

MINERALS COUNCIL 132ND ANNUAL GENERAL MEETING (AGM)
ADDRESS BY MINERALS COUNCIL CEO ROGER BAXTER
25 MAY 2022

Honourable Minister Mantashe

Minerals Council President Nolitha Fakude

Office Bearers

Member company CEOs and colleagues,

Good afternoon and thank you for joining us at our 132nd AGM.

Thank you Nolitha for the detailed wrap up of the year and your great leadership, friendship and wise, insightful counsel throughout 2021, another challenging year.

My thanks too for the thoughtful and astute leadership and guidance of our Office Bearers, Paul Dunne, Themba Mkhwanazi, and Peter Steenkamp. I'm pleased you have indicated you can serve another term, and I look forward to navigating the year ahead with you.

The financial and fiscal contribution that mining made for the country for a second consecutive year was certainly a highlight of 2021. It was a year in which the rise of revenues of so many of our members coincided with the hard work the Minerals Council team was doing behind the scenes and out of the public eye.

We have teams involved in working with the government (especially the DMRE) and its operating entities in all the networks affecting mining, ranging from policy, regulation, legislation, water, to rail, ports, and electricity provision.

If President Ramaphosa's State of the Nation Address in February 2022, and his keynote speech at the Mining Indaba in Cape Town earlier this month, can be used as a barometer, it's clear our requests and inputs are being heard. Now we need implementation and action. We

need cabinet ministers, directors general, and their departmental staff to act on the President's words.

President Ramaphosa's assertion in his February speech that the private sector is responsible for 80% of economic activity and jobs is a significant concession that the state has neither the skills nor the capacity to right the economy on its own. Partnership with the private sector is critical. It must be implemented and enhanced to revive our economy and to set it firmly on a trajectory of inclusive growth and vital job creation. We are more than ready and willing to play our role.

The benefits of a cooperative and collaborative relationship between the DMRE and other government departments, the mining industry and organised labour was evidenced by the safe and sustainable return to work of the sector during the 2020, well ahead of any other major economic segment of the country. It was through the close work with the Departments of Minerals and Energy, Health and Labour that the mining industry was able to stabilise country after the economic shock of a comprehensive lockdown and dramatic slowing of economic activity. In 2021, once again with the departments already mentioned and in partnership with organised labour, mining companies have led the way in vaccinations. Our 75% vaccination rate shows how important it is for #MakingMiningMatter.

The Minerals Council has published our annual Facts and Figures Review, "the state of the mining nation" compiled by the Minerals Council economics team, which has become a regular feature of the annual calendar, and a benchmark for analysing and understanding the South African mining and metals sector.

Some of the highlights of 2022 were:

- For the first time, the value of mining production topped more than R1 trillion - a 31% improvement on the previous year, which was already a remarkable year:
- Contributed R480.9 billion to GDP (2020: R353.2 billion) and mining's contribution of 8.6% to GDP is its highest in at least a decade.
- Although production has recovered 11,2% from the low base in 2020, the 20-year index of mining production shows that sector production has not recovered since the 2000/2006 peak.
- Input costs have generally increased more rapidly than commodity prices

- Average employment levels in 2021 were up, at around 459,000 people, an increase of about 6,000 people compared to 2020, offsetting the jobs lost to Covid-related constraints in the sector. This, in a country of rising unemployment, is a tremendous achievement.
- The R70.6 billion paid to the fiscus in company taxes and royalties was 70% higher than in 2020. As has been acknowledged, it is largely thanks to mining that the Minister of Finance has been able to halt the country's debt spiral, which has been reaching worrying proportions. It enabled the government to extend its social grants programme.
- Paid employees R153.8 billion (2020: R151.7 billion) and contributed R27.0 billion (2020: R26.0 billion) to PAYE on behalf of employees.
- Saw primary mineral sales amounting to R849.6 billion (2020: R609.1 billion).
- Exported R841.6 billion worth of minerals (2020: R577.0 billion). This is a value metric because of commodity prices. Tonnages remained disappointing due to rail and port constraints.

The past year alone shows profoundly the importance of a thriving mining sector. In addition to that, mining has a multiplier effect: for every R1 million spent on mining production, R1.3 million is added to South Africa's GDP, and the government gains another R330,000 in revenue. Unnecessary obstacles to growth are extremely costly, not only to our industry.

However, we cannot be self-satisfied. The fact is that these positive trends are thanks largely to the cooperation with the DMRE under lockdown and state of the commodities markets. When we measure production trends, we have little to smile about as production levels are still significantly below the peak of the six years up to 2006.

One of the most pressing areas of work for the Minerals Council is Transnet. We have the MCSA Office Bearers and dedicated teams for each of the bulk commodities, coal, chrome, manganese and iron ore, robustly engaging Transnet's management team and the various Ministers regularly to raise concerns of our members and to propose solutions and assistance. We remain committed to seeking solutions for the difficulties in Transnet that have cost our bulk mineral members R35bn in lost opportunity when delivered tonnes are measured against what was targeted.

The expertise the mining industry can bring to effective security interventions is in evidence on the COAL link corridor where our members have invested more than R100 million in technology

and specialised security services to help Transnet combat theft and vandalism on the railway with a high level of success. Other bulk mineral export channels are considering replicating the model to remove one of the constraints curtailing railed exports.

We have not calculated the Transnet-related losses the mining industry may incur this year, but the early indications are not good. Our focus is on getting Transnet's tonnages back to target in partnership with Transnet.

Through ongoing intensive discussions with the national security advisor in the Presidency, and close work with the security cluster we have started seeing action on the mine security front, with several high-profile policing actions to tackle illegal mining. These are a most welcome start to address the high levels of crime experienced by our members.

The level of theft of copper is deeply concerning, affecting our members' operations directly through theft of copper cabling from mines, Transnet, Eskom.

Procurement mafia, self-serving gangs stirring up community unrest, try extorting supply and employment contracts from our members or participation in expansion or renewable energy projects. This has the effect of stifling investment and delaying projects to the detriment of the mines, communities, and national economy. This is an area that we need to see concerted efforts to arrest and convict the perpetrators.

Nico Swart, a senior manager at Richards Bay Minerals, was shot dead in May 2021 as community unrest over unhappiness with procurement contracts and employment opportunities for locals led to a suspension of mining there. In the Burgersfort, Steelpoort and Lydenburg area of Limpopo where platinum group metals and chrome are mined and processed, companies lost R1.2 billion in revenue due to community unrest that disrupted mining operations.

The Minerals Council is working with all the relevant authorities in the security, and criminal justice cluster to improve the security situation for the mining sector.

While the Minerals Council supports the creation of a formalised artisanal mining sector but not the legalisation of illegal mining. Safety, environmental and ethical mining in an artisanal

sector must be upheld. The recent publication of the DMRE's Artisanal and Small-Scale Mining Policy is under consideration by the Minerals Council.

We are seeing the start of fundamental structural reforms that will allow the private sector to play a much greater role in the economic arenas dominated by the government.

Of these, energy is the most urgent.

The relaxation of licence requirements up to 100MW for embedded energy projects by President Ramaphosa in June 2021 was the most significant structural reform in 20 years. It is fully supported by the Minerals Council and its members, which rapidly assembled a project pipeline of energy projects in excess of 4.2GW worth more than R65 billion. These projects, which are predominantly in renewable energy, represent about a third of the industry's electricity consumption. They will substantially contribute to bridging South Africa's large electricity supply deficit, diversify the country's energy supply, reducing the sector's carbon footprint and stabilising mining's energy costs. Eskom will remain a base load supplier of electricity for the mining industry.

However, we have raised our concerns with President Ramaphosa, Minister Mantashe and the Vulindlela team about the length of time it takes to complete the environment authorisation process, change of land use, and water use licence applications, all of which can take between 18 and 24 months. Agreements to link to Eskom's grid can take up to 210 days more. All these agreements and approved applications are needed before the project can be lodged with Nersa. Minister Mantashe has said Nersa will not take longer than two months to finalise these projects. We have the commitment from Eskom to halve the grid tie connection time. The two recently announced NERSA authorised 100MW mining solar plants show great progress.

Not only do we need smart-tape throughout the process but we also need Eskom to boost transmission capacity from the Northern Cape, Western Cape and Eastern Cape, the provinces most suited for solar and wind energy projects, so that electricity can be sent to inland users.

The Minerals Council and its members will play a role in a just energy transition, ensuring nobody is left behind as we move to a low-carbon future.

Our coal-mining members employ more than 90,000 people, Eskom, which uses our coal employs 40,000 and tens of thousands more people in communities around collieries rely on coal mining for their livelihoods. While we have aligned the Minerals Council with achieving net zero carbon emissions by 2050, we are keenly aware this is a process that must be carefully and pragmatically managed so that employees and communities are not worse off.

We do understand the reality that, as we undergo a “just transition” to more sustainable energy forms, South Africa’s energy history means a shift to renewable energy is not going to happen overnight. As part of the transition, we need to find cleaner ways of using coal.

We need calmer, and science-based discussions on this question. And we need an informed discussion on how to enable coal mining communities manage the transition. But we also need to ensure that we have primary energy security and that we take care of our own developmental objectives as a country. While the role of coal in domestic energy generation will decline over the next three decades, it will remain a critical part of our energy mix.

There are exciting possibilities for shift to a cleaner energy mix. The hydrogen economy is one of these and the Minerals Council has been in the various discussions on the opportunity. The Council has established its own Hydrogen Leadership Forum, and will progress the agenda in partnership with other key stakeholders.

Our efforts to achieve policy and regulatory certainty in the mining industry continued to be an area of focus. Significant work was done on key areas of environment, tax, migrant labour, covid policies during the year. The Minerals Council also made progress on the Charter through the judicial review application outcome. A senior delegation from the Minerals Council, led by our President, Nolitha Fakude, met Minister Gwede Mantashe and his officials soon after the judgment was handed down, and reiterated the mining industry’s unwavering commitment to transformation, stressing that the judgment setting aside aspects of the Charter had not changed or derailed that commitment. In turn, Minister Mantashe told Parliament that the department would not appeal the judgment.

While this is a positive development, there have been calls from various stakeholders and political parties in Parliament for the Charter to be made a regulatory instrument. The Minerals Council has appeared before the Parliamentary Portfolio Committee on Mineral Resources and Energy to recommit the industry to transformation and to highlight the many mechanisms

available in the Mineral and Petroleum Resources Development Act to enforce transformation without the need to change the status of the Charter. We are looking to go beyond what the Charter requires of us to truly transform the mining industry and ensure inclusive, sustainable growth.

We have held numerous meetings with Minister Mantashe and his officials about addressing the backlog of about 4,000 mining and prospecting rights as well as mineral right transfers. We are let to understand that a further 1,000 outstanding rights have been resolved, but we are urging the DMRE to make faster progress. Without these rights, the industry simply cannot grow or be a sustainable source of jobs and revenue for the country. Key to unlocking these rights and future applications is a fully functioning, transparent, corruption-free cadastral system. The Minerals Council and our members have offered to contribute towards such a system. However, the Department and the SITA has opted for a bespoke system, which we don't think is the right solution.

On the newly published exploration plan the Minerals Council is broadly supportive. However, the exploration strategy seems out of synchronisation with the exploration plan and does not find resonance with our view.

Mining Indaba was a positive event in several ways. The speech by President Ramaphosa at the conference touched on the constraints we face as an industry, which was heartening, but now the key is implementation. The government must start resolving these constraints. At the Indaba, we heard Minister Mantashe express his frustration with the cadastral system. Again, we are standing by, ready to assist.

Looking ahead, one of our key internal challenges is making material further progress in improving safety in the mining sector. With the commitment of the industry's leadership and working closely with government, our trade union partners, and other key stakeholders, we are focused on making mining safer and substantially reducing the level of fatalities in the mining sector. To this end just under half of the Minerals Council's team and budget are focused on addressing safety and health issues including the critical challenges of falls of ground and accidents caused by transport and associated machinery. We are also investigating and adopting relevant leading practices from around the world through our MOSH team, which also helps in our journey towards zero harm.

In conclusion, my sincere thanks again to our Minerals Council President Nolitha Fakude and Office Bearers, to the Board which has continued to provide support, critical mandates, and budgets, to the Minerals Council senior team and the overall team. We are working in unusual and challenging times. We have adapted and worked well in this new normal, performing at an even higher level and with greater commitment to serve our members, the industry and our country. To our members, our partners, and stakeholders who have worked with us to get the industry back on track and who are tackling the many challenges ahead of us, my thanks.

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