ADDRESS BY MXOLISI MGOJO, PRESIDENT OF THE MINERALS COUNCIL SOUTH AFRICA AT THE 130th ANNUAL GENERAL MEETING ON 27 MAY 2020

Honourable Minister Gwede Mantashe, Director General Advocate Thabo Mokoena, past Presidents of the Minerals Council, fellow Minerals Council Office Bearers and Board members, members of the media, honoured guests.

Formally speaking, we are here today to reflect on the work of the Minerals Council and the performance of our industry during the year 2019. But 2019 seems a long, long time ago. 2020 has brought to the world, our country and our industry a set of circumstances that just a few months ago were unimaginable. These are unprecedented events that have changed the world and will change it further in ways that today remain largely unimaginable.

I need to begin by reflecting on the immediate past few months, before focusing on the more distant past of 2019.

I think it can fairly be said that the Minerals Council and its members have confronted the COVID-19 threat with thoughtfulness and application.

Already by early February 2020, a month before South Africa's first recorded case, the Minerals Council was providing members with material on prevention and mitigation measures against the virus in four languages. A further series of materials were disseminated in mid-March as we came up with a 10-point plan, based on a risk-based approach with all the preventative and mitigating measures in place.

As concern around the disease intensified, so the Minerals Council and its members have continued to monitor the situation globally and nationally. And we have continued to engage with the National Institute for Communicable Diseases (NICD) to ensure full alignment with national norms.

Internally, the Minerals Council has worked through its Health Policy Committee comprising senior healthcare professionals from member companies to develop a considered and sophisticated industry approach informed by the expertise of the World Health Organisation, the National Department of Health (DoH) and the NICD.

There have also been regular engagements with government entities and organised labour through the Mine Health and Safety Council (MHSC), Minister Mantashe and the DMRE, especially the Chief Inspector of Mines.

In April, as South Africa was in lockdown to “flatten the curve” the mining sector, through the Minerals Council developed a further detailed set of standard operating procedures to enable the ramp up of mines, and the restart of others with all the preventative and mitigating controls in place. We are proud of the Standard Operating Procedure that members were able to implement in respect of essential services at our mines as soon as the lockdown began, and as soon as further operating possibilities arose. It became the foundation of the Chief Inspector’s regulatory guidelines gazetted last week.

One of the reasons the mining industry was able to respond so quickly and comprehensively to the pandemic is because it has extensive, existing systems in place to deal with communicable diseases, particularly TB and HIV, and the extensive facilities for the monitoring of health and provision of healthcare. It must be noted that over the past five years our extensive testing, treatment and information campaigns, such as the Masoyise iTB programme, has resulted in the mining sector achieving a TB prevalence rate lower than the national average in 2019. We have also been at the forefront of the 25-year battle with HIV and AIDS and we were the first sector to implement antiretrovirals for mineworkers and their families to fight that pandemic.

We do want to recognise the intensive partnership-based and business-like engagements over the past few months with Minister Mantashe who has had to balance economic survival with the health of the people of South Africa. We are on the same page that we need to save lives and save livelihoods. We hope that our approach has made his task a little easier.

With our SOP systems in place all mineworkers returning from their rural homes have been screened, and those who are symptomatic or exposed to a COVID-19 positive person have been tested, following the NICD protocols. Those who are symptomatic and tested have been isolated and significant work is done tracking and tracing other workers that may have been exposed – and testing them. We have also increased our random testing. Workers have also received further training on managing COVID-19 in the workplace and all the preventative and mitigating controls. Then every mineworker is screened on a daily basis and the same testing, isolation, tracking and tracing protocols are then applied. As can be seen over the past three weeks as the number of infections in the country has risen, the number of cases being identified in the mining industry has increased – showing that our systems are working. We should not be scared by the increase in the number of cases. What we need to do is ensure our SOPS are implemented and that we manage the pandemic and through isolation, quarantining, tracking and tracing and treating positive patients that we manage the pandemic in a sensible manner.

However, it is also imperative that the trade unions, government, the communities and other stakeholders also approach the pandemic in a level-headed and pragmatic fashion. Panic calls for provincial borders to be shut, or migrant workers quarantined every time they cross a provincial border or for the mines in any province to be shut – simply is impractical. We need to work together to manage the virus while we get the industry back to work. Lives and livelihoods depend on this

All the leaders of the mining industry need to make a commitment - to government, to our employees, to the mining communities and also to our shareholders - to continue addressing this unprecedented health threat with uncompromising vigour. At the same time as we rigorously implement our SOP systems, we also need all other stakeholders to play their role in fighting the pandemic. The proper sanitising of public transport, proper social distancing, proper use of PPE, etc, are all part of every citizen managing this crisis.

We hope, at the same time, that government can see its way clear to continue the process towards reopening the economy as rapidly as possible. The shift to level 3 from next week is a good and necessary step. With so many businesses closed, levels of poverty and unemployment, which were serious before the COVID era, are now even more evident.

Yet, while we need to focus so intently on the battle against COVID-19, we cannot allow that obligation to reduce in any way our focus on the struggle to meet our better-known occupational health and safety challenges.

2019 saw a marked improvement in industry performance in this regard. On the safety front, our industry experienced the lowest number of fatalities due to mine accidents in its recorded history, and by quite a long way. This followed the disturbing deterioration of performance in 2017, and the only marginal improvement in 2018. That period certainly served to focus our attention on safety imperatives after two decades of improvements.

Government statistics showed continuation of the trend of improved performance in respect of occupational health, most pleasingly in respect of occupational lung diseases. And thanks to the tripartite Masoyise health program, launched in 2016 in response to then Vice President Cyril Ramaphosa's challenge to reduce TB incidence in high risk sectors, we now have a situation where TB incidence on mines is lower than in the country as a whole. Masoyise has since broadened its scope to address other public health issues such as hypertension, diabetes and mental health.

Still, however, these improvements are not enough. We will remain dissatisfied with our performance for as long as it takes to eliminate loss of life from our workplaces. That is why we launched our Khumbul'ekhaya campaign in October 2019. Zero fatalities can be our only acceptable goal. I thank all our members that have worked to make the aspirations of that campaign a reality. We will continue.

While the COVID-19 challenge has been taking most of our attention, the underlying poor economic performance and significant structural weaknesses of the South African economy were evident even prior to the COVID-19 crisis. The country's dismal growth performance, rising fiscal deficits and public sector debt, declining investment, rising unemployment, and rising inequality all contributed to a very challenging economic situation. Challenges related to corruption and state capture, institutional decay, red-tape, policy uncertainty, etc., all served to create this challenging situation. While improvements to governance structures at SOEs, the good work of the Zondo Commission of Enquiry into State Capture, certain policy reforms, and the Presidential Investment and Jobs summits are recognised – the reality is that the country requires significant structural and institutional reform – if it is to realise its true economic and transformational potential.

The COVID-19 lockdown has, ironically, succeeded in mitigating one of our country's major challenges – power insecurity due to Eskom's operational and financial crises. However, this challenge will continue facing South Africa for a long time yet. And government's ability to deal with Eskom's R450 billion debt burden is going to be much more difficult due to the additional fiscal stresses brought on by increased fiscal spending and reduced revenue due to the COVID-19 disaster.

In 2019, load shedding and load curtailment forced the mining industry to reduce power consumption by up to 20% for many weeks. This had severe impacts on output, with metallurgical plants almost invariably forced to suspend operations. Power insecurity was, and promises still to be, a major investment dampening force. Load curtailment reached a peak on 9 December with the advent of stage 6 load shedding, bringing home to businesses, householders and government the seriousness of the state of Eskom.

That was less than three weeks after we saw the announcement of the appointment of Andre de Ruyter as the organisation's new CEO.

Mr de Ruyter needs to be credited with engaging in detailed consultations with the Minerals Council and other groups representing major customers. He has left us in no doubt that he understands what needs to be done on the operational side. We trust he has used the COVID-enforced period of reduced power consumption to carry out the maintenance work that most of his predecessors neglected, and so reduce the need for load curtailment in the couple of years ahead.

Power insecurity is not the only Eskom problem, of course. The Minerals Council worked tirelessly to encourage government to allow private sector generation of power for own use and Minister Mantashe is in broad agreement that greater private power will diversify supply and assist the national grid. Government and industry are now working to remove obstacles to private power for self-use. The Minerals Council also worked with other groups to oppose Eskom demands to the National Electricity Regulator of South Africa (NERSA) for increases of some 15% a year for the fourth Multi-Year Price Determination (MYPD4). And we then had to oppose the Eskom Regulatory Clearing Account application for an additional R27.3 billion in revenue for previous revenue shortfalls and cost overruns. NERSA's decision in this regard is still awaited.

COVID-19 has brought even more sharply into focus South Africa's broader economic crisis. The situation was already critical in the pre-COVID-19 era. The state capture legacies will take years to work their way out of the system. Which exacerbates the impatience that we all have with the slow pace towards the culprits seeing their days in court and their years in prison.

But our economic woes cannot be blamed on the state capture legacy alone. The new government was too slow in its first two years to get to grips with the structural changes that were, and are, needed repair the damage. We now face a deep economic recession with reduced business activity, reduced employment and consequently reduced state revenues, combined with the need for huge social and business support measures.

We therefore cannot be surprised at the successive ratings downgrades, starting with Moody's 27 March 2020 announcement to downgrade South Africa's last remaining investment grade rating, followed by the further downgrades to lower ratings by the other agencies.

All of which exacerbates the economic recovery challenges that we now face and makes the restructuring work even more urgent.

For our industry, which will emerge weakened from the COVID-19 era, the elimination of regulatory uncertainty and the positive conformation of investor-friendly forms of regulation is now more critical than ever. This applies not least to Mining Charter III.

In March 2019, 180 days following the publication of the new Charter, the Minerals Council was compelled by a legal technicality to file an application for the judicial review and setting aside of three sets of clauses of the charter. The most fundamental element is the non-recognition of the continuing consequences of previous transactions in respect of renewal or transfer of mining rights.

Earlier this month, 14 months later, the case was heard in the Pretoria High Court. Judgment was reserved and is still awaited.

It has been the case throughout, from the gazetting of the new Charter until today, that we have known, and have consistently stated, that agreement between government, the industry, and other stakeholders is preferable to a court battle. Which, in any event, won't necessarily end with the High Court judgment.

The full recognition of continuing consequences is absolutely fundamental to investor confidence and, therefore, to the future of mining in South Africa. We cannot afford persistent doubt about this while the state and the industry continue to battle over it, especially while the industry will be struggling to emerge from both the COVID and the ratings downgrade crises. We also need to develop a comprehensive new strategy to promote a Greenfields exploration boom, to create the conditions that enable access to efficient and affordable infrastructure, to fight the devastating impact crime and illegal activity is having on mining, to modernise the sector and to continue transforming the sector.

Indeed, more than ever, these times demand co-operation, understanding and a united effort to rescue our industry, our country's economy and our populations overall health and welfare from the deepest crisis we and our world have seen in most of our living memory. For our part, we commit to doing our part in every sphere. We appreciate the open, direct and frank discussions that we have had with Minister Mantashe and with President Ramaphosa – and we are sure that together we can get this great industry and country back on a solid growth footing.

The past three years in which I've been able to serve as President of the Minerals Council has been a period of profound progress, but also of profound challenges for our industry and our country. On behalf of the Board and members, I would like to extend our thanks to Roger Baxter and his dedicated team. They have continued to provide our industry with effective support and leadership.

I again thank my fellow Office Bearers – Steve Phiri, Neal Froneman and Zanele Matlala – for their wisdom and support, as I acknowledge the similarly sterling service provided over many years by Andile Sangqu who left our ranks earlier this year. And I thank all our members, and Board members, for their guidance and dedication.

I look forward to working with you further in the challenging days that lie ahead.