



CHAMBER OF MINES
of South Africa

PRESENTATION TO THE PORTFOLIO
COMMITTEE ON MINERAL RESOURCES
THE ZAMBEZI PROTOCOL



About the Chamber of Mines



- Voluntary employer organisation that supports and promotes the SA mining industry
- Chamber member companies represent more than 90% of South Africa's mineral production by value
- Members include:
 - 38 major mining companies
 - 32 junior mining companies and
 - four association (which in turn represent more that 100 members of small and medium sized enterprises)
- Members are required to sign and adhere to a Membership Compact, a code of ethical business conduct, to which they commit to comply

About the Chamber of Mines continued



2016 economic performance

- Contributed R304 billion to the GDP
- Represent 7.3% of GDP
- 17% contribution to the GDP with indirect multipliers
- Directly contributed R93.3 billion to fixed investment
- R3.7 billion in royalties and R12.5 billion in taxes
- Additional R6 billion towards skills development and other taxes and levies
- 455,109 employees that earned R120 billion and contributed R18 billion in PAYE

Background on African mining

- Africa's mineral potential is huge, it accounts for 30% of known global gold reserves, 23% titanium, 28% vanadium, 60% diamonds, 80% phosphates, 90% chromite and 95% platinum
- In Africa there is heavy reliance on the extractive sector
 - 28% of the continent's combined gross domestic product in 2012, 77% of total exports and 42% of all government revenues are from mining.
 - of course South Africa's economy is more diversified than the rest of the continent
- Despite the resource endowment, Africa's mining industry is in crisis
- The crisis is a consequence of a trust deficit between the governments, mining companies and civil society, often caused by misperception
- It is widely, but incorrectly, believed that mines have massive wealth and that many deliberately steal ore or withhold tax through misinvoicing or "transfer pricing"
- The mining companies complain that the long-term nature of their business, through good and bad times, and the levels of risk they have to take are not understood by those who set the rules
- There is much policy uncertainty across the region.
 - For example, the Zambian government changed the mining tax and royalty regime three times in five years

Our historical past

- The activities of mining inevitably have an impact on stakeholders which sometimes are positive but sometimes, negative
- The industry acknowledges its role in the past injustices of human rights and environmental management in our apartheid history
- The industry has been addressing some of its past wrong doings and this is a journey that we are committed to take with all stakeholders
- The past twenty years have seen much improvement in health, safety, social and environmental performance of the industry and we continued to be a major contributor to economic development
- The industry is ready to be part of a positive and constructive way forward that is not target chasing but that provides for win-win solutions
- One area the industry has been working hard at addressing is the legacy issues, specifically the unclaimed benefits, these remain our priority and we are seeing progress in this regard

Unclaimed retirement and provident funds

- The issue of unpaid benefits is a massive challenge
 - R45 billion is owed to 3 million people
- Of these unpaid benefits, around R3.2 billion (7%) is owed to 332,580 former mining industry employees
- The reasons for the benefits being unclaimed are varied
 - many former employees were not aware of what was due to them when they left the industry's employ
 - many former employees do not have fixed addresses, particularly after all these years
 - some of the former employees came to SA from neighbouring countries, and tracking and tracing is more difficult
- The industry is concerned that the former mineworkers and their dependants have not received their benefits
- Together with government and other stakeholders, the industry is working on addressing the matter
- We are seeing progress - outstanding benefits are being paid out although the process does take time in order to prevent incorrect payments

The Chamber of Mines embarks on a new journey



- The Chamber is embarking on a new journey informed by its commitment to South Africa and its positive role in the economy
- At the recent AGM, new leadership was elected that will drive the Chamber's repositioning strategy
 - President: Mxolisi Mgojo - CEO Exxaro Resources
 - Vice President: Neal Froneman - CEO Sibanye
 - Vice President: Andile Sangqu - Executive Head Anglo American SA
 - Vice President: Steve Phiri - CEO Royal Bafokeng Platinum
- The Zambezi Protocol is a blueprint framework and it will guide the constructive way forward that seeks to address the challenges and positively contribute to the South African economy and socio-economic development and also to that of the African region

The Zambezi Protocol

- The Zambesi Protocol is a mining blueprint formulated by Africans for Africans
- The Protocol arose out of a dialogue in Zambia chaired by former Nigerian president Olusegun Obasanjo involving representatives of the African mining industry, political figures, and multilateral institutions, convened by the Brenthurst Foundation
- The initiative aims to improve trust between governments, society and the industry and to enhance competitiveness and investment across the African region
- The Protocol adds to other initiatives seeking to improve stakeholder relations in the mining sector, like the Extractive Industries Transparency Initiative, the ICMM principles on sustainable development as well as the Kimberley Process
- In broad terms, the Protocol “aims to improve trust between parties as a means to ensure longer-term (mining) investment horizons and improved competitiveness”
- In South Africa, the Protocol also supports the ‘Mining Phakisa’ developed in 2015
- Through the Mining Phakisa programme, the Chamber has since established a number of quick-win programmes that will ensure delivery on user-based research and development requirements

What should success look like

- Stable policy and a fair regulatory environment remain key drivers for attractiveness and sustainability of the industry
- A stable environment will attract foreign direct investment and provide for stable revenue for the government and wealth for the nation
- The 2010 Citibank survey estimated that South Africa could have an additional 100,000 jobs within 5 years if it could have a 'right regulatory climate' that will double outputs in coal, platinum, iron and manganese
- South Africa has still more gold underground, however, output has fallen to 200 tonnes, compared to 1,000 tonnes in 1970. It is hoped that new mining methods being developed under the Phakisa banner will sustain gold mining for many more decades

SA investment climate

- A 2010 Citibank survey for instance, put South Africa as the world's richest mining country in terms of non-oil reserves, worth an estimated \$2.5-trillion, more than Russia and Australia with around \$1.6-trillion apiece
- Whereas by the late 1980s South Africa's share of global mining was 40%, with about 880,000 jobs in the sector, by 2014 it had declined to 4.5% and under 500,000 jobs, even though the sector still accounted for eight percent of GDP and more than half of South Africa's merchandise exports
- Employment peaked in the mid-1980s at 880,000, with gold alone accounting for 540,000 jobs
- By 2011, South Africa's global share of greenfield mining projects was just 5%; Australia's was 38%
- The Fraser Institute 2016 report on Mining companies - out of 18 African countries surveyed:
 - Investment Attractiveness, SA ranked 13th ahead of only South Sudan, Kenya, Sierra Leone, Mozambique and Zimbabwe
 - on Policy Perceptions, SA ranked 16th we are only better than Zimbabwe and South Sudan

Creating win-win solutions

- There is a need to build on existing initiatives like the Mining Phakisa
- We are also of the view that there is a renewed need for constructive dialogue between government, society and industry around solutions to develop 'common interest' (shared value) and trust
- We need common interest in creating nations' wealth, growth and competitiveness
- Consideration by stakeholders of the mining sector as a long-term developmental partner in a high risk industry
- Predictable, stable and competitive policy leads to investment, without which, inclusive growth is impossible
- Consultation on legislation and regulatory matters is of paramount importance – this should be in the nation's economic and developmental interests. A result would be mineral policy that is beyond political office cycles

Creating win-win solutions continued

- The industry is cognisant of the developmental issues facing the government and calls for collaborative efforts based on the long-term country vision in line with the NDP objectives
- The Zambezi Protocol will guide the industry in addressing issues of industry responsibility to its employees and to host communities as well as profitability issues in cognisance of the inherent risk of mining
- Transformation targets should be realistic and achievable
- Beneficiation strategies should be carefully thought out not to create resource dependency
- The mining industry is re-grouping itself in order to ensure effective messaging that is representative of the industry
- The dialogue on industry status and its historical legacies should result in a mutually agreed way forward that is representative of all stakeholders
- Subsequently, this process will lead us all to the end goal – the ‘shared enterprise’, ensuring future legacies are positive



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