

# TRANSFORMATION



Public  
Affairs and  
Transformation



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We believe that transformation is an enabler that underpins growth, innovation and competitiveness.

Our members support the national transformation agenda beyond mere compliance with the Mining Charter. Through their Social and Labour Plans (SLPs), which are the industry's social licences to operate, our members continue to fulfil their commitments towards addressing socio-economic challenges faced by employees, communities and the citizens of South Africa.

Our Council, senior executive team and the public affairs and transformation team acknowledge that socio-economic transformation is a journey. There is still a lot of ground to cover but the industry's commitment to transformation is evidenced in the table below which illustrates progress made during 2016 by our members against the 2014 Mining Charter targets.

## Overall performance by Chamber members against the 2014 Mining Charter targets

Charter element	Description	Measure	Compliance target 2014	Chamber assessment
<b>Ownership</b>	Minimum target for effective historically disadvantaged South African (HDSA) ownership	HDSA ownership %	26%	39%
		Percentage of companies achieving 26%	100%	96%
<b>Housing and living conditions</b>	Conversion and upgrading of hostels to attain occupancy rate of one person per room	Percentage reduction of occupancy rate towards 2014 targets	100%	95%
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units	100%	94%
<b>Procurement and enterprise development</b>	Procurement spend from BEE entities	Capital goods	40%	69%
		Services	70%	75%
		Consumable goods	50%	68%
<b>Employment equity</b>	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management	40%	49%
		Senior management	40%	48%
		Middle management	40%	50%
		Junior management	40%	58%
		Core skills	40%	84%
<b>Human resource development (HRD)</b>	Development of requisite skills, including support for South African resource development	HRD expenditure as percentage of total annual payroll	5%	5.5%

**TRANSFORMATION** continued

The mining industry believes that investing in all the elements of the Mining Charter will help transform the industry in a more sustainable manner. It has gone beyond compliance on certain elements and will continue to advocate for sustainable growth, innovation and transformation in the sector.

**OWNERSHIP**

The Chamber carried out a survey of mining industry transformation and community development performance among its members. Of the surveyed companies, which accounted for 70% of the industry by production in 2016, historically disadvantaged South Africans (HDSA) owned 39% (weighted average) of the equity, significantly above the 26% equity ownership 2014 target. This assessment is based on the principle of recognition of continued consequences of historical empowerment transactions.

**DECLARATORY ORDER**

One of the major departure points between the industry and the DMR is the interpretation and recognition of historical empowerment transactions under the ownership element. This led to both parties agreeing after years of trying to reach consensus that the issue needs to be decided upon in court. An application for a declaratory order by the High Court was initiated and the hearing was held on 09 to 10 November 2017. Judgement on the matter will help clarify this issue once and for all. The industry has invested billions of rands on empowerment transactions that have resulted in tangible empowerment and this has had a positive spill-over into other sectors of the economy.

**HOUSING AND LIVING CONDITIONS**

The majority of our members have finalised their hostel conversion and upgrade programmes for employees. There are a handful of programmes in their last phases of implementation and we will continue to monitor this progress. The unintended consequences of providing housing allowances, where employees have opted to use the money for other financial concerns, is being researched in collaboration with government through the Department of Planning Monitoring and Evaluation (DPME) and the Department of Human Settlements (DHS).

**PROCUREMENT AND ENTERPRISE DEVELOPMENT**

Our members have done relatively well under the procurement 2014 targets, exceeding them especially for capital and consumable goods. Our members support the next wave of transformation in this element, where localisation and local content become key drivers. Our members also support a balanced and well researched target that will stretch the industry and foster growth of local manufacturing capabilities.

**EMPLOYMENT EQUITY**

Mining companies continue to focus on workplace transformation with improvements being achieved in three categories. The 2010 Charter specified a target of 40% HDSAs in all reporting categories by 2014. In 2016, HDSAs constituted:

- 49.3% of top management (50.4% in 2014)
- 48.3% of senior management (41.9% in 2014)
- 49.8% of middle management (50.9% in 2014)
- 58% of junior management (54% in 2014)
- 84.4% of core and critical skills positions (75.5% in 2014)

**WOMEN IN MINING**

Since the promulgation of the MPRDA in 2002 and the Mining Charter in 2004, the number of women in the industry has significantly increased. Most mines meet or exceed the 10% women in mining target and numerous industry initiatives are underway to make a career in mining more welcoming to female employees and job seekers. Representation of women in mining increased from around 11,400 women in 2002 to around 53,000 women in 2015, increasing to 53,179 in 2017. Women represent 12% of the mining labour force.

**HUMAN RESOURCE DEVELOPMENT**

This is a critical element for economic development. The industry invested R7.7 billion on improving the skills of its employees during 2016. This is over and above the R1.5 billion paid as the skills levy. The industry believes that a skilled and educated workforce will survive the tides of mining and build a mining industry of the future.

**MINING COMMUNITY DEVELOPMENT**

The Mining Charter does not have contribution/rand value targets based on mine operations' net profit after tax (NPAT). Rather contributions and investments made to mining communities are agreed upon between mine operations and the DMR. Both international and national targets for corporate social investments /socio-economic development are based on 1% NPAT.

The combined industry's NPAT for 2016 amounted to R34 billion, making the 1% NPAT equivalent to R340 million. The surveyed members contributed a total of R1.14 billion towards mining community development in 2016, significantly greater than the national/international standard. This included loss-making mines which during 2016 contributed a total of R180 million. This demonstrates our members' commitment to transformation beyond compliance and its continued improvement.



## CASE STUDY

### REVIEWED MINING CHARTER 2017

The consultation process followed by the DMR during 2016 and 2017, before publishing the Reviewed Mining Charter 2017, was fundamentally different to the tripartite negotiations that produced both Mining Charter 2004 and Revised Mining Charter 2010. Previous negotiations were held under the auspices of the tripartite Mining Industry Growth Development and Employment Task Team (MIGDETT) or similar forum, where we represented the mandated positions of our members. The previous two charters, although not perfect, were substantially agreed upon and defensible by the industry, labour unions and the regulator.

In June 2017, the DMR published the Reviewed Mining Charter 2017 after bilateral consultations were conducted between the Chamber and the DMR, as well as between the DMR and labour unions. This meant that the three parties didn't get the opportunity to discuss and negotiate this charter together. The published document therefore had countless unresolved points and also introduced critical points that the Chamber had not previously been consulted on. After studying the document, the industry decided that this reviewed charter set unachievable targets and would damage the sustainability of the industry. We therefore

applied to interdict the implementation of the Reviewed Mining Charter 2017 and get the charter set aside until it could be reviewed. The matter was initially meant to be heard on 13-14 December 2017, but was then rescheduled due to the increased number of co-applicants on the matter, to 19 to 21 February 2018. On 20 February 2018, after President Ramaphosa's maiden State of the Nation Address where he committed to a new phase of engagement with the industry, the Chamber agreed to postpone the court hearing. We agreed to work together with government and other key stakeholders, in a genuine partnership, underscored by trust and a shared vision to try to resolve the current impasse and agree on a Charter that both accelerates transformation and grows this vital sector of our economy.

Our members have performed relatively well under the Mining Charter 2010, but acknowledge that more can be done. We therefore remain resolute on continued transformation and creating an industry that will proudly reflect a truly non-racial South Africa. Together with our members, we remain committed to a stakeholder engagement process that will result in a reviewed Mining Charter that will be achievable and defensible by all stakeholders.

### CAPTION

Sibanye-Stillwater – Kloof

