

Mining Sector Report 2022



TRADE UNION COMPETENCE CENTRE
SUB-SAHARAN AFRICA



Contents

Introduction	2
The Sector	3
Financials.....	4
Revenue	4
Profit before Tax	10
Directors' Remuneration	15
CEO Remuneration 2021.....	16

Table of Figures

Figure 1 Mining Sector Revenue 2021	6
Figure 2 Mining Sector Revenue Pie Chart 2021	7
Figure 3 Mining Sector Average Revenue 2012 to 2021	10
Figure 4 Mining sector Profit before Tax 2021	11
Figure 5 Mining sector Profit before Tax 2021	12
Figure 6 Mining sector Profit before Tax 2014 to 2021.....	13
Figure 7 Mining sector Profit before Tax 2014 to 2021.....	14
Figure 8 Mining Sector Average PBT 2014 to 2021	15
Figure 9 Average CEO Remuneration 2011 to 2021	16
Figure 10 CEO Remuneration 2021.....	17
Figure 11 CEO Remuneration 2021.....	18
Figure 12 Mining Sector Executive Director Remuneration 2017 to 2021.....	19
Figure 13 Mining sector NED Average Total Annual Remuneration 2017 to 2021	19

Introduction

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

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

The South African mining sector employed 458,954 in 2021.¹ 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.

1

<https://www.statista.com/statistics/1312267/south-africa-mining-employment/#:~:text=South%20Africa's%20mining%20employment%202011%2D2021&text=In%202021%2C%20a%20total%20of,by%20South%20Africa's%20mining%20industry.>

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.² 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.³

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 STATSSA⁴:

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

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

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

⁴ <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’.⁵ 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%.

⁵ <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.

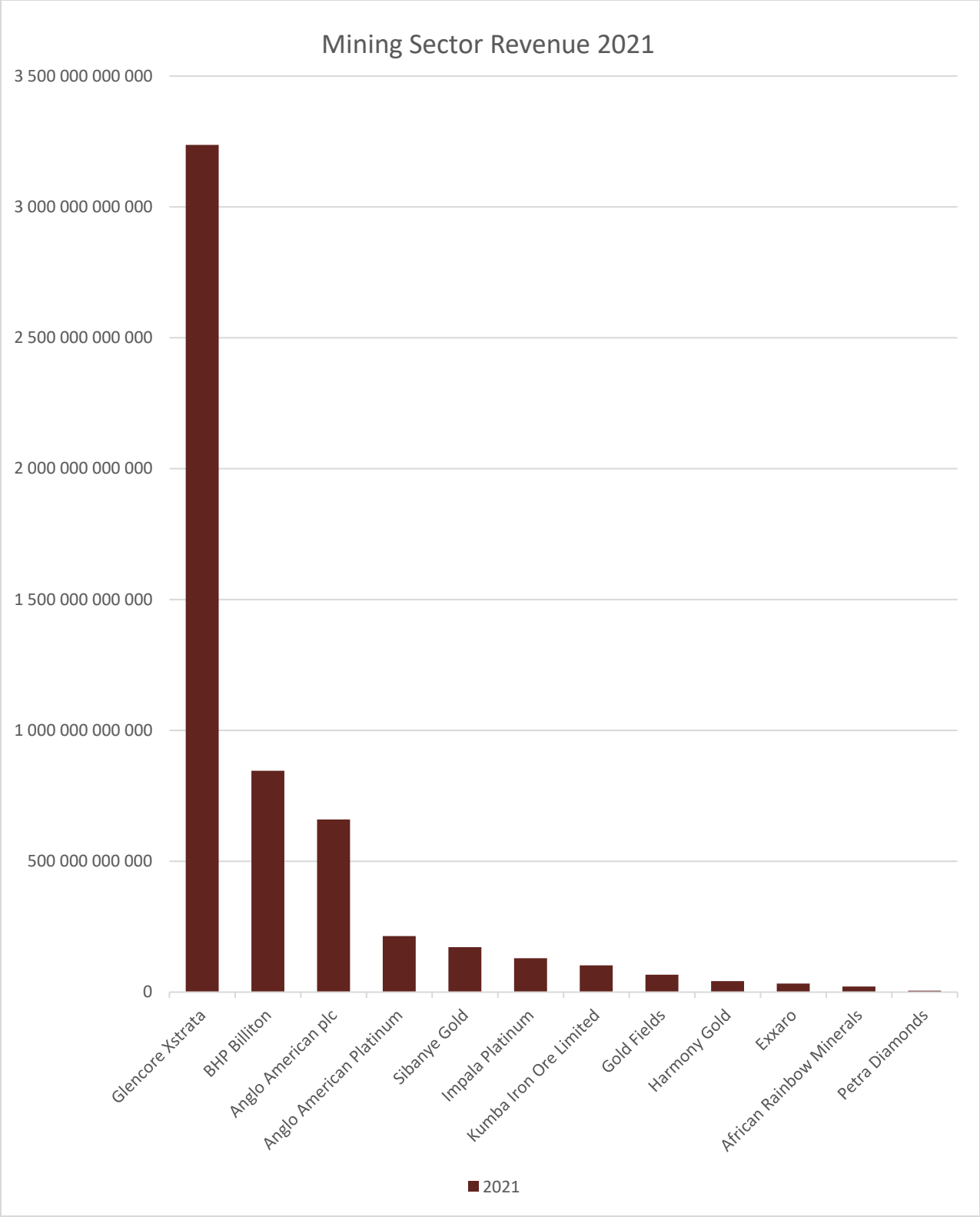


Figure 1 Mining Sector Revenue 2021

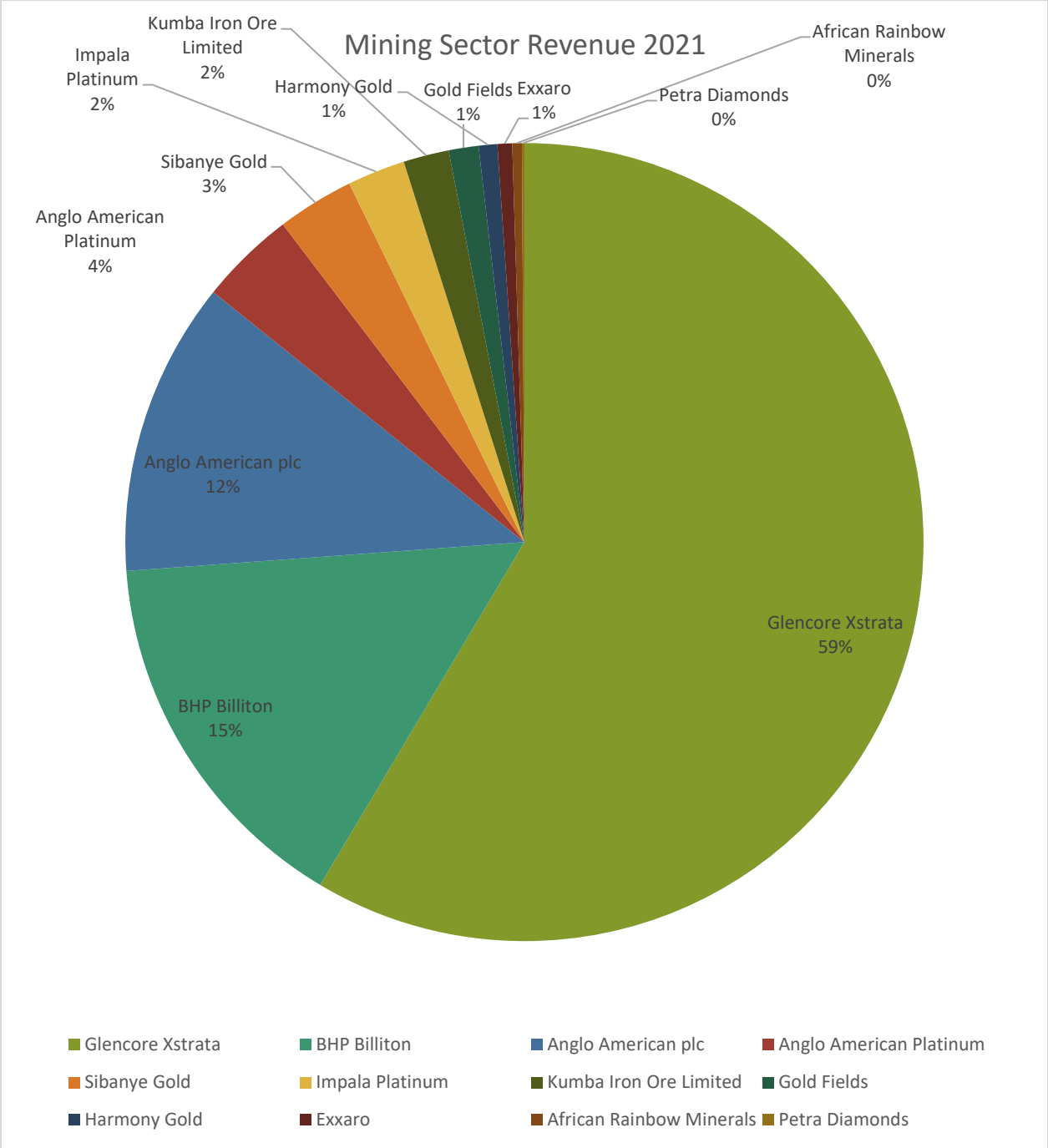


Figure 2 Mining Sector Revenue Pie Chart 2021

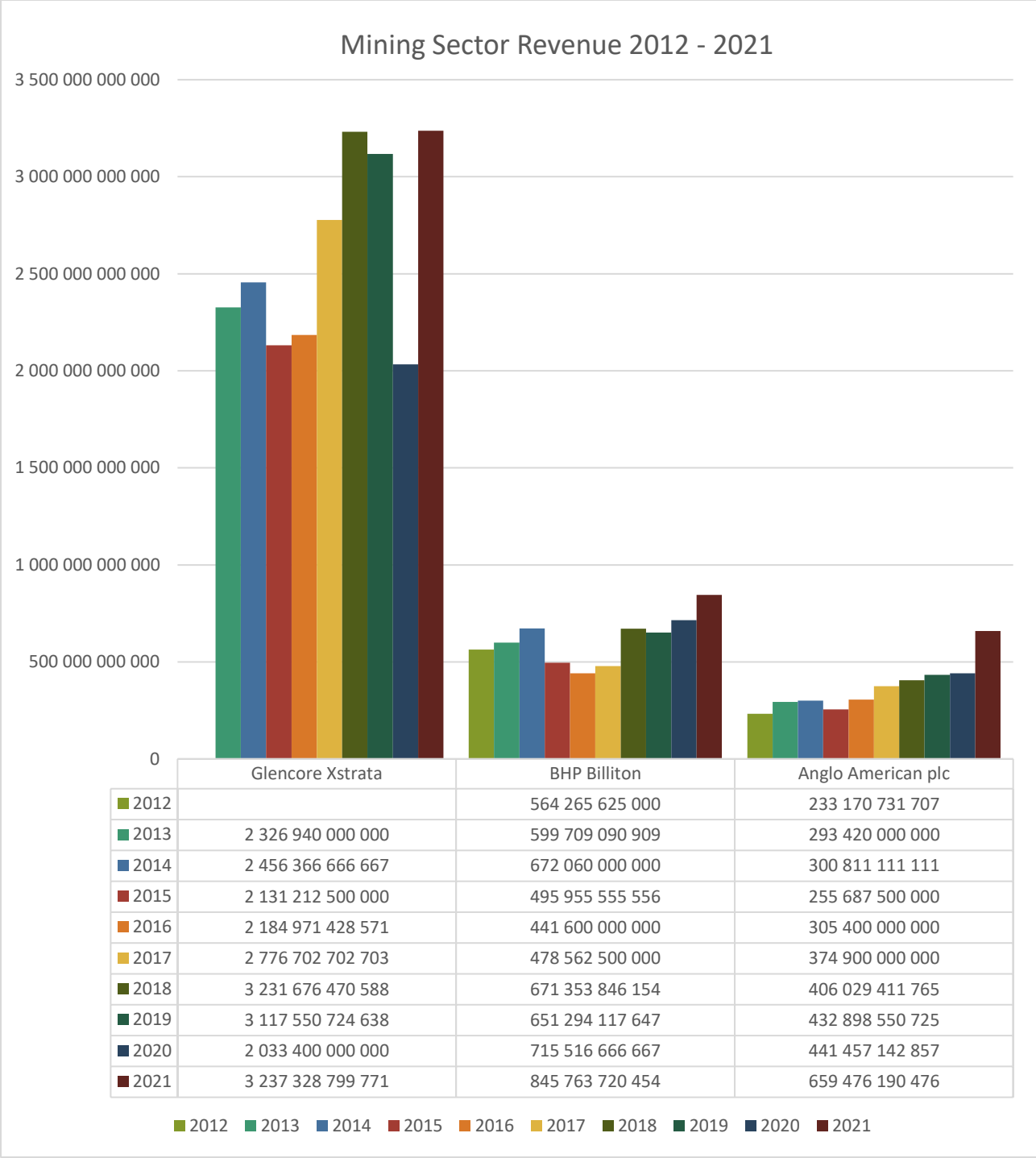


Figure 3a: Mining Sector Revenue 2014 to 2021

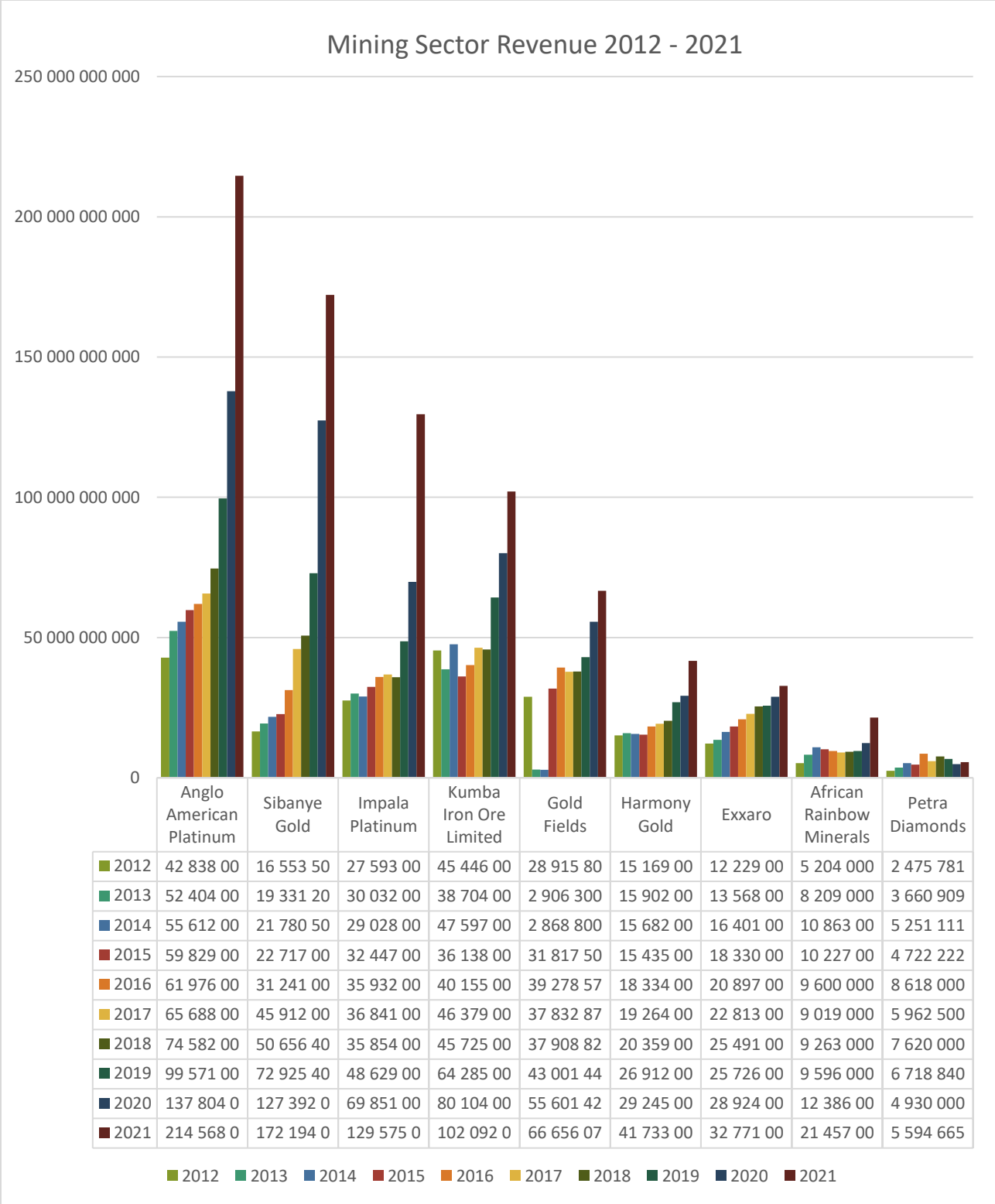


Figure 3b: Mining Sector Revenue 2012 to 2021

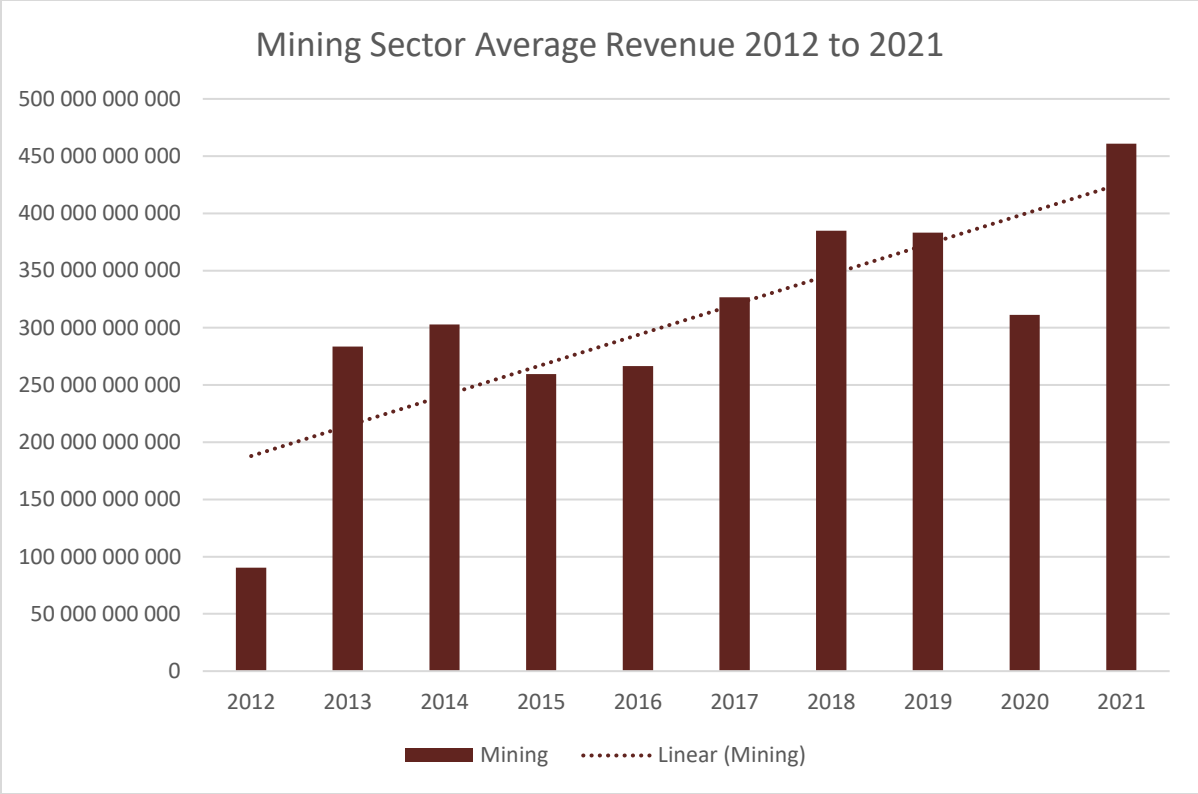


Figure 3 Mining Sector Average Revenue 2012 to 2021

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.

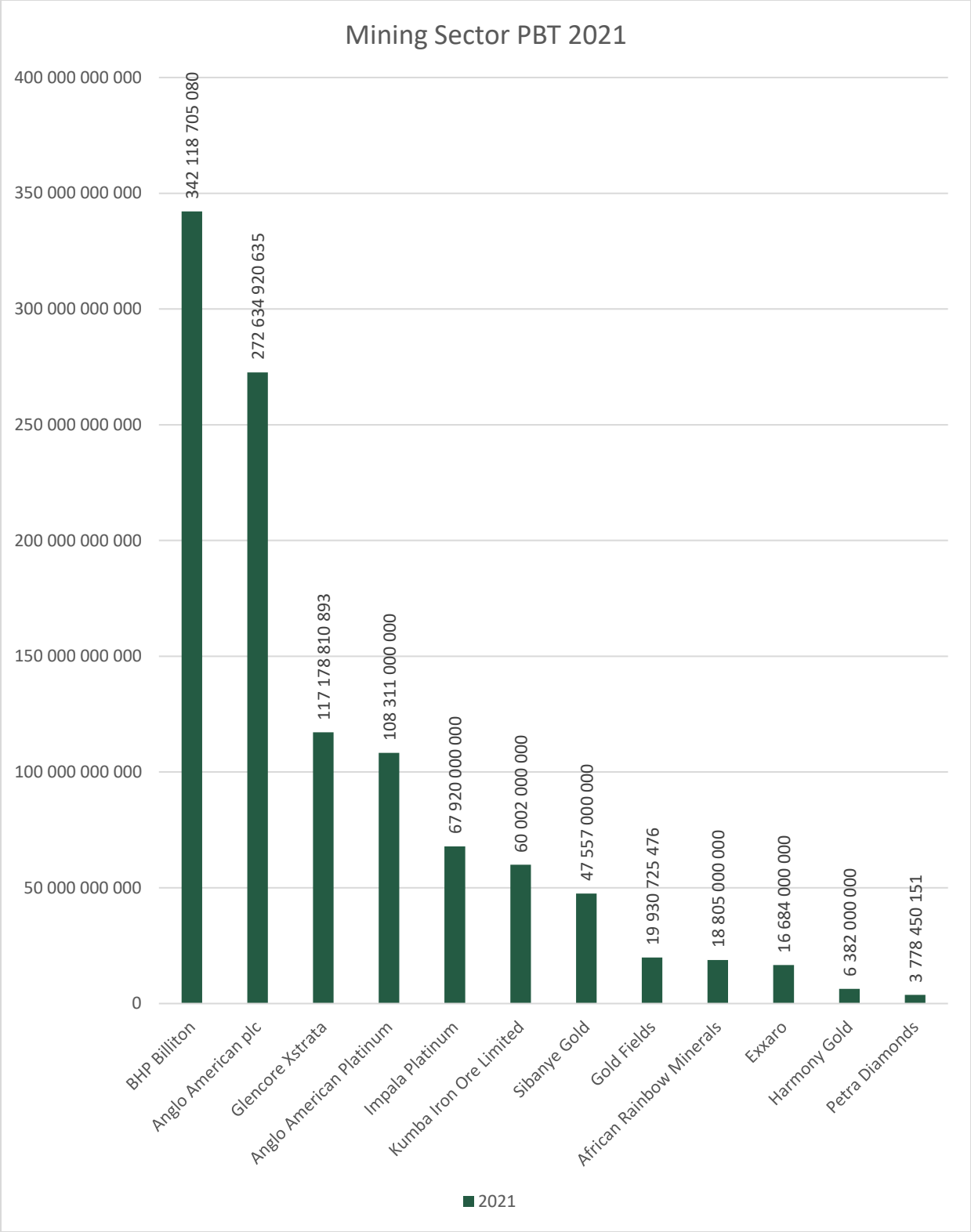


Figure 4 Mining sector Profit before Tax 2021

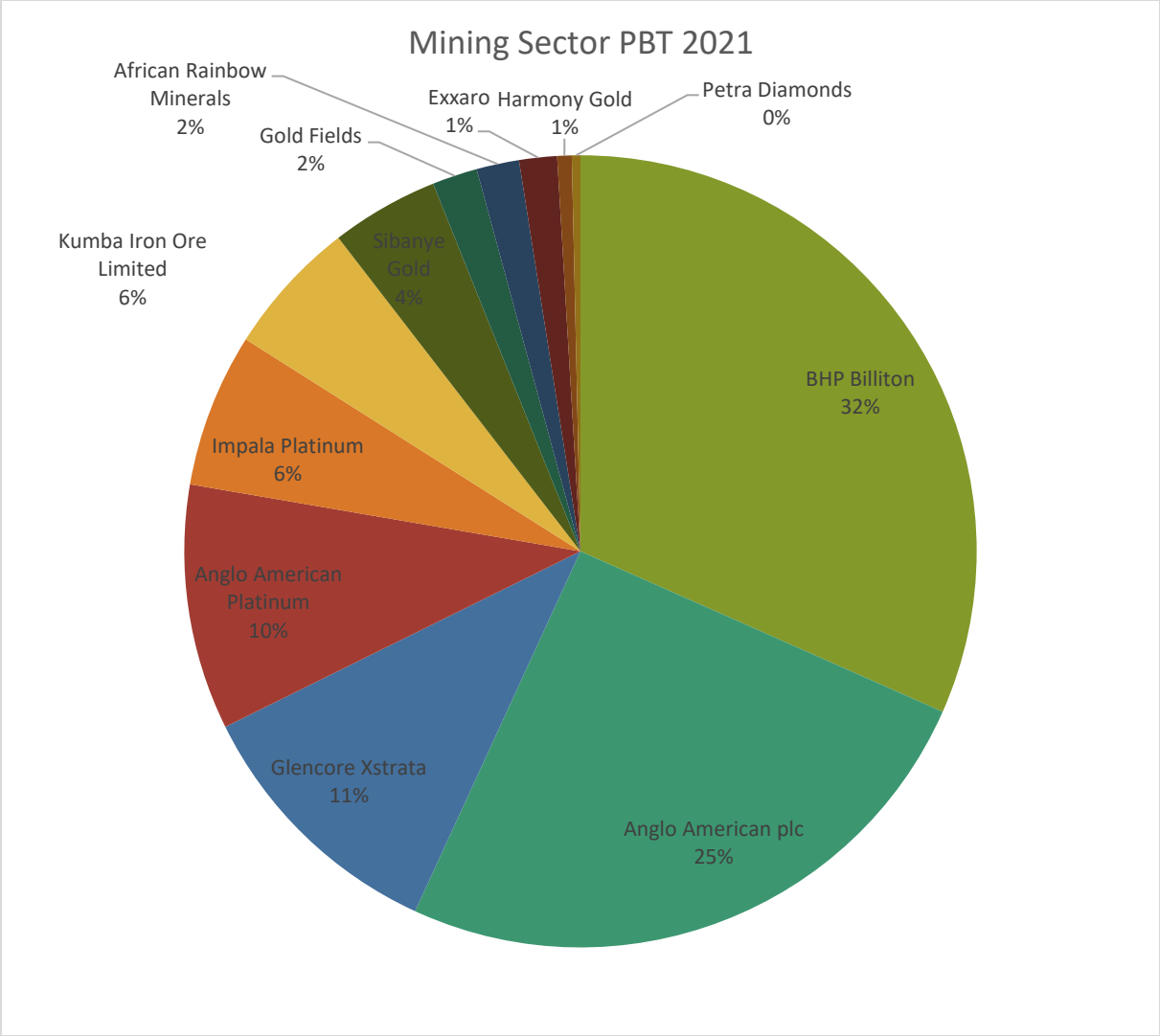


Figure 5 Mining sector Profit before Tax 2021

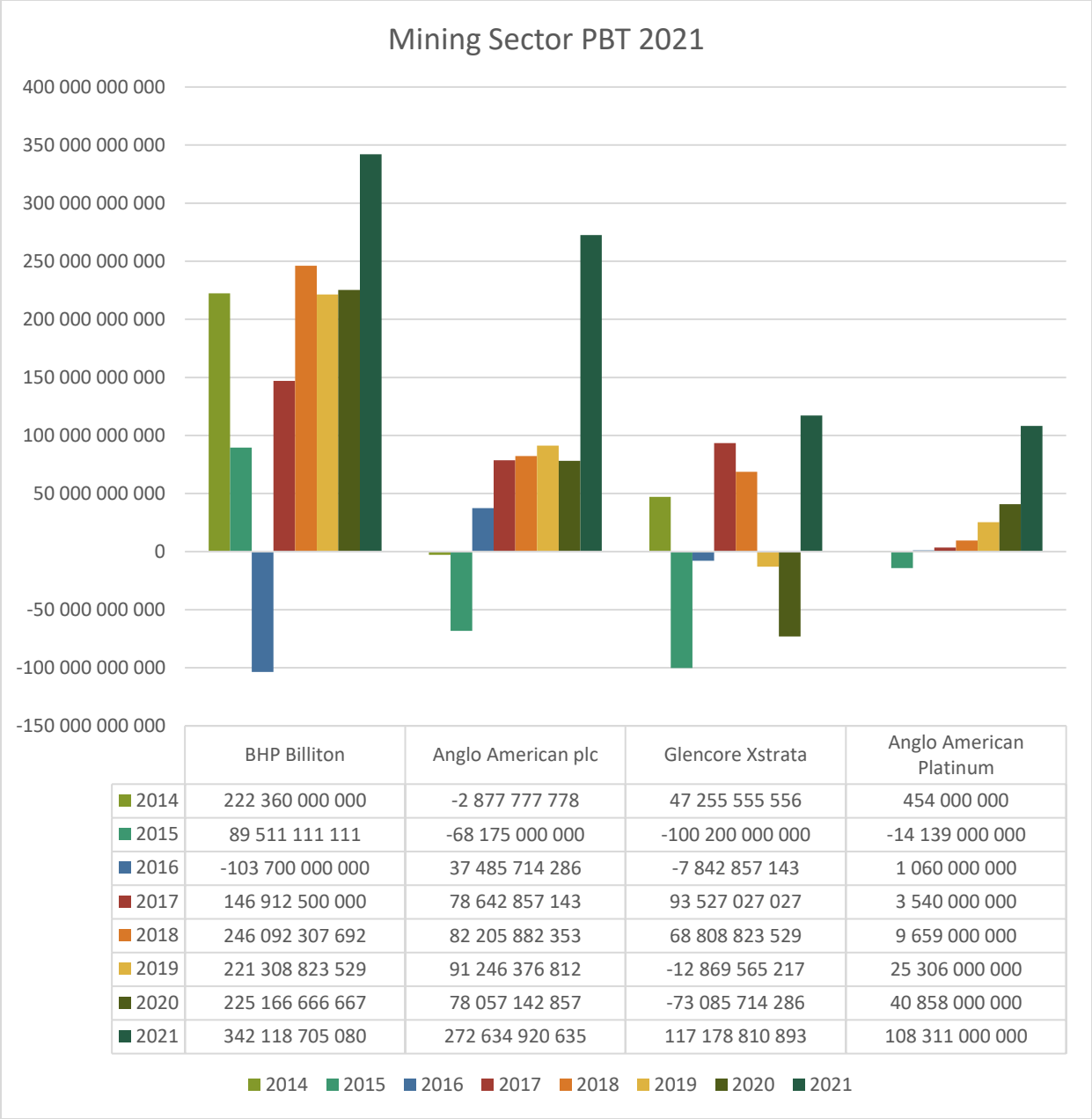


Figure 6 Mining sector Profit before Tax 2014 to 2021

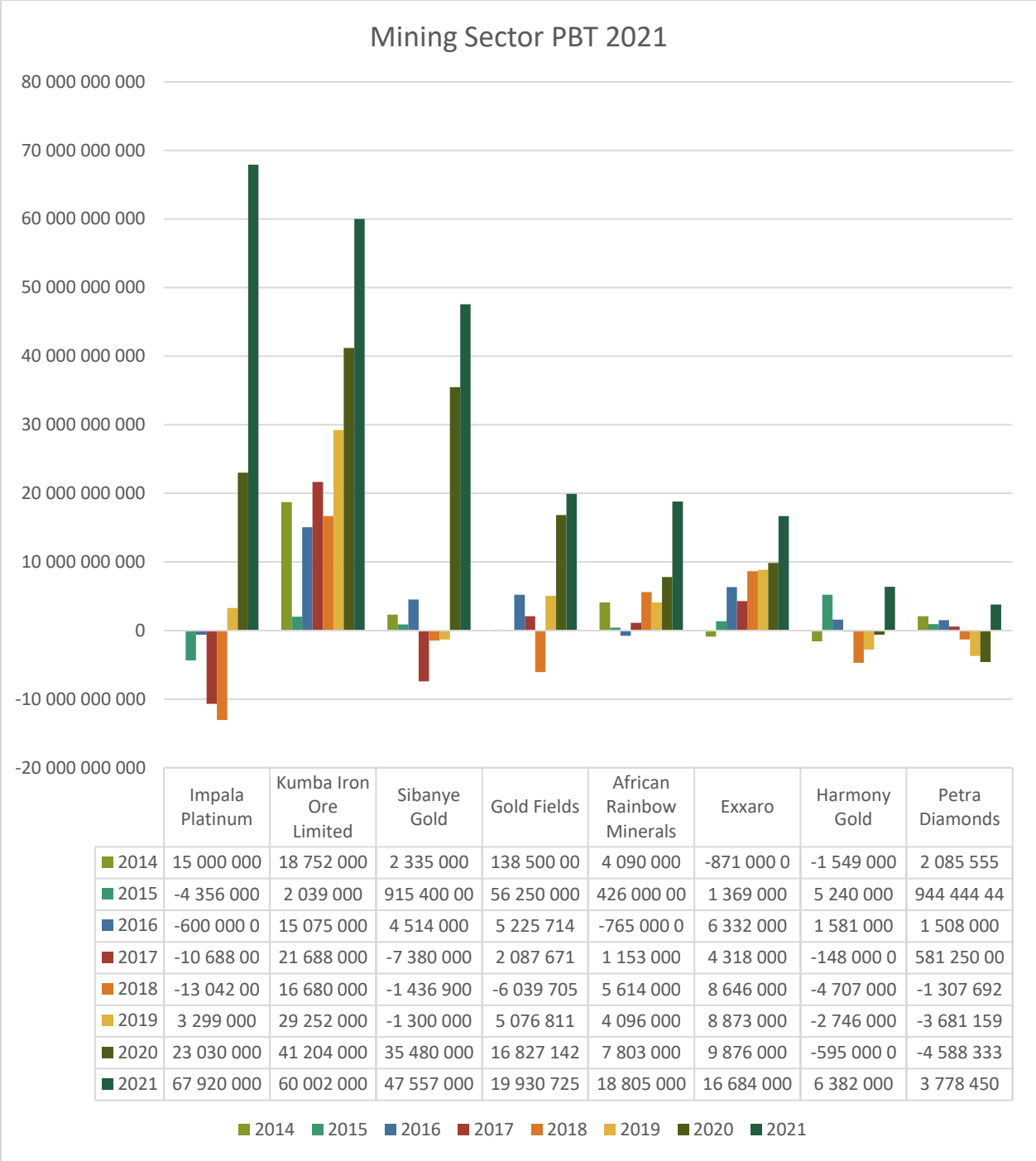


Figure 7 Mining sector Profit before Tax 2014 to 2021



Figure 8 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.

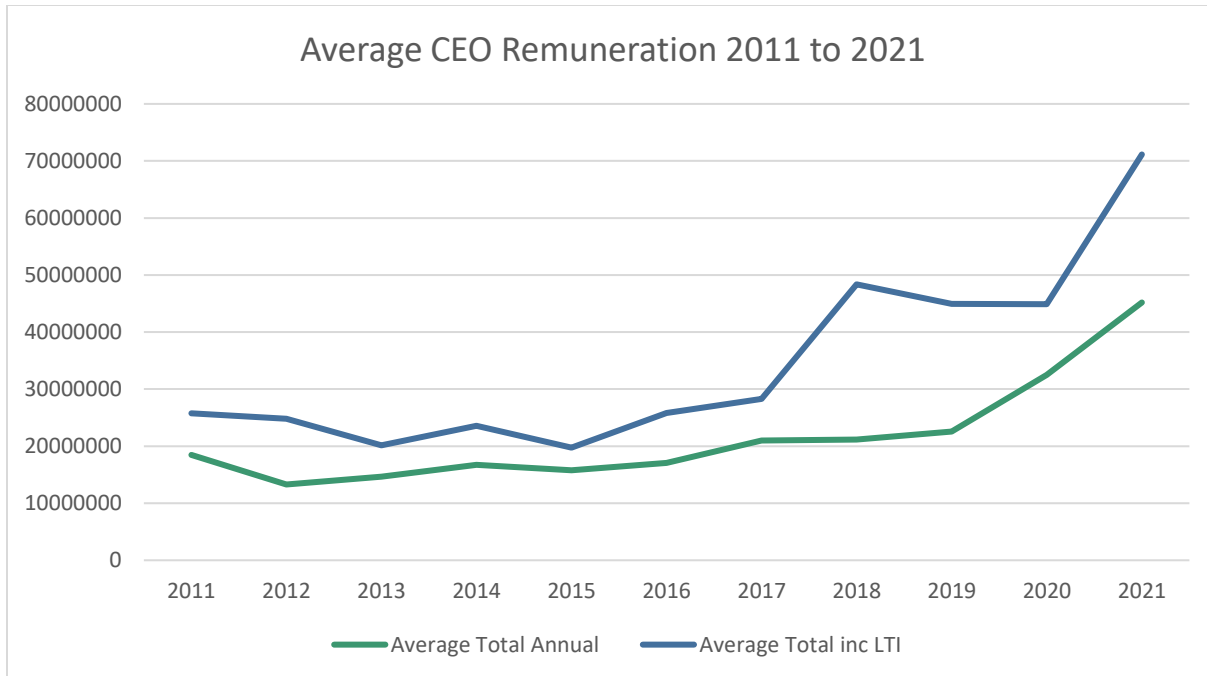


Figure 9 Average CEO Remuneration 2011 to 2021

CEO Remuneration 2021

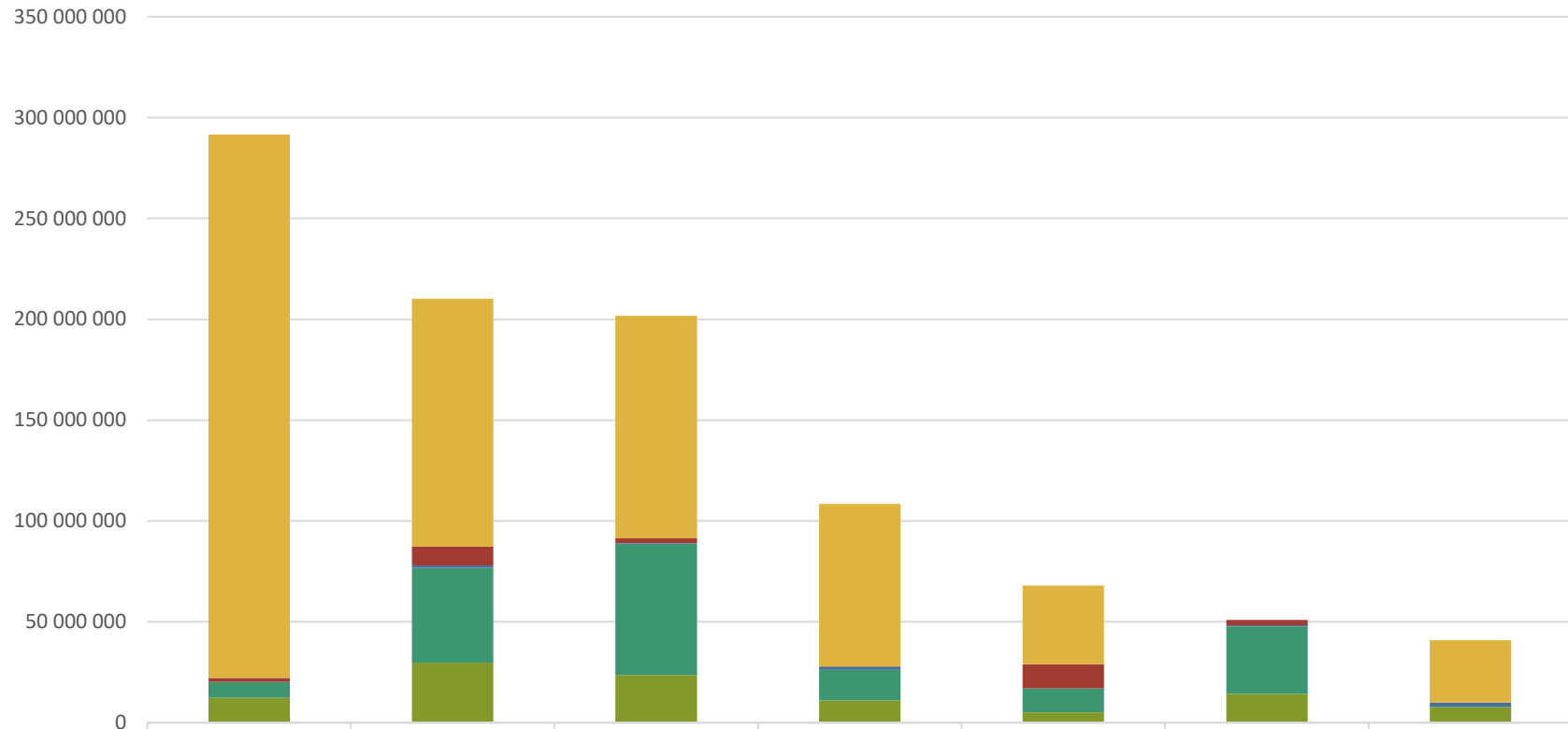
Neal Froneman of Sibanye-Stillwater received the highest CEO remuneration for the year, inclusive of a ZAR 270 million bonus. The Association of Mineworkers and Construction Union (AMCU) opposed this bonus when bargaining for a wage increase for their members⁶ saying '[w]e only asked for R1,000 as an 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.'⁷ 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*).

⁶ <https://ewn.co.za/2022/04/28/amcu-accuses-sibanye-stillwater-of-arrogance-after-ceo-receives-r300-payout>

⁷ <https://www.citizen.co.za/news/sibanye-stillwater-ceo-may-2022/>

CEO Remuneration 2021

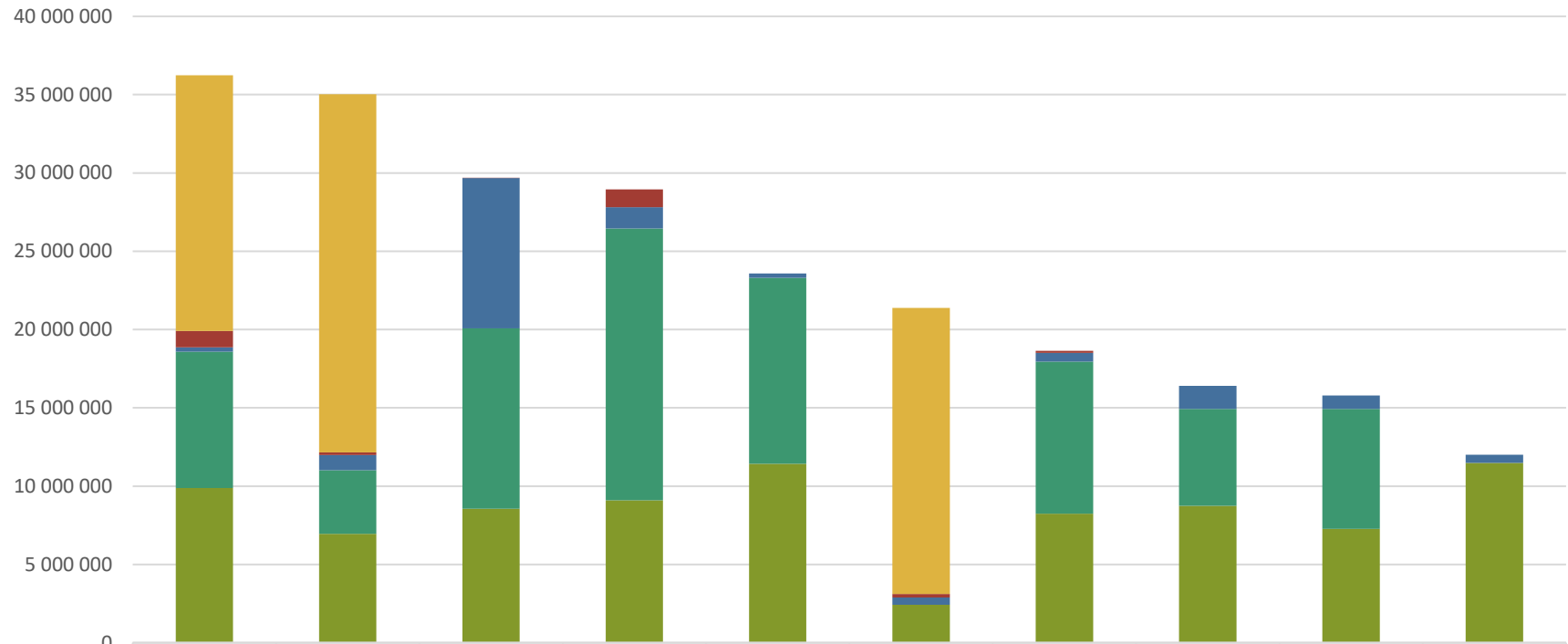


	Sibanye Gold	Anglo American plc	BHP Billiton	Impala Platinum	Gold Fields	Glencore Xstrata	AngloGold Ashanti
LTI Payment	269 473 000	122 914 894	110 263 889	80 682 000	39 023 810	0	30 770 000
Other	1 889 000	9 340 456	2 361 111	20 000	12 020 635	2 619 048	156 000
Benefits		1 212 766	277 778	1 603 000	96 825	603 175	2 066 000
Cash Bonus	7 793 000	46 957 447	65 166 667	15 098 000	11 763 492	33 412 698	0
Salary	12 427 000	29 765 957	23 611 111	11 102 000	5 055 556	14 285 714	7 821 000

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

Figure 10 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 11 CEO Remuneration 2021

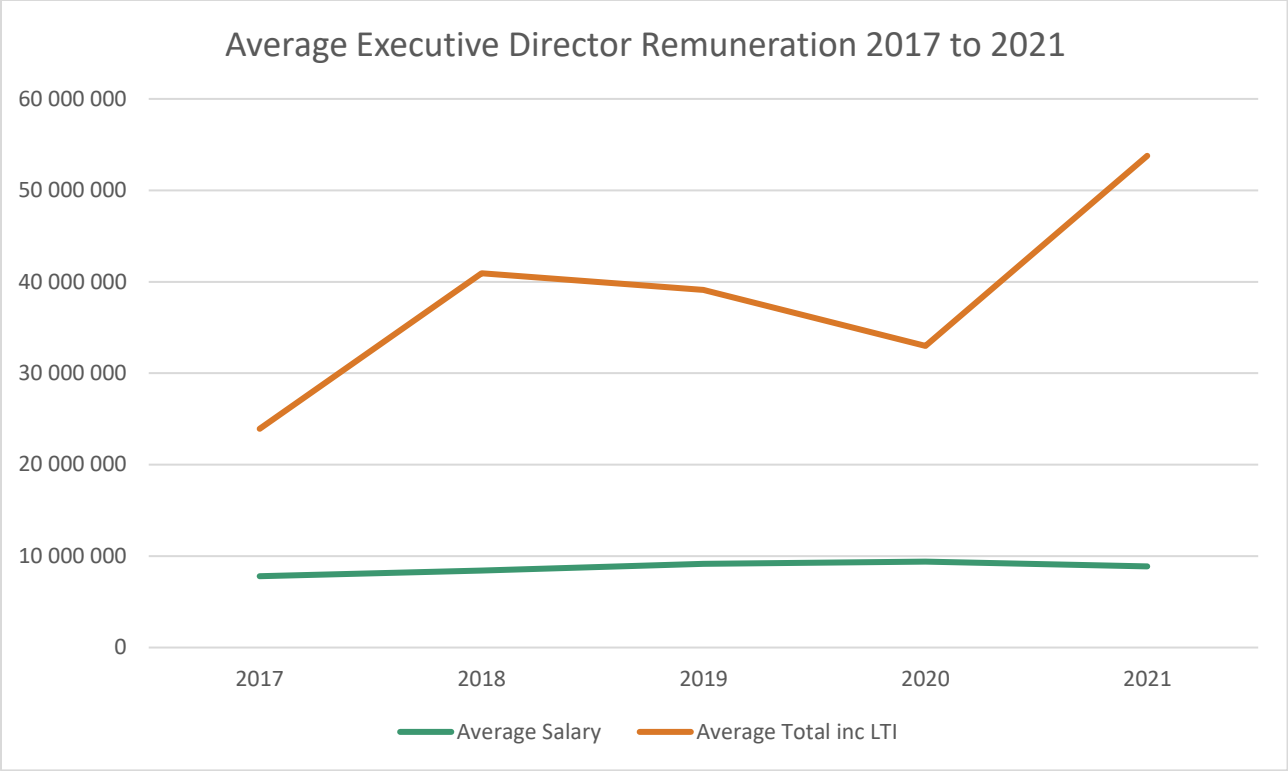


Figure 12 Mining Sector Executive Director Remuneration 2017 to 2021

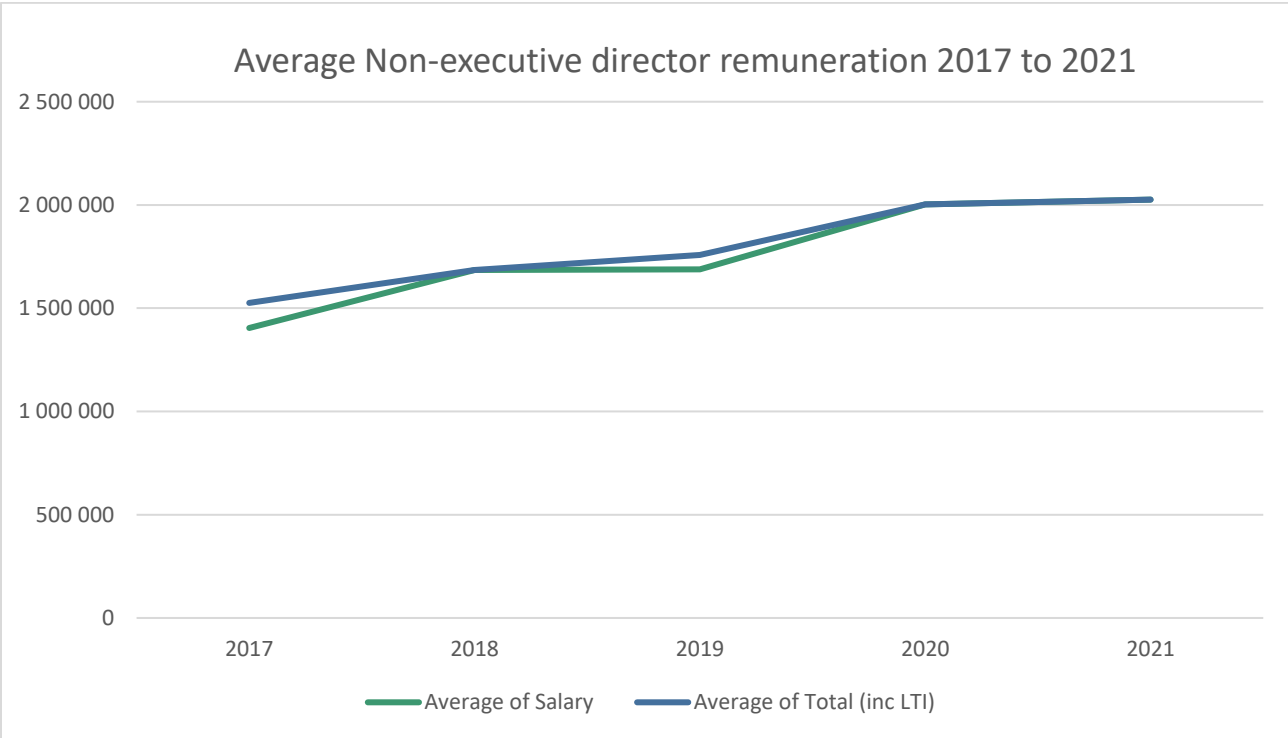


Figure 13 Mining sector NED Average Total Annual Remuneration 2017 to 2021