PRESENTATION TO THE PARLIAMENTARY PORTFOLIO COMMITTEE
21 AUGUST 2019
Agenda

1. About the Minerals Council
2. Minerals Council Office Bearers
3. Minerals Council management team
4. Vision, mission, values and Membership Compact
5. Minerals Council strategic plan
6. Economic overview of SA mining
7. Safety
8. Health
9. Transformation
10. Environment

11. Communities
12. Employment relations
13. Skills development
14. Illegal mining
15. Legacy issues
16. Modernisation
17. Creating a stable, predictable and competitive legislative, regulatory, and operating environment
18. Close
About the Minerals Council
Who we are and what we do

We represent mining and exploration companies operating in South Africa and, on their behalf, support and promote the South African mining industry.

We provide strategic support and advisory input to our members. We facilitate interaction among members to examine policy issues and other matters of mutual concern to crystallise and define desirable industry standpoints.

We act as a principal advocate to government, to state-owned enterprises, communicating major policies and positions endorsed by our members. We represent the industry internationally.

In some sectors, we undertake collective bargaining with organised labour on behalf of members.
About the Minerals Council

Our members

The Minerals Council represents more than 70 large, medium-sized, small and emerging miners, and 3 three associations that collectively represent +200 entities. Our members make up around 90% of South Africa’s mineral production by value.
Minerals Council Office Bearers

Minerals Council Office Bearers and Board members play a pivotal role in leading and representing the mining industry.

Board comprises 30 CEO member company representatives, who work with the Office Bearers and our executive team to provide strategic leadership to the Minerals Council.
Minerals Council management team

Roger Baxter
Minerals Council: CEO

Tebello Chabana
Senior Executive: Public Affairs and Transformation

Nkosi Lesufi
Senior Executive: Environment, Health and Legacies

Harry Groenewald
Senior Executive: Finance and Administration

Sietse van der Woode
Senior Executive: Modernisation and Safety

Mustak Ally
Head: Skills Development

Dr Thuthula Balfour
Head: Health

Ursula Brown
Head: Legal

Jeannette Hofsaajer-Van Wyk
Head: Administration

Alex Khumalo
Head: Social Performance

Henk Langenhoven
Chief Economist

Stanford Mamoshilo Malatji
Head: Learning Hub

Motsamai Molhamme
Head: Employment Relations

Stephinah Mudau
Head: Environment

Dr Sizwe Phakathi
Head: Safety and Sustainable Development
VISON
To ensure mining matters for South Africa.

MISSION
To play a leadership role in enabling the South African mining sector to achieve its real potential for investment, growth, transformation and development in a socially and environmentally responsible manner.

VALUES
Members are obliged to conduct their business according to the agreed Minerals Council values, which dictate the minimum standards of conduct required of them in order to become a member of, or remain a member of, the Minerals Council. The five values of the Minerals Council are:

- Responsible citizenship
- Respect
- Trust
- Honesty
- Accountability

PURPOSE
#MakingMiningMatter

REGULATORY FRAMEWORK
Minerals Council members are expected to conduct their business according to the principles and standards of conduct set out in various agreements, such as the Presidential Framework Agreement for a Sustainable Mining Industry and the Framework for Peace and Stability in the Mining Industry.

GUIDING PRINCIPLES
The Minerals Council is committed to being a responsible member of the global business community. To achieve this, we adhere to the following guiding principles:
1. We will conduct our business in an ethical and transparent manner.
2. We will respect the rights of our employees and other stakeholders.
3. We will strive to achieve sustainable development and contribute to the social, economic and environmental well-being of the communities and countries in which we operate.
4. We will comply with all applicable laws, regulations and standards.
5. We will foster a culture of continuous improvement and innovation.
6. We will maintain strong corporate governance mechanisms.
7. We will prioritize the safety and health of our employees and other stakeholders.
8. We will manage our environmental impacts responsibly.
9. We will contribute to the economic development and growth of our countries and regions.
10. We will engage with all stakeholders in a meaningful and constructive way.
Strategic Plan: Making Mining Matter

1. Play a leadership role in the reboot button for the mining industry
2. Create an enabling policy, legislative, regulatory and operating environment for a successful mining industry
3. Minerals Council and members to implement a positive contribution model (including to the NDP)
4. Lead by example Demonstrate progress on transformation, safety, social and environmental imperatives (including through sharing best practice)
5. Continually improve effectiveness and performance
Economic and transformational potential of mining is **HUGE**

- SA’s “mineral potential – assuming best practice” is ranked by the Fraser Institute as 30 out of 83 mining jurisdictions
- SA mining investment could almost double in the next four years *if the country was to return to the top quartile of the most attractive mining investment destinations*

**South Africa’s mineral potential is high, investment attractiveness and policy scorecard not in sync (but improving)**

![Diagram showing mineral potential and investment attractiveness rankings](chart.png)
The economic contribution of mining has declined

**Investment in mining has declined**
- Construction of new mines declined by 51% since 2011 and now at 2008 level
- Net Fixed Investment in mining has declined by 72% since 2008
- Investment does not flow into long-term mining projects in an uncompetitive policy, regulatory and operating environment

**Economic contribution of mining has fallen**
- Mining has fallen from 15% of GDP in 1990 to 7% today
- Real mining GDP is smaller in 2018 than it was in 1994
- Mining employment has declined by 56,366 people to 453,543 people in the past 5 years
Mining investment has only just stabilised

The long-term trend in mining production is at the 2000 level
Despite rising prices, production is battling to respond.

Exploration and project pipeline has been weak (only 1% of global total).

South Africa’s share of African exploration budgets 2000-2017 (%)
Critical reflection on industry safety performance

- **ASPIRATION**
  - We sustain our aspiration of zero harm as defined in the tripartite agreement of 2014
  - Every employee and contractor returns from work unharmed everyday

- **ZERO HARM**

- **STEP-CHANGE 2020**
  - Elimination of fatalities from safety and health
  - 2-year focus on fatalities

- **HOLISTIC**

- **APPROACH**
  - Holistic approach to the elimination of fatalities from safety and health (during and beyond employment)
Critical and holistic reflection on health

**Pulmonary TB (PTB), silicosis and NIHL reported at all mines: 2007-2017**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Challenges</th>
<th>Solutions</th>
<th>Outcomes</th>
</tr>
</thead>
</table>
| Tuberculosis                          | • Higher risk of TB in silica exposed environments.  
  • Migrancy and risk of HIV/AIDS       | • Industry milestones for 2024                | Massive reduction in TB incidence     |
| Dust (silica, coal dust)              | Reducing dust levels to levels that do not harm health | • Rigorous reporting through DMRE 164         | Reductions in dust levels             |
| Noise induced hearing loss (NIHL)     | A number of machines emitting high noise levels leading to NIHL | • Masoyise Health Programme                 | Reduction in machines which emit high noise levels. Limited success with NIHL |
| Chronic lifestyle diseases            | Rising epidemic of hypertension, diabetes and other diseases | • CEO Zero Harm Forum initiatives          | Masoyise Health Programme            |
| Future of health service provision in context of NHI | • Funding levels unknown  
  • Occupational health services not part of NHI  
  • Shift to medical aids and less control by employers | • Engagements through BUSA                | Programme commenced in 2019          |

Situation evolving

**Issue**

- **Tuberculosis**
  - Higher risk of TB in silica exposed environments.
  - Migrancy and risk of HIV/AIDS

**Challenges**

- Reducing dust levels to levels that do not harm health

**Solutions**

- Industry milestones for 2024
  - Rigorous reporting through DMRE 164
  - Masoyise Health Programme

**Outcomes**

- Massive reduction in TB incidence
  - Reductions in dust levels
  - Reduction in machines which emit high noise levels. Limited success with NIHL

**Issue**

- **Dust (silica, coal dust)**
  - Reducing dust levels to levels that do not harm health

**Challenges**

- A number of machines emitting high noise levels leading to NIHL

**Solutions**

- Masoyise Health Programme
  - CEO Zero Harm Forum initiatives

**Outcomes**

- Massive reduction in TB incidence
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**Issue**

- **Noise induced hearing loss (NIHL)**
  - A number of machines emitting high noise levels leading to NIHL

**Challenges**

- Rigorous reporting through DMRE 164
  - Masoyise Health Programme

**Solutions**

- Masoyise Health Programme
  - CEO Zero Harm Forum initiatives

**Outcomes**

- Massive reduction in TB incidence
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**Issue**

- **Chronic lifestyle diseases**
  - Rising epidemic of hypertension, diabetes and other diseases

**Challenges**

- Masoyise Health Programme

**Solutions**

- Masoyise Health Programme
  - Programme commenced in 2019

**Outcomes**

- Programme commenced in 2019

**Issue**

- **Future of health service provision in context of NHI**
  - Funding levels unknown
  - Occupational health services not part of NHI
  - Shift to medical aids and less control by employers

**Challenges**

- Engagements through BUSA
  - Factoring NHI into future plans

**Solutions**

- Engagements through BUSA

**Outcomes**

- Situation evolving
Transformation is a business imperative and we will continue to be fully committed as the industry is progressing socio-economic transformation, growth and competitiveness in our sector.

The principal act regulating mining industry – Mining Charter

Ownership

• Mining Charter 2010 target of 26% HDSA shareholding
• Members achieved an average of 39% HDSA shareholding in 2016
• Mining Charter 2018 sets target of 30% HDSA shareholding for new rights, which the industry supports. Includes 5% carried interest for employees and 5% for communities; remaining 20% for entrepreneurs. Women encouraged to acquire 5% shareholding

Women in mining

• Industry supports increased focus on women’s participation - endeavour to attract and retain women
• Mining Charter 2018 sets targets specifically for women at all occupational levels, from 20% at board to 30% at junior management
• In 2018, women accounted for 13% of workforce, 16% at top management and 18% at junior management. We will strive to achieve the targets set in the Mining Charter

Inclusive procurement

• Mining industry spends on average R277bn on goods and services pa
• Procurement a critical vehicle for transforming the sector
• Mining Charter 2018 has a strong focus on local manufacturing and job creation for SA, which the industry supports. However, targets unrealistic without government incentives and programmes. Targets could be achieved in decades to come if similar support is provided by DTI as it did the automotive sector since the 2000s

Mining Charter Policy document not legislation

Gives effect to

Mineral and Petroleum Resources Development Act (MPRDA) The principal act regulating mining industry

Mining industry supports Mining Charter 2018 as a tool for transformation. We support localisation. We will therefore continue to engage Minister Mantashe and his team on our challenges and concerns, so that SA mining can grow and transform for the benefit of all stakeholders.
Minerals Council provides thought leadership in ensuring its member companies operate in an environmentally sustainable manner

Maximum compliance prevailing national and international environmental sustainability laws and standards

Facilitation of adoption and mainstreaming of environmental best practices beyond legal/policy requirements

Collaboration with government on development of best practice guidelines on mainstreaming biodiversity consideration in mining operations.

Collaboration with AGRISA to adopt best practices for mutual coexistence of mining and agriculture

Response to drought as SA is a water scarce country, Minerals Council partnered with the Department of Water and Sanitisation to improve water use efficiency in mining industry - led to development of WCWDM targets, guidance on WCWDM plans and tool for self assessment by mines.

Some policy and regulatory impediments negatively impacting the competitiveness of the mining industry:

- National Environmental Management Act: Financial Provision Regulations (NEMA: FP)
- Preservation and development of the Agricultural Land Bill
- Other regulatory challenges
## Communities: mining’s positive contribution to society

### Social and Labour Plans (SLPs)

#### Key contribution to socio-economic development including delivery on municipal IDPs

<table>
<thead>
<tr>
<th>Issues/Challenges</th>
<th>Progress</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persistently high unemployment in mining towns, poverty and inequality</td>
<td>Plans for creation of multi-stakeholder engagement forums underway in several mining jurisdictions</td>
<td>Collaboration between mining companies, and between mining sector and other economic sectors</td>
</tr>
<tr>
<td>Lack of economic diversification in mining towns</td>
<td>Significant contribution in education, health and infrastructure</td>
<td>Renewed focus on creating and nurturing skills for future</td>
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<tr>
<td>Modernisation brings new challenges (skill requirements and employment opportunities)</td>
<td></td>
<td>Greater focus on enterprise development and creation of economic opportunities</td>
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<tr>
<td>Municipal capacity to deliver on services and local economic development</td>
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</table>

### Rationale for collaboration

- Socio-economic need in target communities too great for a single company
- Increase efficiency and effectiveness of SLPs and stakeholder engagement
- Provide common vision, scale, improve delivery success, and improve impacts and outcomes of programmes

**Collaboration would...**

- Increase efficiency and effectiveness of SLPs and stakeholder engagement
- Provide common vision, scale, improve delivery success, and improve impacts and outcomes of programmes
Employment relations

<table>
<thead>
<tr>
<th>Migrant labour</th>
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<tbody>
<tr>
<td><strong>Reduction of foreign labour by 8% per annum due to natural attrition</strong></td>
</tr>
<tr>
<td><strong>New employment only for South African citizens – mostly from host communities</strong></td>
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<tr>
<td><strong>Minerals Council part of collaborative efforts (with Department of Home Affairs) to resolve the issuing of temporary residence visas through alternative issuing regime</strong></td>
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<tr>
<td><strong>Ensuring conversion to the new Corporate Visa regime as per the amended Immigration Act and Regulations.</strong></td>
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<tr>
<td><strong>Ongoing engagements with the Department of Employment and Labour to ensure updated bilateral instruments with labour sourcing countries</strong></td>
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</table>
Skills development – critical for transformation

Skills Development critical for addressing triple challenge of poverty, unemployment and inequality. Primary vehicle for achieving objectives of National Development Plan and foundation to evolving into a sector that is both aligned to job creation and 4th Industrial Revolution.

<table>
<thead>
<tr>
<th>Supporting Skills Development</th>
<th>MQA Legislation</th>
<th>HRD and Mining Charter</th>
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<tbody>
<tr>
<td>In alignment with Skills Development Act and Mining Charter, sector spends +R1.3-bn on skills levy and +R6.5-bn on human resource development pa. Investment annually supports more than 2,500 artisans in training and development, 1,500 learners with bursaries to higher education institutions, 1,500 learners in work-place experience programmes and internships pa and more than R50-million contributed to universities for subvention of lecturer salaries and other support. 90% of training initiatives through SETA focused on youth development and more than 90% of women development programmes focused on black women.</td>
<td>MQA established through MHSA and recognised as SETA. Key challenge is that institution is governed through two pieces of legislation. MHSA and SDA need to be aligned to ensure that MQA is administered through an effective organisational constitution and carries out its mandate effectively</td>
<td>HRD remains critical pillar in Mining Charter, that also supports our employment equity targets. Currently in discussions with DoL and DMRE around determination of employment equity targets for mining sector - need to ensure alignment between targets of Mining Charter and EE amendments. Pursuing clarification of HRD reporting framework with DMRE</td>
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</table>
## Illegal mining

Illegal mining remains a significant issue for the mining industry.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
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<tbody>
<tr>
<td>Significant escalation of artisanal mining activities undertaken in Northern Cape areas</td>
<td></td>
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<tr>
<td>No distinction between illegal mining and artisanal mining activities</td>
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<tr>
<td>Uncertainty regarding responsibilities of police in relation to artisanal mining</td>
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<tr>
<td>Threat of surface illegal mining and hostile attacks on surface operations increased during 2018</td>
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<tr>
<td>Large-scale mechanised illegal mining activities being observed in certain provinces</td>
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<tr>
<td>Illegal miners shift their attention to operational shafts due to closure of redundant shafts</td>
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<tr>
<td>Illegal miners target and damage infrastructure plants, pipelines, tailing facilities, water and electrical reticulation systems as well as processing plant installations</td>
<td></td>
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<tr>
<td>Results in deployment of additional external security to ensure uninterrupted production – consequent increase in security costs</td>
<td></td>
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<tr>
<td>Leads to production stoppages, losses and adverse environmental impacts.</td>
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<tr>
<td>Additional capital expenditure to improve security controls</td>
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</table>
Minerals Council addressing the legacies of mining

- Compensation framework: ODMWA and COIDA
- Improving business processes and efficiencies at Department of Health’s MBOD/CCOD: pursuing a co-governance model to sustain efficiencies
- Unclaimed benefits: collaboration with retirement funds and government
- Other related issues: silicosis settlement and mine water coordinating body
Competitiveness, modernisation and improving productivity

Unlock potential to:
- Achieve zero harm
- Extend life of mines and establish mining sector as significant contributor to economy
- Without next generation mining 200,000 jobs could be lost by 2030 affecting 2 million people

Support needed to:
- Keep RDI on the national agenda
- Incentivise investment in RDI and modernisation of mines
- Create world-class, collaborative R&D platform
- Promote modernised mining

Modernisation plans and programmes

Leadership
Build a cluster-wide consensus on people-centred modernisation that contributes towards SA’s development

Enabling elements
Collaboration Resources

Mining ecosystem acceleration
Build and activate mining ecosystem to accelerate people-centred modernisation

Modernisation processes and tools
Develop and experiment with modernisation processes and tools through a learning-by-doing approach

Institutional factors
Policy Governance

RESEARCH AND DEVELOPMENT
Globally competitive environment
MANUFACTURING
Employment opportunities in factories and service industries
SUSTAINABILITY
Upskilling of employees and communities, job retention
LEGISLATIVE CERTAINTY
For long-term investment
Stable, predictable and competitive legislative, regulatory, and operating environment

Better Charter finalised by DMRE in September 2018. One key unresolved issue in Mining Charter is DMRE’s non-recognition of continuing consequences for renewals.

Withdrawal of MPRDA AB is positive. But, a set of new amendments is required to fix s11s, regulation of dumps, turn-around times, etc.

Environmental laws and regulation are a major problem and require resolution.

Carbon tax should be implemented as part of a package of measures (not by itself).

VAT refunds, diesel rebate system and changes to tax system need resolution.
Infrastructure

Mining depends directly and indirectly on all government supplied infrastructure: R100 billion, 45% of intermediary input costs and R35 billion of wage bill.

<table>
<thead>
<tr>
<th>WATER</th>
<th>ELECTRICITY</th>
<th>HARBOURS</th>
<th>RAIL</th>
<th>ROAD</th>
<th>HOUSING</th>
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<tbody>
<tr>
<td>R8 billion</td>
<td>R22 billion</td>
<td>Transport and storage: R71.6 billion</td>
<td>R34.6 billion</td>
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<tr>
<td>4% of input costs</td>
<td>10% of input costs</td>
<td>32% of input costs</td>
<td>22% of wages</td>
<td></td>
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<tr>
<td>Water boards, local authorities</td>
<td>Eskom, local authorities</td>
<td>Portnet</td>
<td>Transnet Freight Rail</td>
<td>Hauliers</td>
<td>Provincial and local authorities</td>
</tr>
<tr>
<td>Water a constraint</td>
<td>Water boards struggle to provide</td>
<td>Harbour costs high ito world benchmarks</td>
<td>Bottlenecks on bulk lines</td>
<td>Last resort for export logistics</td>
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</tr>
<tr>
<td>Water boards struggle to provide</td>
<td>Tussle between water boards and local authorities over water income</td>
<td>Electricity a constraint and rising tariffs have massive cost implications (2007 levels)</td>
<td>Lack of customer orientation</td>
<td>Coal links to power stations</td>
<td></td>
</tr>
<tr>
<td>Tussle between water boards and local authorities over water income</td>
<td>Mines have surplus water for communities</td>
<td>Electricity cost has gone up by 523% in the last decade</td>
<td>High costs</td>
<td>Damage to roads due to rail unavailability</td>
<td></td>
</tr>
<tr>
<td>Mines have surplus water for communities</td>
<td>Water pollution: mining has solutions</td>
<td>On deep level mines electricity costs are now 25% of cash costs</td>
<td>Oceans Phakisa drive to build SA flagged shipping on back of mining volumes</td>
<td>Mines perform their duties</td>
<td></td>
</tr>
<tr>
<td>Water pollution: mining has solutions</td>
<td>Mines buy 30% of Eskom power</td>
<td>Beneficiation unviable</td>
<td></td>
<td>Influx of people to mines cause stress</td>
<td></td>
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<td>Mines buy 30% of Eskom power</td>
<td>Electricity a constraint and rising tariffs have massive cost implications (2007 levels)</td>
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<td>Local authority capacity weak; mining towns three times more likely to have financial irregularities</td>
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<td>Electricity a constraint and rising tariffs have massive cost implications (2007 levels)</td>
<td>Electricity cost has gone up by 523% in the last decade</td>
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<td>Joint solutions needed through cooperation amongst all stakeholders</td>
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</table>
Mr Baxter, what is your view of the electricity price and supply by 2029, given that electricity costs are now 25% of cash costs (vs 11% in 2009) and given the 523% increase in the past decade?

Mr Baxter, is the project guaranteed continuing consequences of previous BEE deals when the company must renew the mining right in 2025 – or will the company have to top up?

Mr Baxter, what will the carbon tax liability of the project be in 2029, given the total lack of visibility on any regulations or tax-free portions for the R170/ton CO₂ tax that will apply in 2023?

WHAT WOULD YOUR ANSWERS BE?
Some green shoots in mining, but there remain some potential thorns

<table>
<thead>
<tr>
<th>Re-appointment of Minister Mantashe and implementation of key changes/reforms</th>
<th>Maintaining SA’s investment grade sovereign rating (all efforts must ensure fiscal consolidation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant robust dialogue between Minister, DMRE and Minerals Council, organised labour and communities</td>
<td>Trajectory of electricity prices and how Eskom will be restructured</td>
</tr>
<tr>
<td>Finalisation of a ‘mostly workable’ MCIII (with a few outstanding issues that need resolution)</td>
<td>Minerals Council working closely with government and Eskom to assist (technical review team, coal supply)</td>
</tr>
<tr>
<td>Withdrawal of controversial MPRDA Amendment Bill</td>
<td>Resolution of outstanding issues on Mining Charter III</td>
</tr>
<tr>
<td>Minister has had detailed discussions with CEOs of Minerals Council commodity leadership forums</td>
<td>Working with government and communities to ensure stable communities and less disruption to mining</td>
</tr>
<tr>
<td>DMRE tackling license backlogs, investigating corruption and improving systems to improve performance</td>
<td>Promoting industrial relations stability and workable outcomes to negotiations</td>
</tr>
<tr>
<td>Discussions starting on developing strategy to promote greenfield exploration boom in SA</td>
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<tr>
<td>Significant improvement in some mineral prices (gold &gt;R750,000)</td>
<td></td>
</tr>
<tr>
<td>Greater reliability from Eskom (no load-shedding since February)</td>
<td></td>
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<tr>
<td>Resolution of strike in gold</td>
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</tbody>
</table>
Strategy to enable South African mining to realise its potential

- Ethical Leadership and Good Governance
- Policy and Regulatory Certainty and Competitiveness
- Available, Efficient, Cost Competitive and Reliable Infrastructure
- Improving Productivity and Competitiveness
- Creating a “Greenfields Exploration Boom”

Thank you

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