ADDRESS BY MXOLISI MGOJO,
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MINERALS COUNCIL SOUTH AFRICA
AT THE 129th ANNUAL GENERAL MEETING ON 22 MAY 2019

Past Presidents of the Minerals Council, fellow Minerals Council board members, members of the media, honoured guests.

Last year I opened my address to you by lamenting the deterioration in the industry's safety performance. 2017 had seen the first deterioration in the number of fatalities in 23 years, and by this date in 2018 a further 34 of our colleagues had lost their lives in accidents. We had to take action, and we did, through, among other things, the National Day of Safety and Health in Mining launched by the Minerals Council last August.

This year we can take consolation that, according to the most recent data, there have been appreciable improvements. But even then, we cannot be complacent. Our efforts need to be maintained and intensified. So far, 13 of our colleagues have died in accidents in 2019. This is 14 too many.

We must always remember that every one of these people had family, friends and hopes of their own for their future lives which have now been cut short. We cannot and will not rest until deaths and injuries are reduced to zero, across our industry.

I will spend some time later in this address dealing with some of the new interventions that are underway, or that we have planned.

I would like to devote most of the remainder of this address to another, partly related, challenge.

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Three-and-a-half months ago, President Cyril Ramaphosa gave some of his valuable time to address us at the Mining Indaba in Cape Town. In that address, as I'm sure you all remember, the President challenged us to take steps to implement what he called "ten value-adding principles".

I believe that our industry would be at fault if it did not respond to the President's challenge. We must not only respond to him, but also continue to engage with him, with government and with other stakeholders on how we can best contribute to this great country of ours by "making mining matter".

It is only through leadership collaboration and a focus on jointly solving challenges that we can help make the mining sector realise its true economic potential.

So, the comments and observations I offer now should be seen as just the beginning of what I hope will be a continuing conversation on these issues, which are complex and challenging for us all. Ultimately, we are at the right moment in time to drive a positive reform process that will significantly boost the mining sectors investment prospects.

This can be achieved through a leadership focus on improving competitiveness, productivity growth, ensuring predictable and competitive policies and regulations, modernising the sector and most of all working collaboratively to grow and transform the sector.

None are more so than the first challenge: **Mining companies should foster inclusive growth in the areas in which they operate.**

It is well-known by those in this room that we, as an industry, have been investing huge amounts of money in corporate social investment projects over many decades. Most of our members began doing that long before the Mining Charter made it mandatory. Since the Mining Charter was implemented in 2004, the industry has invested considerably in Social and Labour Plans and in Corporate Social Investment projects.

We know that there is sometimes public scepticism about these efforts. And, we also know that we need to sometimes do this better and more effectively, and more collaboratively with other stakeholders - other mining companies, municipalities and government departments, NGOs and communities themselves.

But it goes further - and though it may not be a consolation, we do need to be aware that this is not merely a South African mining industry issue; or even solely a South African issue.

Last month the Financial Times published an article titled “Why American CEOs are worried about capitalism”.

The CEOs of many of that country’s leading businesses - from JP Morgan Chase’s Jamie Dimon to Bridgewater’s Ray Dalio to BlackRock’s Larry Fink have been fretting about growing inequality and the public responses to it. A failure to address these questions challenges the very survival of the traditional market economy.

Of course, shared value implies that there is adequate value to share. This makes our engagements with government over policy and, for example, infrastructure backlogs, an important part of this shared value discussion. And over the past decade South Africa has been losing ground on key issues that affect our ability to create value.

- The 523% increase in the electricity price and the lack of security of electricity supply has materially affected the mining sector’s competitiveness.
- Remaining unresolved issues in terms of policy and regulation, such as the lack of continuing consequences on renewals in the current charter, combined with the unworkable financial provision regulations just published by DEA and the uncertainties on the carbon tax in phase 2, are cases in point.

We need to resolve these issues collaboratively to improve competitiveness and investment.

We at the Minerals Council are hopeful that the regional office structures we have begun to establish, with pilots in Mpumalanga and the Northern Cape, will enhance and rationalise the collective development efforts of our members. It is the case, though, that the first lesson we are learning is the complexity of the work that needs to be done.

This is partly related to the President’s second challenge: **Companies should partner with local governments to help them.**

Again, we know that we have been engaging with municipalities and their integrated development plans as part of our fulfilment of our Social and Labour Plan obligations.

But we have to say that this has often been a very frustrating exercise. So many of the local governments in mining areas do not have any engineering capability, nor the ability to properly manage projects. The results are clear, with over R50 billion in unspent funds going back from Municipalities to Treasury in 2017.

The consequence has been a rise in community protest action against mining companies in the face of collapsing local government delivery and rising expectations that mining companies should 'carry the can' for local community development. This is reflected in the DMR's recently published living and housing standard, which effectively abrogates the role of municipalities in mining related communities and places the onus on mining companies.

This cannot work. What *can* work is a much better partnership between the mining sector and local government to ensure each meets their responsibilities - but work together for the greater good. And the mining sector is prepared to play its part.

An example, we believe, of our industry's resolve to do just that is our response to the Eskom crisis, and the significant resources we have placed at Eskom's disposal in the work of the current task team, and more.

Thirdly, President Ramaphosa challenged us to **invest in the living conditions of their workers by building decent houses.** In doing so, he acknowledged that "a number of companies are already offering wonderful solutions".

The Minerals Council and its members are gratified that, through the mutually agreed 2004 terms of the very first mining charter, the worst manifestation of the migrant labour system – barrack-style hostel living – was eliminated by 2014. Employees living in mine accommodation are now accommodated in single quarters or family accommodation.

Yet we also know that housing conditions in many mining regions remain inadequate, for both miners and other community members. There are many reasons for this.

Since the end of the migrant labour system more than a quarter of a century ago, many mining towns became centres of mass urbanisation as people searched for scarce economic opportunities. This was particularly intense in the platinum belt. Neither the local authorities nor the mines themselves were fully equipped to deal with that.

Further, there were expectations of a bull market-backed mining company growth, which may have been able to play a greater part in housing development. This was brought to a grinding halt, and reversed, with the international financial crisis from 2008.

And finally, there has been on some occasions a lack of co-ordination between mine housing development plans and the related measures required of local authorities. As the Minerals Council we do not believe the recently published Living and Housing Standard will resolve issues, and attempts to abrogate the developmental, infrastructure and service obligations of local government and impose them on the mining sector. This will not work.

Yet, as the President said, there have been a range of effective projects implemented. Let us draw on these as we address all the complex challenges.

Some of our member companies have been thinking innovatively around this, with a clear view to ensuring the land that we have under our control is used well and with care during the life of our mines and after mining ends; and that land that we do not use is put to good use, preferably through incorporation into local municipalities.

Where the President's fourth challenge is concerned, **investment in education and training,** the industry has a very positive story to tell.

In 2018, the mining sector invested R7 billion in skills development and education in South Africa. In addition to the minimum 1% of payroll expended on skills training for employees in terms of the Skills Development Act the mining sector also spends 5% of payroll on skills development in terms of the Mining Charter.

A large proportion of the estimated R2 billion spent annually on Corporate Social Investment is directed at education and training. From employee and community literacy and numeracy training, to providing community members with skills to join the job market, to the funding of sophisticated tertiary education projects, the industry that founded what was to become South Africa's largest university as a mining college more than 120 years ago continues to maintain that educational development focus. This is over and above the direct training that companies provide to their employees.

With over 5,000 students supported by the industry via bursaries and scholarships in universities and the subvention of lecturer salaries at mining universities, the industry is contributing a share higher than any other sector to skills development and education. We believe that skills development and education are the fundamental building blocks to a competitive, transformed and prosperous future.

Fifthly, the President challenged the mining industry to **partner with training colleges to provide work experience for students, contribute to curricula development** and also thus help develop well-trained and experienced graduates for the industry.

This is an interesting challenge. About five years ago the Minerals Council reached out to the Department of Higher Education and Training (DHET) and asked how the organisation could assist Technical and Vocational Education and Training (TVET) colleges. The Minerals Council's members nominated 17 people to sit on the Boards of TVET colleges and various donations of equipment were made for practicals. But further work needs to be done to create a much more vibrant and successful TVET system, with all role players involved.

Then comes a challenge to **embrace beneficiation**.

As is well known, the modern South African economy was built on upstream and downstream beneficiation related to the mining sector. There is a significant supplier base providing services, equipment and capital goods to the mining sector.

There *is* also over R200 billion in extra value created in the downstream sectors that beneficiate the minerals we mine. For example, over 90% of cement, 80% of steel, 50% of chemical and plastic feed stocks and 30% of liquid fuels are fabricated in South Africa using locally mined minerals. Even 9% of the world's platinum catalytic converters used in cars are made here in South Africa.

The point is that where the commercial opportunities exist, value addition is taking place. However, as with the lost decade in mining competitiveness, so too have the beneficiation sectors suffered. Policy and regulatory uncertainty, rapid increases in electricity costs and the uncertainty of electricity prices and supply going forward to 2050, have materially curtailed competitiveness and future investment. This has even resulted in South African mining companies building smelters offshore.

Our plea to government is let’s really focus on making the beneficiation and manufacturing sectors much more globally competitive and investment will materially flow.

Seventh is the **safety and health** challenge.

The Minerals Council and its members are fully committed to the journey towards zero harm, and significant progress has been made over the past 25 years, with an 88% reduction in fatalities in the sector and significant improvements in the reduction of exposures of workers to occupational hazards. But at the same time we recognise and acknowledge that we are not at zero harm yet and that much more work needs to be done.

Many of the CEOs in this room were part of a ground-breaking session that we held at the beginning of this year, quite literally called CEO Heartfelt Conversations. Run under the auspices of our CEO-led Zero Harm Forum, we wanted to try to understand and brainstorm how we could achieve the next major step towards Zero Harm. The result: the Khumbula iKhaya initiative that we will be launching this year.

We implemented the Minerals Council safety and health day initiative last August, material work is being done with partners in the MHSC, the Minerals Council’s CEO Zero Harm forum has been hard at work and the Minerals Council Learning Hub has been helping identify and roll out leading practice to improve safety and health in the industry. We will keep this drive to zero harm as a key focal point on our priorities.

The President also challenged us to provide **internships and job experience opportunities for young people – as well as provide business opportunities for SMMEs**.

We acknowledge the President’s challenge and are implementing various measures to drive this agenda. This includes our significant focus on skills development and education, and our expansion of opportunities to SMMEs on the procurement side.

As we know, the Mining Charter sets targets for procurement and enterprise development. Because it is not one of the charter pillars most focused on in public discourse, there may not be a full awareness out there of the remarkable work done by most Minerals Council members in empowering small and other emerging business as suppliers to the industry over the past 15 years. It has been a true game changer. But, as always, we recognise that there is more to be done.

The issue of internships and job opportunities for young people relates closely to the fifth challenge which, as stated earlier, is an area we need to explore methodically. As it is, the industry also works closely with the Mining Qualifications Authority with the latter offering qualifying employers grants as part of its internship programme. It is a great pity that the Youth Employment Scheme – or YES – has not been addressed to incorporate incentives for mining companies, but that is something that we believe can still be looked at.

Ninth, the President challenges us to create more **opportunities for young women**. That is another justifiable challenge.

We have made progress. There were close to zero women in the industry beyond mostly clerical and medical positions at the dawn of democracy. Today, some 13% of the workforce, or over 50,000 people, are female.

Yet again, however, there is far more that can be done to address the patriarchal legacy of the industry. The challenge is not only in numbers. It is also in ensuring that our operations are places where women can work comfortably and feel safe. There, too, we know we have work to do, but we are making progress.

One of our women board members has agreed to champion getting “Gender” firmly onto the “agenda” and we hope to pilot a number of new initiatives in the year ahead. As always though, it is clear that when we speak about changing mindsets about women in the industry, it is not the women that we need to address, it is the men. Overwhelmingly, the CEOs in this room representing the industry are men. This will change.

Finally, the President challenges us to **make workers shareholders**, and bring them on to our boards.

We are proud that mining companies have, since 2006, taken the lead in developing employee share ownership plans, in consultation with the unions, in our companies. No other sector compares. Minister Gwede Mantashe, himself was in those days the leading union voice for employee share ownership, and played a central part in the establishment of the industry’s earliest ESOPS.

Unfortunately, the volatility of our listed companies' share prices has not always produced the lucrative outcomes for employees that we would have liked – though there have been some notable achievements in some cases. In principle, sharing with employees a stake in our companies must be a worthwhile endeavour.

Employee board membership is an even more complicated issue. There are certainly cases of board membership for former union leaders. Over the past 30 to 35 years, our industry has been a leader in levels of consultation with employees, usually through their unions. Board membership would be a further leap, though the unions themselves may have some misgivings. Achievement of this challenge would be a sign of a well-developed mature relationship between companies and their employees' representatives. That may perhaps make it something to aspire towards.

Honoured guests, ladies and gentlemen, we thank President Ramaphosa for his thought-provoking challenges. These are challenges we are taking very seriously.

In the spirit of openness and frankness, we would also like to challenge the President – to work with the industry and other partners to improve the sectors competitiveness. If we can do this together, we really can achieve the real economic and transformational potential of mining. We look forward to further engagement on them with him, his colleagues in government and other stakeholders.

The Minerals Council, and the industry as a whole, is, for its part, committed to playing its full part in contributing constructively to materially improving the mining sector's competitiveness, and on the back of this encouraging much greater investment and transformation in the sector for the benefit of all South Africans.

Together we can.

In closing, on behalf of the Board and members, I would like to extend our thanks to Roger Baxter and his talented team that have ensured that the Minerals Council has continued to effectively play its role as the leading advocate of the interests of our industry, always doing so fully conscious that our industry's interests must always be seen as in synchronicity with the interests of our country and all its people.

I again thank my fellow office bearers – Andile Sangqu, Neal Froneman and Steve Phiri – whose wisdom and support I acknowledge wherever and whenever we have had tough decisions to make. All other members of the Board, too, have made invaluable contributions to the Minerals Council and our industry.

I will now hand over to Roger for a brief review of the year.

Thank you.