



Chamber of Mines of South Africa

Progress with the implementation of the Mining Charter

Presentation to the Portfolio Committee on
Mineral Resources

Chamber of Mines
24 August 2011

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1. The Revised Mining Charter 2010

- Revised Charter gazetted in September 2010 (substantial agreement, but all parties had to compromise on certain aspects)
- Stakeholders agreed: Retain the principle of a special instrument for Mining

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Changes in the Revised Charter

- A number of new targets
- Some targets expanded upon and strengthened: more clarity
- Annual reporting has been strengthened
- A proper Scorecard: more clarity on non-compliance
- Provisions to deal with companies that do not comply

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New and improved targets

- Ownership: Broad-based & required cash flow
- Procurement targets
 - Contribution by multinational companies
- Employment equity
- Human resource development
- Decent accommodation
- Health and safety
- Environment

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2. Progress and challenges with implementation

- Mining companies could and should have done more under the previous Charter:
 - Learn from our mistakes about structuring deals: more broadly based, more value transfer e.g. dividends, more awareness of downside potential
 - More cooperation with community development
 - More effort to work with government to create conditions conducive for sector to grow & create jobs
- Impact of different expectations and perceptions

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Comments on the Industry Progress Report

- Based on company reports submitted to DMR
 - Reporting Template
- Chamber analysed copies of these reports
- Covering Chamber members – a total of 33 reports
- In some cases, there were misunderstandings on reporting requirements and definitions
- Unless otherwise indicated, a simple average was calculated

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3. Progress with implementation

3.1 Ownership: Average ownership of 28%

- No Chamber member less than 15%
- Measured according to the Charter

3.2 Procurement: More than a third of all procurement is from BEE entities as defined

3.3 Skills development spending: 4.6%
(target of 3%)

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3.4 Employment equity

Occupation	2010 target *	Actual
Top management	20%	28.6% **
Senior management	20%	36.8%
Middle management	30%	42.3%
Junior management	40%	56.8%
Core and critical skills	15%	n/a

Management	Female employees
Senior	9.9%
Middle	16.4%

* Targets are escalating up to 2014 ** Performance mixed

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Progress (continued)

- 3.5 Community development: R961m in 2010
- 3.6 Accommodation: Most of our members do not have hostels; Reduction of occupancy rate only measured at end-2011
- 3.7 Health and safety: Adoption of Learning Hub leading practices; training of OHS reps
- 3.8 Environment: Implementation of approved EMPs
- 3.9 Reporting: Chamber members have reported

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4. How Charter could be further improved

- Give opportunity for revised Charter to show results – intensive implementation efforts
- We need rapid feedback from DMR on implementation
- A guidance document needs to be developed through consultation
- Where sectors interact, there should be alignment (e.g. BBBEE Code - procurement)
- Independent verification

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5. Detailed progress report

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5.1 Ownership

- Ownership: No Chamber member is at less than 15%, measured according to the Charter
- Some at 50% ownership and above
- Weighted average of 28% (including six empowerment companies)
- In addition, consider including retirement fund savings – increasingly black dominated

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Challenges: Ownership

- Need to ensure future deals are sufficiently broad-based
- In past, not sufficient value created - Market conditions since 2008; and downside potential not always taken into account
- Some transactions with insufficient cash flow
- Dilemma of full ownership rights vs lock-in limitations

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5.2 Procurement

- Capital goods: Target is 5%, Chamber members above that (39%)
- Services: Target is 30%: Presents a challenge for some, even though industry is at 45%
- Consumables: Target is 10%: Chamber members have achieved this (35%)

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Challenges: Procurement

- Non-alignment with BBBEE Codes is a difficulty
- Definition of non-discretionary procurement

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5.3 Employment equity

Occupation	2010 target *	Actual	Remarks
Top management	20%	28.6%	Wide variances between companies
Senior management	20%	36.8%	
Middle management	30%	42.3%	
Junior management	40%	56.8%	
Core and critical skills	15%	n/a	Different definitions were used

• Targets are escalating up to 2014

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Employment of women

Management level	Percentage female employees
Senior management	9.9%
Middle management	16.4%

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Challenges: Employment equity

- Supply of skills, especially at top management level, remains a challenge as the simple average has probably been pushed up by the few companies that did well
- Definition of core and critical skills – could be interpreted very broadly
- At all levels, the representivity of females, particularly black females, needs to be improved

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5.4 Human resource development

- HRD spend of 4.6% exceeds the 3% target for 2010
- This excludes the 1% skills levy
- Quality of formal education a challenge

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5.5 Community Development

- Community development: Spent more in 2010 than any other industry: (R961 million)
- This mostly excludes expenditure on community development by various Chairperson's Funds

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Challenges: Community Development

- What does “costs proportionate to size of investment” mean? (BBBEE Codes: 1% of NPAT)
- Lack of capacity at local authorities
- Challenges to consult with communities
- Involvement of DMR re changes to SLPs
- Cooperative approach between companies and other role players

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5.6 Accommodation

- By far the majority of our members do not have hostels
- Percentage reduction of occupancy rate can only be measured after 12 months
- Facilitate home ownership: Cat 3-8 gold employees who are 1st time home owners: LOA plus premium of 10%

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Challenges: Accommodation

- Single room hostel accommodation, especially at some mines that are struggling with issues such as:
 - Life of mine
 - Alternative accommodation while conversions in progress
 - Lack of capacity at local authority level to assist with basic services for housing

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5.7 Occupational Health & Safety

- Health and safety:
 - Training of OHS reps: exceeding target of 2% of employees
 - Waiting for Culture Framework from MHSC
 - MHSC developing proper dissemination of its research findings
 - Adoption of Chamber Learning Hub leading practices: reasonable progress. CoM implementing measures to ensure more rapid adoption

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Challenges: Occupational Health and Safety

- Some elements not completed, e.g. dissemination of research findings
- Culture transformation: awaiting framework

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5.8 Environment

- Approved EMPs are implemented
- Rehabilitation plans are implemented
- Approved Closure Plans are being implemented
- Challenge: Overlapping and contradictory legislative requirements

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5.8 Reporting

- As far as we can determine, all our members have reported
- Speedy feedback from DMR would be very important

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