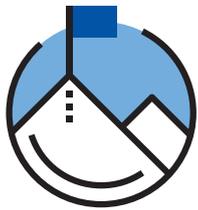


CEO'S REVIEW

“ Our testing rates are **75% higher** than the national average. ”



Roger Baxter
CEO - Minerals Council



CHALLENGING

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In conversation with Roger Baxter, CEO, Minerals Council South Africa

In reflecting on 2020, COVID-19 stands out as a game-changer. Would you agree?

2020 is undoubtedly going to be remembered as the year of the pandemic: its huge impact on humanity, and also how unprepared the world was to manage the shock. But, in the midst of this crisis, there were also positives – where certain industries, including mining, showed great resilience. The mining industry's risk-based approach to business meant that it was one of the few sectors prepared to handle the pandemic on a global level, and especially in South Africa.

I think that the industry can be proud of what it achieved in 2020 in terms of keeping people safe, through preventative and mitigating controls;

to save lives and to save livelihoods. This was a demonstration of real leadership, and it showed we could work well with government and organised labour. The pandemic is a humanitarian crisis, but it has also been an incredibly important catalyst for us to work together as critical partners and stakeholders in the sector.

The mining sector's ability to re-open after a short period of lockdown, and the massive contribution it made to the fiscus in an otherwise dismal year, speaks volumes about what the sector could do if its potential were unleashed.

2020 was also the start of a bigger, broader conversation, directly and through business entities such as BUSA and B4SA, about how we can get mining back on track. And this bodes well for 2021 as the year of implementation: the Minerals Council and the DMRE have established six task teams that are working on how we revive mining post-COVID.

We have already made some progress. The exploration task team has developed a proposed way forward, including the implementation of a new mining cadastre, which is receiving attention. We have submitted to the DMRE details of all the outstanding licensing applications currently holding back approximately R30 billion of committed investment by companies that cannot be spent owing to red tape. We have engaged with the Minister of Mineral Resources and Energy and Eskom on the electricity crisis and how to unblock it – the progress on self-generation is a result of this. We continue to have constructive engagements on unblocking infrastructural constraints, and continue to work with Transnet, including establishing joint technical task teams.

So, if there was a report card at the end of the year, I would say that the Minerals Council played a critical leadership role in all these conversations and activities.

CEO'S REVIEW CONTINUED

Could we have done better? It would have been better had mining been declared an essential service at the outset of the pandemic, or if we had been able to bring our full complement of staff back to work sooner. Ultimately, though, there was clear recognition by the Minister and others that we needed to get the sector back to work to help save the economy.

You have often lamented the 'lost' decade, and that the economy was in trouble even before COVID-19. Do you think enough progress is being made?

There has been some progress. It is not enough, but it is a start. The Minerals Council played a leadership role in the BUSA and B4SA processes which led to the initial discussions with President Ramaphosa in July – which, in turn, led to the establishment of the Nedlac seven-a-side dialogue. The mining industry made a significant contribution to the B4SA proposals and submissions to government on an economic reconstruction and recovery plan. It was disappointing that the plan published by government did not fully reflect our inputs. And there are some areas where we patently disagree – such as the role of government in infrastructure and the impossible requirements for local procurement. Although the document did not focus sufficiently on structural reform issues, there was an agreement that these would be a big part of the agenda for 2021.

Could we have done any differently on the issues? We engaged as effectively as we could in this process. The economy did suffer – we saw a 7% decline in GDP, we saw several million jobs being lost, we saw the fiscal deficit ballooning up to 14%. But we made a massive contribution to saving lives and saving livelihoods. And the mining sector was able

to make a significant positive contribution to the fiscus through higher royalties and taxes.

Were there some absolute negatives in 2020?

The starts and stops in production took their toll, as did load shedding. The most significant disappointment was that, in addition to the loss of 394 mining employees to COVID-19 as at 10 May 2021 (including Board member, Shadwick Bessit), we lost 58 people as a result of mining accidents in 2020. We do not know what the underlying reasons were for this. Has the strain of the pandemic perhaps led to more behavioural risk taking? We are investigating and are intent on returning to a continuing downward trajectory to achieve zero harm. On the other hand, progress was made in respect of other occupational diseases, for example TB. The bottom line is that we are learning to do things differently.

Were there any positives on the health and safety front? And what's next?

The industry's approach to COVID-19, which you can read about in detail on page 24, has been a monumental effort, and our management, unions and healthcare staff are to be congratulated on what they have achieved. Our testing rates are 75% higher than the national average, and our deaths per positive case are half that of the national average.

The need for effort is not over, though. COVID-19 is with us for the foreseeable future, and we need to keep up our guard and continue to embed preventative measures into our lives, at home and at work. Our response and initiatives in the face of the April holiday season and the impending third wave are further evidence of the industry's

concerted collaborative approach, developed in alignment with the DMRE and unions.

Of course, the next major challenge and opportunity is the rollout of South Africa's vaccine programme. The industry is fully geared to support government to actually get 'jabs in arms'.

It is a great disappointment that South Africa has been so far behind in procuring vaccines – this has and will continue to cost lives. The situation will only change when a significant portion of the population is vaccinated.

It is our reality that, in South Africa, we must vaccinate those who are economically active as soon as possible to ensure they can stay economically active. In mining, for instance, around 60,000 people have still not been able to return to work because they are particularly vulnerable. That has placed a burden on them, their families, their companies, and ultimately the country.



The industry's approach to COVID-19

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Turning to the issue of competitiveness, which you have spoken about often. The Fraser Institute's 2020 annual survey of mining and exploration companies released in early 2021 showed a further shocking regression in perceptions relating to South Africa. Is this relevant, and what can be done about this?

It is definitely relevant. Perceptions drive reality, and investor perceptions drive or halt investment.

Moreover, these perceptions are based on reality. Make the comparison between South Africa and Botswana, for example. In the just over 50 years between 1966 and 2019, Botswana grew its economy (as measured by an annual GDP growth rate) by 8.3% per year. In the same period, South Africa achieved a 2.6% annual growth rate. In the last decade, this rate has been slightly under 1.7%. There is no doubt that the last decade was a lost decade, because our economic growth did not even match population growth – we were basically treading water on GDP per capita growth.

So, why has Botswana been so incredibly successful? They changed their Mines and Minerals Act in 1999 and they have not changed it since. In Botswana it takes 20 days to get a mining right for a major project, and 40 days for a prospecting right. It's a clear and very simple process and there is very limited discretion in the hands of the bureaucracy.

By comparison, in the last 25 years South Africa has experienced enormous changes to its mining laws and framework. Some of this has been necessary, of course, but the changes should be sensible, clear, predictable, and stable and, ultimately, they need to be globally competitive. The allocated

time for a prospecting right is 245 working days and 355 working days for a mining right. We are simply not competitive.

And these realities are seen in the rankings: Botswana has been the top-ranking African country in the Fraser Institute survey for more than two decades. Its average score for investment attractiveness is 73 out of 100, while South Africa's is 42 out of 100. In 2020, Botswana scored 100 in six of the 18 areas of the survey; 14 of the 18 measurements were in the top quartile. South Africa scored one in the top quartile and not a single 100.

So, clarity on the Mining Charter and the working group outcomes are critically important. If we do not sort out these regulatory certainty issues, South Africa is going to remain at the wrong end of the investment attractiveness index, and that is despite having an estimated resource of more than \$2.5 trillion worth of non-energy minerals, which is bigger than Russia's and, possibly, than Australia's. It is clear that, even with incredible resources, without a framework in place allowing long-term investment, investors simply will not come.

We have made material progress in engaging the DMRE on the areas where we think there are constraints, and to working in partnership to unlock the real capability of the private sector.



Another area that has been close to your heart in 2020 has been women in mining. Do you think sufficient progress has been made?

We have been very fortunate that this has been championed by our CEOs and led by two of our Office Bearers. To me, the tragedy is twofold. The first is that, while 51% of people living in South Africa are women, we simply do not tap into their vast talents by not employing enough women in mining, particularly at a

leadership level. The second is the tragedy of endemic gender-based violence. We believe that the mining sector has a critical role to play in changing behaviour with regard to gender-based violence, not just on designated days of the year, but every day.

We have made some progress, but we can do so much more. And to do that, the industry needs to modernise and to grow. How do you attract good, capable talent into the industry, both male and female, if your sector is shrinking?



So, looking forward, if you could wish for three major changes in the year ahead, what would they be?

The first and most obvious is the expeditious rollout of COVID-19 vaccines. That is a national priority. The mining sector has given its full support to the national vaccine effort and has put in place practical plans to vaccinate three million people – both employees and community members – in two months.

Secondly, we have to unlock all of the growth inhibitors, the regulatory and licensing constraints, and remove policy uncertainty. If these issues do not get resolved during 2021, South Africa is going to take a lot longer to get itself back onto the investment radar screen.

Third, is the need to unlock the capability of the private sector, particularly in respect of infrastructure. If we could do this, then South Africa would be a completely different country from an economic trajectory perspective.



In closing, do you see any other opportunities for the sector in the year ahead?

The issue of a just transition to a lower-carbon economy is a major opportunity. While South Africa's coal

resources are likely to be the source of energy for the next 50 years, bringing on stream coal-fired power stations like Medupi and Kusile (that use new technologies with a lower carbon footprint) will actually decrease our emissions. In terms of the Integrated Resource Plan 2019, approximately 11GW of older generation coal plants will be decommissioned over the next decade. However, there will be significant gaps in new electricity supply - we need to do everything possible to unlock private sector investment in new generation, and especially renewable generation. We, as an industry, are very aware of climate change, and committed to playing our part.

We also think that government can unlock private investment in energy generation at a much faster pace, particularly in respect of renewables.

More than that, though, we need to transition to a different view of our energy future. We are involved in exciting conversations about designing South Africa's hydrogen economy roadmap. The country could play a major, leading global role in the use of hydrogen for mobility, using platinum-based hydrogen fuel cells. We have the opportunity to demonstrate to the world that we can be real leaders in this change and develop the intellectual property that could set South Africa on the path for good from an industrialisation perspective. Mining can play a very large part in this evolution.

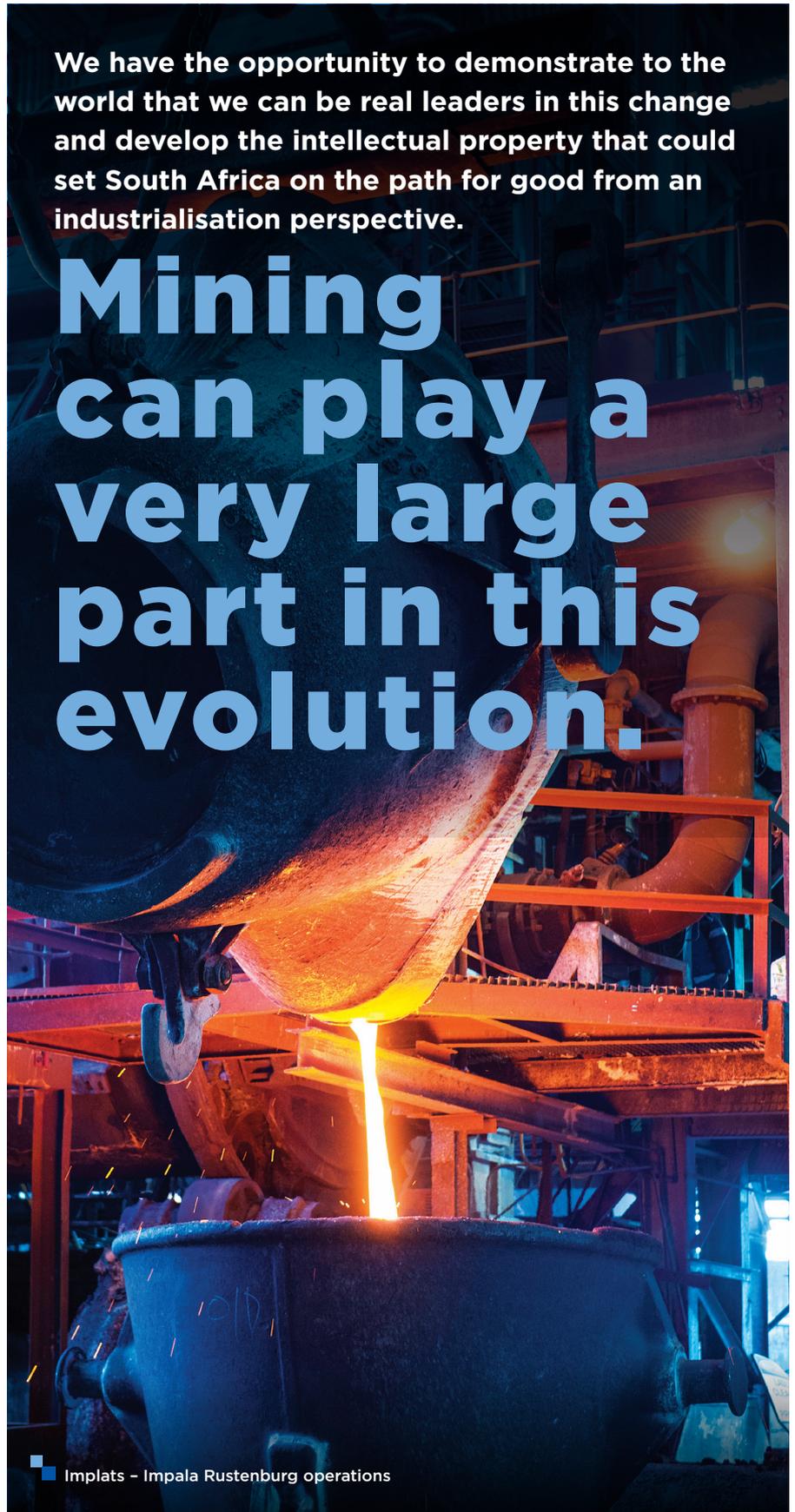
Our central purpose at the Minerals Council is Making Mining Matter. We have done so this year, I believe. And we can do more in the future.

Roger Baxter

CEO - Minerals Council South Africa
12 May 2021

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Mining can play a very large part in this evolution.



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