



MINING INDUSTRY

TRANSFORMATION PROGRESS REPORT 2019

December 2019



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The Minerals Council South Africa commissioned advisory firm Moshe Capital to conduct a survey of industry transformation and community development performance amongst its members.

The 2018 Mining Charter compliance reports of 32 member companies, as submitted to the Department of Minerals Resources and Energy in March 2019, were used to compile this survey.

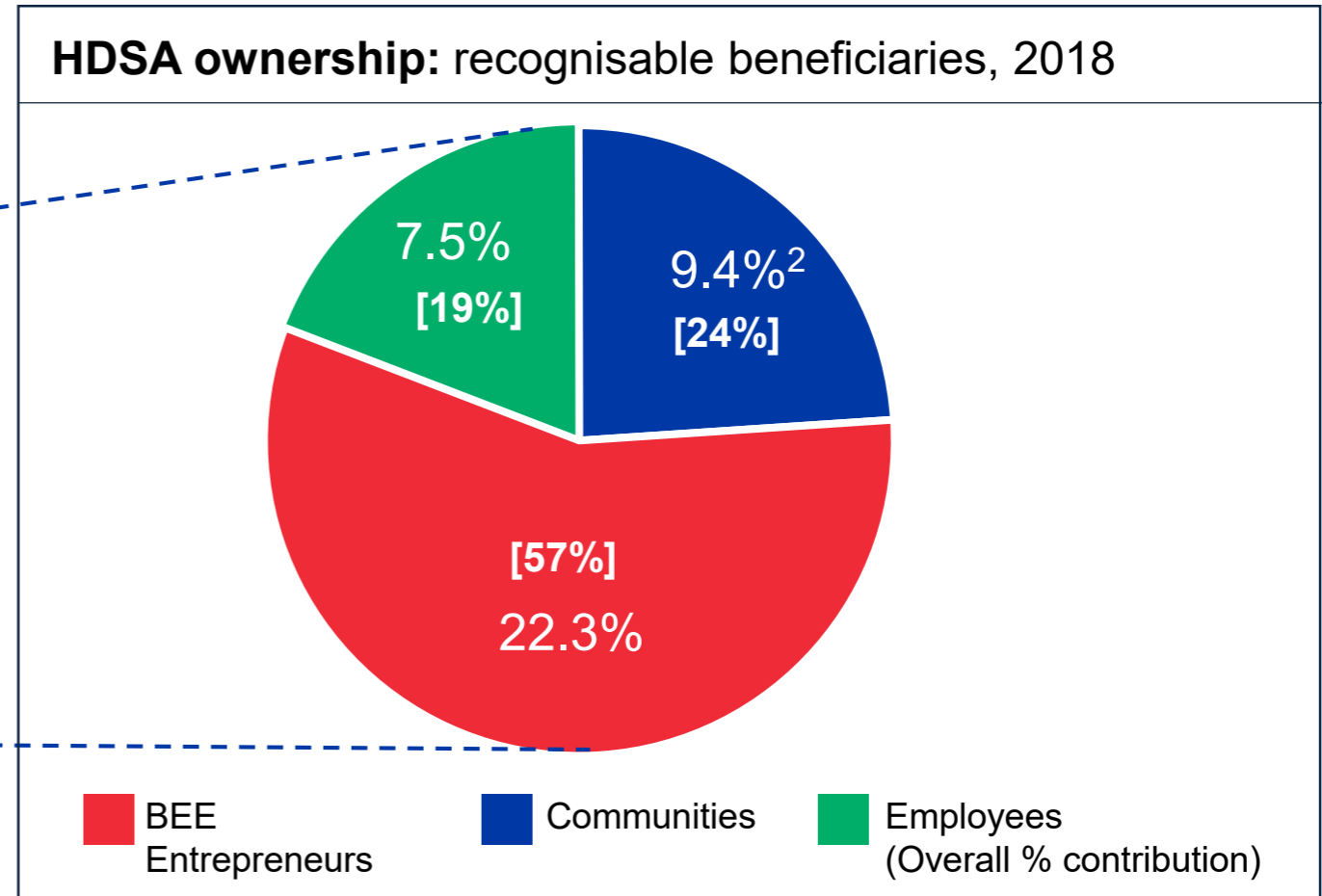
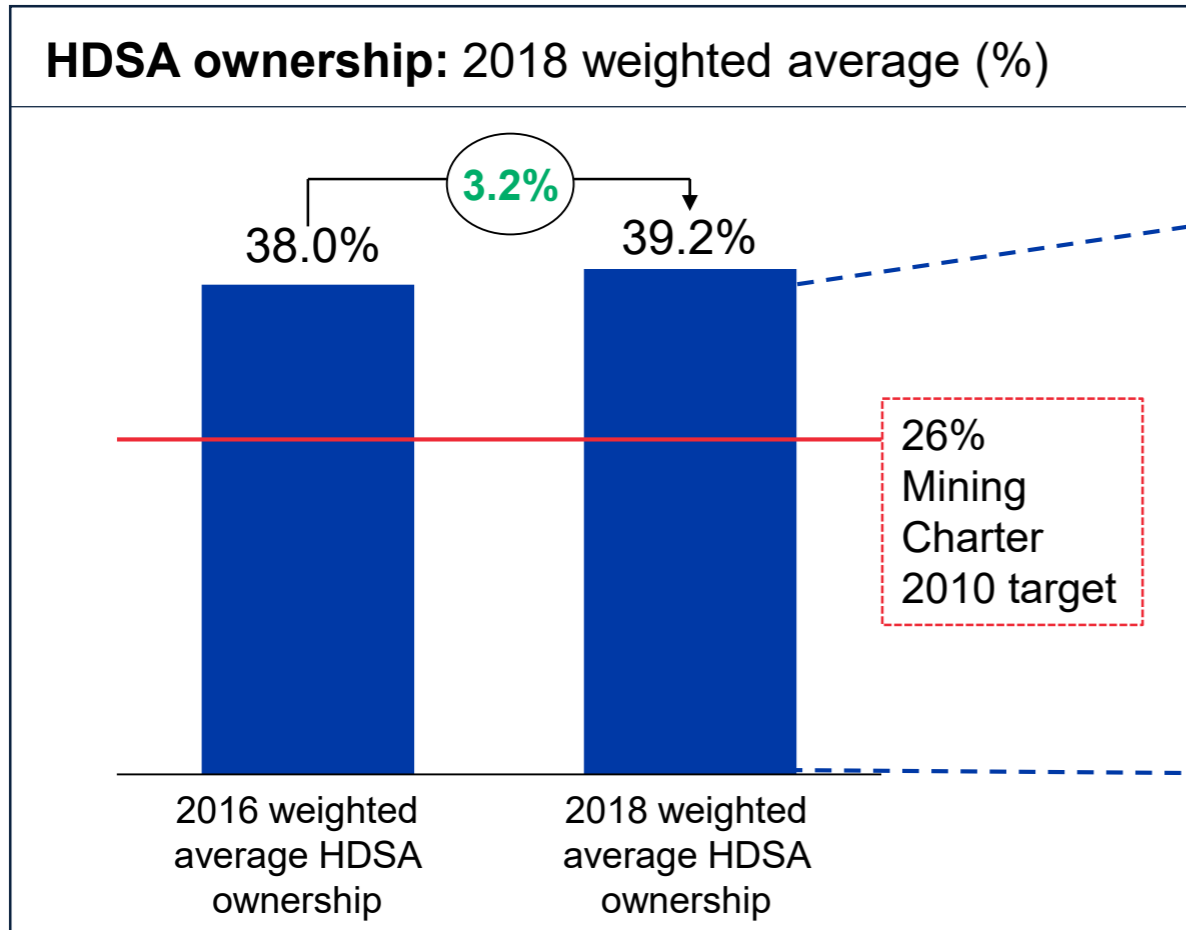
The 32 members that responded to the request represent 79.5% of the total industry, as measured by employee headcount, and 93% of the employee base of members of the Minerals Council.

The objective of the survey is to understand progress in transformation when measured against Mining Charter 2010 on five key transformation elements (Ownership, Procurement, Employment Equity, Human Resource Development, and Mine Community Development).

SUMMARY OF FINDINGS ACROSS THE FIVE CATEGORIES

Element	2010 Compliance Target	% Weighted Av.
Ownership	26% HDSA ownership	39.2
	26% Effective ownership/ meaningful economic participation	23.7
Employment Equity	40% of Top Management	58.2
	40% of Senior Management	52.8
	40% of Middle Management	61.4
	40% of Junior Management	70.5
	40% of Core & Critical Skills	78.7
Procurement and Enterprise Development	40% of Capital Goods	75.4
	70% of Services spend	75.1
	50% Consumable Goods	79.0
	0.5% of procurement value (capital goods) – from Multinational Suppliers	1.4
Human Resources Development	5% of annual payroll in skills development	4.8
Mine Community Development	100% Community consultation and collaboration	89.0
	1% of NPAT	2.7

AVERAGE HDSA OWNERSHIP BASED ON 2018 DATA SUBMISSION IS 39.2%¹



3.2% increase from 2016 ownership assessment

BEE entrepreneurs account for the biggest share of HDSA ownership

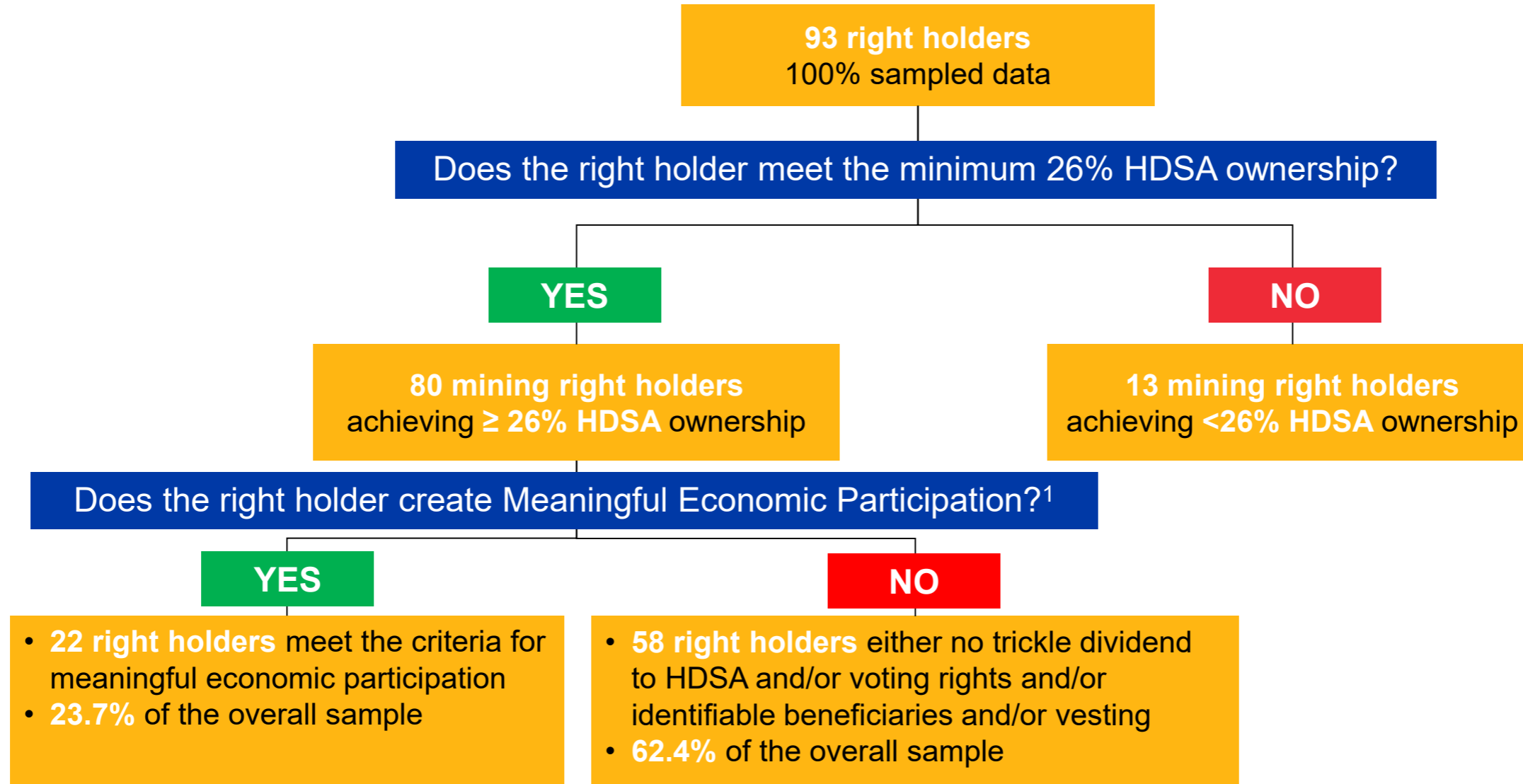
Average HDSA ownership exceeds the minimum 26% target as per the Mining Charter 2010

Source: Minerals Council

1. % HDSA ownership weighted on employee numbers

2. Community shareholding has a high contribution from Royal Bafokeng Holdings (100%), Anglo American Platinum (16.8%), Impala Platinum (21.9%) and African Rainbow Mineral's Iron Ore and Manganese operations (34.3%)

80 OUT OF 93 MINING RIGHT HOLDERS ANALYSED MET MINIMUM 26% HDSA OWNERSHIP

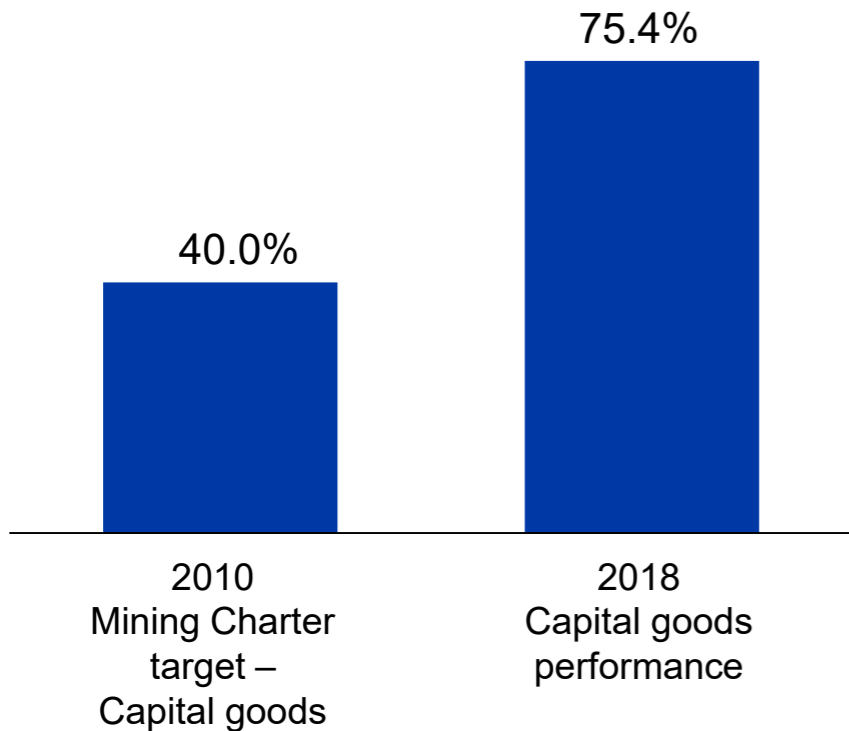


1. Meaningful economic participation includes the flow of cash to an identifiable BEE partner throughout the term of the investment, full participation of the BEE partner at annual general meetings and ability to exercise the voting rights

OVERALL PROPORTIONAL PROCUREMENT EXPENDITURE ON BEE ENTITIES EXCEEDS TARGETS SET OUT IN MINING CHARTER 2010

Capital Goods procurement 2018 (%)

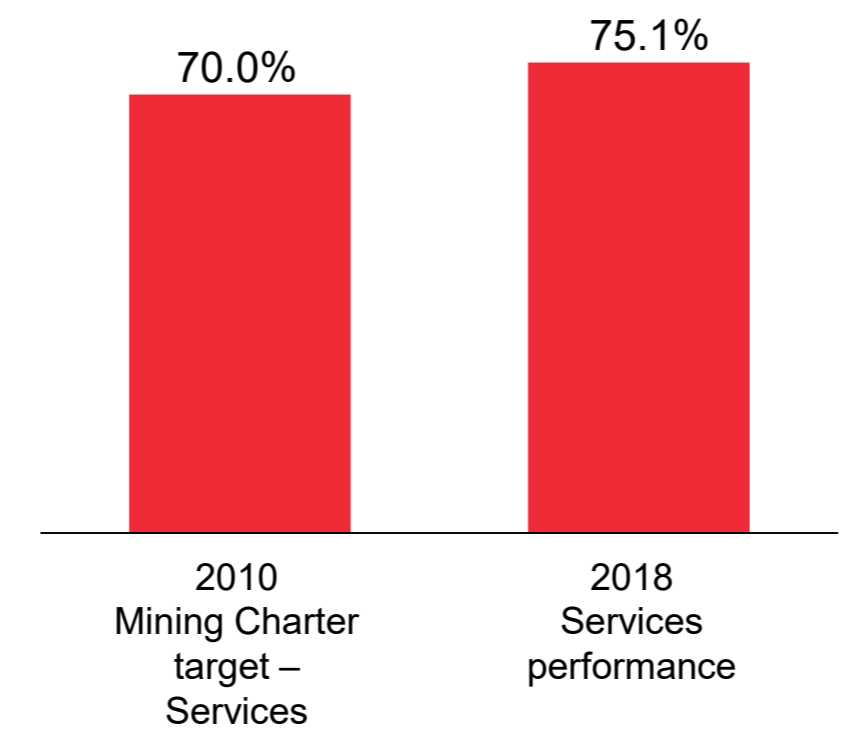
Total Spend: R16.9 billion



Capital Goods procurement score achieved exceeds the Mining Charter 2010 target

Services procurement 2018 (%)

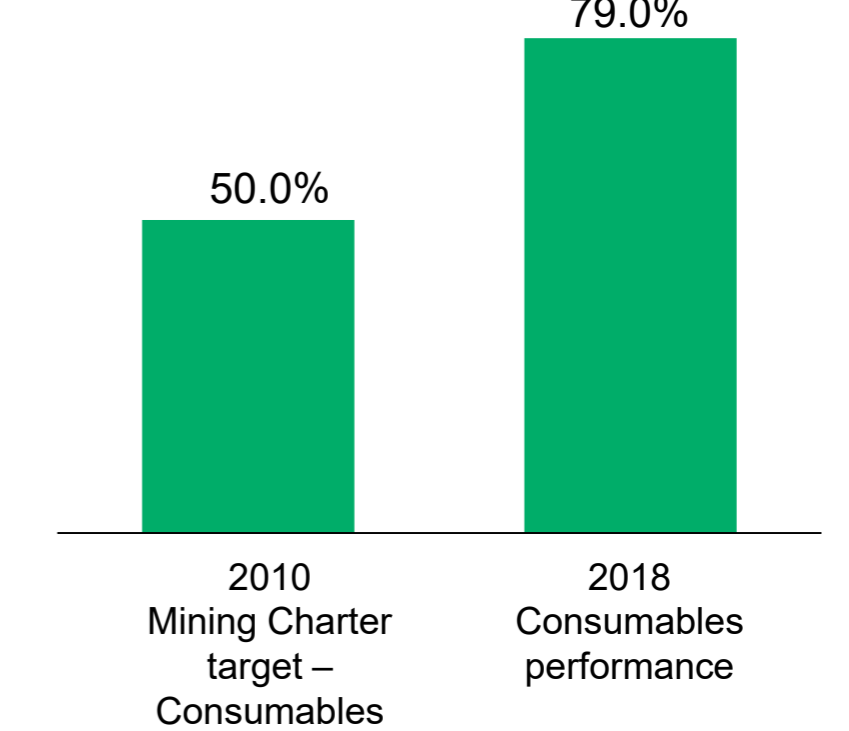
Total Spend: R45.5 billion



Services procurement score achieved exceeds the Mining Charter 2010 target

Consumables procurement 2018 (%)

Total Spend: R45.3 billion



Consumables procurement score achieved exceeds the Mining Charter 2010 target

BEE spend on consumables increased by 11% from R40.7bn in 2016 to R45.3bn in 2018

MINING CHARTER 2018 INTRODUCES INCLUSION OF WOMEN, YOUTH AND HISTORICALLY DISADVANTAGED PERSONS-OWNED AND CONTROLLED COMPANIES

	Mining Charter 2010	Mining Charter 2018 requirements	Major changes
Capital Goods	≥ 40.0% from BEE entities	<ul style="list-style-type: none"> • Procure 70.0% locally manufactured mining goods with a 60.0% local content • 21.0% from HDP-owned and controlled • 5.0% from women or youth-owned and controlled companies • 44.0% from BEE compliant companies 	<ul style="list-style-type: none"> • Consolidation of capital goods and consumables • 60.0% Local content • HDP-owned and controlled companies • Women and youth-owned and controlled companies
Consumables	≥ 50.0% from BEE entities		
Services	≥ 70.0% from BEE entities	<ul style="list-style-type: none"> • Procure 80.0% services from South African companies • 50.0% from HDP-owned and controlled companies • 15.0% from women-owned and controlled companies • 5.0% from youth-owned and controlled companies • 10.0% from BEE complaint companies 	<ul style="list-style-type: none"> • HDP-owned and controlled companies • Women and youth-owned and controlled companies

Mining right holders are expected to comply with procurement targets within 5 years

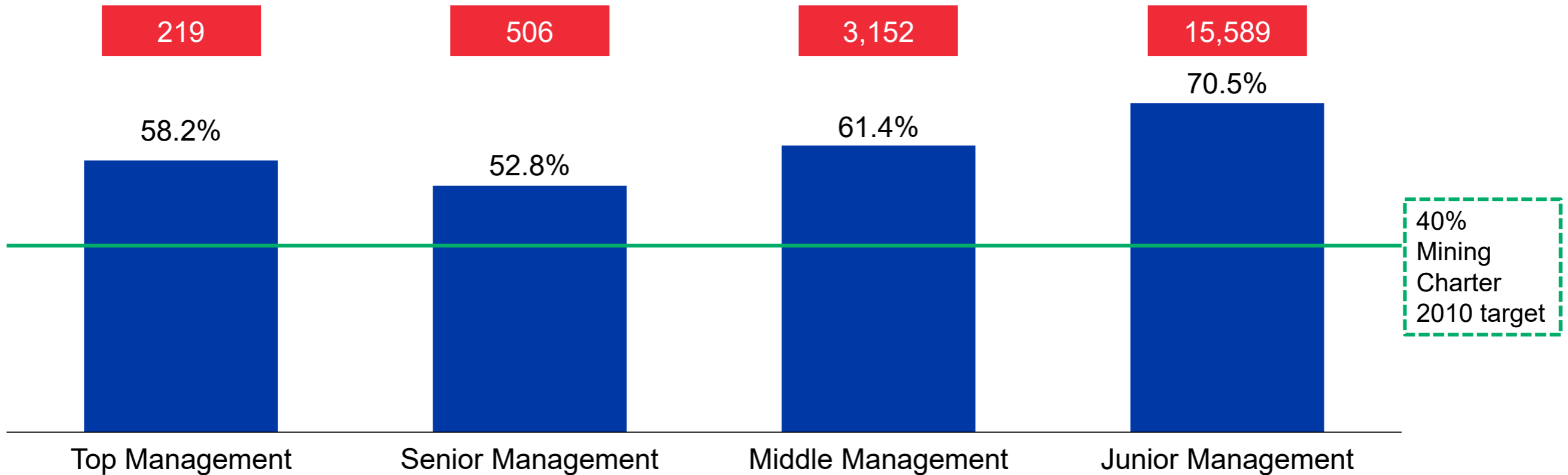
Sources: Mining Charter 2018 (GOVERNMENT GAZETTE, 27 September 2018)

1. Historical Disadvantaged Persons

HDSA REPRESENTATION IN MANAGEMENT POSITIONS IS >40% ACROSS ALL MANAGERIAL LEVELS, FROM TOP TO JUNIOR MANAGEMENT

Weighted HDSA representation across all management categories 2018 (%)

HDSA employees per category

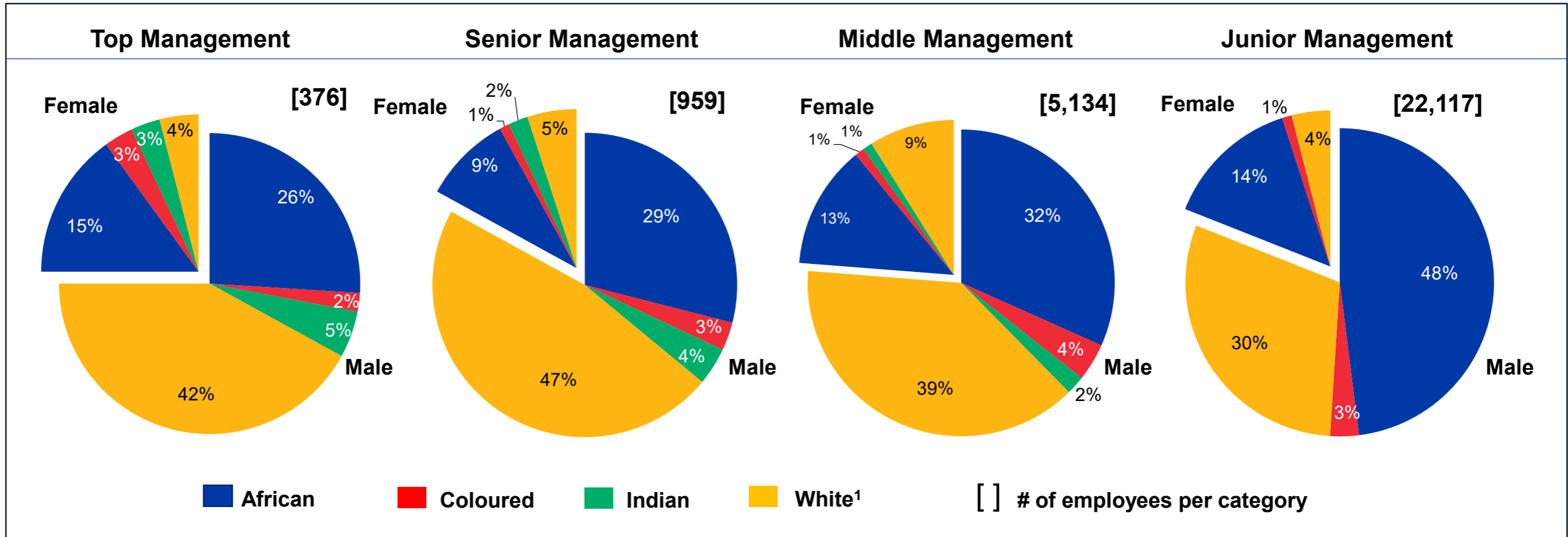


HDSA representation increases in lower management levels

Sources: Minerals Council 2018 data submission



2018 SAMPLE SHOWS GENDER AND RACE REPRESENTATION AT ALL MANAGEMENT LEVELS

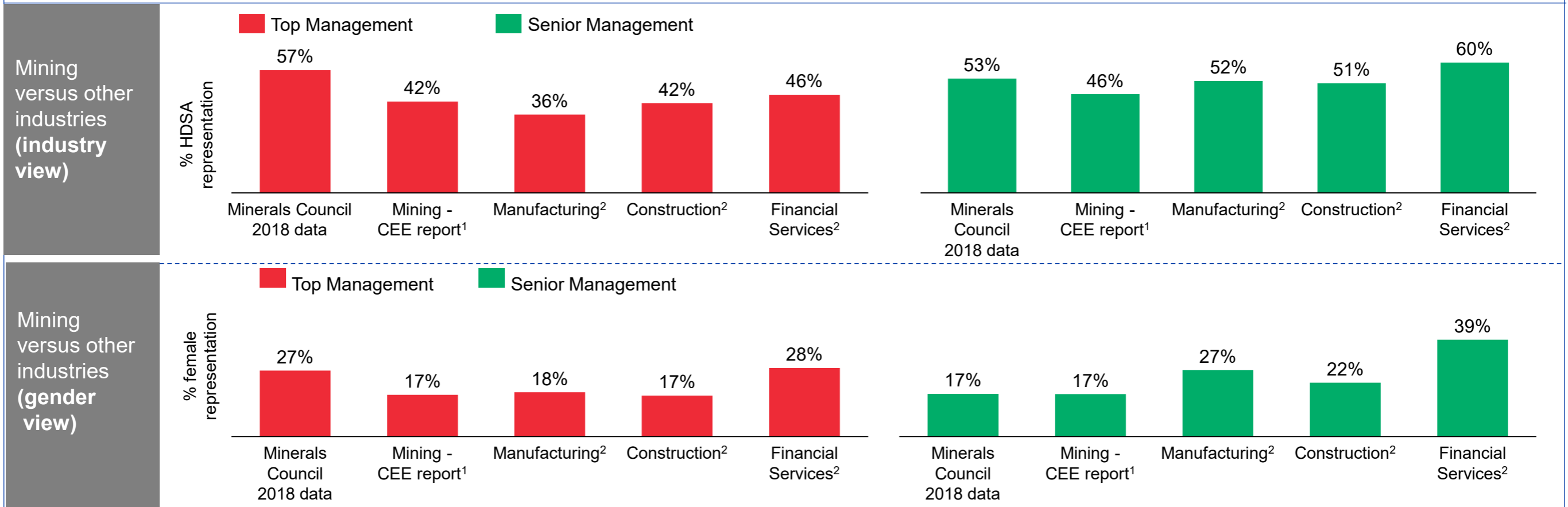


- Females are underrepresented across all management categories
- White males still dominate strategic positions (Top 38% and Senior Management 47%)

Sources: Minerals Council 2018 data submission
 1. White males includes foreign nationals

HDSA REPRESENTATION AT TOP MANAGEMENT LEVEL IS HIGHEST COMPARED TO OTHER SECTORS

EE compliance, mining versus other industries 2018 (%)



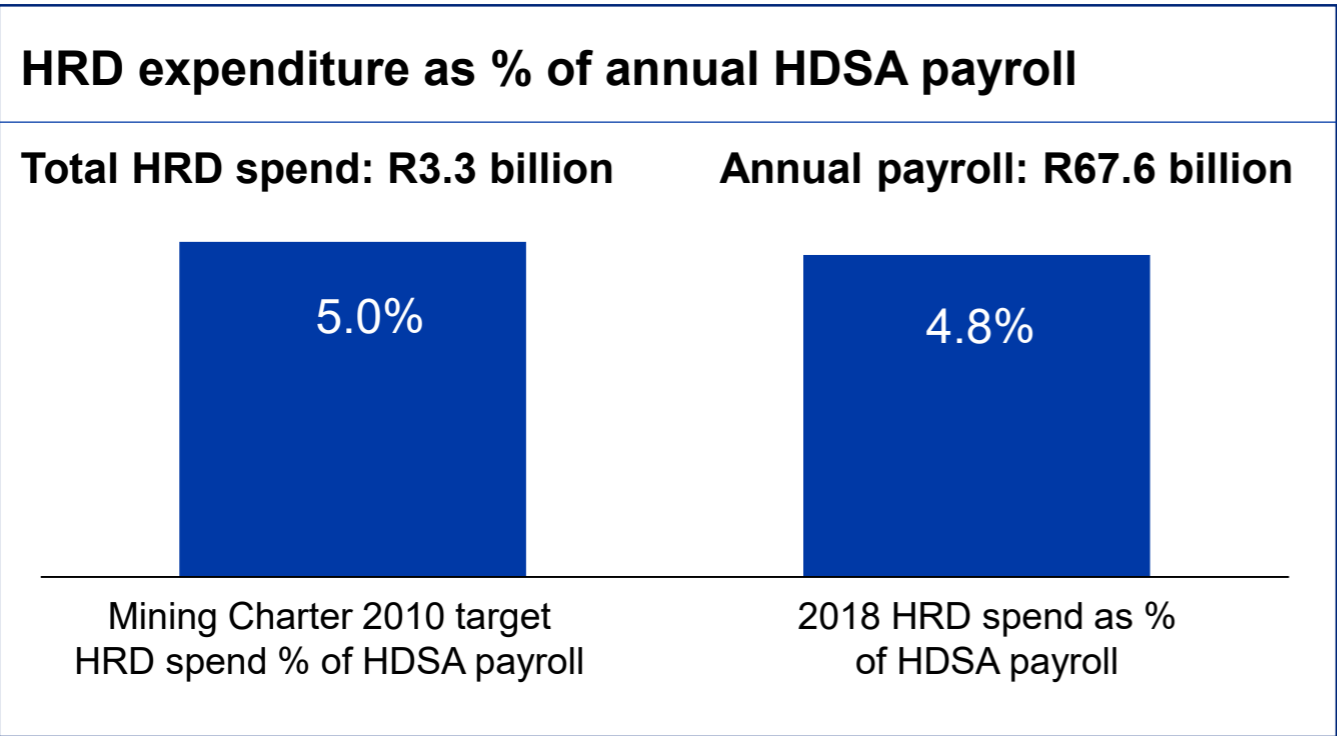
- Female representation for Top and Senior Management is < 30% across comparable sectors
- Top management in Minerals Council 2018 data comprises of board members, however for comparative sectors Top Management refers to executive. This could explain why the HDSA representation decreases for the Mining 2018 submission from Top to Senior Management whereas it increase for the comparative sectors
- Senior Management in Mining 2018 submission comprises of executive team

1. CEE – Council for Employment Equity

2. Includes African, Coloured, Indian Male and African, Coloured, Indian and White Females

Sources: Commission for Employment Equity Annual Report (2018 – 2019)

2018 SAMPLE SHOWS HRD EXPENDITURE OF 4.8% OF ANNUAL HDSA PAYROLL

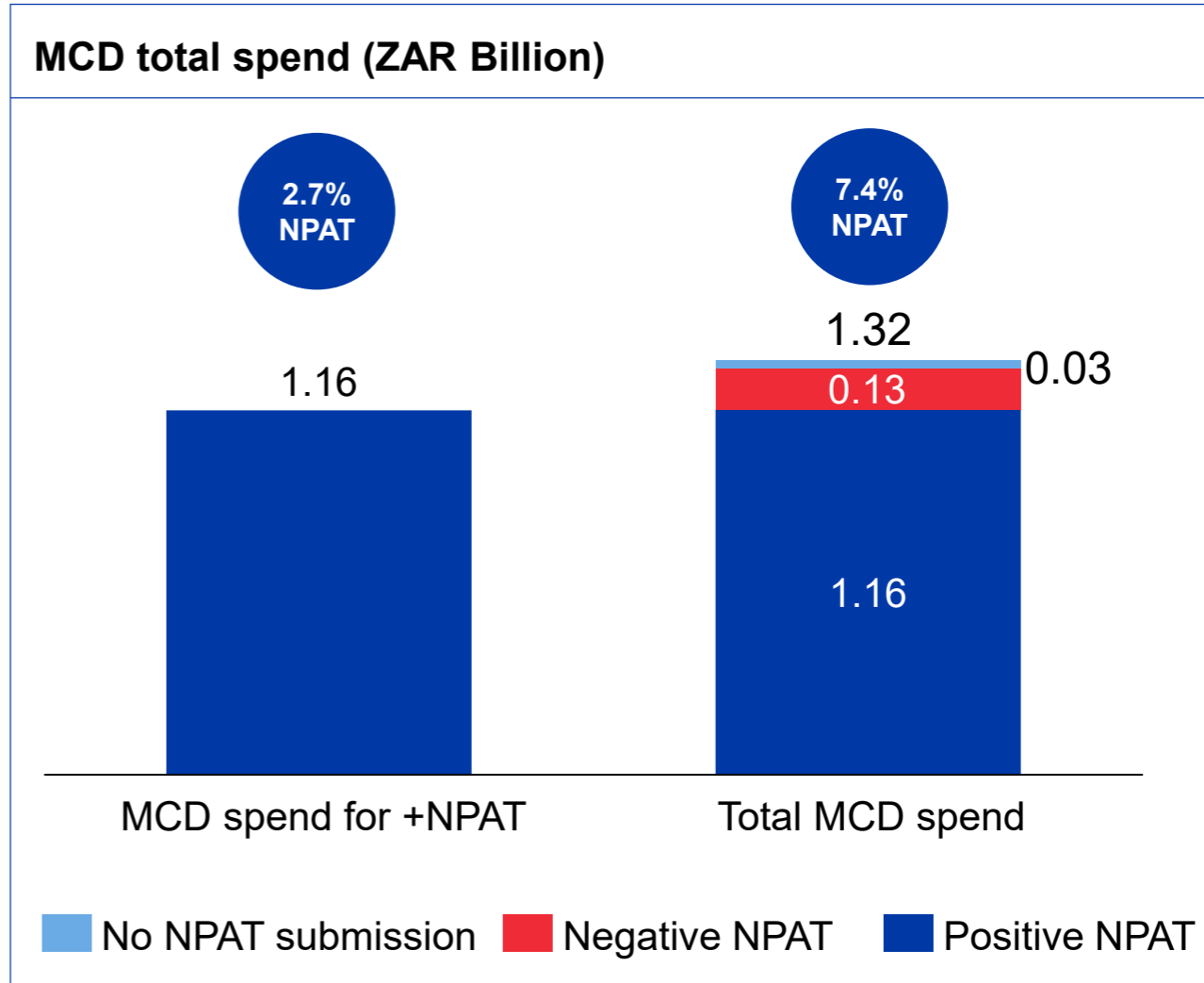
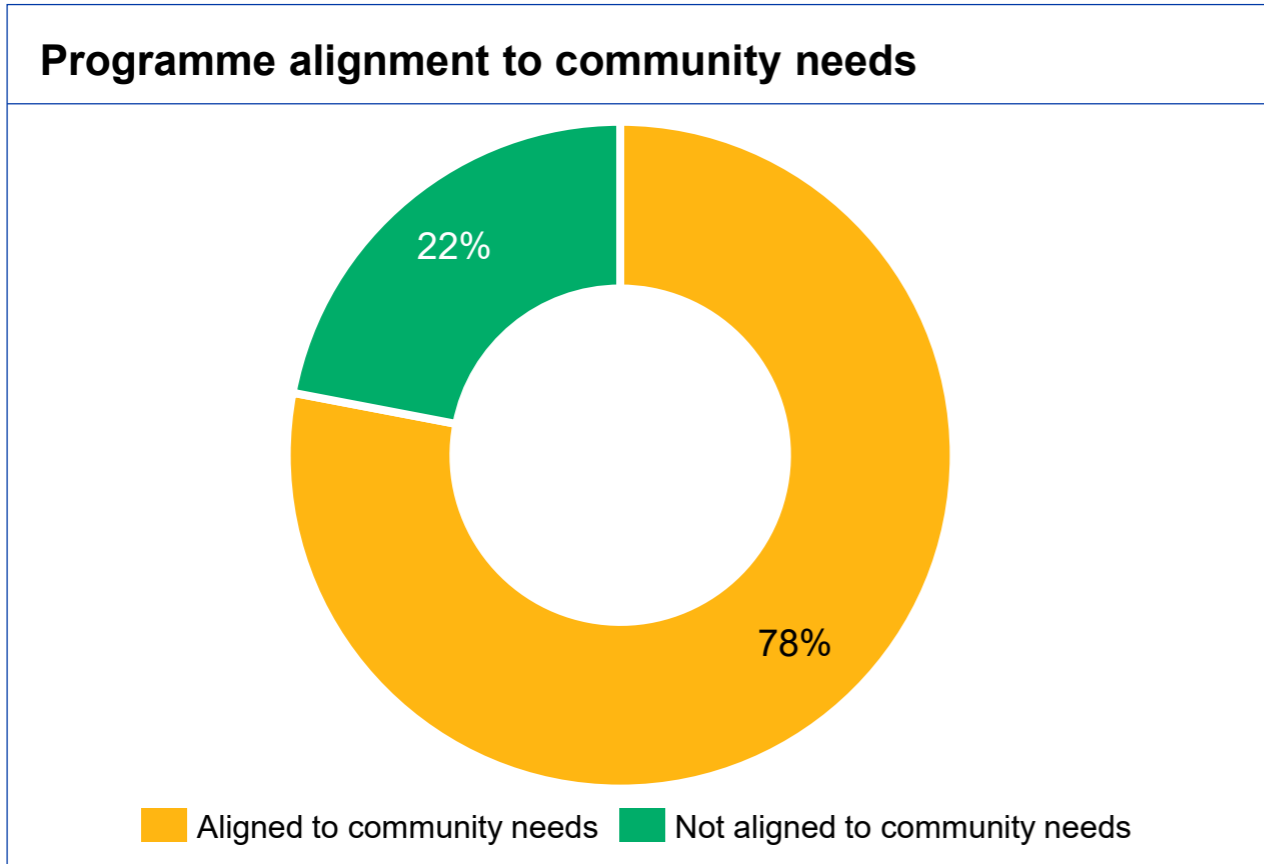


- 2018 HRD spend was R3.3 billion, which is 4.8% of the annual HDSA payroll of R67.6 billion incurred by the mining right holders
- 70% of mining right holders analysed comply with the HRD expenditure target

13% reduction in the HRD spend as % of annual HDSA payroll between 2016 and 2018

78% of community development programmes aligned to community needs

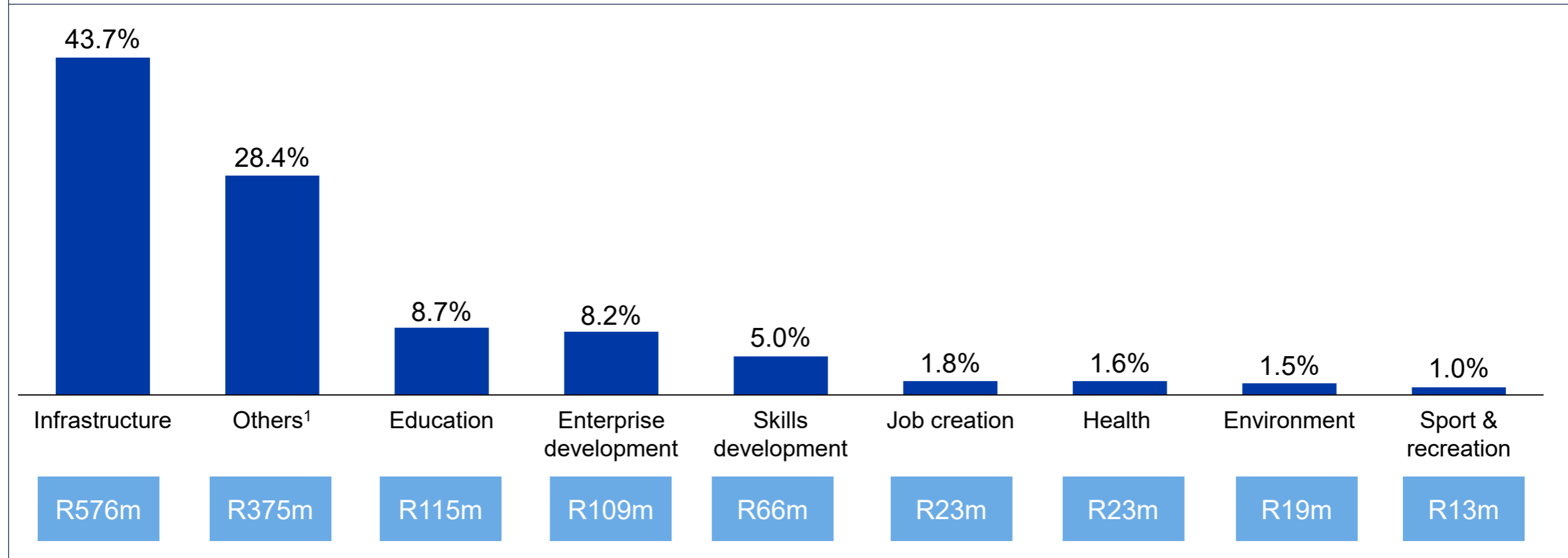
R1.16 billion spent on these programmes, by profit-making mining right holders



Mining rights represented	80	(94% of sample)
Total programmes represented (provided complete data)	482	
Programmes with needs alignment	374	
Total programmes sampled	615	
Total mining right holders sampled	85	

INFRASTRUCTURE MAIN FOCUS OF MINE COMMUNITY DEVELOPMENT PROGRAMMES

Key impact MCD programmes (by total spend % contribution)



Mine communities have expressed the need for further long term job creation, environmental and health programmes and companies may need to spend more on such programmes

1. Other programmes include unspecified programmes, dividend distributions, trust funds, donations, general funding, contributions and religious programmes



Impala Platinum

THANK YOU

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