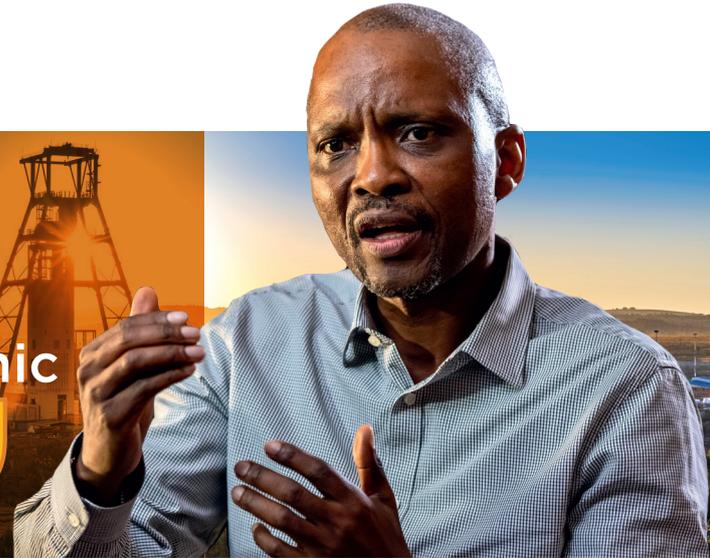


LETTER FROM THE PRESIDENT

“ Our response to the **COVID-19** pandemic has been our top priority. ”



Mxolisi Mgojo
President – Minerals Council South Africa



ASSESSMENT

Any assessment of the mining industry’s activities in 2020 has to start with an assessment of our response to the COVID-19 pandemic. We are no different from the rest of the world insofar as it has had to be our main focus and our top priority.

With the COVID-19 news filtering out of China, and the consciousness growing in the mind of anyone who follows the work of the World Health Organization, the Minerals Council realised during the course of January that it was going to have a significant impact on the industry, even if we did not realise at that early stage the full extent of what that impact would eventually be.

Still, we believe we can say with honesty that, from the earliest stages, the Minerals Council, through its interactions with medical, operational, and other experts from our member companies, did all that we could to mitigate the impacts of the virus on our employees, while ensuring the industry’s sustainability through a year in which a significant portion of production was lost through restrictions on operations, including for a period for most of the industry, a lockdown and only a gradual return to anything approaching

full production. It started with early adoption of sanitising, social distancing, and the wearing of masks; and moved on to support for government’s initial lockdown measures and, during that period, the development, in close cooperation with national and international experts, of detailed guidelines that would be the foundation of a return to work. Those guidelines ultimately became the basis, not only for the COVID-19 regulatory system under which our industry now operates, but offered guidance to much of the rest of the economy too.

By the end of 2020, in addition to maintaining the hygiene protocols, each and every day close on 400,000 employees were being screened and, where necessary, tested. The industry made a positive impact on the country’s testing capacity, and enhanced capacity in mining communities too.

By year end, 66,400 employees had been tested; 14% of the workforce, compared with 11.3% of the population as a whole. By 10 May, that percentage had risen to 29.4% (compared with 18.2% countrywide). We are also gratified that the high quality of medical care provided to employees has meant that deaths as a proportion of positive cases, at 1.13% by latest measure, is only a third of the national average.

Nonetheless, we mourn the 394 colleagues we have lost to COVID-19 complications, including Board member, Shadwick Bessit, as at 10 May 2021. We cannot afford to be complacent. The second wave through which we passed in December and January 2021 was painful both for the industry and the country. And that is why we cannot let our guard down with a third wave imminent – it may well be underway at the time this report is published. We need to continue taking precautions as seriously as we did at the very beginning of the pandemic.

LETTER FROM THE PRESIDENT CONTINUED

The only light at the end of the tunnel is the achievement of herd immunity for our employees, our communities, and the country as a whole through a large-scale vaccination programme. That is why we are working closely with government and with organised labour to acquire additional vaccines, as we did with testing equipment a year ago, and to use all our medical capacity to administer vaccines to employees and communities, thus enhancing the country's capacity to achieve herd immunity at the earliest possible point in time.

Regrettably, we cannot claim as effective a performance in 2020 in respect of mine safety. Measured by fatalities due to accidents, our journey to zero harm took a backward step in 2020 following the gratifying improvement we saw in 2019. In 2019, we recorded the lowest ever number of fatalities on record in our mining history and, while we know that it was a good achievement, we recognise that it is not good enough. We continued with our Khumbul'ekhaya – which means remembering home – strategy with a focus on eliminating fatalities as a result of safety and health incidents. That programme continued in 2020. That we recorded an increase in fatal accidents in 2020, and this despite shutdowns and reduced operations during the lockdown, is extremely disappointing to us. We cannot accept regressions of this sort. Industry CEOs and their colleagues have been examining the causes of this regression.

A targeted approach is being put in place to address major causes of fatalities across the various commodities. Falls of ground are a significant challenge in the platinum and gold sectors, while transport-related accidents have mostly affected the coal and

platinum sectors. Gravity-related rock falls remain a larger challenge in comparison with seismic-related rock bursts; an area where extensive progress has been made in recent years at our deep-level mining operations.

These are all matters for which the leaders of the industry take and accept responsibility, even as we know that co-operation with our social partners is necessary to achieve optimal performance. There are areas, though, for which we need strong commitment from government too.

One is exploration. Between 2000 and 2018 Canada attracted, on average, US\$2 billion in exploration a year. Australia attracted US\$1.8 billion. South Africa saw only US\$194 million, or 1% of total world exploration spending, in the same period. Our country fares even worse in greenfields exploration. In 2019, South Africa accounted for only 0.1% of greenfields exploration.

A survey of Minerals Council member companies conducted in December 2020 indicated that they have projects worth about R20 billion that have been prevented from being developed due to slow government processes, including delays in the approval of permits and mining right transfers, as well as the issuing of water-use licences and environmental permits.

We have been deeply engaged with the Minister of Mineral Resources and Energy and his Director General over ways to resolve these challenges, and to re-energise the mining industry which, in these positive commodity market conditions, would be growing rapidly were it not for these and other unnecessary regulatory obstacles.

This is what we are seeking:

- Discard of the unsatisfactory South African Mineral Resources Administration System (SAMRAD) application system and development of a new, electronic, transparent, and reliable online mining cadastral system
- Crackdown on corruption
- Clarity in confusing statutory provisions
- Speeding up of licensing timing
- Regular DMRE reporting on licence applications

The final point I would like to address is the issue of power self-generation. We are taking steps in the right direction in this regard. But those steps are slow, tentative, and short.

For the first time, we have an Eskom CEO who recognises that the organisation will not be able to meet the economy's needs and has acknowledged the critical role of private sector contributions to the power grid.

Government can surely do far, far more to facilitate self-generation in a shorter space of time.

In conclusion, I would like to thank my fellow Office Bearers and Board members, and Minerals Council executives, managers, and staff for their extraordinary contributions to our industry during a quite extraordinary year. Your contributions ensured that we emerged wiser and, in many ways, stronger.

Mxolisi Mgojo

President – Minerals Council
South Africa
12 May 2021