

## Letter from our CEO, Mzila Mthenjane

### #MiningMatters, because the lives of South Africans matter to us as leaders in the minerals and metals industry.

It is our enduring vision for mining to be **significant** in the economy and **meaningful** in the lives of employees and communities in South Africa. The significance of mining is evident in its GDP contribution and the catalyst it provides for investment. Mining is meaningful through its social impact; providing jobs, supporting local economic development and, going forward, enabling the just energy transition.

In 2023, this vision was manifested through the mining industry's contribution to South Africa, despite a challenging domestic and volatile global operating environment. It was a year characterised by bold industry action in response to, and to drive, change.

The global economic backdrop was a tapestry of interest rate policy uncertainty in the first half of the year, geopolitical tensions, regional wars, a stark divergence in real GDP growth rates, and horrendous commodity price movements in the coal and PGM markets. On the upside, gold and iron ore prices were well supported. Along with ongoing Transnet logistical constraints, this resulted in a mixed mining export performance. Global growth rates diverged, with the United States (US) maintaining a strong performance compared to Europe and the United Kingdom (UK). Growth in China recovered but was less than expected at the start of the year. Global consumer inflation moderated in the second half of 2023 and provided room for developed country central banks to stop aggressive interest rate hikes, while some banks in emerging markets started to reduce policy rates.

Real GDP growth in South Africa slowed to 0.6% in 2023, down notably from 1.9% in 2022, held back by record load shedding, logistical constraints and weak consumer spending.

Although easing from an annual rise of almost 14% in 2022, at an average increase of 8.3% year-on-year, South Africa's mining input costs rose well above general inflation in 2023.

Although down from 7.3% in the previous year, at 6.3% mining's contribution to South Africa's GDP remained a significant R440.8 billion. Commodity exports contributed more than 50% to the value of total South African merchandise exports, with PGMs, coal, gold and iron ore accounting for circa 80% of the country's commodity export revenue in 2023. The industry was also capable of maintaining its part of the social bargain. Employment increased by more than 7,000 to 481,000 people in Q4 2023, and the compensation of employees increased by 9% (almost R15 billion) to R178.8 billion to secure the lives and livelihoods of mining employees and their families. Our total contribution to the fiscus during the year, through various taxes (PAYE, VAT, company taxes and royalties) was a meaningful R172.5 billion, an increase of 11% (R17.6 billion) during a period of strained public finances in South Africa and infrastructure constraints for the mining industry.

**The safety and health of employees remained a primary leadership focus** among mining companies, labour and government. The overall trend towards zero harm, for both physical safety and human health, remains in the right direction. We have achieved significant breakthroughs in FOG fatalities in the past 30 years as well as recording well below the national average number of TB cases among employees. The tragedy of the loss of 13 lives at one of our member's mines was a harsh reminder of the need for continued vigilance. We remain committed to **zero harm** and are confident of achieving this as a "state of the industry performance". A review of our ten-year safety and health milestones to 2024 will provide insights on the achievements and areas that require further improvement.

In addition to safety and health, key priority activities during the past year were:



#### Responding decisively and assertively to the crises in energy, transport and logistics, and crime and corruption.

The collaborative response between business (through BUSA and Business for South Africa (B4SA)) and government (the Presidency and several government departments) was a further relationship milestone since the event of COVID-19 in 2020. The Minerals Council has deployed several of its member company CEOs in each of the three crisis committees as described in the Minerals Council President's message in this report.

- In response to the energy crisis, the mining industry is leading in its investments in renewable energy generation. Based on information from Operation Vulindlela, there is a pipeline of more than 90 mining-related embedded generation projects. These projects amount to almost 16,000 megawatts (MW), with an investment value of R275 billion. This investment is a critical risk response strategy, demonstrating the prevalence of the business case for investing in renewable energy while supporting the national efforts in energy security and the response to climate change. In the short term, electricity availability is secured for operations and the cost of electricity is reduced (improved cost competitiveness), and Scope 2 carbon emissions are reduced in the long term. The appointment of new Eskom leadership (at the board and executive level) has facilitated participation of business to work with government and the power utility. While progress towards the goal of stabilising Eskom's performance and reducing load shedding was slow in 2023, the fruits of these

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efforts was seen in April and May 2024 when the country was free of load shedding.

- The activities of the NLCC, including policy reforms and provision of expertise to Transnet, are in addition to significant involvement and investment in infrastructure by members within each of the corridors (coal, iron ore, manganese and chrome). Progress to date, measured in improvement in tonnes railed, has been negligible, but is moving in the right direction, assisted by the appointment of permanent new leadership at the Transnet board and executive levels. Policy reforms are providing the required momentum to achieve structural changes and improvements to the national logistics network.
- The policy reforms for, *inter alia*, private sector participation in the generation of renewable energy and rail logistics are a function and outcome of the government and business collaboration. While performance in 2023 was not where we had expected, the changes experienced to date are encouraging signs of the required transformation in the performance of Transnet and Eskom. The cooperative relationships between the Minerals Council and both Eskom and Transnet bode well for the performance of both the economy and the mining industry as it repositions for a commodity cycle upturn and investment opportunities in critical minerals. A business environment of no load shedding and improved Transnet operational performance will inspire a pathway to real GDP growth in South Africa to above 2% per annum.
- The JICC is slowly building capacity, initially, to respond to the crime and corruption that continues to shackle effective and faster progress in the performance of both Eskom and Transnet, and broadly to national justice and action for the well being of society.

As investor sentiment remains low, achieving the objectives of each of the crisis committees is an imperative to arrest economic decline, attract investment and stimulate the mining industry and the rest of the economy.



### Developing and communicating a shared vision for growth.

The decline in the industry's performance in the past two years is far from the anxious whispers of an industry in sunset mode. There is evidence that the industry's response to the infrastructure challenges will arrest this decline and stabilise performance over the next year. On the outlook of sustained performance, this stability should instil domestic and foreign confidence to invest in the mining industry and the economy to unlock further and longer-term growth. South Africa remains well-endowed with mineral commodities which, if effectively developed, will enable both improved socio-economic conditions and the transition to a lower carbon future. However, to achieve these ambitions, a healthier policy environment and trust relationship between government and the mining sector is required to enable investment into the mining sector that is geared to expansion as opposed to business survival. In an independent minerals policy review conducted by Mining Dialogues 360° (MD360°) and Good Governance Africa (GGA), among other issues, participants:

- Were of the view that government's approach to the management of the industry is prescriptive, that its applications of the MPRDA and its regulations were inconsistent and inefficient, and that it does not encourage investment in exploration and growth of the mining sector.
- Were of the view that efforts to address the constraints to growth and development in the mining industry should be reconsidered in terms of what stakeholders believe exploitation of the country's mineral wealth should do for national development. This in turn needs to be articulated through a new vision and narrative around which sector stakeholder groups can coalesce and find common purpose. The multidimensional nature of the crisis facing the industry demands holistic, integrated solutions driven by multiple stakeholders with the private sector more prominent than it has been to date.

- Noted that in 2004, the MPRDA was introduced with the twin aims of promoting sector growth and development by increasing levels of prospecting, exploration, mining and production, and by installing an internationally competitive and efficient administrative and regulatory regime. However, the MPRDA is widely regarded as needing review and further amendment to address provisions that currently give rise to regulatory inconsistency and uncertainty that deter investment even within mining's wider national context. The most impactful provisions that require review include administrative discretion in decision-making, principles of administrative justice, security of tenure, registration and cession of parts of rights, competing rights and associated minerals, administrative appeals and judicial reviews, mining permits, environmental aspects and financial aspects.

While industry stagnation and decline are a source of immense frustration to many, and the crisis that the industry finds itself in is real, so too is the tremendous potential that still exists for mining sector growth and development.



### Establishing a firm platform for the continued performance of the Minerals Council.

The CEO handover process from Roger Baxter was seamless and provided for a constructive and efficient step into the business of the Minerals Council, attributable to, *inter alia*, participation in the Board strategy review and several management meetings, structured induction and "first 100 days" programmes. The early days of my tenure focused on reviewing the strategic goals and our "bench strength" in preparation for the new financial year. It was pleasing to acknowledge the successes of the Minerals Council since the establishment of the strategic goals by the Board in 2019, among others, the successful launch of the Minerals Council brand and improved reputation of the organisation. The outcome of the strategy review was, therefore, fewer and refined strategic goals and objectives. In relation to bench

strength, structured succession planning will help anticipate personnel changes over the next three to five years and ensure sustainability of performance during a period of projected heightened industry and economic activity.

It has been an exciting few months since the commencement of my role as CEO, and I am looking forward to continuing my service to the industry and the country. So, looking to the year ahead, ***my most critical priority is to continue the effort of shifting the narrative about the industry from potential to performance and growth*** by driving our strategic goal of ***developing a shared vision for a globally competitive mining industry that is a significant contributor to South Africa's economy and supported by all stakeholders***. The following activities will give evidence to the shift:

- Achieving stable and predictable performance from water and energy supply and logistics, enabling a higher level of output from the mining industry and the rest of the economy. To this end, the Minerals Council will continue its active participation and work with the Government to build a better national logistics network. The combined investment in renewable energy by the mining industry and directly into existing and future mining operations, will provide an immediate positive economic stimulus and elevate the performance of our country's economy to levels that will change livelihoods for the better.
- Implementing legislative changes that promote exploration and encouraging increased investment in exploration for future mining growth and new commodity opportunities. A coordinated and successful implementation of the cadastral system will inspire interest in new mineral commodity exploration in the country. Investment promotion activities in partnership with the DMRE and other institutions will continue, based on successes in turning around infrastructure performance, implementation of enabling legislative changes and improving local business sentiment.

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- Continuing with the proactive engagement between government and members to address worrying water infrastructure challenges in several mining regions. The presence of mining activities has the potential to greatly enhance the viability of funding water infrastructure, which will also serve local communities and farming activities and provide incentives for additional local investment and economic growth.
- Strengthening our involvement in, and contribution to, the development of our country's critical minerals strategy by supporting the DMRE and other government departments and research institutions in this regard. To date, key considerations in the development of this strategy include:
  - South Africa's self interest in the identification and exploitation of critical minerals in terms of, firstly, driving **economic development needs** of the country, and secondly, enabling a domestic and global **energy transition**. The risk of security of global supply chains for critical minerals is an opportunity for South Africa to secure and grow the supply of the critical minerals that the country is well-endowed with.
  - A coherent minerals beneficiation strategy, in terms of enhancing current beneficiation activities through dealing with the major constraints, including energy security concerns, and identifying the minerals that are well positioned for maximisation of future beneficiation (i.e., what the extent of beneficiation of the various minerals and the comparative advantage of South Africa to conduct such beneficiation is).
  - The transition to a lower carbon future must be a **whole country transition**, and not only mining and broader business, to be 'just'. Hence, the urgency of a coordinated economic development plan that locates the role of business, especially mining, alongside government, labour and civil society.
- Lastly, building our social capital and strengthening our relationships with stakeholders is increasingly a distinguishing and resilience trait during periods of volatility in our fragmenting operating environment. The mining industry is a critical epicentre of the economy and must remain strong for the country, and the African continent, to maintain viability:
  - While labour relations in the mining sector were relatively stable during 2023, the development of underground sit-ins towards the end of the year is of concern to all industry stakeholders. Initial engagements with union leadership are pointing towards structured engagement and courageous conversations to address and resolve underlying issues and broader industry challenges.
  - Improving the industry's social performance through collaborating for impact, i.e., the social investments and developments in communities and districts within which we operate being directed at real needs (employment and enterprise development creation) and challenges (utility and basic services such as affordable electricity and water, education and health) to create large-scale (regional), lasting and empowering change for people. This collaboration will be among Minerals Council members, government, capital providers, social partners and expertise to implement meaningful change.
- FY2024 marks the 30-year anniversary of our democracy and coincided with a highly anticipated and contested national election that saw over 80 parties position themselves for a role in the next and 7th administration. My wish, at the time of writing, was that the "will of the people" be conveyed with fairness, dignity and integrity, and received with respect and maturity by the 7th administration. Such an outcome will provide a firm foundation for constructive engagement between business and the new government to continue the

reconstruction work started before the elections and, most importantly, to establish and agree on an economic development agenda for South Africa. The second agenda item in this engagement (following the first agenda item on safety, security and the well-being of South Africans), in my view, should leverage the **Magnificent 7 elements of South Africa**, namely:

- i. The positive value chain impact and multiplier effect from a performing **mining industry** is immense, such as investment attraction, catalyst for infrastructure and economic development, employment creation and contribution to the fiscus, to name a few.
- ii. **Tourism and agriculture industries**, which provide a spectrum of employment and skills development opportunities that will further reduce the unemployment levels and address food security concerns.
- iii. A **youthful population**, eager to contribute to the development of the economy through skills development and entrepreneurship (including mineral development, innovation and exploration).
- iv. **Tertiary and research institutions** that are involved in world class applied research activities that will make our mining industry more globally competitive and create new industries.
- v. Institutional capacity in the **judicial system, media and civil society** which provided resilience during the worst period of corruption in our democracy.
- vi. Established and **world class financial sector** to provide the capital required for the significant investments required.
- vii. A **functioning multi-party democracy**, which, after 30 years, continues to hold the confidence and hope of the people of South Africa.

Key to successfully achieving the ambitions of this agenda is a national **leadership coalition and compact**, among business, organised labour, government and civil society to act as a lever for the upliftment of South African society.

In conclusion, I wish to thank Roger Baxter for his nine-year service as CEO and the 30 years he has dedicated to the Minerals Council. The progress achieved during his tenure has created a firm foundation for the continued success of the Minerals Council for the years ahead to transform and grow the mining industry.

On behalf of the Board and employees, I also want to thank Henk Langenhoven, who retired as Chief Economist at the end of October 2023, for his service and contribution to the industry and economy during his five-year tenure at the Minerals Council.

Nolitha Fakude has been President for the past three terms and she steps down as President at the 2024 AGM. I am grateful for the support Nolitha has provided me since commencement of my role. Equally, I extend my thanks to the outgoing Vice Presidents who have shown unwavering support for the work of the Minerals Council.

A massive thank you to the Board members and Minerals Council member CEOs for their leadership and guidance. I feel empowered with the support that I receive and look forward to the period ahead with confidence and positive anticipation.

**Mzila Mthenjane**  
CEO

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