

**ADDRESS BY ROGER BAXTER,
CEO OF THE MINERALS COUNCIL SOUTH AFRICA,
TO THE 2021 MINERALS COUNCIL AGM
ON 26 MAY 2021**

Thank you Mxolisi, for your address and your wise counsel. Thank you too for your great leadership over the past four years and that of our other outgoing Office Bearers, Steve Phiri, Neal Froneman and Zanele Matlala. It has been an incredible four years and as the Minerals Council and the mining sector we have made significant progress in embedding the positive force of the Council and a mining sector that really matters to the economy and people of South Africa. I want to thank each and every one of them for their immense contribution. Together we have ***#MakingMiningMatter***.

At the same time, I want to express my appreciation to Minister Mantashe and Director General Mokoena of the DMRE, for their willingness to engage on the key issues affecting the sector, for the sometimes tough but always constructive conversations. We can raise the contribution of mining to the economy to over 10% of GDP and attract 5% of global exploration through collaborative leadership discussion and action, to ***#MakingMiningMatter***.

This is the second year that we are hosting a virtual AGM, and it is difficult to imagine ever going back to where we were in the past. An unexpected bonus from COVID-19 has in fact been the acceleration of digitalisation and the future world of work has materially changed going forward. But, we must always remember that, for the majority of our colleagues in mining, their reality has been to go to work each and every day through the height of COVID-19. And it is they – alongside the healthcare workers, and all other frontline employees – who are the ***real heroes*** of this pandemic as they endeavour to save lives and livelihoods.

After the insightful address by Mxolisi on his reflections on his term of office, my own contribution will be brief – and as you and the Minister know me – “Frank”.

In considering the most pressing issues that we have faced as an industry in the past year, and today, I want to deal with 5Cs (and not the ones used to evaluate diamonds).

The first is COVID, the second is Collaboration, the third is Competitiveness, the fourth is Certainty, and the fifth is Clarity of Purpose.

Dealing first with COVID-19.

This has been, without doubt, an extremely challenging period for the world, and for South Africa. But, in the midst of this pandemic the mining industry has shown great resilience, not least of all because our industry's risk-based approach to business meant that it was one of the few sectors prepared to handle the pandemic. Through collaborative partnership and engagement with the DMRE and the major trade unions in the sector, we can be proud of what our industry achieved in 2020 in terms of keeping people safe, through preventative and mitigating controls while getting the economy back to work; to save both lives and livelihoods. We can also be proud of the role that the Minerals Council played in working with other business sectors to help them adjust to managing the pandemic using the mining risk-based approach.

But, we cannot rest on our laurels – we need to continue the measures that we have put in place to prevent the spread of the disease, while at the same time protecting those who are most vulnerable. I am incredibly proud of the way in which our industry has mobilised for the vaccine rollout programme. Already, four sites have been fully accredited to deliver vaccinations, with a further 51 sites having applied. And, more sites are expected to act as satellite facilities.

In total, we expect our own vaccination facilities to be able to vaccinate more than 430,000 employees. More than that, our members have indicated their willingness to support community vaccinations in their areas of operation, whether this be direct or indirect. We want to play a constructive role to help the national effort to achieve nationwide immunity and to get the economy revived.

While South Africa as a whole is looking to achieve a vaccination rate of around 65%, we have set our sights a whole lot higher. Our track record in respect of our TB programmes, for example, is that we have been able to achieve a TB screening rate of around 90%. We have set ourselves a similar, ambitious target of a 90% vaccination rate among employees, based on informed consent and a deep knowledge and understanding of why vaccinations are necessary, for ourselves, our families, our industry and our country as a whole.

This brings me onto the second C – that of Collaboration.

A hallmark of our COVID-19 experience has been the way in which we have worked together, as the Minerals Council and members, with labour unions and with government, and especially our lead department the DMRE. It bears repeating that our ability as an industry to re-open after a short period of lockdown was testimony to the efforts and trust between stakeholders and to the Minister's recognition of the criticality of getting the industry back to work. And the contribution that the industry has made – not only to its own employees and communities – but also to the fiscus as a whole in an otherwise dismal year, speaks volumes about what the sector could do if its potential were fully unleashed. In fact, the sector continues to deliver significant critical export earnings, employment, procurement and higher taxes and royalties that helped Treasury better manage the current fiscal crisis.

The third C is Competitiveness.

We cannot hope to realise the true economic, transformational and developmental potential of South Africa's resource endowment if we are not competitive. Mining can grow back to greater than 10% of GDP and we can attract 5% of global exploration expenditure. This is something on which we, as an industry and government, agree. The Minerals Council and the DMRE have established six task teams that are working on how we revive mining post-COVID-19, and we have already made some progress:

- Exploration, as the genesis and lifeblood of a thriving mining industry, is a key priority. The new draft Exploration Plan that targets reviving exploration is due to be released by the DMRE soon. We have little doubt that this will materially help unlock greater investment in exploration, which is after all the lifeblood of the mining sector.
- Work has begun on the development of a new mining cadastre to replace SAMRAD, to which the industry has offered its full support. Having a digitised and more automated online mining cadastral system that promotes greater transparency, enables accurate geospatial location of prospecting and mining rights and that helps speed up the licensing system is crucial.
- The fast-tracking of a backlog of outstanding licensing applications currently holding back approximately R30 billion of committed investment by companies that cannot be spent owing to red tape. The Minerals Council has submitted more than 170 outstanding authorisations, and in various feedback meetings progress is being made by the DMRE in sorting out the backlogs.
- Progress on the unblocking of infrastructural constraints – road, port, and rail has been made, including in the President's Economic Reconstruction and Recovery Plan. But

we certainly need faster progress on the rail and ports side, as these are constraining exports at a time when the commodity cycle is very favourable.

- And, importantly, how to transition to energy generation and allow mines to invest in renewable energy projects. The landmark approval of the Gold Fields 40 MW plant, and the cooperation of the Eskom leadership team in trying to expedite grid tie arrangements and the DMRE to shorten licensing times and consider “regulation lite” for smaller plants and raising the licence caps all point in the right direction. Until all citizens realise that Eskom is short of generating capacity and peak demand capacity, which is a major constraint to higher growth, and that the private sector can unlock significant new generation capacity, we will remain strait-jacketed from an economic growth point of view.

Considering the collaboration that is taking place, we are often asked why the industry has pursued the legal route in respect of a review of certain aspects of the Mining Charter. Our response is that we do support the broad charter, but there are certain aspects where certainty is key. In a constitutional democracy such as ours, we think it is entirely appropriate – and in all our interests – that such certainty is obtained and achieved through the courts when necessary. In my view resolving the continuing consequences issue is one of the critical keys to unlocking much further long-term investment in the mining sector.

The fourth C is Certainty - and Certainty matters.

Take the example of Botswana which has experienced such significant investment and growth in mining and its economy over the past five decades compared with South Africa which has not necessarily reached its true investment and growth potential from mining. In the just over 50 years between 1966 and 2019, Botswana grew its economy (as measured by an annual GDP growth rate) by an average 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 for South Africa the last decade was a lost decade, because our economic growth did not even match population growth – we were basically trading water on GDP per capita growth.

So, why has Botswana been so incredibly successful in attracting mineral investment in particular? 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 is a clear and very simple process and there is very limited discretion in the hands of the bureaucracy. The rules are clear, the taxation, environmental, planning and other requirements are clear and non-discretionary. And while the Botswana government can elect to take a share in mining projects, this is a fully paid contributory share – no free carry. 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 75 out of 100 (if the first aberration year is excluded) making Botswana a top quartile ranked country while South Africa's is 44 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.

However, we must state that under the previous Minister Mr Zwane, the average policy scorecard score for South Africa was a poor 44/100. In the past 3 years under the leadership of Minister Mantashe the score card has averaged 62/100 some 18 percentage points higher than his predecessor. But clearly more work needs to be done to also get the country back into the top half of the rankings

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, we need to continue improving the policy, legislative and certainty angles to attract greater investment into exploration and mining.

In conclusion though, let me deal with the last C – and that is Clarity of purpose.

We are an industry that is future focused. The metals and minerals we mine are needed in a modern society – from the platinum group metals that forge the way forward for the hydrogen economy, to the gold and copper used in our smartphones, to the iron, chrome, and manganese that allows us to construct our world, to the battery metals that energise our world.

We recognise the role of fossil fuels in accelerating climate change, and are fully committed to a just transition towards a less carbon intensive economy. We recognise the importance of ESG – Environmental, Social and Governance issues – and the need to shift to a socially just world in which we keep within our ecological limits. This means that we need to think innovatively around the way we mine.

South African mining urgently needs innovation. Over the last decade, multi-factor productivity in South Africa, an indicator of innovation, has fallen by 7.6%. Mining cost inflation was 2% to 3% higher annually than general inflation, leading to two thirds of our output being on the upper half of the global mining cost curve. Mining output declined by 10% and minerals sales contracted by 11%. But innovation in a South African context of high unemployment, poverty and inequality must be “people-centred”. As we change the relationship between people, data, equipment and material, we will improve our global competitiveness, and create shared value for all stakeholders. I see an exciting future ahead if we can synergise the 4IR processes with the modernisation and ultimate competitiveness of the sector.

I could have added the important “Cs” of Community engagement and Crime, which are both having a major impact on the sector. I think we have learnt much about engaging communities and the challenges they face, and the crime issue – especially the procurement mafia – is having a huge impact on the mining sector and economy. But I want to position these issues as part of our key focus areas in 2021 – and I hope to next year provide feedback on progress being made on these matters.

In conclusion, my sincere thanks again to the outgoing President and Office Bearers, to the Board that has continued to provide support, critical mandates and budgets, to the Minerals Council senior team and the overall team that has adapted extremely well to this new normal and have performed at an even higher level and to our partners and stakeholders who have worked with us to get the industry back on track.

Finally, when the opportunity opens, please get registered and get vaccinated and in the meantime play your role in stemming the COVID-19 pandemic. And we look forward to working

with you as we help mining to play a positive role in the world around us, as we “build back better”.