

Mining Sector Report 2023

LRS Labour
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Introduction

This report aims to provide detailed insights into the South African Mining sector, covering companies from sub-industries such as coal, general mining, gold mining, platinum, and precious metals. The JSE lists thirty-nine companies in the Mining sector. In this report, our sample, which consists of twelve companies, constitutes 31% of the JSE listed companies.

African Rainbow Minerals

Anglo American Platinum

Anglo American plc

BHP Billiton

Exxaro

Glencore Xstrata

Gold Fields

Harmony Gold

Impala Platinum

Kumba Iron Ore Limited

Petra Diamonds

Sibanye Gold (now Sibanye-Stillwater)

The data extracted from the LRS's [MNC Database](#) enables a retrospective view of company performance over the course of the last twelve years. For the purpose of this report, we explain the sector in detail, provide a financial overview of the sector, and conclude by examining the directors' remuneration over the last thirteen years.

The Sector

South Africa has the world's largest reserves of platinum group metals and manganese, along with some of the largest reserves of gold, diamonds, chromite ore, and vanadium. In 2022, the total revenue of the mining industry was ZAR 747 billion¹, underscoring its potential to further contribute to economic development and job creation.

The mining sector plays a vital role in job creation and economic growth, particularly by reducing unemployment through the employment of unskilled workers. According to the Mining Trends Report in 2018, there has been a notable increase in the employment of unskilled workers within the industry, with the number of general workers rising from 7% in 2012 to 21% in 2017². The sector remains a crucial driver of South Africa's economy, contributing approximately 8% to the GDP and providing direct employment to around half a million people³.

The global geopolitical and macroeconomic uncertainties pose significant threats to the mining sector. Factors such as exchange rates and interest rates can greatly influence commodity prices. According to the International Monetary Fund, the global economy grew by 2.9% in 2022, a decrease from 5.9% in 2021. This slowdown is expected to persist into 2023, with a forecasted growth of just 1.7%. Additionally, the supply chain challenges and disruptions fuelled by the Covid-19 pandemic and the conflict in Ukraine have created operational challenges in the sector. In South Africa, major challenges have been

¹ <https://projectsiq.co.za/mining-industry-in-south-africa.htm>

² [https://www.engineeringnews.co.za/article/sa-mines-relying-heavily-on-unskilled-workers-despite-industry-40-gaining-traction-2018-07-13#:~:text=JOHANNESBURG%20\(miningweekly.com\)%20%E2%80%93,personnel%20instead%2C%20according%20to%20a](https://www.engineeringnews.co.za/article/sa-mines-relying-heavily-on-unskilled-workers-despite-industry-40-gaining-traction-2018-07-13#:~:text=JOHANNESBURG%20(miningweekly.com)%20%E2%80%93,personnel%20instead%2C%20according%20to%20a)

³ <https://www.bcg.com/publications/2023/an-untapped-goldmine-opportunities-for-south-african-mining>

compounded by the electricity crisis, and issues with essential rail lines and port infrastructure.

Mining operations, which rely heavily on a logistics network for the transportation of raw materials to ports for export and inland distribution, have been adversely affected. The deterioration of Transnet Freight Rail has had a particularly negative impact on the mining sector. Logistics challenges, including interruptions, delays, and breakdowns, have made it difficult for mining companies to operate efficiently and meet contractual obligations, risking penalties and damaging long-term relationships with clients.⁴

Financials

Revenue

In the period under review (2012 to 2022), Glencore Xstrata reported its highest revenue in ten years, reaching a record ZAR 4 trillion, which signifies a significant increase of 36.57% from 2021 to 2022. BHP Billiton achieved its highest revenue during the same sample period, amounting to ZAR 1 trillion, representing an increase of 21.59% from 2021 to 2022.

Exxaro and Harmony Gold reported their highest revenues in the sample period from 2012 to 2022, representing increases of 41.49% and 2.19%, respectively, from 2021 to 2022.

Anglo American plc, Anglo American Platinum, Sibanye Stillwater, and Impala Platinum reported a decline in revenue from 2021 to 2022 of 8.03%, 23.53%, 19.69%, and 8.68%, respectively.

⁴<https://www.miningreview.com/coal/derailed-sa-economy-hinges-on-possible-transnet-turnaround/#:~:text=The%20reduced%20freight%20volume%2C%20down,across%20the%20mining%20value%20chain.>

African Rainbow Minerals experienced a 14.22% decline in revenue from 2021 to 2022. However, in the previous period from 2020 to 2021, the company reported a significant revenue increase of 73.23%.

In Figure 2's pie chart for the year 2022, Glencore Xstrata, BHP Billiton, and Anglo American plc constitute significant portions of the total revenue at 66%, 15%, and 9%, respectively. This indicates that these are the largest companies in our sample.

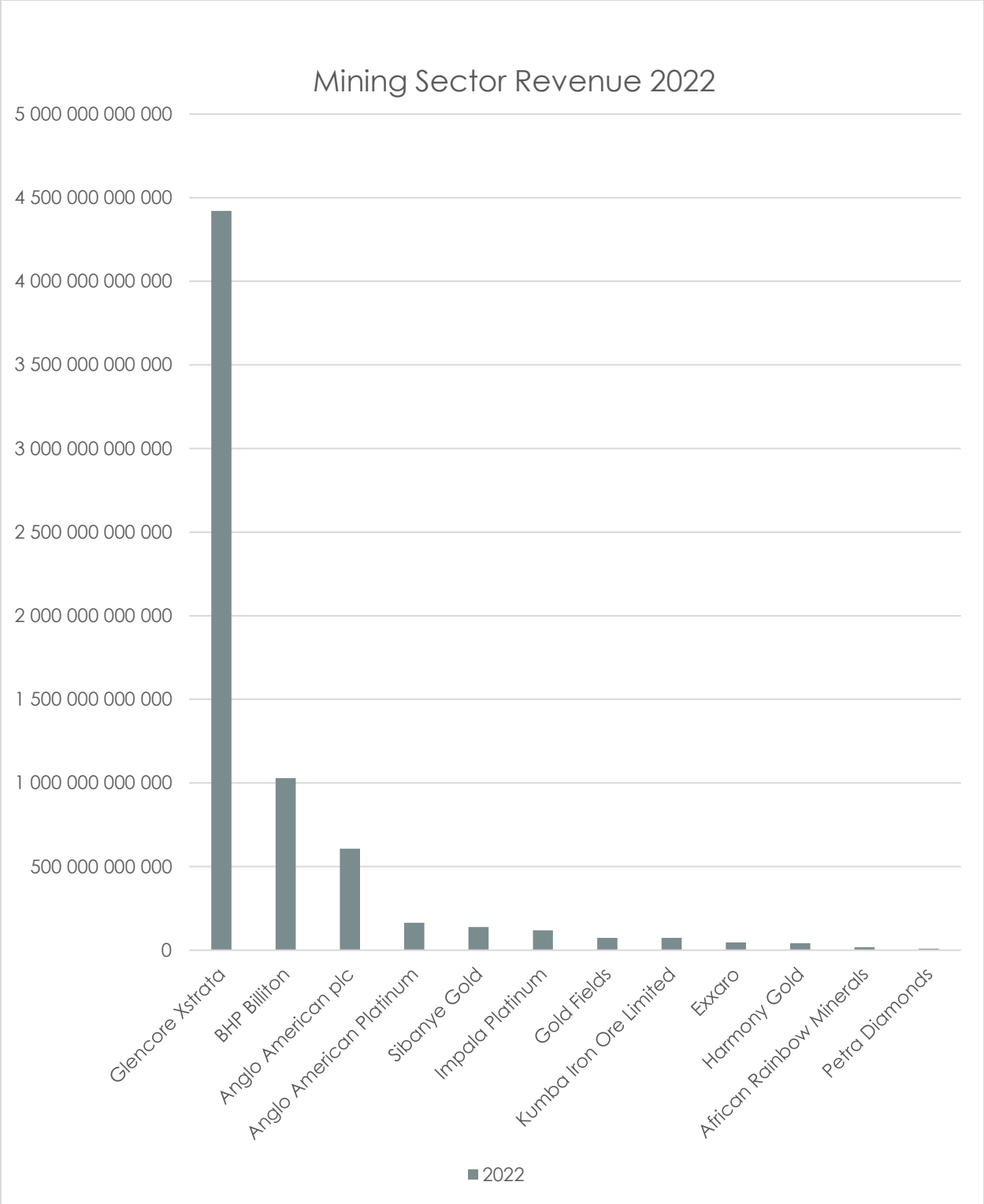


Figure 1 Mining Sector Revenue 2022

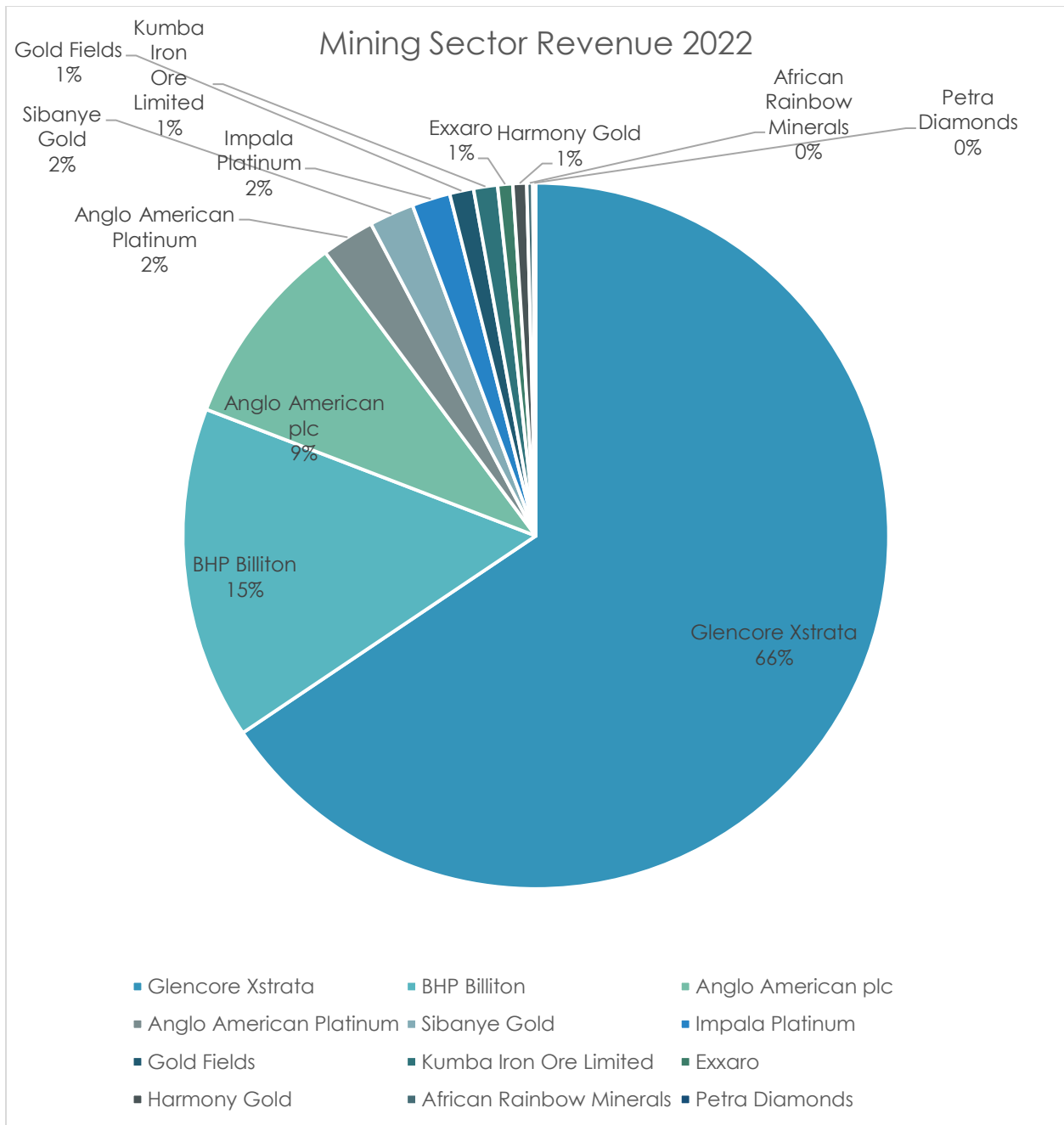


Figure 2 Mining Sector Revenue Pie Chart 2022

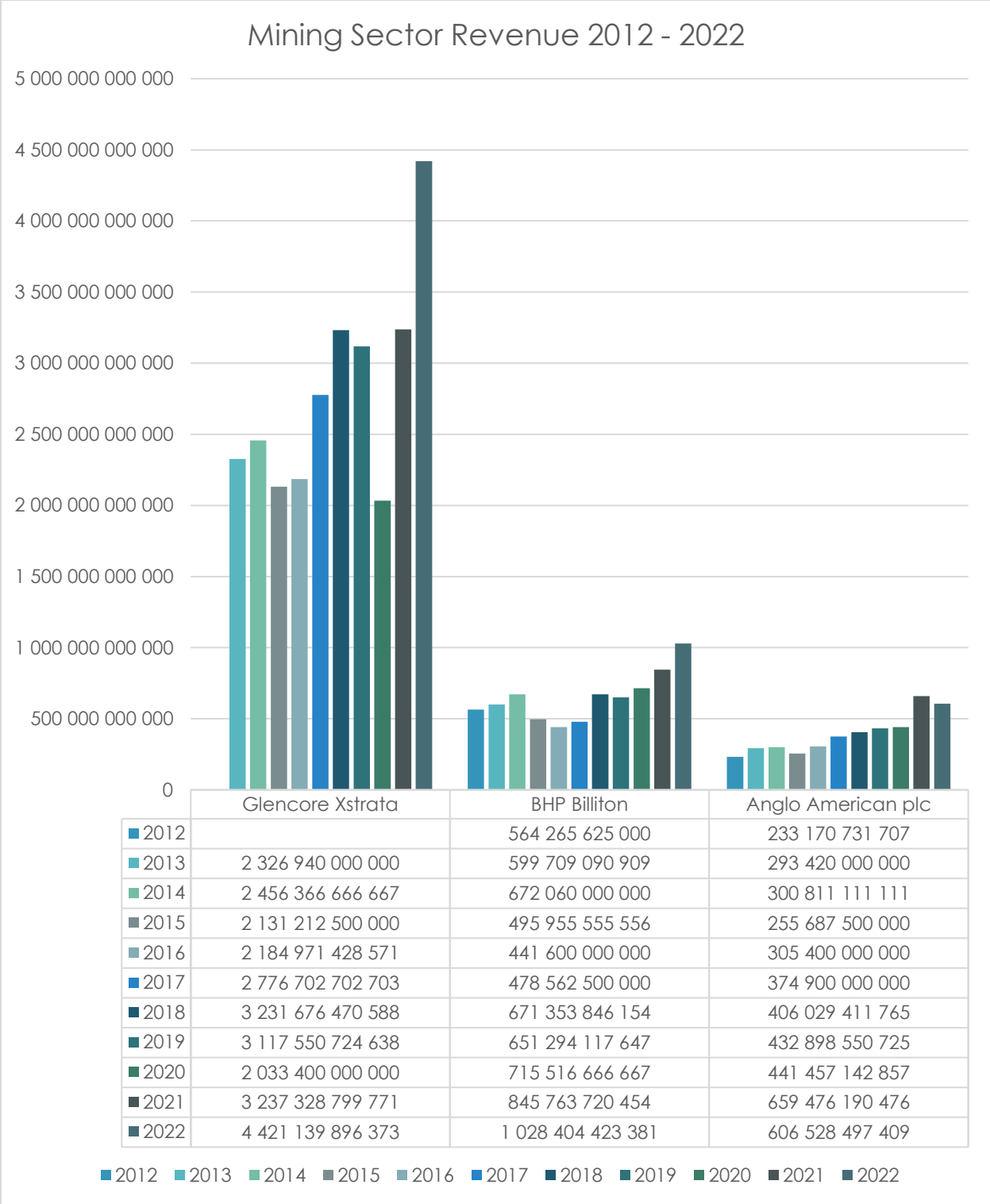


Figure 3a: Mining Sector Revenue 2012 to 2022

Mining Sector Revenue 2012 - 2022

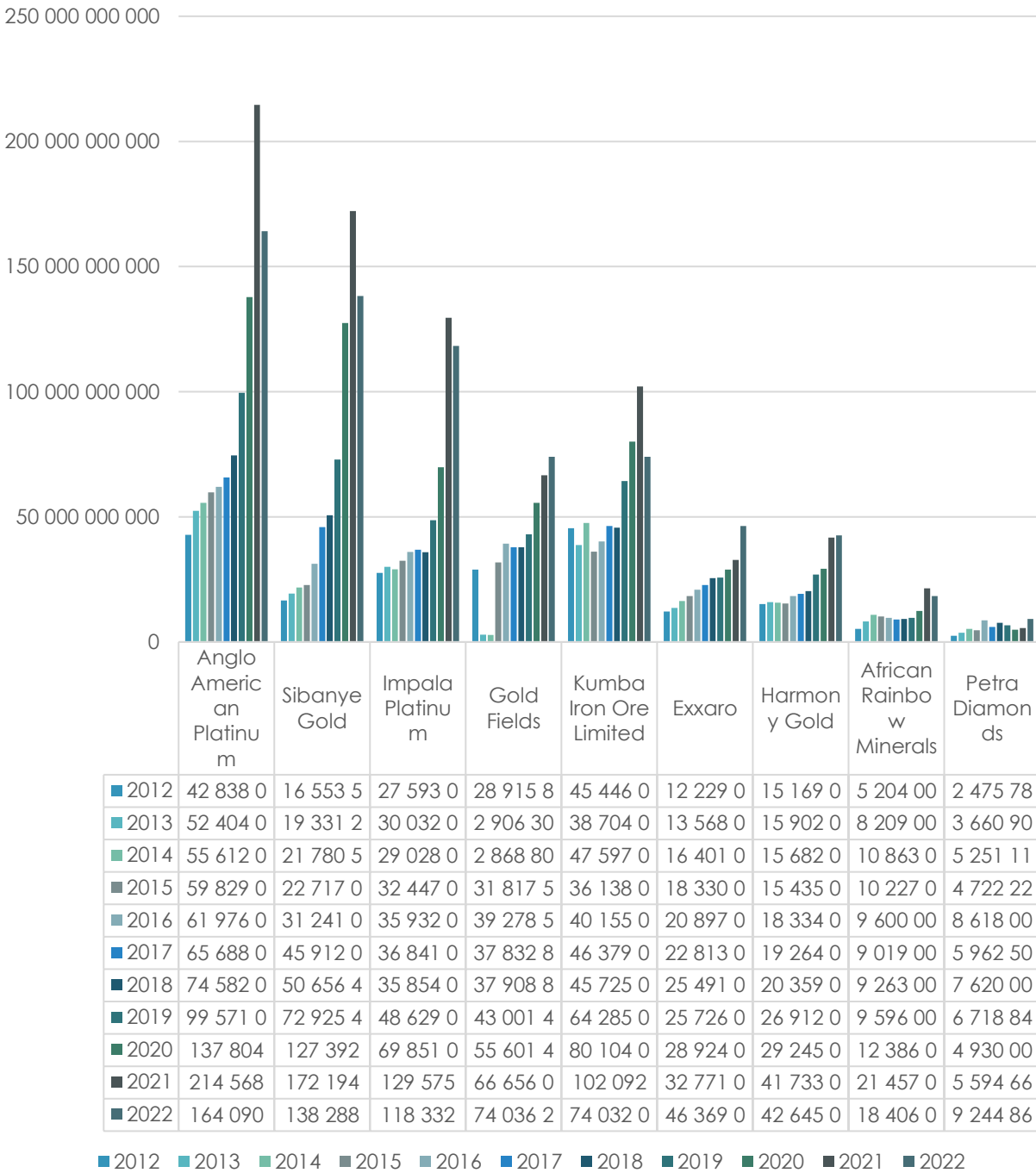


Figure 3b: Mining Sector Revenue 2012 to 2022



Figure 3 Mining Sector Average Revenue 2012 to 2022

Profit before Tax

On average, the companies in our sample reported an increase in reported PBT of 21%. BHP Billiton reported a significant PBT of ZAR 523 billion in 2022, marking the highest PBT the company has achieved in this sample period from 2014 to 2022. Glencore Xstrata reported a PBT increase of 237.22% from 2021 to 2022.

African Rainbow Minerals, Impala Platinum, Anglo American Platinum, Anglo American plc, Sibanye Gold, Petra Diamonds, Kumba Iron Ore Limited, and Harmony Gold reported decreases in PBT. Harmony Gold reported a loss of over R1 billion. Sibanye Gold, Petra Diamonds, and Kumba Iron Ore reported a decrease in PBT of almost half for the year.

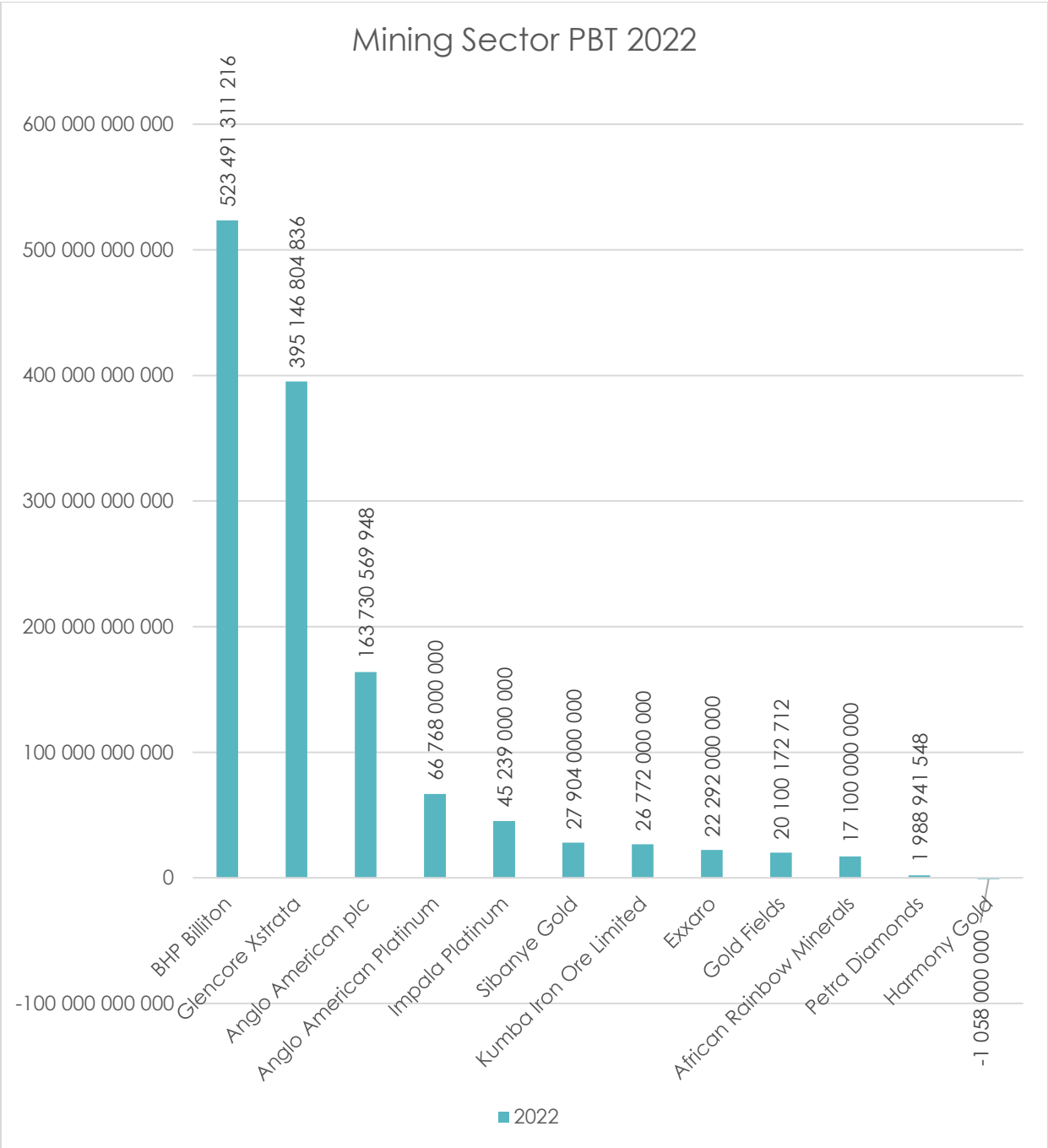


Figure 4 Mining sector Profit before Tax 2022

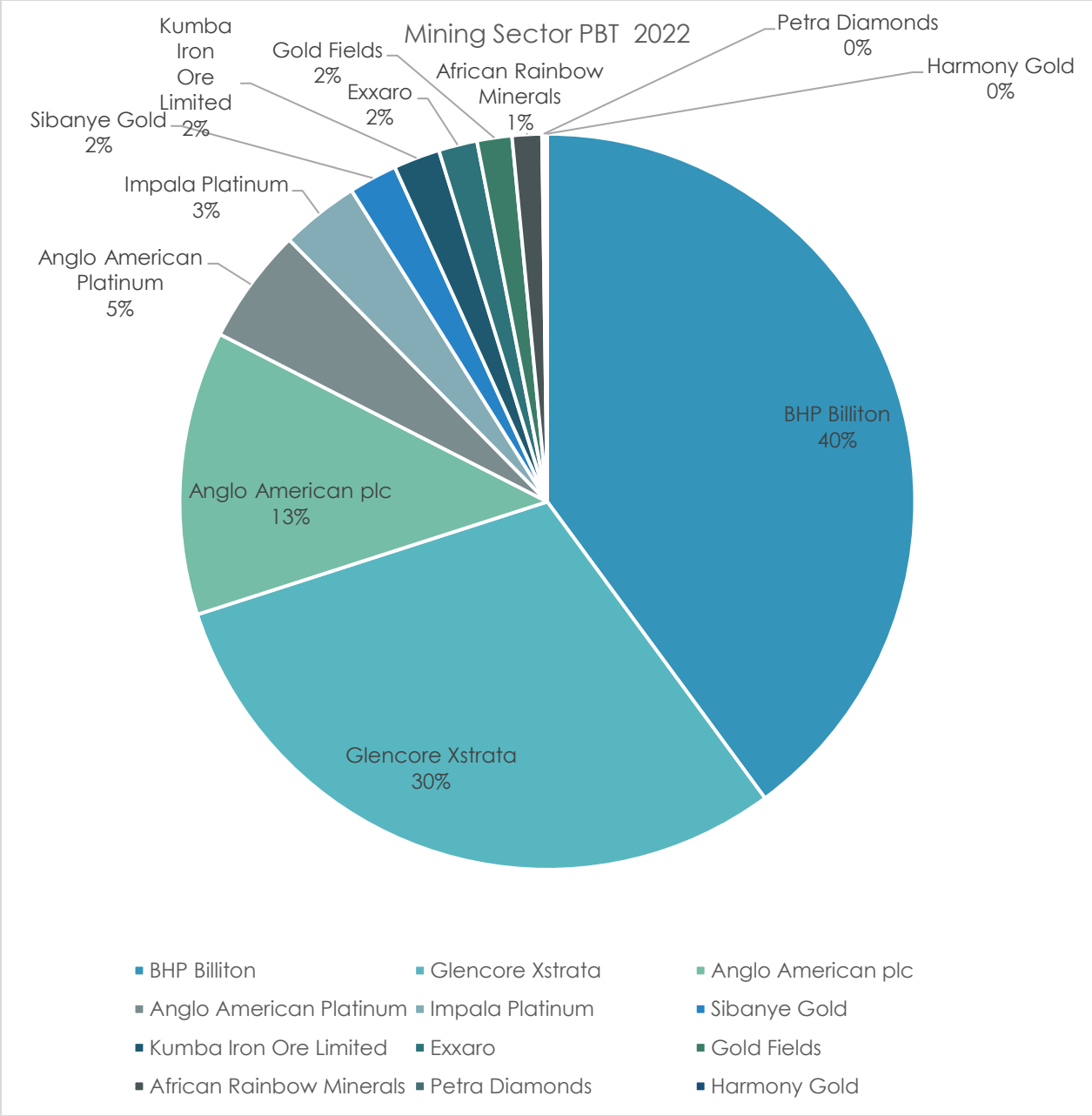


Figure 5 Mining sector Profit before Tax 2022

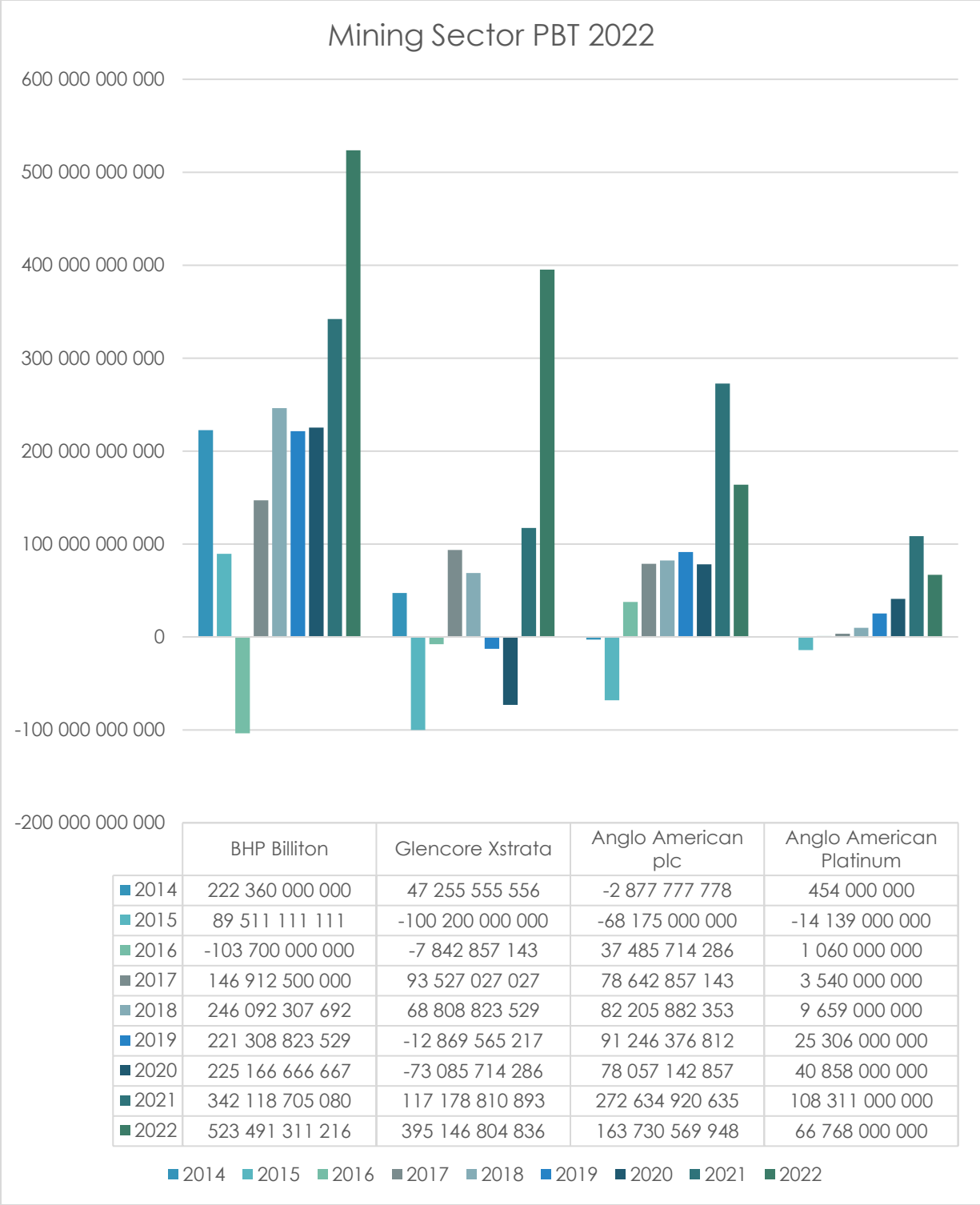
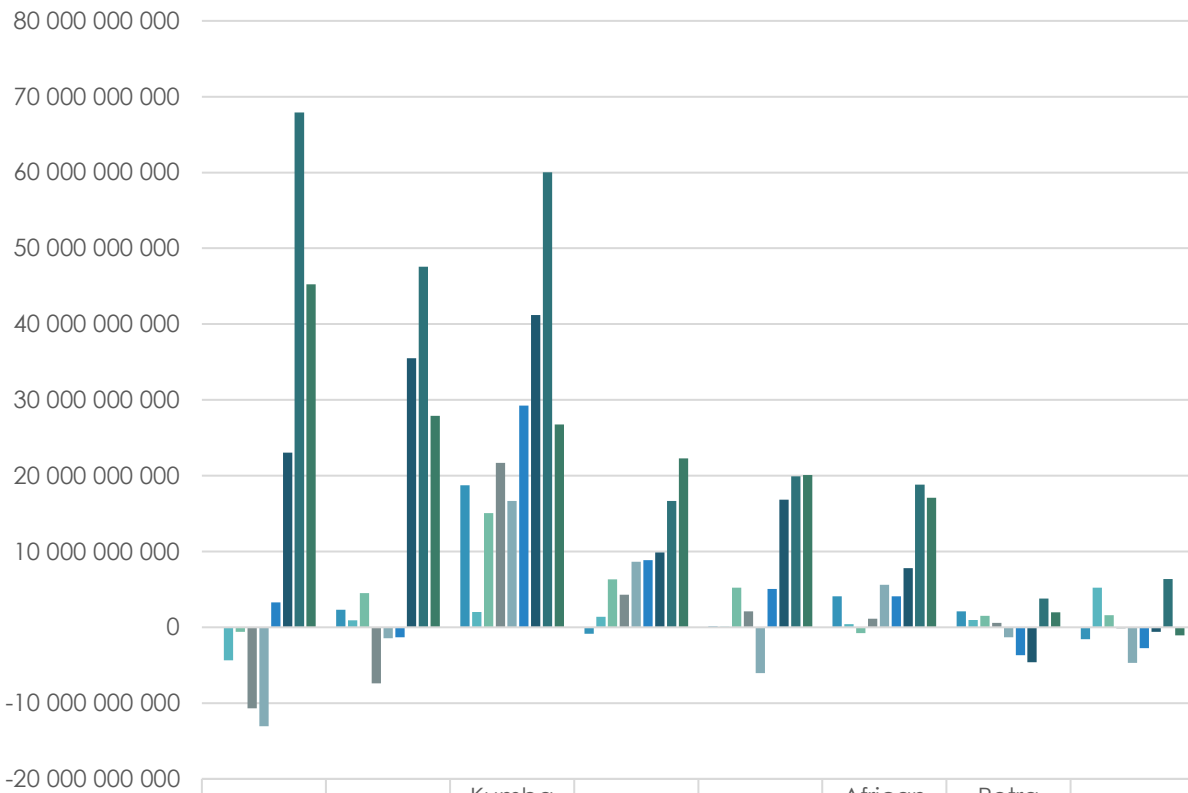


Figure 6 Mining sector Profit before Tax 2014 to 2022

Mining Sector PBT 2022



	Impala Platinum	Sibanye Gold	Kumba Iron Ore Limited	Exxaro	Gold Fields	African Rainbow Minerals	Petra Diamonds	Harmony Gold
■ 2014	15 000 00	2 335 000	18 752 00	-871 000	138 500 0	4 090 000	2 085 555	-1 549 00
■ 2015	-4 356 00	915 400 0	2 039 000	1 369 000	56 250 00	426 000 0	944 444 4	5 240 000
■ 2016	-600 000	4 514 000	15 075 00	6 332 000	5 225 714	-765 000	1 508 000	1 581 000
■ 2017	-10 688 0	-7 380 00	21 688 00	4 318 000	2 087 671	1 153 000	581 250 0	-148 000
■ 2018	-13 042 0	-1 436 90	16 680 00	8 646 000	-6 039 70	5 614 000	-1 307 69	-4 707 00
■ 2019	3 299 000	-1 300 00	29 252 00	8 873 000	5 076 811	4 096 000	-3 681 15	-2 746 00
■ 2020	23 030 00	35 480 00	41 204 00	9 876 000	16 827 14	7 803 000	-4 588 33	-595 000
■ 2021	67 920 00	47 557 00	60 002 00	16 684 00	19 930 72	18 805 00	3 778 450	6 382 000
■ 2022	45 239 00	27 904 00	26 772 00	22 292 00	20 100 17	17 100 00	1 988 941	-1 058 00

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020 ■ 2021 ■ 2022

Figure 7 Mining sector Profit before Tax 2014 to 2022



Figure 8 Mining Sector Average PBT 2014 to 2022

Directors' Remuneration

The LRS MNC database provides insights into CEO remuneration trends over the past twelve years. In 2018, there was a significant gap between the average remuneration excluding LTI and the remuneration including the LTI. We can observe a decrease in LTIs paid in 2020, mainly due to the lower profits made during this period.

The Sibanye Stillwater CEO received an LTI of ZAR 170 million in 2022, compared to ZAR 269 million in 2021. Sibanye-Stillwater shareholders holding almost half of the company's shares voted against this exorbitant payday for the CEO.

BHP Billiton CEO received ZAR 138 million in 2022, up from ZAR 110 million in 2021:

BHP Billiton's Chief Executive Mike Henry, the top-paid mining CEO on this list, took home a whopping \$14.7 million (R269.22 million) in 2022. This figure includes base salary, short-term incentives, cash bonuses, benefits and long-term incentive plans.

This is 4.3 times more than what Capitec CEO Gerrie Fourie was paid (R62 million) and almost five times more than Nedbank CEO Mike Brown, who earned R43.6 million.

BHP Billiton employed 79,477 workers in 2022, and according to its remuneration report, Henry earned 123 times more than the average employee. His salary works out to around R737,589 per day.⁵

If we exclude these two large companies, on average, other CEOs received an LTI of ZAR 28 million in 2022. These figures demonstrate an abnormal payout of LTI within the sector.

⁵ <https://businesstech.co.za/news/wealth/684241/meet-the-south-african-ceos-who-earn-over-r240000-a-day/>

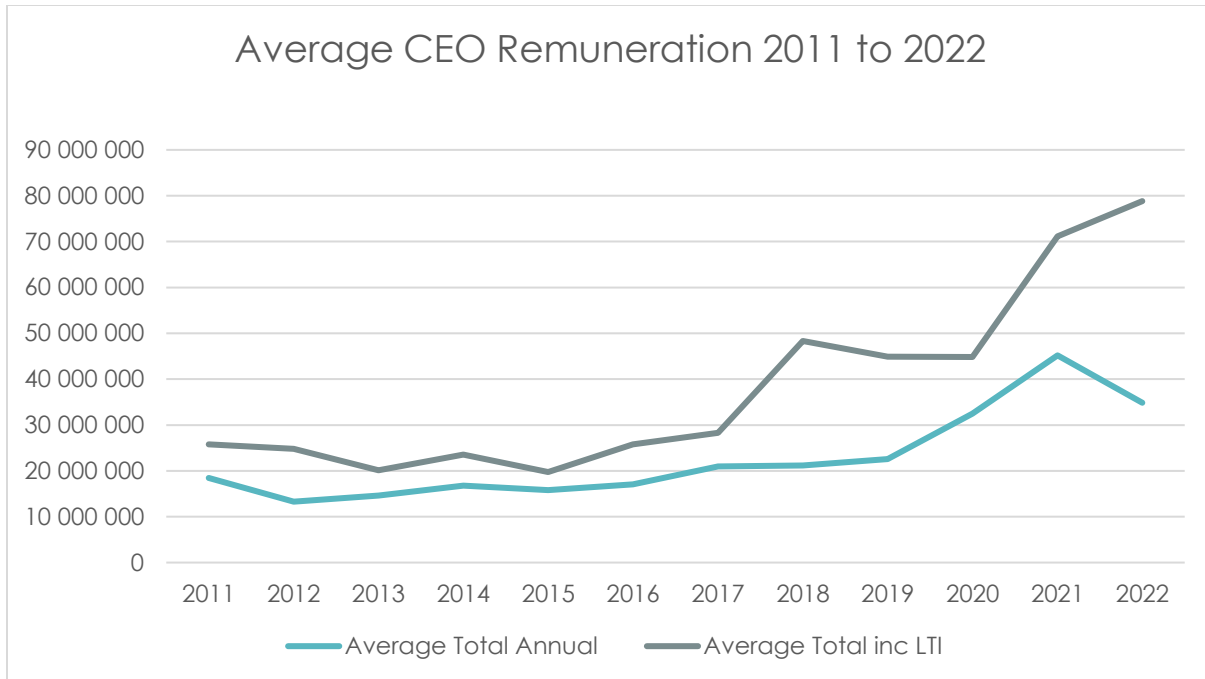


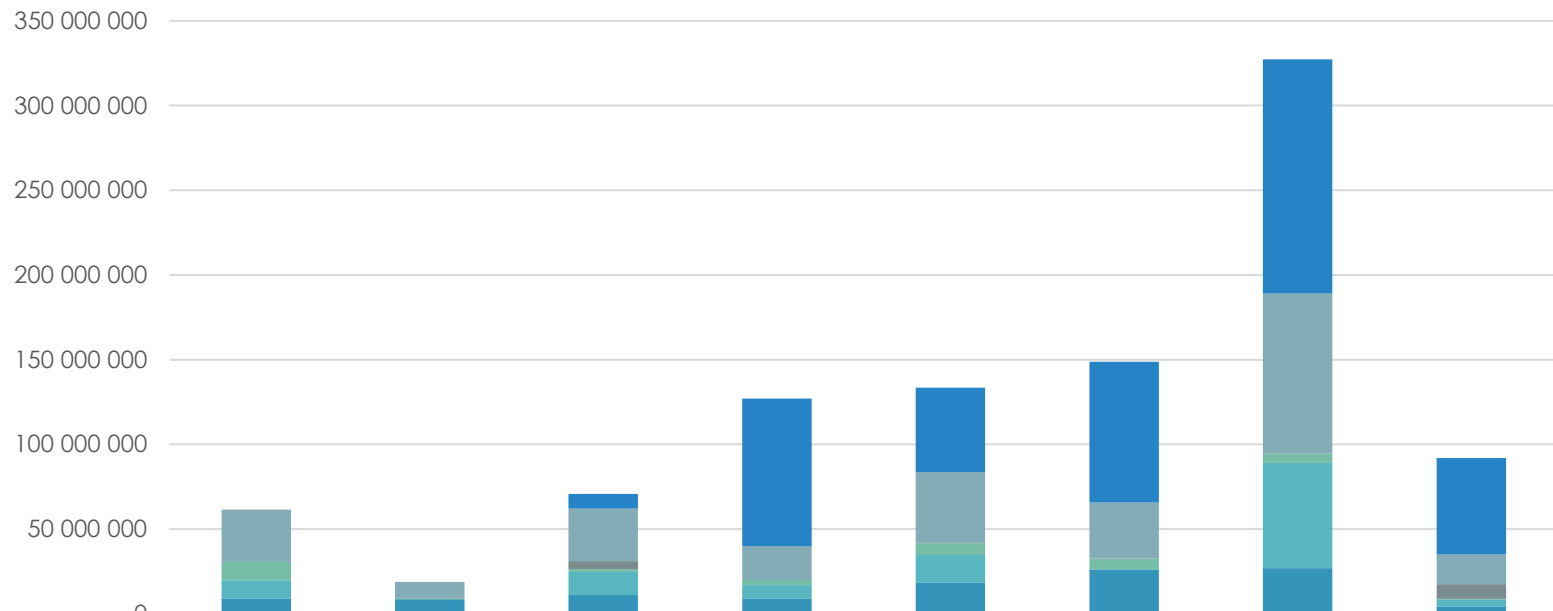
Figure 9 Average CEO Remuneration 2011 to 2022

CEO Remuneration 2022

In 2022, the highest earning CEO was Mike Henry of BHP Billiton, who received a total remuneration of ZAR 232 million. This amount included a ZAR 62 million cash bonus and ZAR 138 million from LTI. Sibanye-Stillwater CEO, Neal Froneman, was the second highest earner in 2022, receiving a total remuneration of ZAR 198 million, which included a ZAR 12 million cash bonus and ZAR 170 million in LTI. In 2022, the CEOs of AngloGold Ashanti and Glencore Xstrata received a total remuneration of ZAR 116 million and ZAR 104 million, respectively.

On average, executive director remuneration has increased significantly by 80.42% from 2021 to 2022. The non-executive director remuneration has increased by 30.25% from 2021 to 2022.

CEO Remuneration 2022

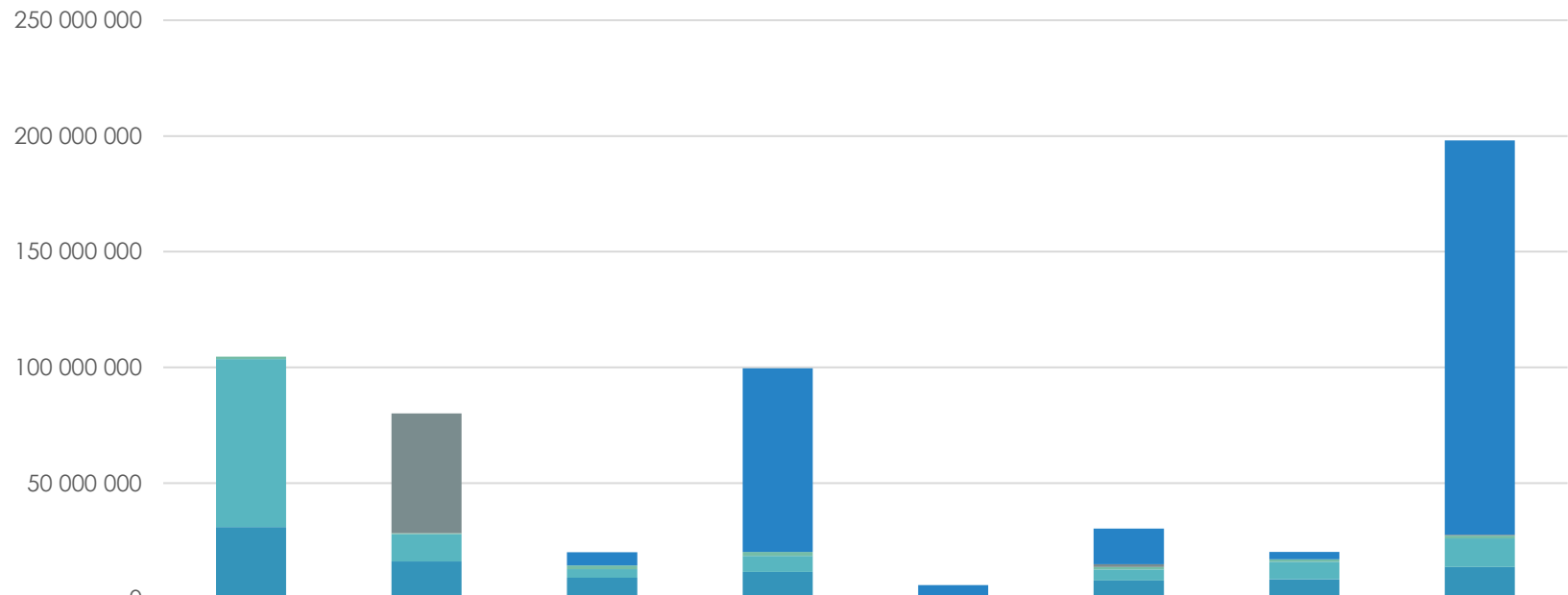


	African Rainbow Minerals	African Rainbow Minerals	Anglo American Platinum	Anglo American plc	Anglo American plc	AngloGold Ashanti	BHP Billiton	Exxaro
■ DShip LTI Payment	0	0	8 817 750	87 104 167	49 791 667	83 180 000	138 285 714	56 866 749
■ Dship Total Annual	30 734 000	9 396 000	31 007 714	19 958 333	41 812 500	32 828 000	94 523 810	17 523 581
■ DShip Other	2 000	139 000	4 688 137	83 333	104 167	162 000	0	8 656 154
■ DShip Benefits	10 976 000	585 000	1 608 519	2 958 333	6 979 167	6 481 000	5 365 079	577 008
■ DShip Cash Bonus	10 760 000	0	13 589 970	8 041 667	16 395 833	0	62 174 603	4 047 137
■ DShip Salary	8 996 000	8 672 000	11 121 088	8 875 000	18 333 333	26 185 000	26 984 127	4 243 282

■ DShip Salary
 ■ DShip Cash Bonus
 ■ DShip Benefits
 ■ DShip Other
 ■ Dship Total Annual
 ■ DShip LTI Payment

Figure 10 CEO Remuneration 2022

CEO Remuneration 2022



	Glencore Xstrata	Gold Fields	Harmony Gold	Impala Platinum	Kumba Iron Ore Limited	Kumba Iron Ore Limited	Petra Diamonds	Sibanye Gold
■ Dship LTI Payment	0	0	5 604 043	79 258 000	6 012 000	15 391 000	3 258 549	170 348 000
■ Dship Other	0	51 703 448	0	0	0	1 164 000	0	284 000
■ Dship Benefits	1 034 483	391 379	1 589 154	1 698 000	0	1 072 000	1 049 667	1 268 000
■ Dship Cash Bonus	72 603 448	11 763 793	3 736 028	6 999 000	0	4 824 000	7 542 137	12 308 000
■ Dship Salary	31 034 483	16 263 793	9 199 648	11 637 000	0	7 970 000	8 529 412	13 824 000

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

Figure 11 CEO Remuneration 2022

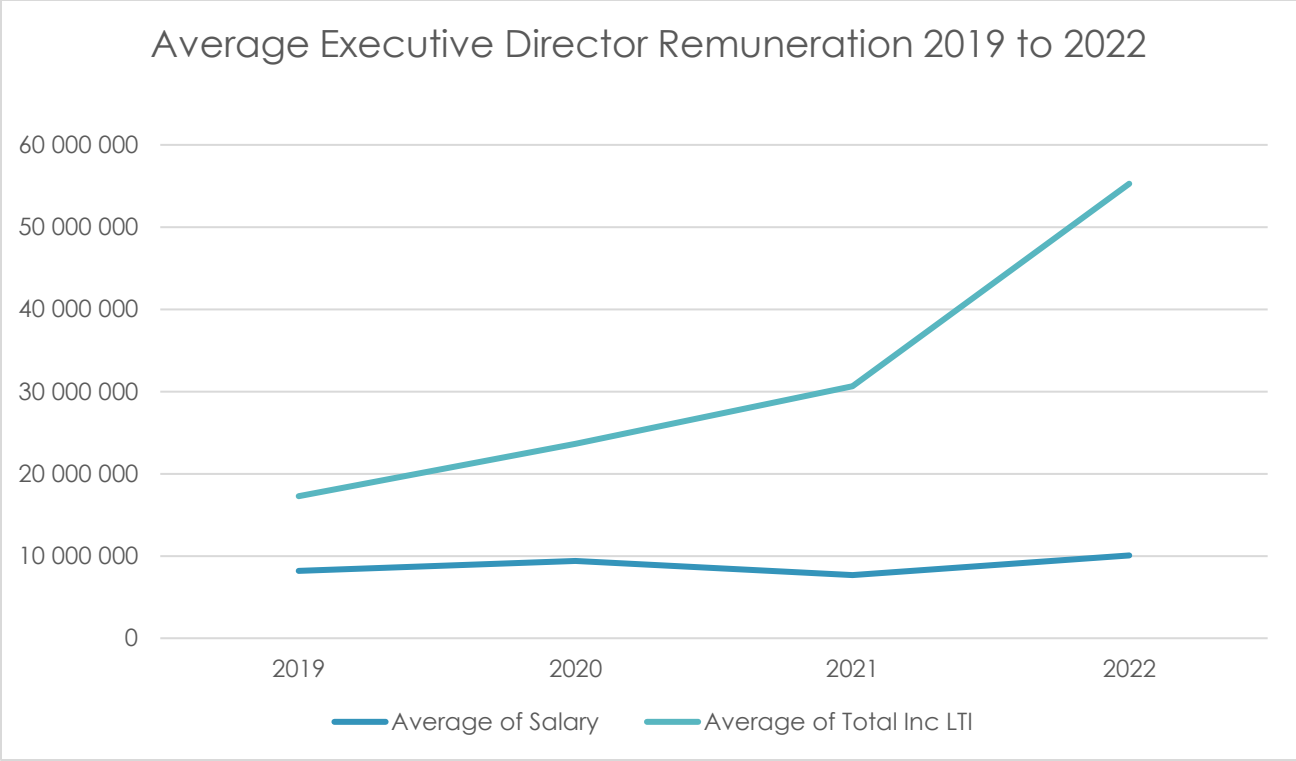


Figure 12 Mining Sector Executive Director Remuneration 2019 to 2022

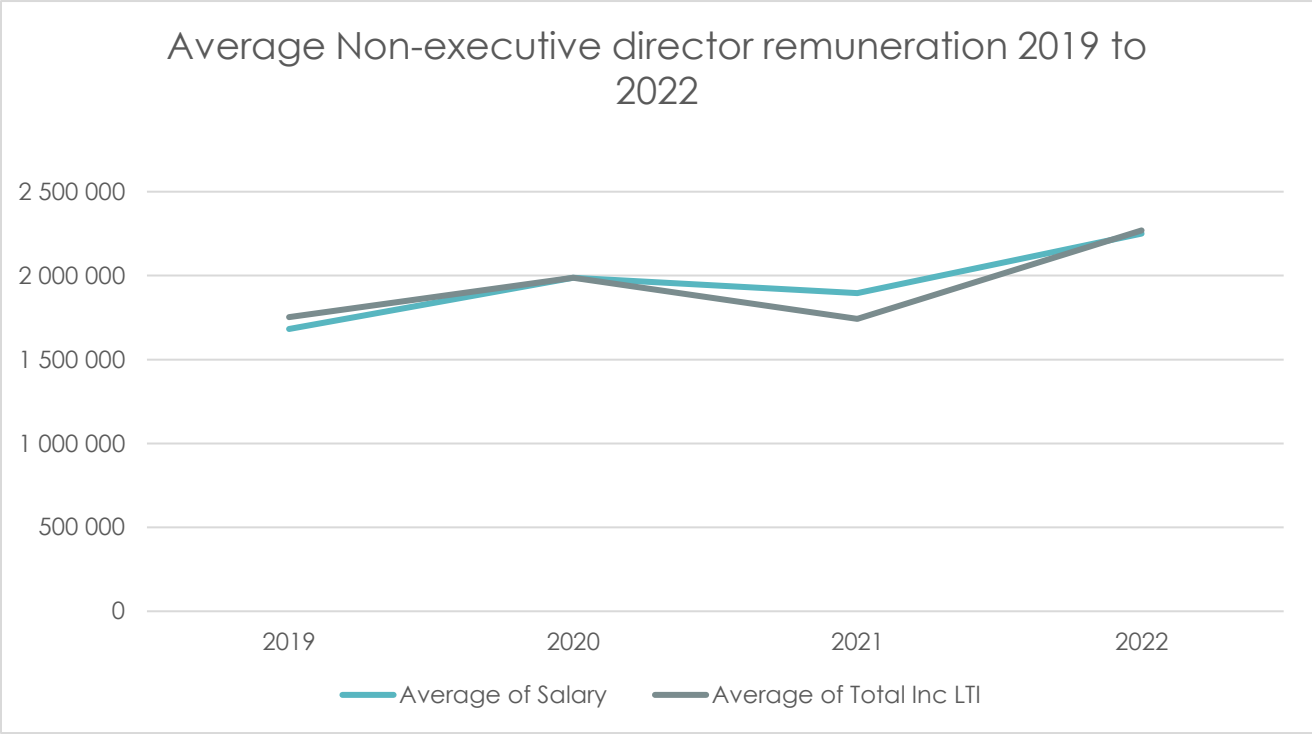


Figure 13 Mining sector NED Average Total Annual Remuneration 2019 to 2022