



RISK MANAGEMENT

Our approach to risk management

Our risk identification, assessment and management process involves not only our organisation but also the mining industry that we represent. This process is aligned to our reviewed strategic plan. It is also aligned to the fourth of the ICMC's 10 Principles for sustainable development in the mining and metals industry - to implement effective risk management strategies and systems based on sound science, and which account for stakeholder perceptions of risks.

The identified risks are ranked in terms of likelihood and consequences, which guide us in the allocation of financial and other resources. This risk rating also underpins the relative importance of management's key performance areas. The significant risks are those that, based on our risk assessments, pose the greatest threats to the mining industry. Each key risk poses a threat to one of the key drivers of the mining industry's future success.

We manage risks by executing preventative or mitigating actions formulated by a detailed risk analysis and captured in a risk assessment (risk bowtie). Critical controls, those controls crucial to prevent and mitigate the unwanted event, are identified and managed to ensure the focus is placed on managing 80% of the risks.



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Principal risks for the mining industry 2024

Five principal risks were identified for 2024, each mirroring broader challenges facing South Africa.



The persistent **electricity supply crisis**, despite recent improvements, continues to threaten mining production and investment. Eskom's unpredictability and high electricity tariffs remain major concerns.



Security risks, crime and illegal mining remain an escalating concern, with organised syndicates undermining operations and investor confidence.



The mining industry also struggles with **logistics and infrastructure bottlenecks**, as inefficiencies within Transnet's rail and port networks limit export volumes and economic growth.



Political and regulatory uncertainty further exacerbates instability, impacting investor sentiment and economic policy direction.



Health and safety compliance remains critical, as failure to meet industry safety milestones risks reputational damage and regulatory consequences.

Addressing these risks effectively will require sustained collaboration between industry, government and society to mitigate their impact.

South Africa Mining Industry Risk Register

No.	Risk description	Ranking		Ranking change	Residual risk rating	Key strategies
		2024	2023			
1.	Energy availability Risk of loadshedding and cost of electricity	1	1	→	23	Participate in government/business partnership, engage EIUG emphasising investment in transmission infrastructure and the electricity distribution network.
2.	Security, crime and illegal mining Negative impact on mining	2	2	→	21	Partnership with government through JICC.
3.	Infrastructure (including rails and harbours) Poor performance of Transnet resulting in reduction in export volumes	3	3	→	21	Constructive engagements continued in the NLCC and support in BFSa partnership with government.
4.	Political risk Political instability impacts negatively on investment sentiment and leads to low economic growth	4	4	→	21	Lobby government to implement much needed structural and institutional reforms to boost exploration and mining investment.
5.	Health and safety Industry not achieving health and safety milestones	5	5	→	21	Development and implementation of leading indicators across industry. Develop and implementation of leading indicators across the industry. Drive the implementation of the Masoyise Health Strategy.
6.	Regulatory environment Policy reforms to boost exploration and investment continue to lag expectation	6	6	→	21	Targeted bilateral with affected governmental departments (e.g. DMRE, DFFE, DWS) depending on the nature of the issue.
7.	Environmental management risk The industry's social license to operate at risk due to uncertain environmental regulatory framework	7	7	→	18	Engagements with government for adoption of the mining industry position. Provide strategic guidance to members and any relevant stakeholders to improve environmental performance.
8.	Compensation Framework for OLDs Risk of fund becoming insolvent and not honouring its liabilities	8	8	→	17	Mineral Council facilitate the improvement of governance, business processes, HR requirements with the members of the Gold Working Group. A co-governance model between the DoH, DMR and the Minerals Council was established.
9.	Slow pace of socio-economic transformation Risk of not achieving transformation targets	9	9	→	17	Education and awareness of the realities of equity ownership in a cyclical sector and other benefits accrued through mining. Create common fact base and understanding of the extent of transformation in the sector.
10.	Ineffective socio-performance (community development) outcomes by mining industry Risk of ineffective social performance – community development outcomes by mining industry not achieved	10	10	→	13	Enforce the Membership Compact. Increase profile of socio-economic development within the industry. Influencing policy and promoting collaboration. Support Minerals Council offices in regions.



Materiality assessment and material issues

The Minerals Council's integrated annual report is unique in that we report on the positioning and performance of the industry, as well as providing an account of our own work to our members.

The double materiality assessment we undertook this year, therefore, considers the principal issues that are most material to the industry we serve, and to the role and work of the Minerals Council.

We use the definition of double materiality recommended under the IFRS Foundation ISSB SASB as the combination of Impact and Financial materiality, where:

- **Impact materiality** defines how a company's activities, operations and value chain impact a broad range of internal and external stakeholders and the environment.
- **Financial materiality** defines how sustainability impacts related to the external environment and stakeholders have an impact on the financial performance, cashflows and prospects of the sector (part one) and the Minerals Council (part two).



We adopted a **five-stage** process:

01

Review of material issues reported by some of our largest member companies, global sustainability reporting standards (SASB, GRI), peer organisations, industry associations and ratings agencies.

02

We then developed a **list of material issues**, ensuring that we captured the difference between the role of industry and the Minerals Council.

03

This list was the basis of a survey among our leadership team, with all participants completing the **survey**. In addition to ranking the issues, participants were asked to indicate their assessment of time frame (short, medium and long term) and, for financial materiality, whether this was a risk or an opportunity.

04

The outcomes were considered against the Minerals Council's intensive **risk registers** for both the industry and the Minerals Council itself.

05

Finally, we held a **workshop** during which the leadership team considered the outcomes and whether any adjustments were required.

The outcome of this assessment:

- It has been used to inform the structure and contents of this report.
- It will be taken into account in the Minerals Council's own strategic planning processes.

Materiality assessment and material issues *continued*

Part one: industry perspective

In the first part of the materiality assessment, we delved into the broader landscape of our industry, conducting a comprehensive analysis that encompassed the collective voices and concerns of stakeholders within the sector. From environmental sustainability to social responsibility, this section offers insights into the material topics that resonate across the industry and our various stakeholders.



Top 10 material sustainability issues



Environment

- Access to water and water stewardship: The industry's ability to access water, and responsible stewardship of this shared resource.
- Climate action: The industry's ability to mitigate the impacts of climate change, through a responsible transition to renewables and reducing GHG emissions.
- Driving improved environmental performance (including impacts, emissions, engagement, provisions) by our members, and creating an enabling regulatory environment.



Social

- Developing strategies for improving employee health and safety, encouraging sharing of learnings between members and adopting leading practice.
- Improving the understanding of the critical contribution mining makes to society and the economy.
- Promoting efforts to achieve diversity, inclusion and transformation. This includes specific efforts for women in mining and the elimination of GBVF.



Governance

- Anticipating and influencing new regulation and supporting members in achieving compliance.
- Preserving and enhancing the reputation of the industry.
- Contributing towards navigating regulatory and political risk in the interests of the industry, our members and society.



Economic

- Access to efficient, reliable, affordable infrastructural services – water, logistics (road and rail).
- Addressing and eradicating all forms of corruption, including through enhanced security and eliminating organised crime.
- Stimulating exploration and junior mining.



Materiality assessment and material issues *continued*



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Kumba Iron Ore – Kolomela and Sishen Iron
Ore Mine

Part two: Minerals Council focus

In part two of the materiality assessment, we looked at the unique challenges and opportunities facing the Minerals Council. With a tailored approach, we explored the specific issues that were significant to our organisation, reflecting the diverse interests and priorities of our stakeholders. Through targeted surveys and consultations, we aimed to capture the nuances of our operating environment, facilitating a deeper understanding of the issues that drive value creation and sustainable development within the Minerals Council.

The key findings of this component of our assessment include:

- **Prioritisation of economic issues:**

Economic issues, such as value creation and resilience, dominate the rankings year-on-year. However, limited attention to stakeholder-inclusive economic frameworks could hinder broader stakeholder satisfaction. This will be a focus area in the year ahead.

- **Changing social issues:**

Social issues like workforce well-being and community engagement saw improved rankings, reflecting increased awareness and focus.

- **Underrepresentation of environmental issues:**

While environmental issues like carbon emissions and climate change response failed to rank in the top five materiality issues, and well below economic and social concerns, the Minerals Council has placed these issues at the top of its agenda. This indicates potential misalignment with global sustainability

trends prioritising environmental leadership in South Africa. It could also be reflective of the dominant socio-economic issues in the current landscape that are priorities for the Minerals Council. Nevertheless, environmental sustainability and climate change response is a top priority materiality matter for the Minerals Council and its members. The Minerals Council commitment is reflected in various sections of the integrated annual report where an account of various initiatives on environmental sustainability and climate response are reflected. To this end, the Minerals Council has taken significant strides in embarking on various programmes and activities to facilitate performance on environmental sustainability including the adoption of climate response measures, as well as lobbying and advocacy on environmental sustainability and climate change policy and legislation.

- **Governance remains a challenge:**

In the South African mining landscape, governance issues, including the changes in government leadership in the GNU following the 2024 elections, overall transparency and ethical leadership, are perceived as critical. However, our assessment is that they lack sufficient year-on-year progress, which will be a critical focus for 2025 and beyond.