



REMSMART MINING & METALS

BENCHMARKING PAY DECISIONS IN THE RESOURCES SECTOR

A quick read on the Australian sectors response
to remuneration as at 31 July 2020

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MARKET OVERVIEW

The new year brought with it a new sense of investor optimism and purpose. Western Australia, which is responsible for more than 50% of Australia's mining investment, experienced a 1% growth in GDP in 2018-19, and there were signs of further economic and employment growth in early 2020. But within a few weeks of the pandemic arriving on Australian shores in March 2020, this optimism dissipated.

Thankfully, the mining and metals sector moved swiftly in implementing safe working protocols, as did the Australian government when it positioned mining on the list of essential sectors. This decisive action meant the sector's output was relatively unaffected, unlike heavily downtrodden industries such as hospitality, tourism and retail. What's more, China has kept buying iron ore from Australia and two of the nation's biggest competitors, Brazil and South Africa, haven't been able to operate as normal.

And while the restricted movement of personnel interstate and interoperation is affecting productivity, anecdotally, this is much less than expected. However, the resources industry is still exercising some caution when it comes to expenditure, and rightly so in the face of such instability.

But the question remains as to how this new business is impacting remuneration. Have pay rises and incentives been curtailed across the board? How is the resource sector handling allowances while managing deteriorating commodity markets and distressed assets?

As the pandemic continues to ripple outwards, solid industry benchmarking data will be instrumental in helping companies to shape defensible pay strategies—ultimately arming them with collective industry knowledge to attract and retain high performing talent, and to steward their organisations through economically uncertain times.

Comprising remuneration data from more than 71 companies and 600 roles in the mining, construction and engineering industries, our Mining & Metals Remuneration Portal brings crucial financial data to your fingertips, searchable across role, location, sector and commodity to power pay strategy decision-making.

The following report contains a snapshot of the larger picture, including some key insights across salary forecasting, incentives, allowances, talent shortages and salary inflation, as well as emerging trends which will shed light on how the sector is handling the “new normal”.

As always, we are here to help you devise beneficial remuneration strategies, to empower your teams and to secure your profit sustainability. So please do reach out if we can be of assistance.

Kind Regards,

Allan Feinberg and Charmaine Reay



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PANDEMIC INSIGHTS

In line with its proven track record of adaptability and resilience in difficult times, Australia's mining sector made a number of operational changes earlier this year to safeguard business continuity during the pandemic. As a result, their output remained mostly uninterrupted through strategic management of rosters and people, stringent hygiene and disease control measures, and careful and ongoing liaison with state and federal governments.



Liaised with governments to classify mining as an essential industry



Introduced longer rosters and even swings to reduce the spread of disease



Relocated staff inter and intrastate to ensure employee continuity



Removed all non-essential workers from site



Top tier miners hired new workers to stimulate growth, with a focus on skilled apprentices and graduates

What's next?

Companies are starting to return to some normal rostering. But across the industry, for the short-term at least, some longer shirts are expected to remain. While some commodity prices remain volatile, those of Australia's major mining export are robust - including iron ore and gold. The industry continues to provide vital supply lines to critical regional economies such as China, Japan, South Korea, while benefitting from temporary lapse in production in Brazil and South Africa, Australia's biggest competitors.

BOARDROOM TALK

Despite witnessing strained supply chains, fluctuating commodity prices and a huge reduction in the movement of staff, Australia's mining sector has largely escaped the immediate impact of the COVID-19 crisis to date. But with the global economy still recovering and a renewed focus on ESG, the industry faces an evolving business context and some new challenges over the next 12 months.



Commodity fluctuation remains a key concern. While the current price of iron ore and gold is promisingly high, the sector is in a state of flux globally and this could change rapidly.

Companies can secure their operations amid financial instability by looking to reduce costs or invest in technology to drive growth, productivity and greater efficiency.

ESG reporting standards were recently made more stringent in Australia, at a time when overall climate change activism has grown significantly more vocal and ethical investment is gaining in popularity. Governments and investors will be increasingly attentive to ESG outcomes, with a continued focus on decarbonisation through a shift from coal to more sustainable commodities such as copper and other battery minerals.

Macroeconomic factors are a perennial concern for the resources sector, and the global pandemic has intensified these risks.

Of particular importance to Australian organisations is the forecasted slowdown in the growth of the Chinese economy, coupled with the rise of protectionism and the potential effect this can have on free trade, and the volatility of global currencies.

Australian governments have been under rising pressure to initiate regulatory reform across areas including compliance, modern slavery, whistle-blower legislation, tax avoidance and environmental conservation.

Mining executives and boards should consider strategies to remain abreast of regulatory changes, including leveraging technology like integrated governance, risk and compliance (GRC) systems.

Increased tensions between the world's two largest economies, China and the US, coupled with a crisis of confidence by the Central Banks has ushered the world into a new phase of geopolitical uncertainty.

Given China's status as Australia's number one destination for resources exports, any reduction in China's growth as a result of the trade war could potentially impact on Australian miners.

Community expectations are driving a renewed focus on heritage, making domestic exploration more difficult and potentially hampering future growth of the sector.

Over time it is likely that some Australian companies will consider expanding activities into foreign jurisdictions, which will introduce a new set of political and social risks.

THE TALENT SHORTAGE

The Australian Resources and Energy Group published a report predicting that the sector will need 21,000 new workers by 2024, putting pressure on new and approved mining projects to deliver long-term jobs. With Tier 1 and Tier 2 organisations constructing new mines in Western Australia, requiring thousands of construction workers, the pressure is on to attract top talent.

Queensland’s mining industry has also seen a noticeable increase in mining job activity in both metalliferous and coal sectors. Victoria and New South Wales are facing skill shortages, as the latter competes with the higher volume of mine operations in Queensland and Western Australia. There’s strong optimism for vacancies in South Australia and the Northern Territory alike, where increased mine activity has attracted skilled candidates across the sector.

WESTERN AUSTRALIA	QUEENSLAND	SOUTH AUSTRALIA	NORTHERN TERRITORY	NEW SOUTH WALES	VICTORIA
<ul style="list-style-type: none"> • RC drillers • Diamond drillers • Field assistants • Underground engineers • Drill and blast operators • HD fitters • Auto electricians • Surface mobile plant operators 	<ul style="list-style-type: none"> • Mining and geotechnical engineers, • Geologists and surveyors (underground) • Metallurgists and lab technicians • Drill and blast operators • Heavy diesel fitters • Dump truck and all-round operators • Auto electricians 	<ul style="list-style-type: none"> • Project engineers • Project managers • Mechanical fitters • Boilermakers • Dump truck and all-round operators 	<ul style="list-style-type: none"> • Heavy diesel fitters • Auto electricians • Refrigeration technicians • NDT technicians • All-round operators • Geologists and field assistants • Maintenance planners and project managers 	<ul style="list-style-type: none"> • Electrical design engineers • Mechanical engineers • Mining engineers • Boilermakers • Mechanical fitters • Underground electricians • Drill fitters • Surveyors and geologists 	<ul style="list-style-type: none"> • Diesel mechanics • Boilermakers • Mechanical fitters and all-round operators • Superintendents • Operations managers • Quarry managers

SURVEY DEMOGRAPHICS

REMSMART's mining and metals pay survey provides remuneration intelligence for HR decision-making and validation—providing on demand pay insights and remuneration design mentorship via a user-friendly online dashboard and personalised support. Updated biannually, our Mining and Metals survey is based on comprehensive, nationwide research, including:



600 roles

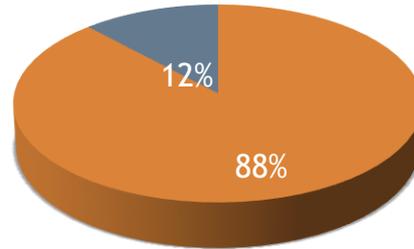


< 55 000 lines of data



72 organisations

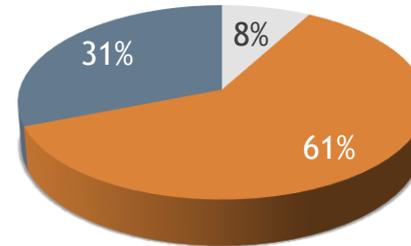
Sectors



■ Mining

■ Construction and Engineering

Commodities



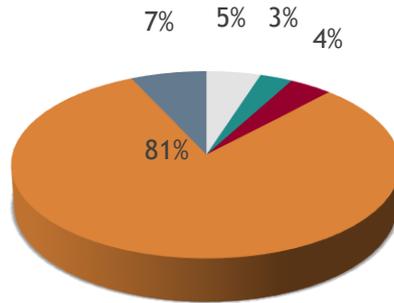
■ Other (Lithium, Coal)

■ Gold and Iron Ore

■ Diversified Minerals (Base, Nickel etc)

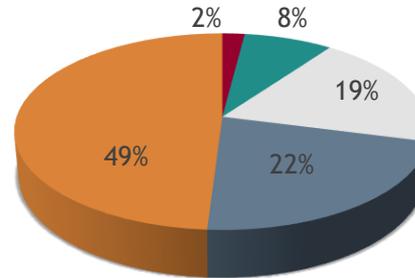
SURVEY DEMOGRAPHICS

States



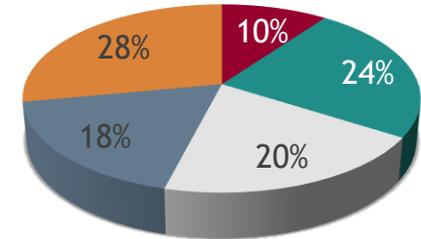
- SA & TAS
- NT
- VIC & NSW
- WA
- QLD

WA Regions



- Midwest & Coast
- Southwest & WA
- Perth
- Goldfields
- Pilbara & surroundings

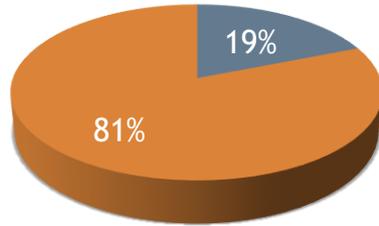
Rosters



- Other
- 8/6
- 5/2
- 14/7

SURVEY DEMOGRAPHICS

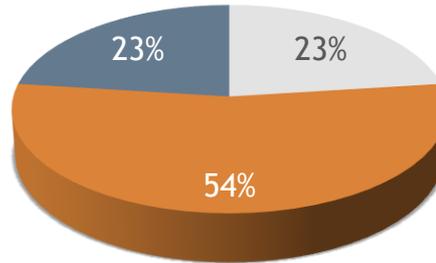
Gender



■ Female ■ Male

*Small % undefined

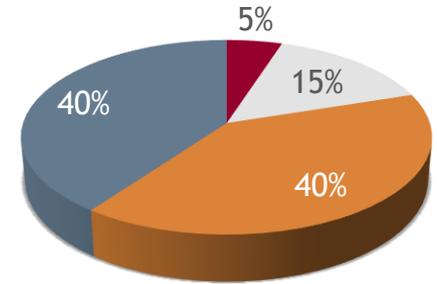
Employee Location Status



■ Residential ■ FIFO ■ Standard / HO

*Majority of our database is based on-site outside the company head office

Generational Groupings



■ Gen Z ■ Baby Boomers ■ Gen X ■ Gen Y

*Majority of our database is populated with employees ranging from birth years 1965 - 1994 (Gen X and Gen Y)

DATA SNAPSHOT: FORECASTS

When looking at market forecasts, this is defined as a market view of projections for salary increases for the next 12 months. On average our REMSMART participants are looking at between 1.2% - 3.5% for salary forecasts for the next 12 months. Therefore the national mining sector average forecast ranges between 2% - 2.4%. This is dependent of course on each company's financial situation, with some offering no increases over the next twelve months or looking at deferred increases which will be considered after September.

Companies may look at this as an across-the-board increase, but due to what is happening in the market, increases should be provided to those key roles and individuals first as not all roles in a company are crucial. In order to incentivise high performing staff during this critical time, we are seeing some key roles having movements of between 5-8%. Organisations are also looking at market corrections and internal relativity correction in shaping pay strategies at this time.

PREMIUM ROLES:

TRADES	SPECIALIST OPERATORS	ENGINEERS AND OTHER	PROJECT MANAGEMENT
<ul style="list-style-type: none">• HD Fitters• Mechanical Fitters• Electrician (Auto and EI)	<ul style="list-style-type: none">• Excavator operator• Ancillary operator	<ul style="list-style-type: none">• Mine Engineers• Geotech Engineers• Geologists	<ul style="list-style-type: none">• Project Managers• Project Engineers• Estimators• Surveyors

DATA SNAPSHOT: ALLOWANCES

The most popular allowances provided by our participants are roster, site, and travel/commute allowance. In the other allowance column, a critical skill allowance has been identified, to help with retention and attraction for those key roles. In the below, we have provided average values looking at different work arrangements and locations.

Roster Allowance

Average	\$18,500
8/6	\$14,000
Even	\$15,800
14/7	\$25,000

The 14/7 roster is paying the highest allowance, which is due to the additional working hours performed for a role by an employee. Even time roster allowance values and 8/6 roster values are not vastly different, which shows that companies are considering roster changes to provide family friendlier rosters.

Site Allowance

Average	\$18,500
WA	\$20,300
Pilbara & Surroundings	\$22,000
Goldfields	\$17,300
Regional Vic & NSW	\$21,000

The Pilbara and surrounding area are still providing the highest site allowance in the mining sector. But due to a number of infrastructure projects on the east coast the regional NSW allowances are also higher than some other WA regions.

COMMUTE / TRAVEL ALLOWANCE

This commute/ travel allowance is another popular allowance which companies provide their FIFO and DIDO, and even some residential employees. The average commute / travel allowance is \$15,000.

DATA SNAPSHOT: OTHER FINDINGS

AVERAGE BASE SALARY BY FUNCTION BY BAND

	Operational Executives	Section/Unit Head or Professional	Technical Expert	Advanced Operational
Engineering & Trades	\$301,400	\$172,100	\$118,820	\$98,400
Geology & Exploration	\$290,800	\$171,200	\$112,900	\$85,400
Operations	\$309,000	\$185,800	\$130,500	\$99,500
Shared Services (Admin, HR, IT & Finance)	\$288,000	\$165,400	\$108,200	\$73,600
Logistics	\$284,000	\$167,000	\$100,000	\$92,100
Health, Safety and Quality	\$298,800	\$169,500	\$114,400	\$95,300

REMSMART has provided you with an average analysis for key/common functions by band in the resources sector. The engineering & trade and operation functions are the highest paid functions at all band levels.

GENDER BY BAND

	Strategic Executives	Operational Executives	Section/ Unit Head/ or Professional Advice	Technical Expert	Advanced Operational
Female	21% below	2% below	11% below	15% below	19% below

The overall gender gap in the REMSMART data set is 13.6%, which has stayed consistent for the past 6 months. The overall National gap through the WGEA report is 13.9%. Currently at its lowest vs 2014 which it was at 18.5%.

DATA SNAPSHOT: OTHER FINDINGS

GENERATIONAL GROUPING BY BANDS FOR BASE SALARY

	Operational Executives	Section/ Unit Head or Professional	Technical Expert	Advanced Operational
Baby Boomers	\$309,500	\$189,200	\$127,000	\$105,900
Gen X	\$304,500	\$184,000	\$126,200	\$105,500
Gen Y	\$260,000	\$163,100	\$118,800	\$99,800
Gen Z			\$96,300	\$78,000

Years of experience drives remuneration. Baby boomers feature at the top of the table in all bands.

UNDERGROUND VS SURFACE TFR COMPARISON

	Operators	Management
Underground	\$149,920	\$238,000
Surface	\$140,165	\$238,000

In this analysis we are looking at the market differentials between underground and surface roles. Looking at all operators across our 'technical expert' and advanced operational' bands combined for TFR. On average underground has a 8% market premium on surface for TFR. If you are looking at management roles across surface and underground they are fairly similar at this level.

DATA SNAPSHOT: INCENTIVES

ACTUAL STI% PAYOUT

% of Base Salary	REMSMART Brand Level
29%	Strategic Executives
25%	Operational Executives
15%	Professional/ Section Head
11%	Technical Expert
11%	Operational

TARGET STI%

	REMSMART Brand Level
47%	Strategic Executives
33%	Operational Executives
17%	Professional/Section Head
13%	Technical Expert
13%	Operational

The STI % paid out has remained consistent in the past 6 months.

AUSTRALIA'S TRUSTED MINING SURVEY

Where comparative pay information is required around what a role is paid vs the market, REMSMART is the source of truth underpinning remuneration reviews, reward design and creating competitive advantage. REMSMART provides progressive businesses with on-demand pay insights and remuneration design mentorship via a user-friendly dashboard and personalised support.



CLOUD BASED SALARY ANALYTICS

- Search by role, function and department
- Set location, tier, gender, generation filters
- Review base salary, total fixed remuneration and short-term incentive comparisons
- Hand audited data, matching 600+ roles from 70+ subscribers
- Drag and drop comparisons with comparative report functionality
- Secure 'one-time' password security

CONTACT US

We encourage you to reach out should you have any further questions or concerns pertaining to corporate remuneration and incentive programs.



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