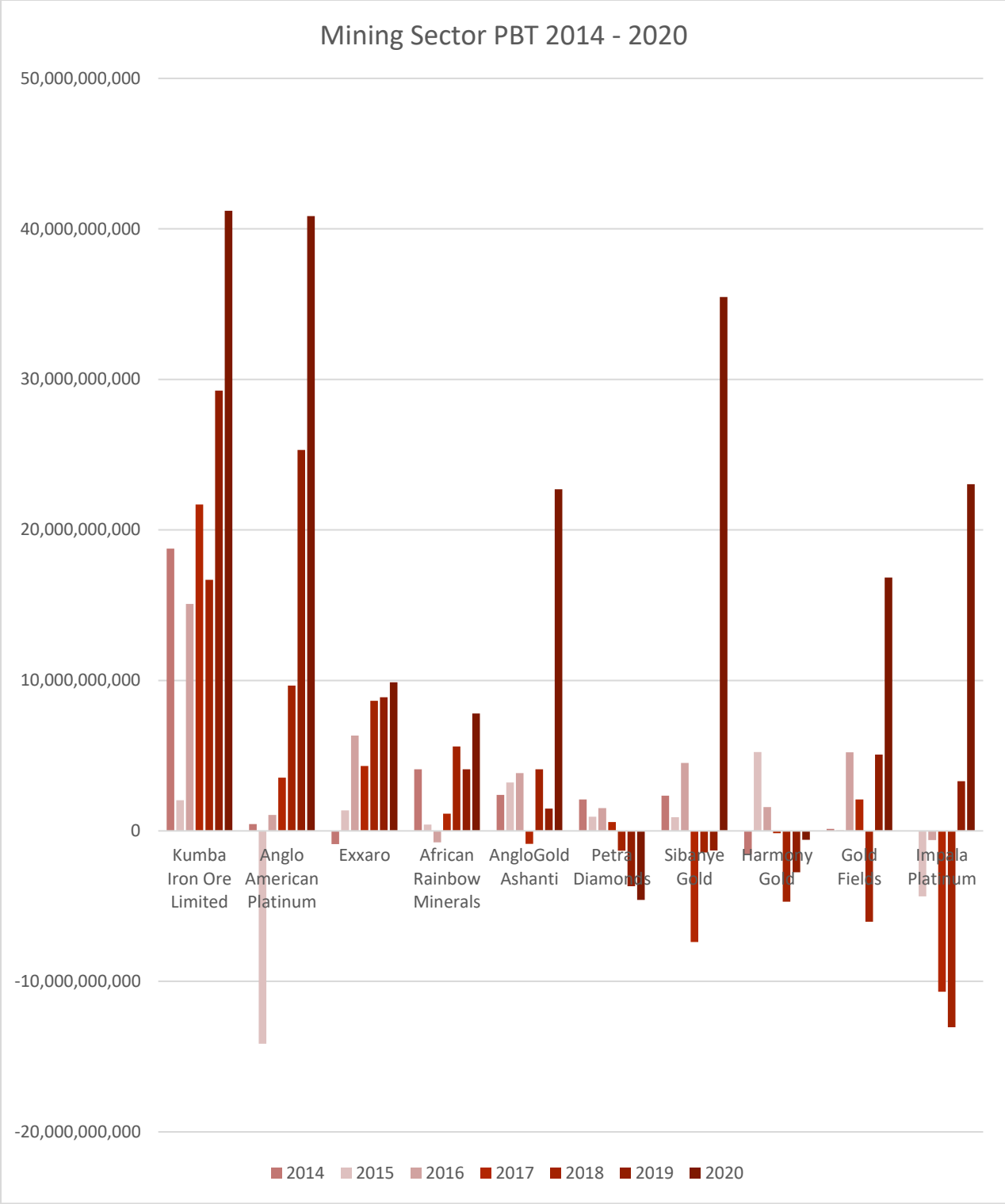


Figure 7a Mining sector Profit before Tax 2014 to 2020

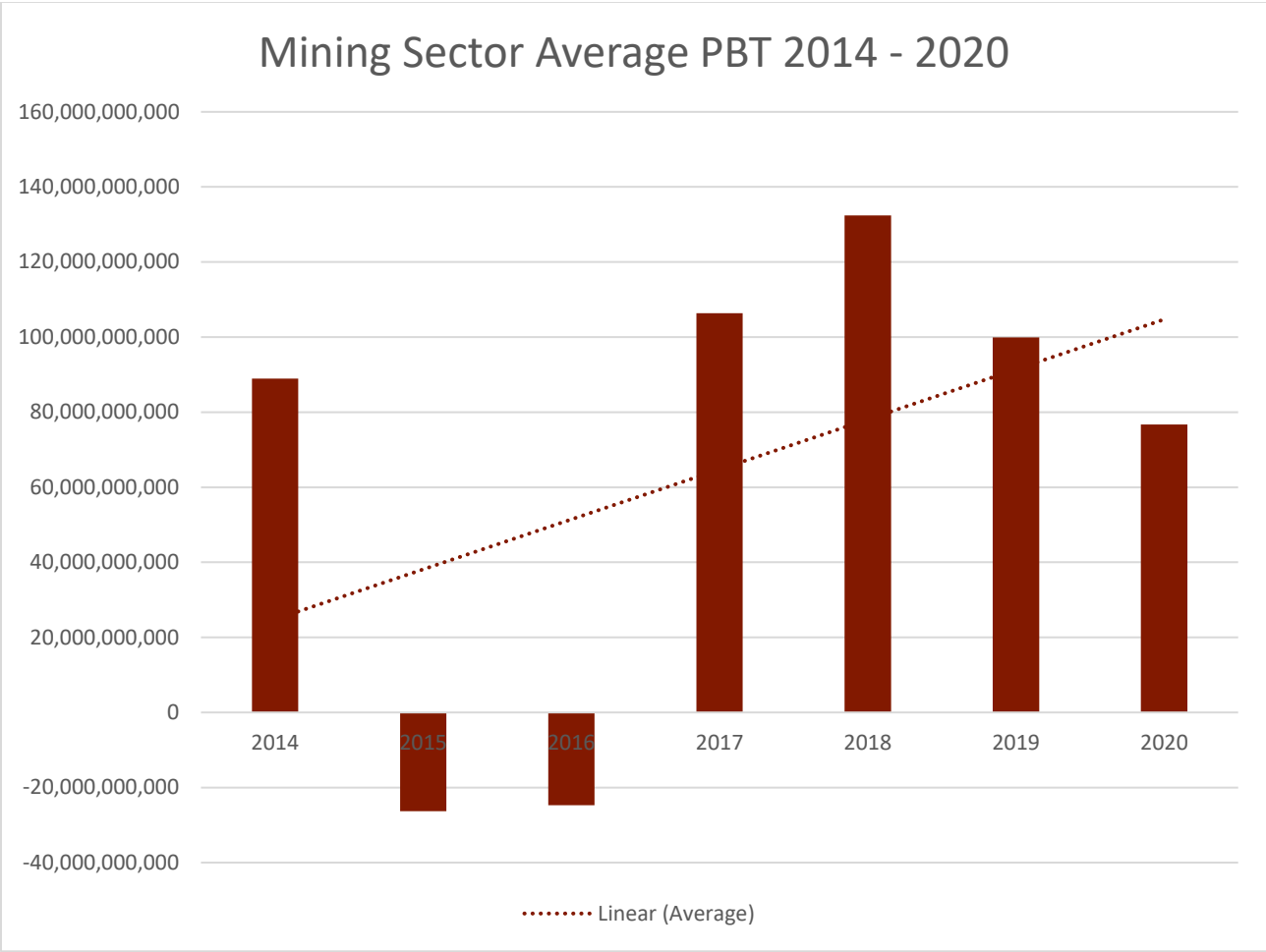


Figure 8 Mining Sector Average PBT 2014 to 2020

## Directors’ Remuneration: a ten-year retrospective

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



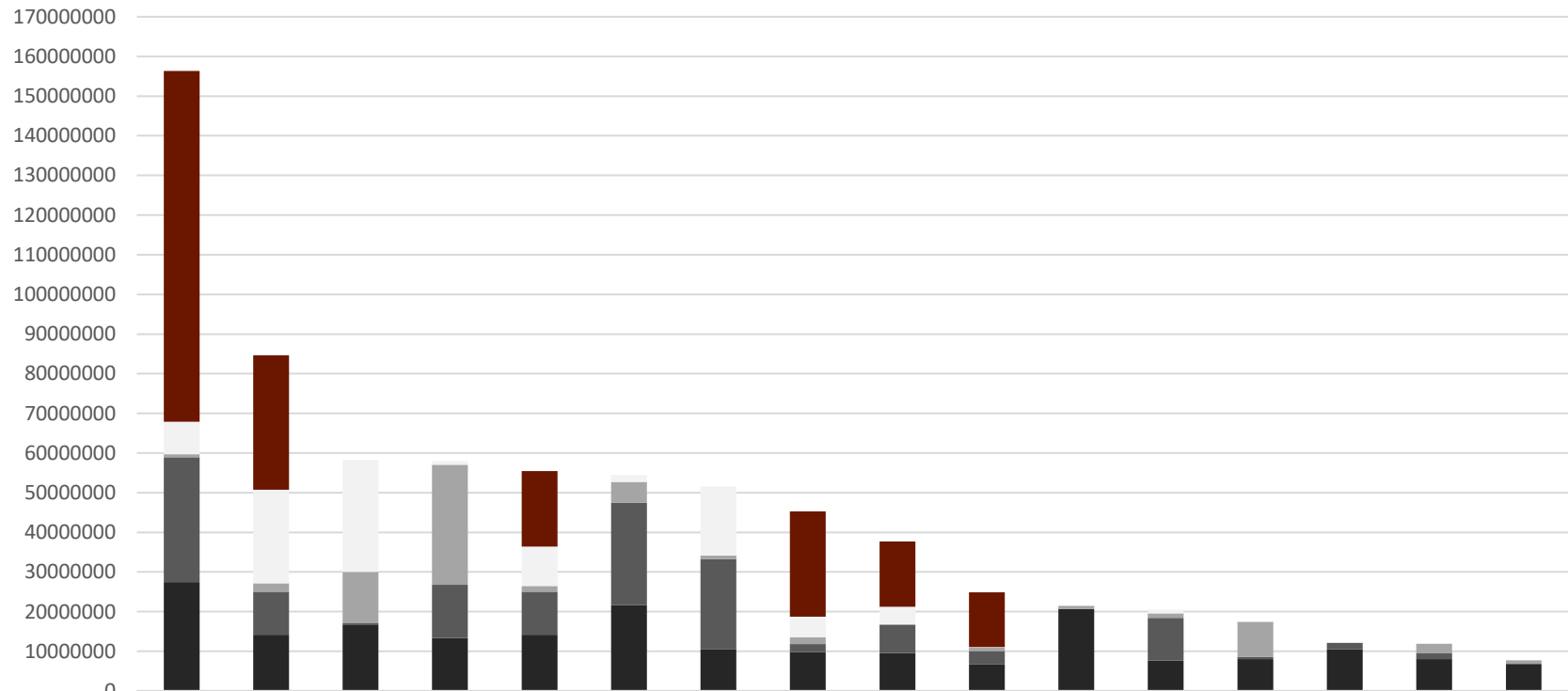
Figure 9 Mining Sector CEO Remuneration 2011 to 2020

## CEO Remuneration 2020

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

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

### Mining Sector CEO Remuneration 2020



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



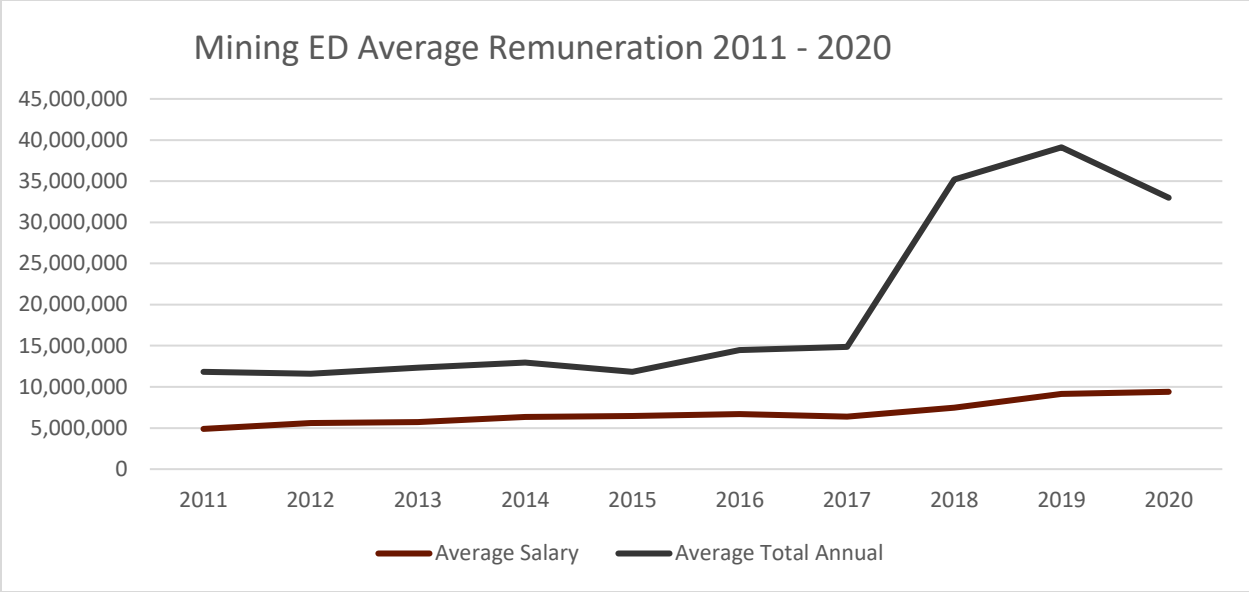


Figure 10 Mining Sector Executive Director Remuneration 2012 to 2020

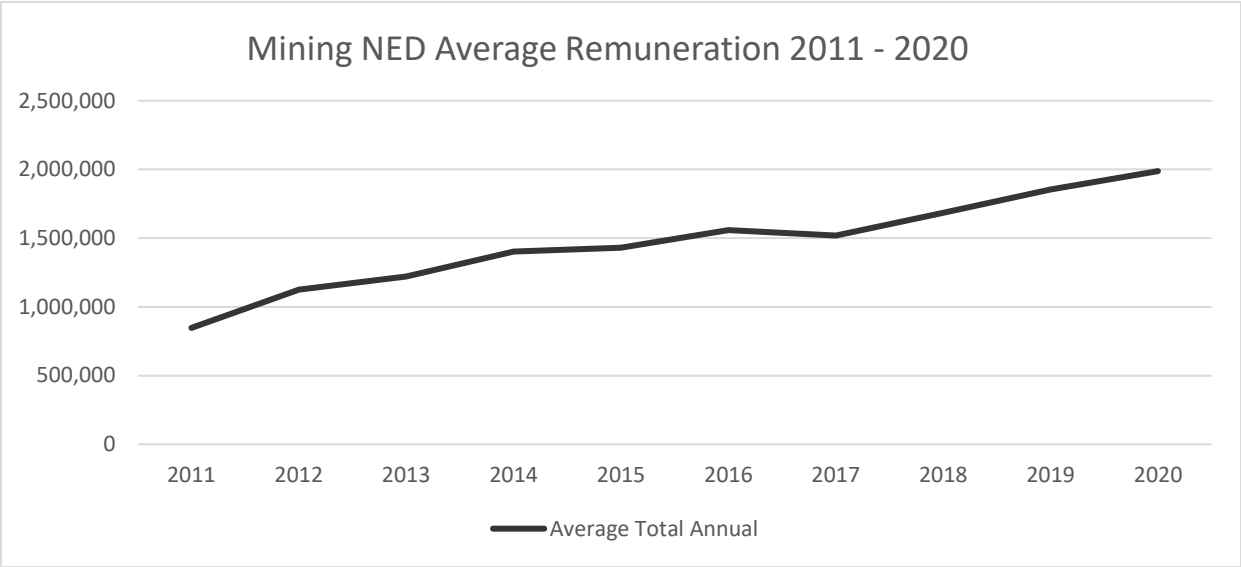


Figure 11 Mining sector NED Average Total Annual Remuneration 2011 to 2020