

# Paper & packaging Sector Report 2022

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TRADE UNION COMPETENCE CENTRE  
SUB-SAHARAN AFRICA



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## 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>1</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>1</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.

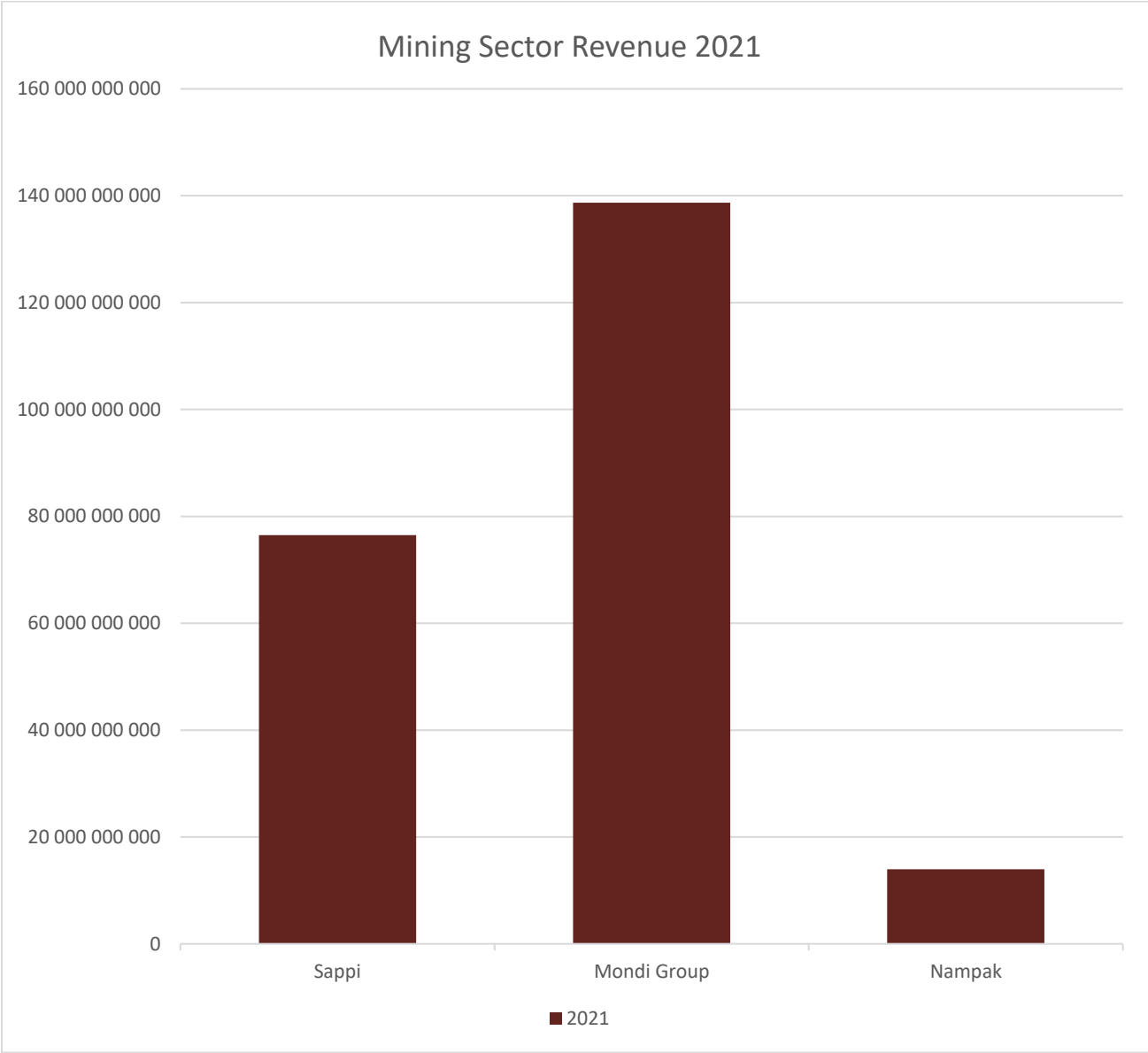


Figure 1 Paper & Packaging Sector Revenue 2021

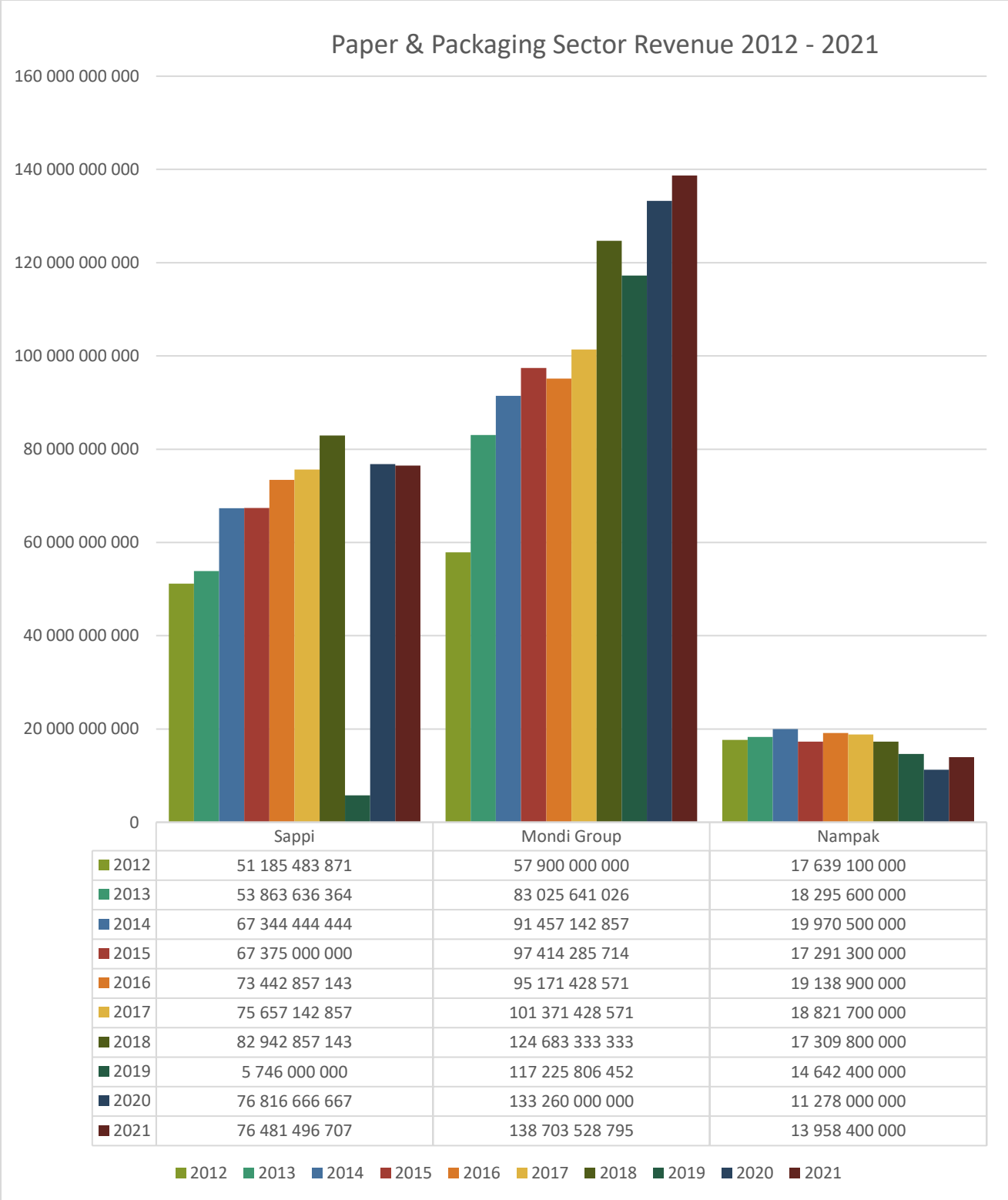


Figure 2 Paper & Packaging Sector Revenue 2012 to 2021

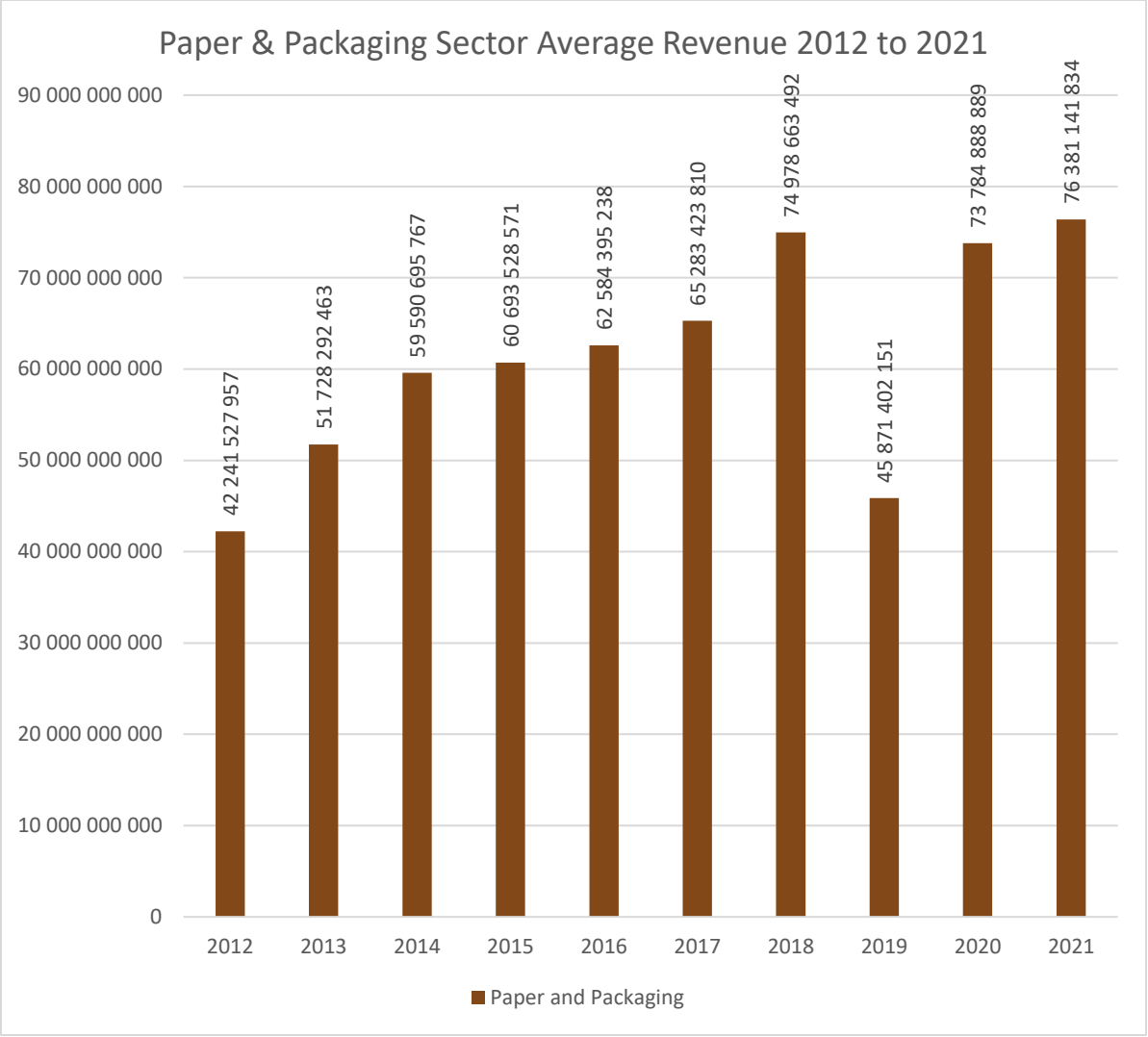


Figure 3 Paper & Packaging Sector Average Revenue 2012 to 2021

### 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.

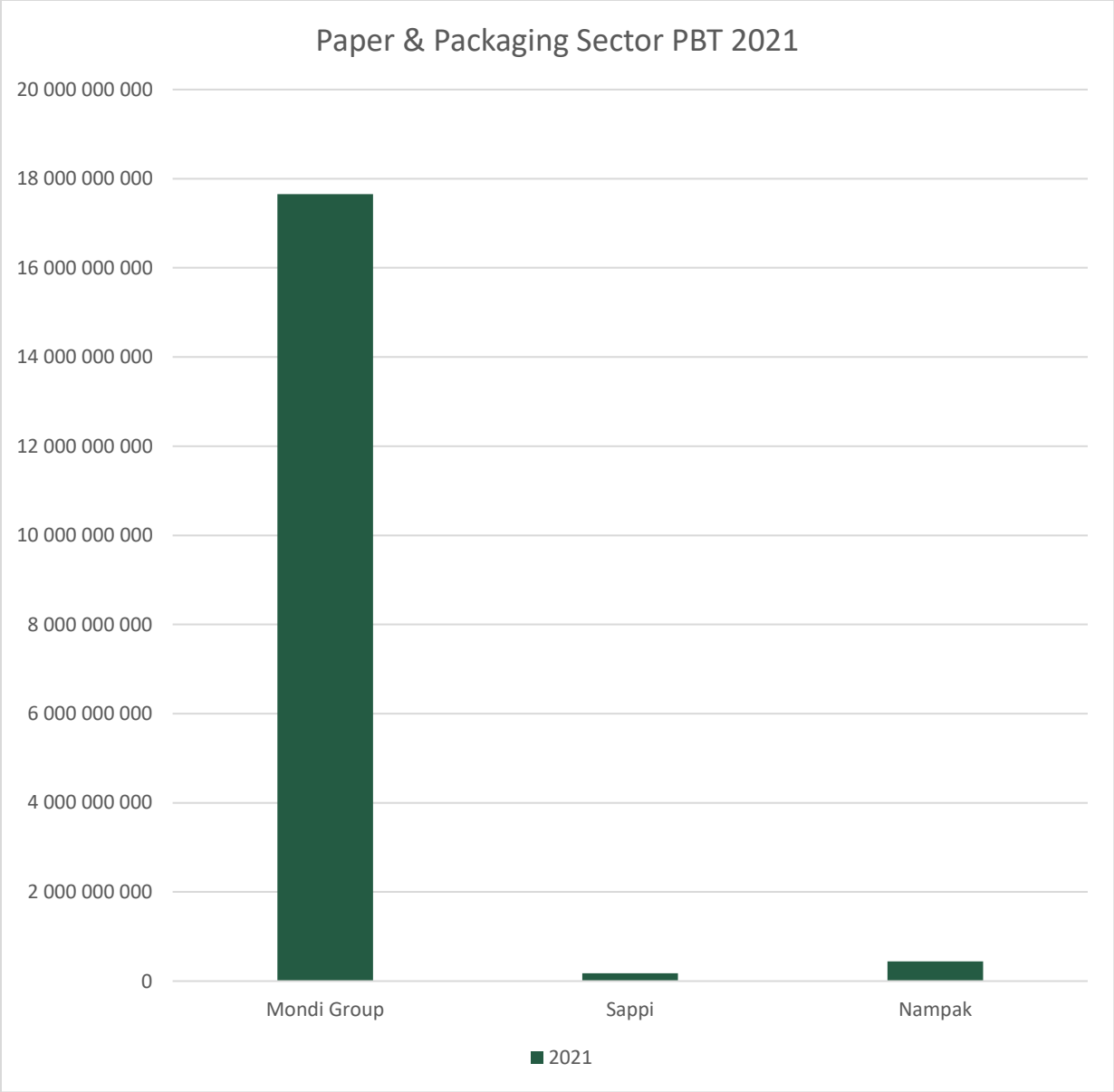


Figure 4 Paper & Packaging Sector Profit before Tax 2021



Figure 5 Paper & Packaging Sector Profit before Tax 2014 to 2021



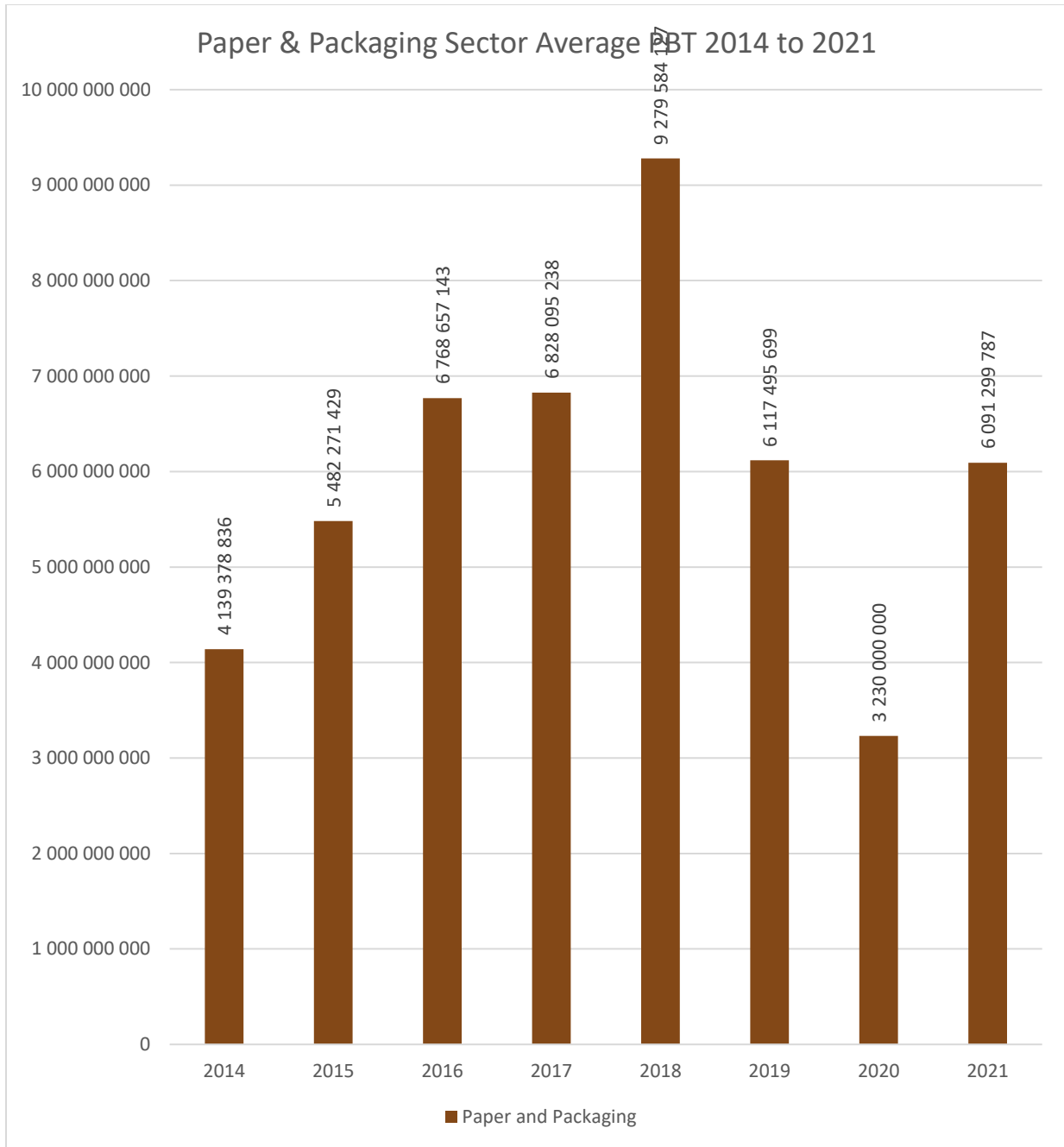


Figure 6 Paper & Packaging Sector Average PBT 2014 to 2021

## 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.

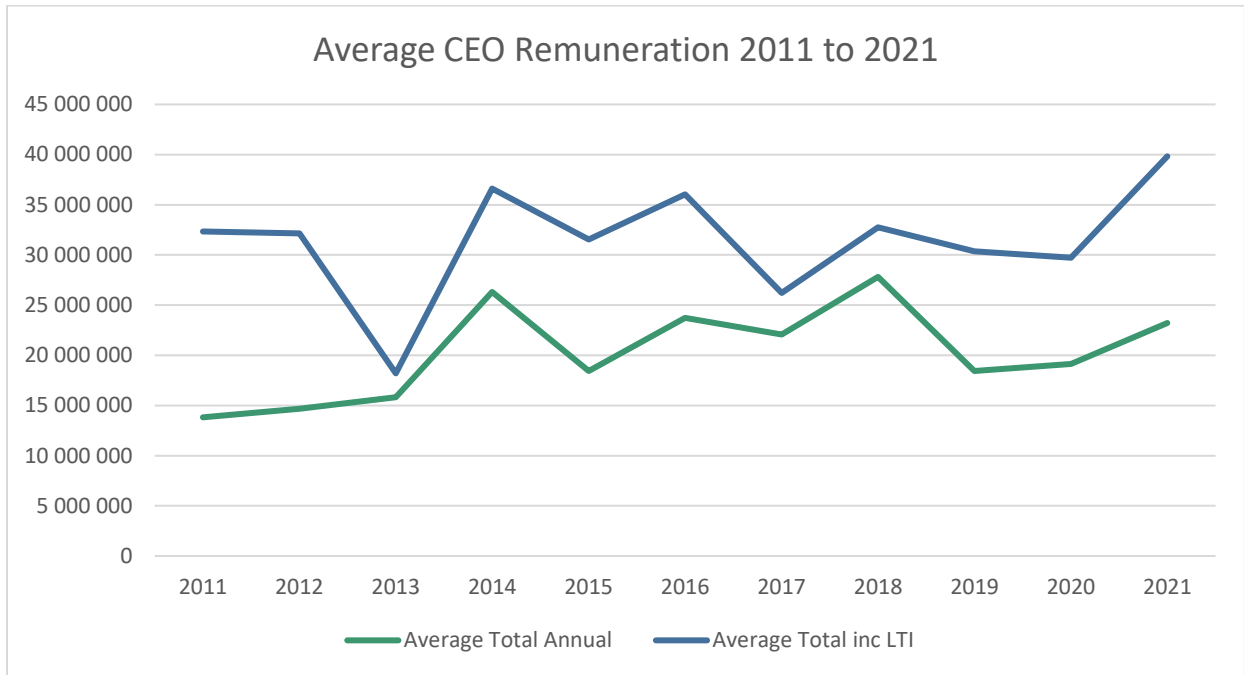


Figure 7 Paper & Packaging Sector CEO Remuneration 2011 to 2021

### 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.

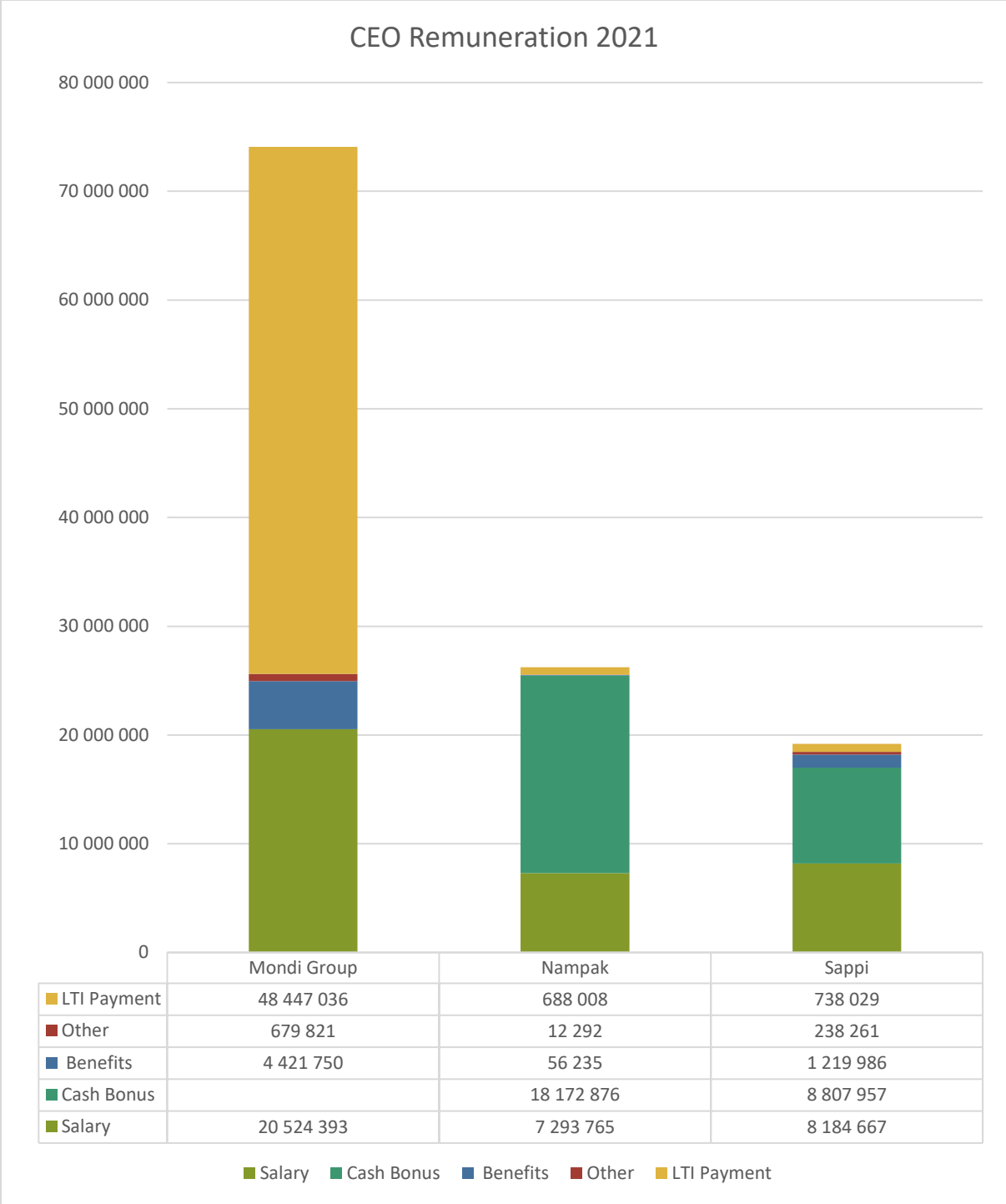


Figure 8 Paper & Packaging Sector CEO Remuneration 2021

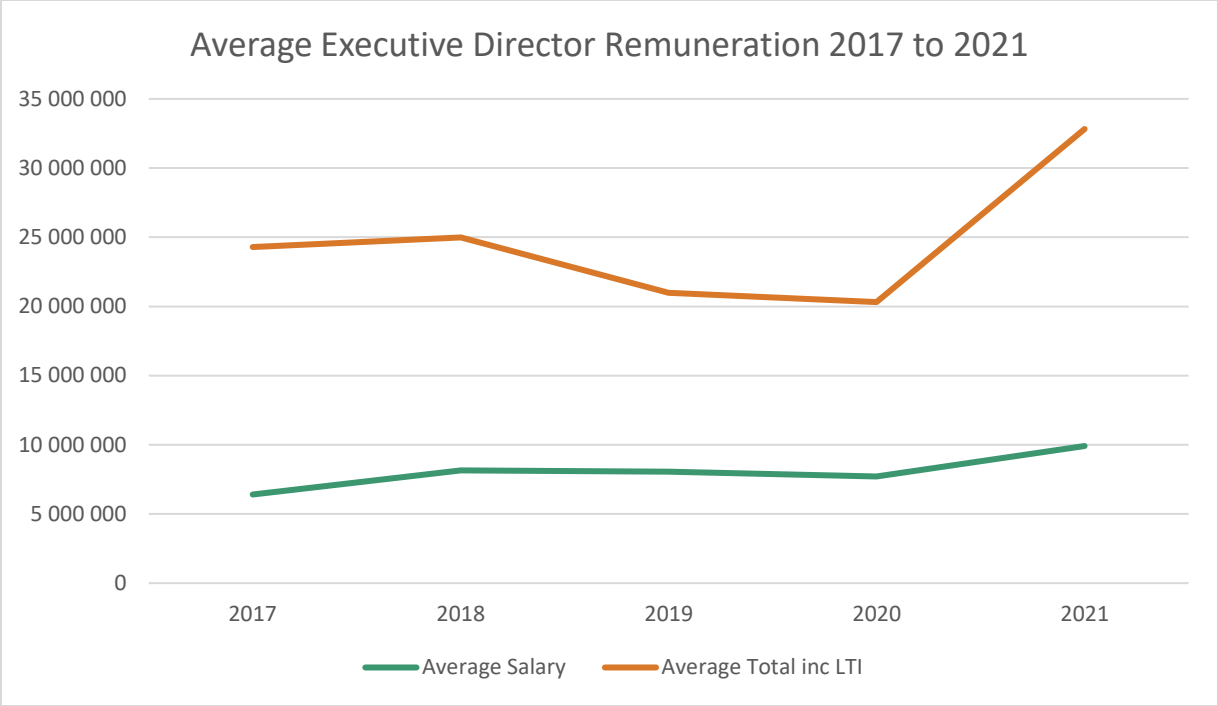


Figure 9 Paper & Packaging Sector Average Executive Director Remuneration 2017 to 2021

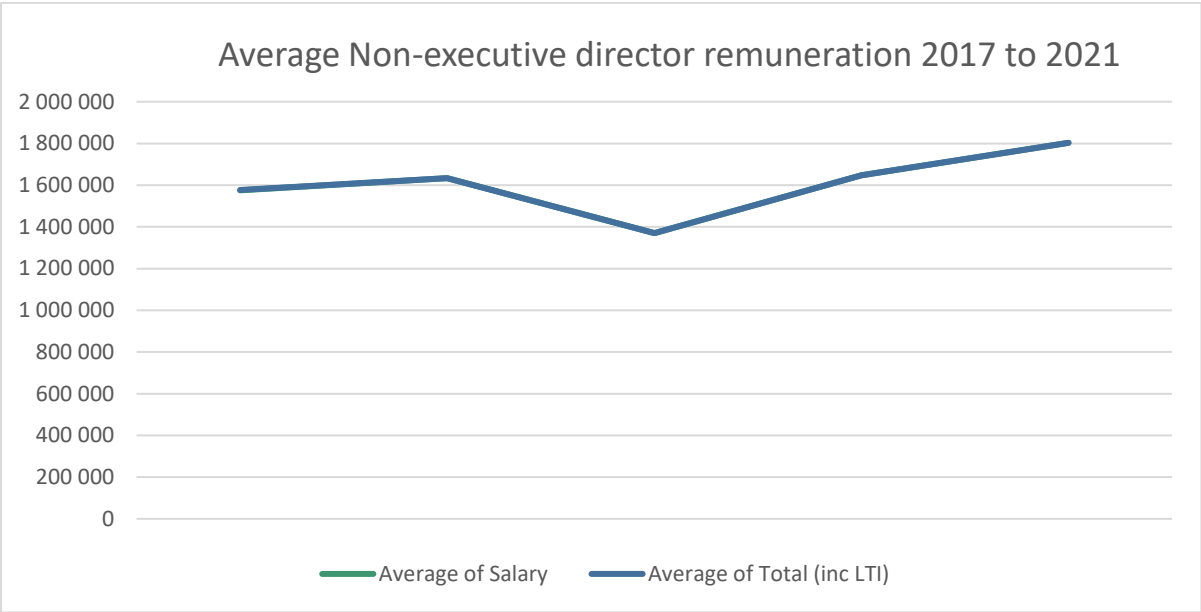


Figure 10 Paper & Packaging Sector NED Average Total Annual Remuneration 2017 to 2021