



Minerals Council South Africa

PRESENTATION TO THE PARLIAMMENTARY 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.



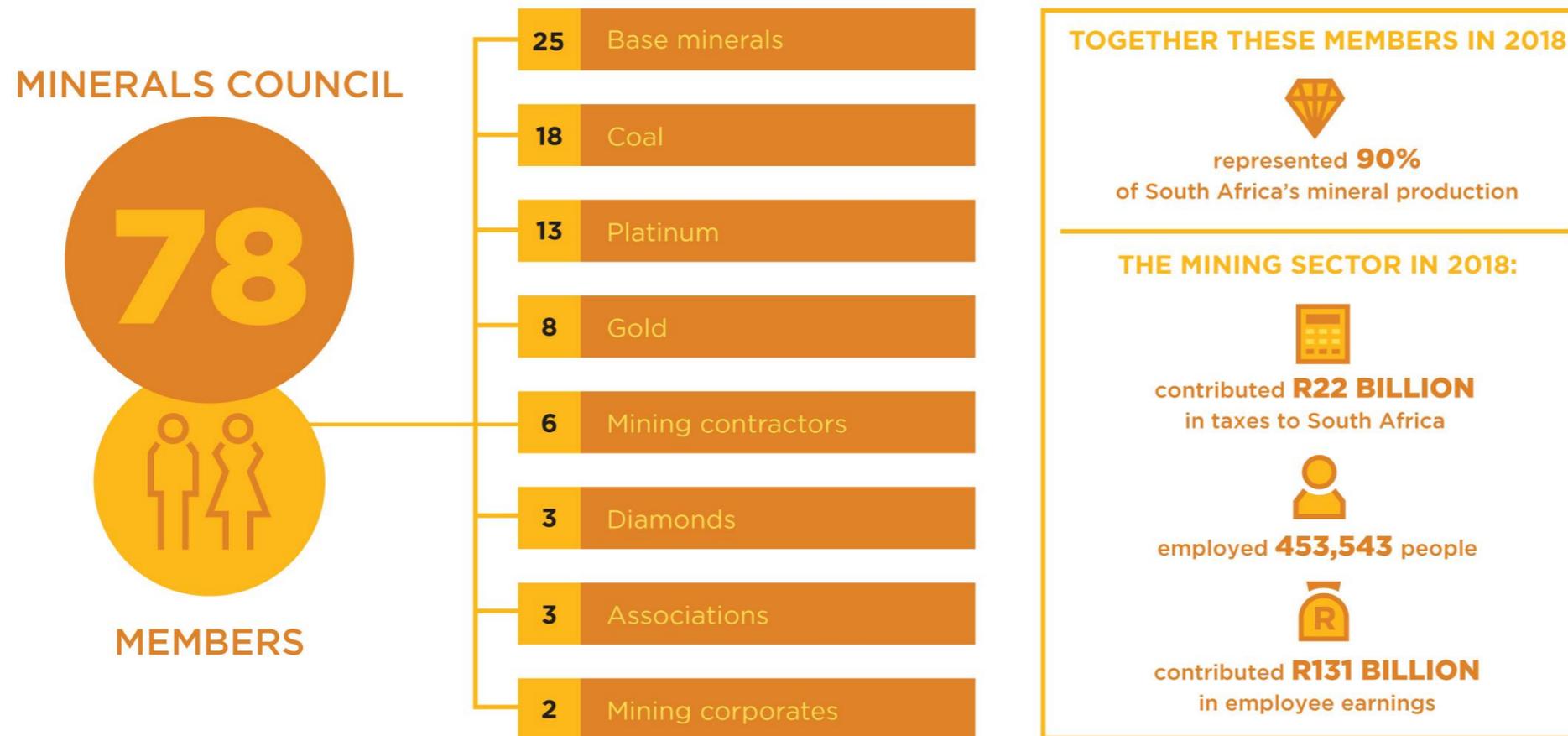
In some sectors, we undertake collective bargaining with organised labour on behalf of members.

#MakingMiningMatter

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



Nikisi Lesufi
Senior Executive: Environment,
Health and Legacies



Harry Groenewald
Senior Executive: Finance
and Administration



Sietse van der Woude
Senior Executive:
Modernisation and Safety



Mustak Ally
Head: Skills Development



Dr Thuthula Balfour
Head: Health



Ursula Brown
Head: Legal



Jeannette Hofsajer-Van Wyk
Head: Administration



Alex Khumalo
Head: Social Performance



Henk Langenhoven
Chief Economist



Stanford Mamoshito Malatji
Head: Learning Hub



Motsamai Motlhamme
Head: Employment Relations



Stephinah Mudau
Head: Environment



Dr Sizwe Phakathi
Head: Safety and
Sustainable Development



VISION

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

MEMBERSHIP COMPACT



The Membership Compact (Compact) is a mandatory code of ethical business conduct to which members of the Minerals Council South Africa (Minerals Council) subscribe.

The overriding vision and mission of the Minerals Council is to reposition the South African mining sector as South Africa's pre-eminent industrial sector and to double real investment in mining by 2030. This is an industry strategy that will be owned by all Minerals Council members with the overriding objective of building a trust-based social pact with key stakeholders, creating an overwhelmingly positive investment and operating environment for the sector that makes the global investment community and mining industry recognise that South Africa has emerged into an investment destination of choice for the mining sector. The benefits of achieving this vision are incalculable, and will be a game changer for the country and its ability to achieve the National Development Plan objectives, to which members of the Minerals Council subscribe.

COMPACT OBJECTIVE

The primary objective of the members of the Minerals Council is to ensure that the mining industry is able to realise its latent growth potential and so contribute meaningfully to the national objectives for sustainable development, transformation and the growth of the South African economy. This can best be achieved through:

- Building trustworthy relationships with key stakeholders
- Transforming the mining industry
- Partnering with communities surrounding existing and future mining operations and those in labour-sending areas

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REGULATORY FRAMEWORK

Minerals Council members commit to compliance with all relevant legislation and to making every possible effort to comply with meeting, or bettering, the targets outlined in the Mining Charter.

Minerals Council members also subscribe to the principles and commitments outlined 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 guiding principles serve as a framework to enable Minerals Council members to achieve the objectives of the Compact. Minerals Council members undertake to integrate the guiding principles into their management systems to ensure consistent application across all operations.

The following 10 guiding principles demonstrate the commitment of members to manage their operations in a responsible manner. Members commit, in all aspects of their businesses and operations, to:

1. Implement and maintain ethical business practices and sound systems of corporate governance
2. Strive to achieve zero harm in respect of mine health and safety by complying with the Mine Health and Safety Milestones
3. Integrate sustainable development considerations within the corporate decision-making process
4. Respect fundamental human rights and respect cultures, customs and values in dealing with employees and others who are affected by their activities
5. Implement risk management strategies based on valid data and sound science
6. Continuous improvement of their environmental performance
7. Contribute to conservation of biodiversity and integrated approaches to land use planning
8. Facilitate and encourage responsible product design, use, reuse, recycling and disposal of their products
9. Contribute to the social, economic and institutional development of the communities in which they operate and in the labour-sending areas
10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with their stakeholders

Strategic Plan: Making Mining Matter

Strategic goal

01



Play a leadership role in the reboot button for the mining industry

Strategic goal

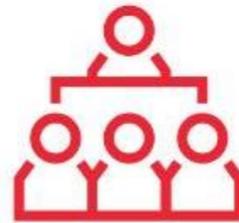
02



Create an enabling policy, legislative, regulatory and operating environment for a successful mining industry

Strategic goal

03



Minerals Council and members to implement a positive contribution model (including to the NDP)

Strategic goal

04



Lead by example
Demonstrate progress on transformation, safety, social and environmental imperatives (including through sharing best practice)

Strategic goal

05

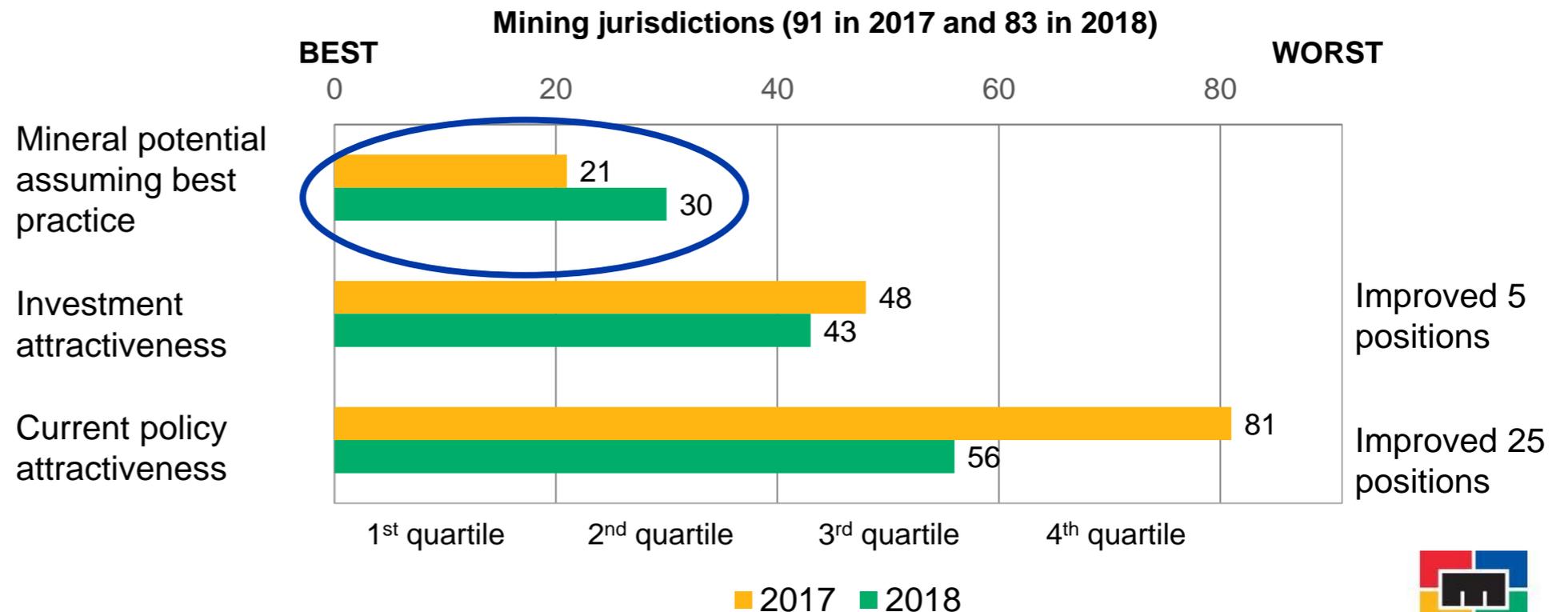


Continually improve effectiveness and performance

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)



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

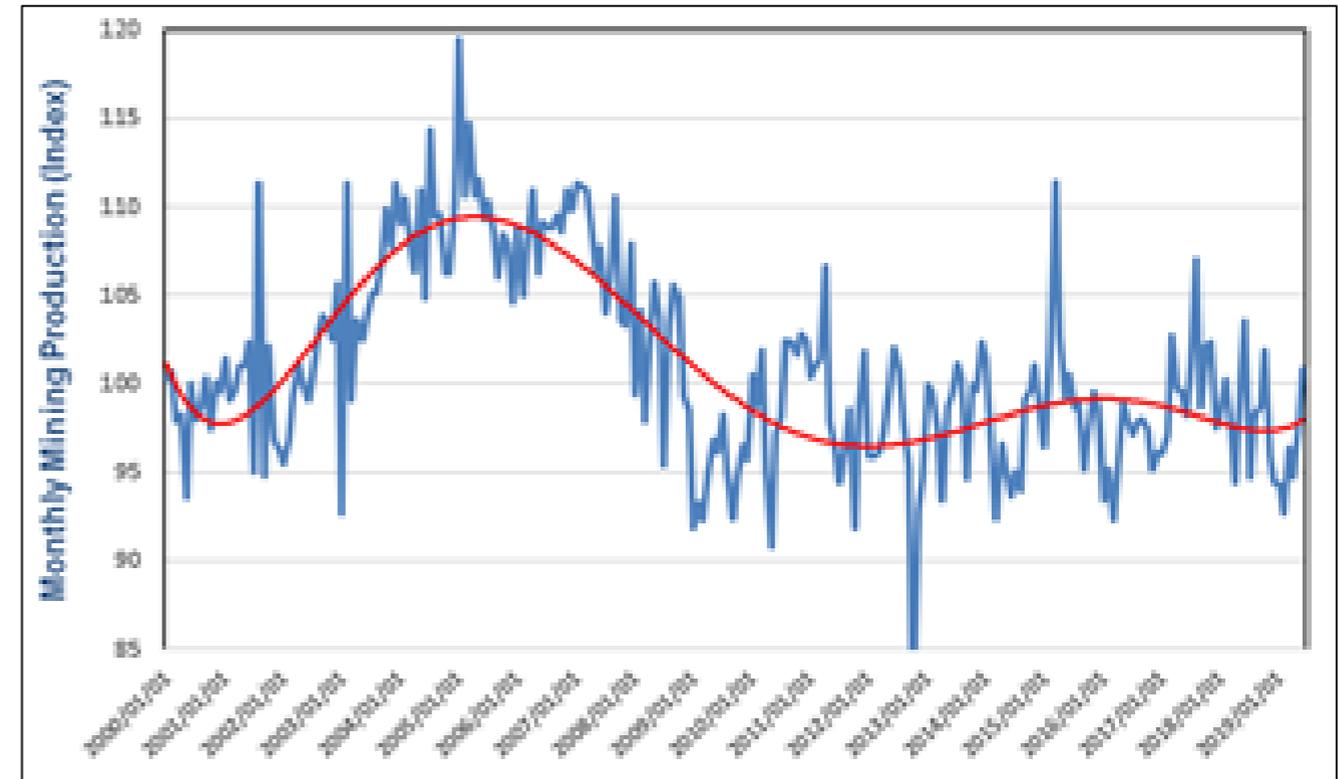
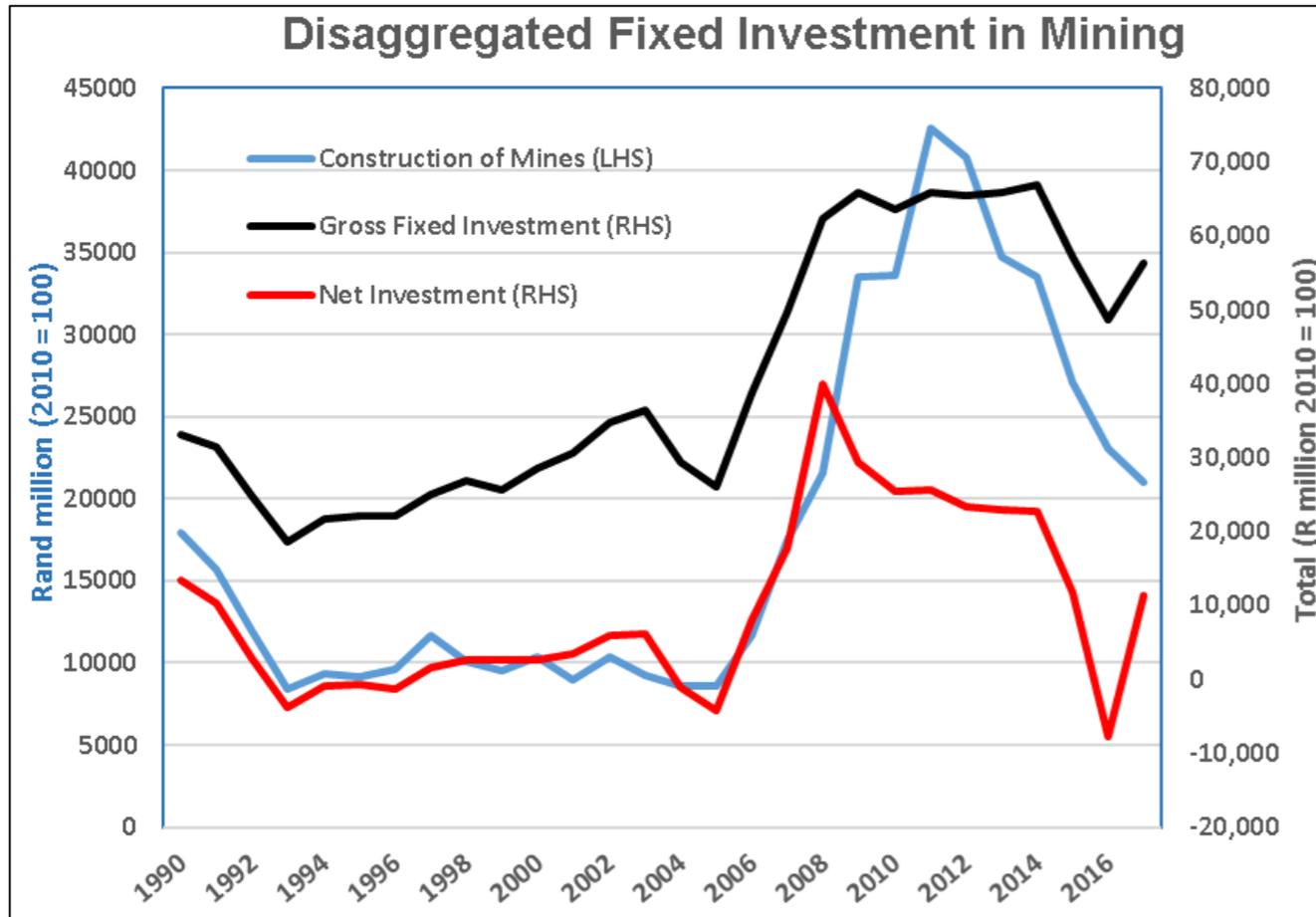


Economic contribution
of mining has fallen

- 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

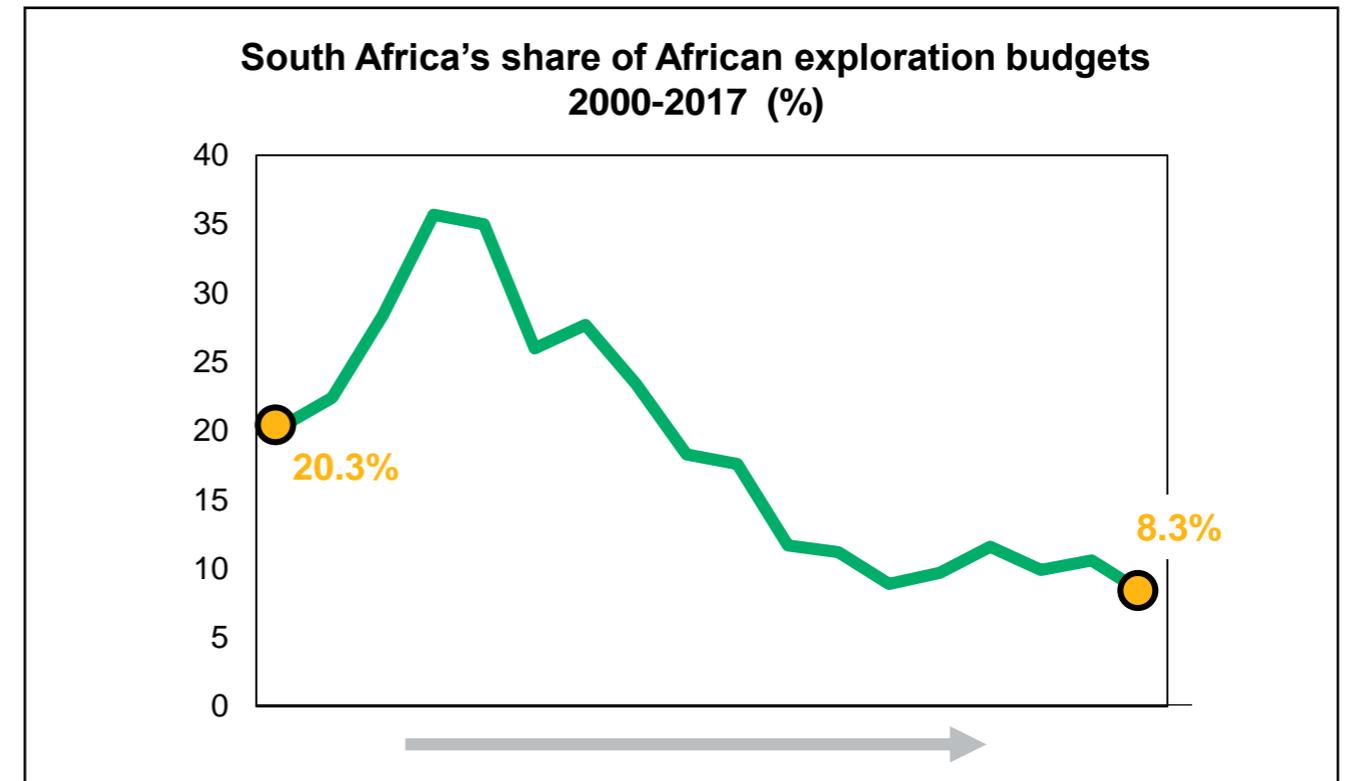
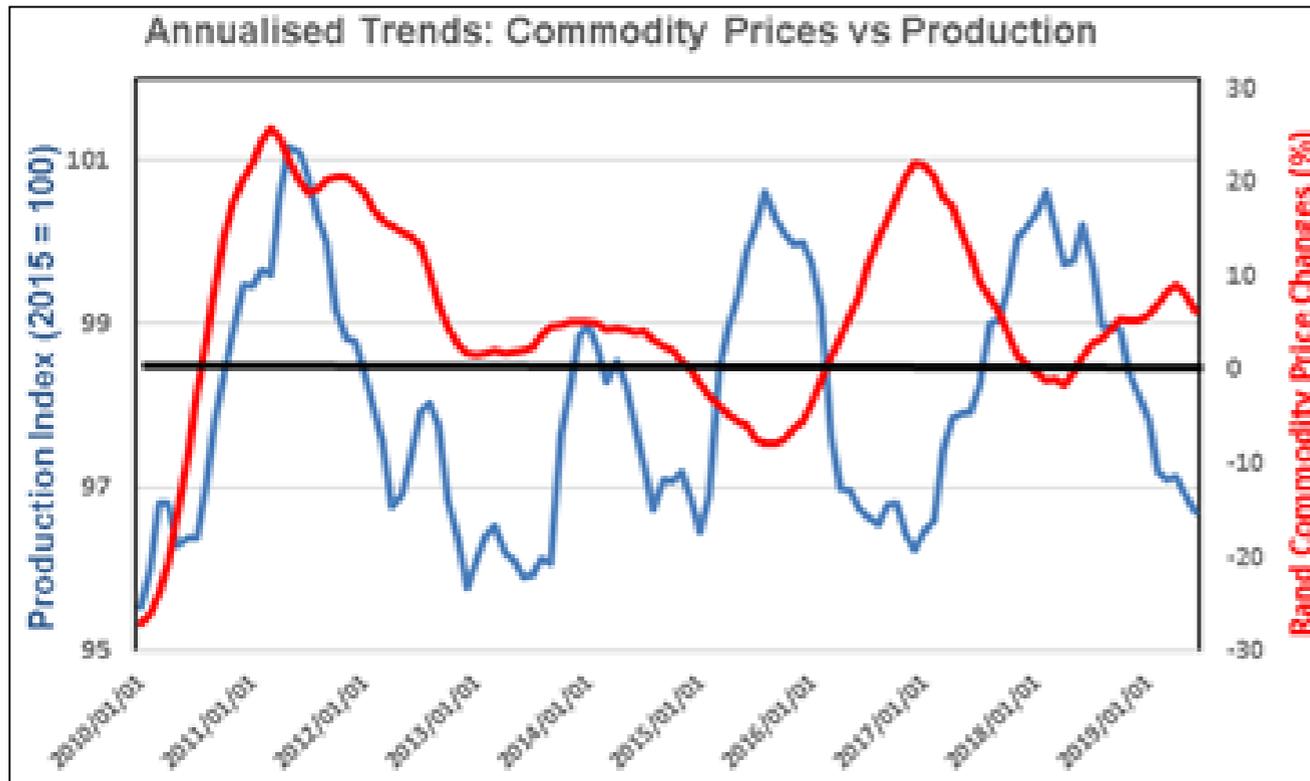
Mining investment has only just stabilised

The long-term trend in mining production is at the 2000 level

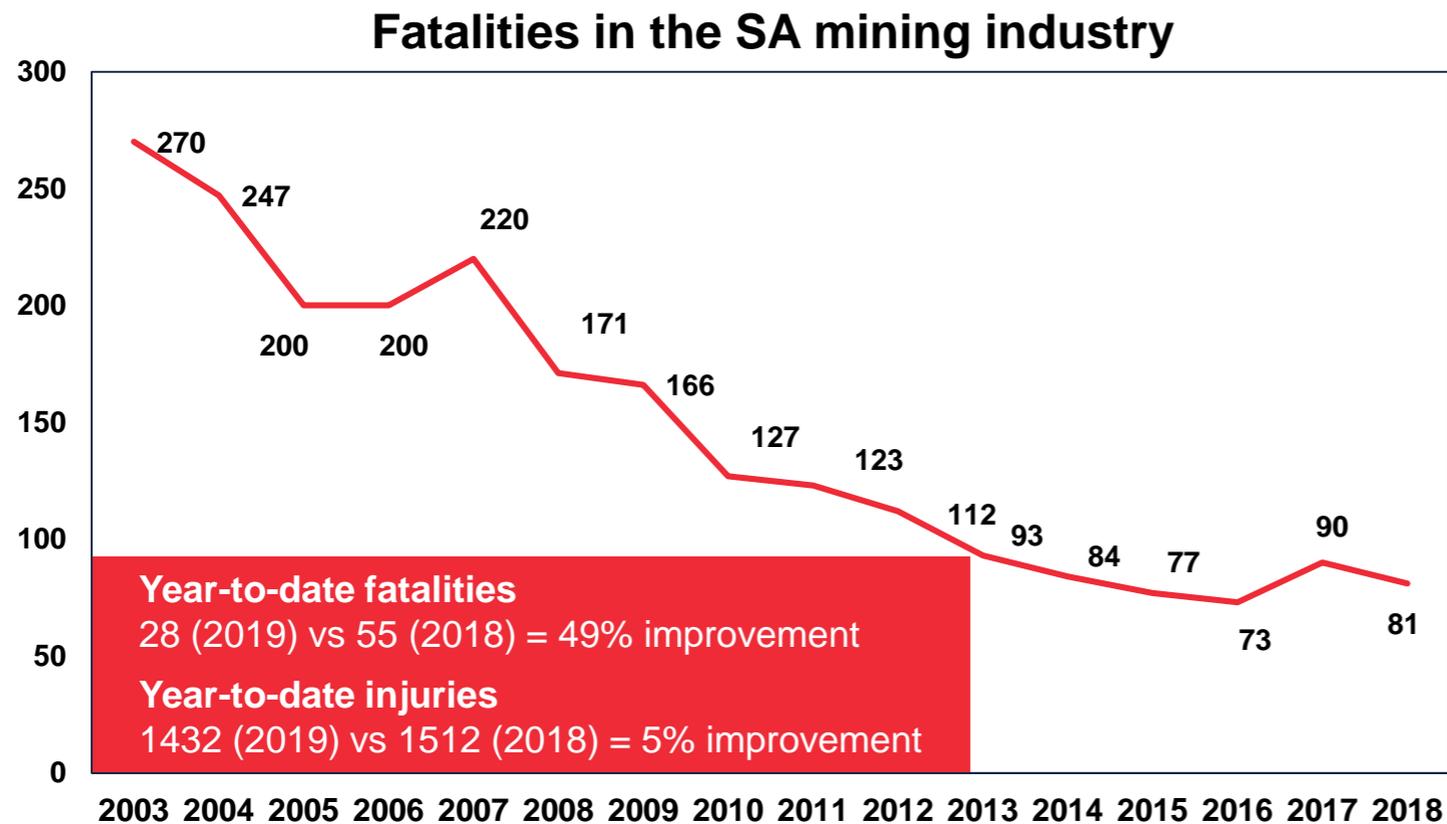


Despite rising prices, production is battling to respond

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



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

Step-change priority for CEO Zero Harm Forum (2019-2020) - elimination of fatalities (safety and health)

2-year focus on fatalities

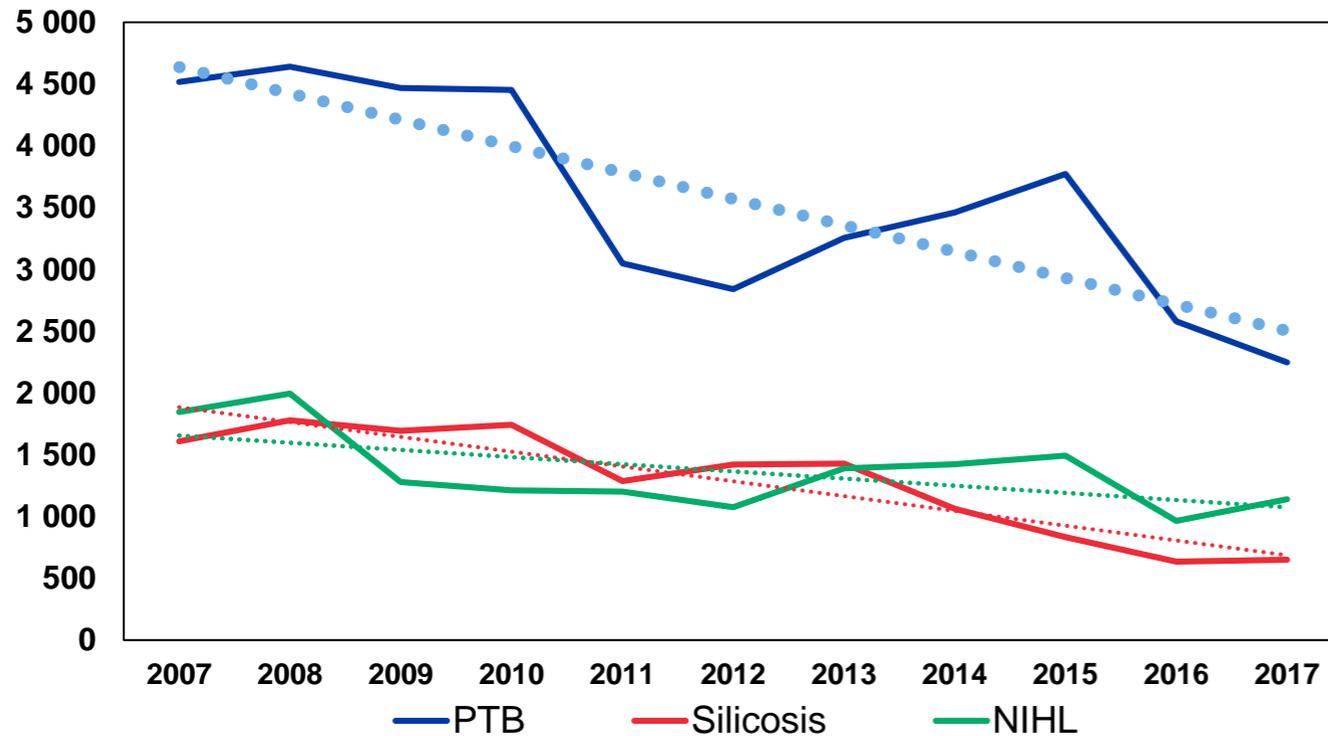
HOLISTIC

APPROACH

Holistic approach to the elimination of fatalities from safety and health (during and beyond employment)

Critical and holistic reflection on health

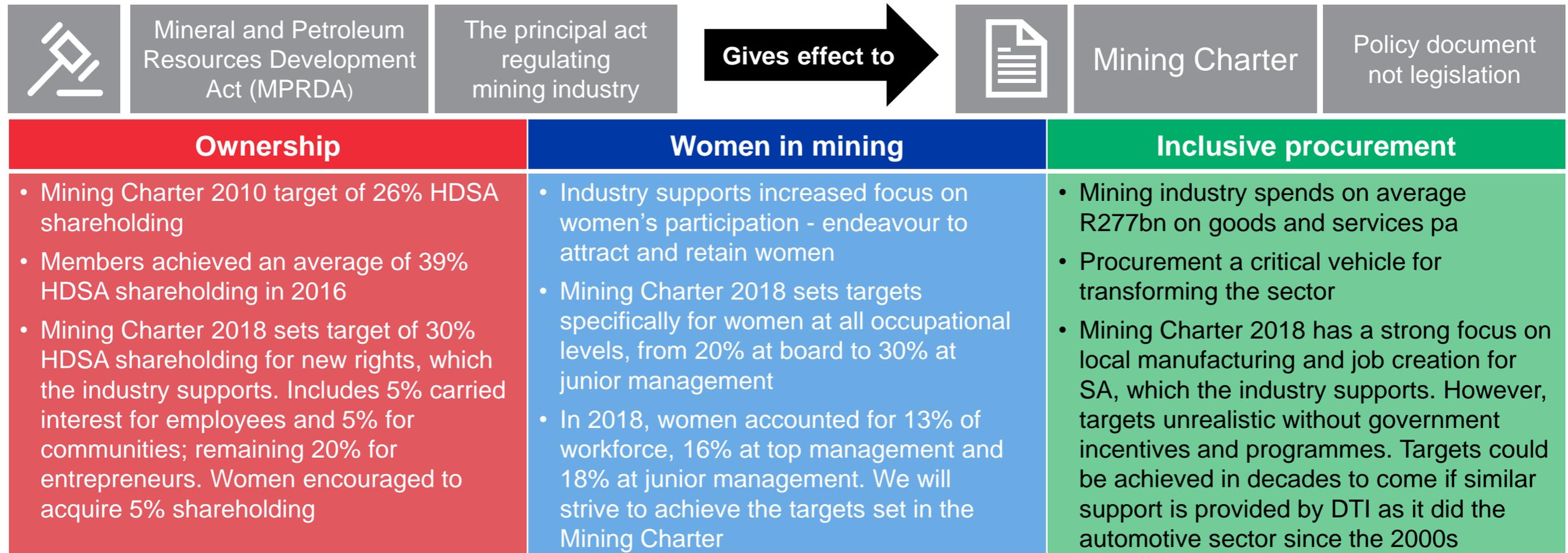
Pulmonary TB (PTB), silicosis and NIHL reported at all mines: 2007- 2017



Issue	Challenges	Solutions	Outcomes
Tuberculosis	<ul style="list-style-type: none"> Higher risk of TB in silica exposed environments. Migrancy and risk of HIV/AIDS 	<ul style="list-style-type: none"> Industry milestones for 2024 Rigorous reporting through DMRE 164 Masoyise Health Programme CEO Zero Harm Forum initiatives 	Massive reduction in TB incidence
Dust (silica, coal dust)	Reducing dust levels to levels that do not harm health		Reductions in dust levels
Noise induced hearing loss (NIHL)	A number of machines emitting high noise levels leading to NIHL		Reduction in machines which emit high noise levels. Limited success with NIHL
Chronic lifestyle diseases	Rising epidemic of hypertension, diabetes and other diseases	Masoyise Health Programme	Programme commenced in 2019
Future of health service provision in context of NHI	<ul style="list-style-type: none"> Funding levels unknown Occupational health services not part of NHI Shift to medical aids and less control by employers 	<ul style="list-style-type: none"> Engagements through BUSA Factoring NHI into future plans 	Situation evolving

Transformation – the journey in the mining industry

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.



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.

Environment

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

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

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.

Communities: mining's positive contribution to society

Social and Labour Plans (SLPs)

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

Issues/Challenges	Progress	Solutions
<ul style="list-style-type: none"> • Persistently high unemployment in mining towns, poverty and inequality • Lack of economic diversification in mining towns • Modernisation brings new challenges (skill requirements and employment opportunities) • Municipal capacity to deliver on services and local economic development 	<ul style="list-style-type: none"> • Plans for creation of multi-stakeholder engagement forums underway in several mining jurisdictions • Significant contribution in education, health and infrastructure 	<ul style="list-style-type: none"> • Collaboration between mining companies, and between mining sector and other economic sectors • Renewed focus on creating and nurturing skills for future • Greater focus on enterprise development and creation of economic opportunities

Rationale for collaboration



Socio-economic need in target communities too great for a single company

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

Migrant labour

Reduction of foreign labour by 8% per annum due to natural attrition

New employment only for South African citizens – mostly from host communities

Minerals Council part of collaborative efforts (with Department of Home Affairs) to resolve the issuing of temporary residence visas through alternative issuing regime

Ensuring conversion to the new Corporate Visa regime as per the amended Immigration Act and Regulations.

Ongoing engagements with the Department of Employment and Labour to ensure updated bilateral instruments with labour sourcing countries

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.

Supporting Skills Development	MQA Legislation	HRD and Mining Charter
<p>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.</p>	<p>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</p>	<p>HRD remains critical pillar in Mining Charter, that also supports our employment equity targets.</p> <p>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.</p> <p>Pursuing clarification of HRD reporting framework with DMRE</p>

Illegal mining

Illegal mining remains a significant issue for the mining industry

Significant escalation of artisanal mining activities undertaken in Northern Cape areas

No distinction between illegal mining and artisanal mining activities

Uncertainty regarding responsibilities of police in relation to artisanal mining

Threat of surface illegal mining and hostile attacks on surface operations increased during 2018

Large-scale mechanised illegal mining activities being observed in certain provinces

Illegal miners shift their attention to operational shafts due to closure of redundant shafts

Illegal miners target and damage infrastructure plants, pipelines, tailing facilities, water and electrical reticulation systems as well as processing plant installations

Results in deployment of additional external security to ensure uninterrupted production – consequent increase in security costs

Leads to production stoppages, losses and adverse environmental impacts.

Additional capital expenditure to improve security controls

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

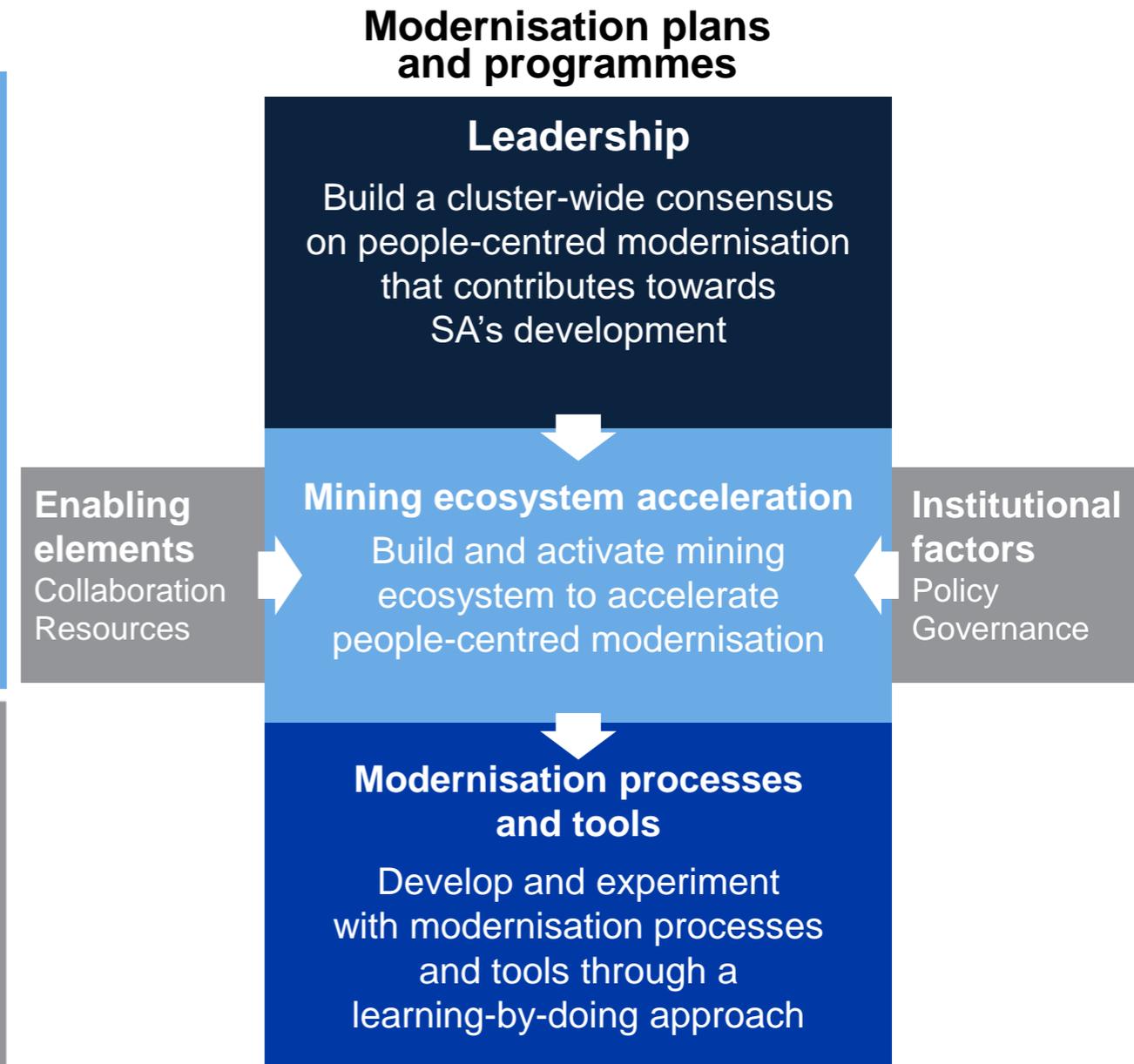
Competitiveness, modernisation and improving productivity

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



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.

WATER	ELECTRICITY	HARBOURS	RAIL	ROAD	HOUSING
R8 billion 4% of input costs	R22 billion 10% of input costs	Transport and storage: R71.6 billion 32% of input costs			R34.6 billion 22% of wages
 <p>Water boards, local authorities</p> <p>Water a constraint</p> <p>Water boards struggle to provide</p> <p>Tussle between water boards and local authorities over water income</p> <p>Mines have surplus water for communities</p> <p>Water pollution: mining has solutions</p>	 <p>Eskom, local authorities</p> <p>Mines buy 30% of Eskom power</p> <p>Electricity a constraint and rising tariffs have massive cost implications (2007 levels)</p> <p>Electricity cost has gone up by 523% in the last decade</p> <p>On deep level mines electricity costs are now 25% of cash costs</p> <p>Beneficiation unviable</p>	 <p>Portnet</p> <p>Harbour costs high to world benchmarks</p> <p>Potential with capacity extensions:</p> <ul style="list-style-type: none"> • Saldanha • PE • Durban • Richards Bay • Maputo <p>Oceans Phakisa drive to build SA flagged shipping on back of mining volumes</p>	 <p>Transnet Freight Rail</p> <p>Bottlenecks on bulk lines</p> <p>Lack of customer orientation</p> <p>High costs</p>	 <p>Hauliers</p> <p>Last resort for export logistics</p> <p>Coal links to power stations</p> <p>Damage to roads due to rail unavailability</p>	 <p>Provincial and local authorities</p> <p>Mines perform their duties</p> <p>Influx of people to mines cause stress</p> <p>Local authority capacity weak; mining towns three times more likely to have financial irregularities</p> <p>Joint solutions needed through cooperation amongst all stakeholders</p>

Imagine taking a R5 billion gold expansion project to the 'Investment Committee of the Board'

The Chairman of the Investment Committee asks Mr Baxter some questions:

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

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

Strategy to enable South African mining to realise its potential

HAVING A SHARED VISION
OF THE FUTURE OF THE
RSA MINING INDUSTRY



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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