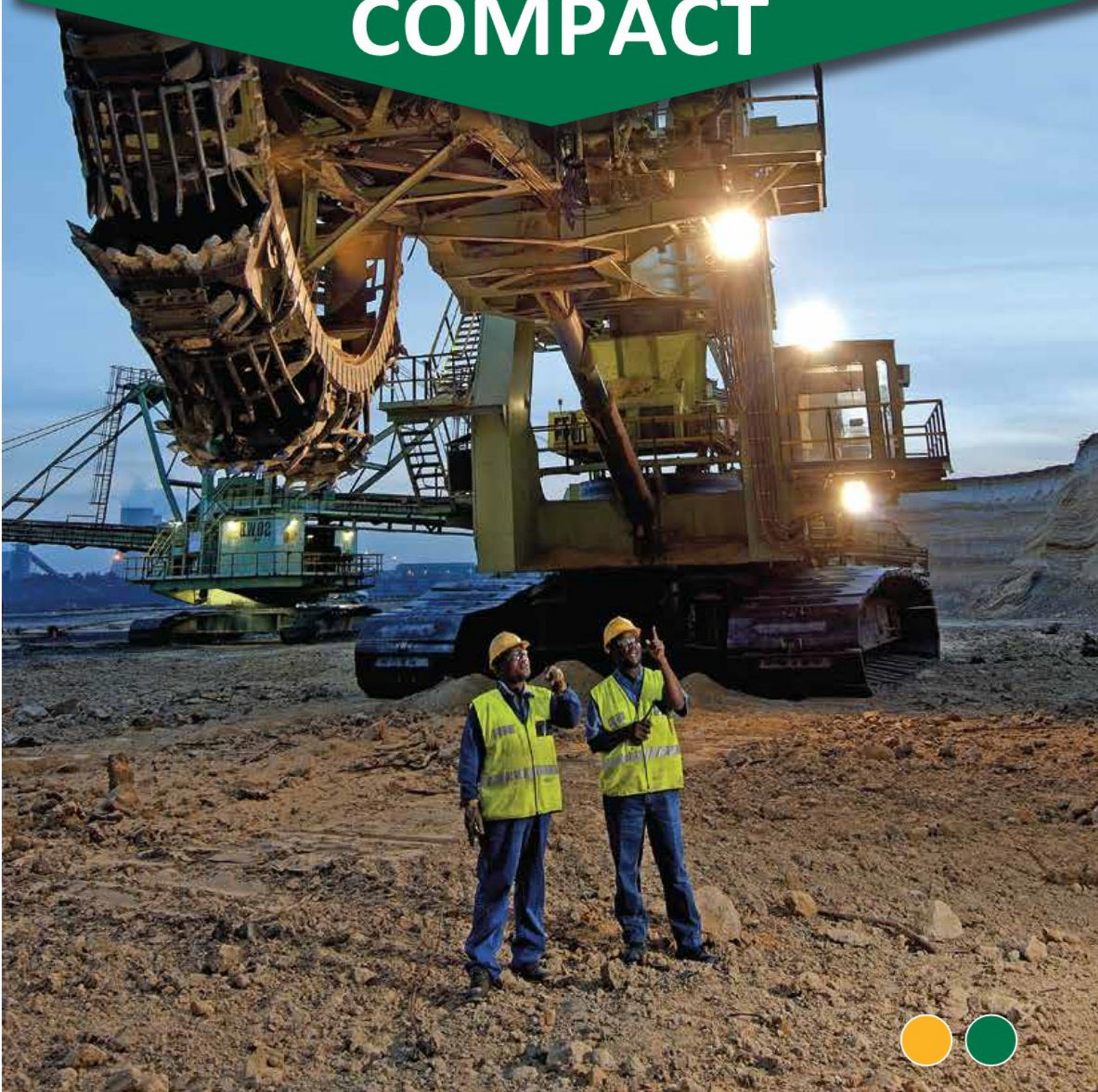


MINING LEADERSHIP COMPACT



mineral resources

Department:
Mineral Resources
REPUBLIC OF SOUTH AFRICA



Foreword by the Minister of Mineral Resources

The transition to democracy in South Africa since 1994 has been nothing short of remarkable. In essence, through constructive dialogue and sheer political will, the country has replaced the abhorrent Apartheid system, which denied basic economic and political rights to the majority of the country's population, with a move towards democracy. The State embarked on a

massive programme to rewrite and modernise the country's policies and laws to integrate the previously excluded majority into the mainstream economy through socio-economic transformation. Despite this process of facilitating inclusive economic growth, the triple developmental challenges of unemployment, inequality and poverty are still a blight on our people.

To combat these developmental challenges, Government developed and implemented a number of macro-economic strategies with National Development Plan (NDP) being the latest, with the aim of increasing inclusive economic growth, investment, transformation, employment, eliminating poverty and reducing inequality. The mining sector is one of the key sectors that will enable attainment of the NDP objectives. Mining has been a critical part of the South African economy for over a century and half and in 2017 contributed 7% to GDP, 27% to exports and most importantly providing 1.5 million direct and indirect jobs.

The 2008 financial and economic crisis marked a watershed moment for the mining industry when demand for most commodities declined significantly along with prices placing the industry in precarious position. In response to this crisis, the Mining Industry Growth, Development and Employment Task Team (MIGDETT) was formed with the dual mandate of firstly recommending shortterm interventions to mitigate the adverse impact of the crisis on the mining industry and to minimise job-losses, and secondly, to develop interventions to position South Africa's mining industry for sustainable growth. With regards to its first objective, the task team managed to contain job losses to less than fifty-

thousand (50 000) jobs versus the 100 000 jobs losses that could have been lost by the end of 2009. In the second phase, the work of MIGDETT culminated in the signing of the "**Stakeholder Declaration on a Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry**" in 2010.

Following the global financial crisis, the world has since felt a second dip in economic recovery characterised by uneven global growth and where there is growth, in the main it remains fragile once which has had an impact on the South African mining sector. In response to this second dip, the Social Partners have signed two more compacts to ameliorate the impact on the sector namely the "**Framework Agreement for a Sustainable Mining Industry**" in 2013 and the "**Mining Industry Commitment to Save Jobs and Ameliorate the Impact of Job Losses**" in 2015. Whilst rounds quantitative easing in the past couple of years have introduced significant liquidity into the global economy, there has paradoxically been a drying up of investment funds in the real economy, which includes the mining sector. This has resulted in intense competition between mining jurisdictions for investment and as the South African mining industry we need

to enunciate our best features as a jurisdiction to compete for those funds.

This ***Mining Leadership Compact*** sets the tone for a strategy that will seek to attain vision 2030 that seeks to make South Africa a competitive mining jurisdiction building off the “***Strategy for the Sustainable Growth and Meaningful Transformation of the South African***

Mining Industry”.

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Mr. S.G. Mantashe,
Minister of Mineral Resources

Messages of Support by Mining Sector Leaders

SOLIDARITY

The South African mining industry is the only economic sector in the country that has formal tripartite structures in place where the social partners, namely government, employers and trade unions, formally engage with each other on matters pertinent to the mining industry. With the drafting of Mining Charter III, mining affected communities started to join the formal consultation processes. The end result is that mining has become a microcosm of South African society and a platform for social dialogue where the interests and needs of all the social partners are discussed and debated in a controlled environment. As an offshoot of the Mining Charter talks, a Growth and Competitive tripartite structure was established under the auspices of the Department of Mineral Resources (DMR). This structure drafted the Mining Leadership Compact, which will enhance the element of oneness the industry is striving for and contribute vastly to the changes and initiatives needed to ensure stability and growth in the mining sector. Solidarity is proud to be part of this Mining Leadership Compact supports the implementation thereof.

MINERALS COUNCIL SOUTH AFRICA

“The Minerals Council South Africa, as the representative of over 90% of the value of mining production in South Africa, is fully supportive of this leadership compact. The purpose of the Compact is for the leadership of each stakeholder to work together to realise the true economic and transformational potential of South Africa’s mining sector. We believe that the country’s mining sector has significant potential to be a “sunrise industry” and that all stakeholders have to join hands to create a competitive policy, regulatory and operating environment that encourages much greater investment and ongoing transformation in mining. This will not only enable the objectives of the NDP to be met, but will make a material positive difference to the lives of all South Africans. The Minerals Council will play its role, in partnership with other stakeholders, to achieve this end and to ***#MakeMiningMatter***.

UASA

It was with much caution, uncertainty and sometimes even a level of suspicion, that we as UASA initially have set out on this journey, as there have been a number of unsuccessful attempts in the past UASA – the union believes that the mining leadership compact creates a clear strategy and basis for the sustainable growth and development of the South African mining industry. We have to applaud the team of stakeholder representatives involved in this process, for the cautious, sensitive and even patient manner in which they have embarked and proceeded through this entire process, in order to ensure that past potholes were evaded and that the correct decisions were taken as the process evolved.

UASA, must admit, that it did not merely entailed a consultation and developmental process, but also a very empowering learning curve for all stakeholders involved. The educational process that was part of the process all along, undoubtedly resulted in the empowerment of the participants to the process. The developmental process would most definitely not stop here today with this launch, but will continue into the future. The learning curve will still continue, and people will be empowered into the future. It must be noted that the stakeholders have been engaged in consultation on this matter for the past several months. It has been a process characterised by consensus-seeking between the DMR, Unions and Business. The challenge remains the implementation of the eleven commitments, however the provision that has been made to establish implementation and monitoring mechanisms provide some comfort and we trust that all the stakeholders will participate in the working groups and on the mining leadership FORUM WITH SOUTH AFRICA'S INTEREST FIRST BEFORE AGENDAS.

NUM

Labour as represented by trade unions is critically aware of the importance of competitiveness and growth in the mining industry. Competitive mining industry guarantees sustainability, and it reduces the likelihood of retrenchments. Sustainable and competitive mining industry support employment, a key aspect of interest for trade unions. Therefore, it is in the interest of trade unions to support efforts aimed at improving growth, competitiveness and transformation in the sectors in which they organise. There is no doubt that competitiveness and growth in the mining sector can be beneficial for both the

employers and mineworkers. As the National Union of Mineworkers (NUM), we support the shared commitment in the Mining Leadership Compact aimed at attaining inclusive growth and to ensure that the sector is competitive, growing sustainably and transforming meaningfully.

SAMDA

The South African Mining Development Association supports the Minister, the Department of Mineral Resources and Social Partners' endeavours to make the S.A. mining industry great again. We trust this will culminate in the country's mineral resources bringing the greatest benefit to the greatest number of South Africans.

Preamble

1. The mining sector remains a critical part of the SA economy contributing, in 2017, 7% to GDP, 27% to total exports, 19% to fixed investment and providing 1,5 million direct and indirect employment opportunities, supporting more than 10 million dependents.
2. Historically the development of the SA economy from agrarian to an industrial society was built off the back of mining, but unfortunately contributed to the apartheid legacies. A new dawn was heralded in by democracy and this compact is an attempt to further concretise the contribution of mining to South Africa's socio-economic development.
3. The parties are mindful of the challenges experienced to achieve mine health and safety improvements, the fractured relationships with communities, illegal mining and management of environmental impacts historical and current.
4. The mining sector's history is inextricably linked with the racial power dynamics which have driven our political landscape for the past four hundred years. Mineral wealth was extracted by poor and oppressed labour and used to increase the divide between the races and the classes. This sector will continue to have a powerful influence on the future of this country, and, for this reason, it is imperative that stakeholders redress the imbalances of the past and commit to transforming the sector, in order to transform the economy and the country.
5. Apartheid's system of segregation played out within this sector through job reservation for white people, the oppressive and socially destructive migrant labour system, the failure to care for the communities on whose land mining operations took place, and the exclusion of black people from participation in this sector. Unless we redress these issues, the sector will continue to be plagued by labour unrest, poor productivity, community unrest, illegal mining, lack of growth and, ultimately, failure.
6. The challenges facing the sector are many, and the answers will require cooperation between stakeholders, and a shared commitment to inclusive growth and transformation.
7. The Social Partners recall and endorse the complementarities and interdependencies between transformation and competitiveness as set out in the "Stakeholder Declaration on a Strategy for the Sustainable Growth and Meaningful Transformation of South Africa's Mining Industry," (2010).
8. In this regard the Social Partners affirm the need for a joint vision for the industry to ensure that the sector is competitive, growing sustainably and transforming meaningfully.

Vision 2030

Social Partners adopt as the statement of Vision for 2030, “a prosperous, competitive and transformed SA mining sector” which means a sector that:

1. Is growing in investment, production, revenue and Labour absorption and resilient against exogenous shocks
2. Is well regulated through enforcement of the law, well led, by ethical leaders, including diligent public servants
3. Is competitive, appropriately skilled, modernised, invests in R&D and a compelling investment destination
4. Benefits all South Africans, and is valued by communities and society as a whole
5. Is committed to zero harm, for workers, communities and decent work and which leads to minimal damage to the environment and commits to restoration of the environment concurrently and at the point at which the life of the mine is at an end.
6. Is characterised by stable relations between stakeholders who differ respectfully and are united in terms of sustainable development, transformation and competitiveness
7. Is in harmony with itself, and contributes to sustainable development for South Africa, its neighbours, and the continent.
8. Is an example to other industries of the compatibility of transformation and growth and competitiveness.
9. Is transformed and whose ownership patterns and management is reflective of the population demographics

Framework

To achieve this vision, Social Partners agree to develop and implement a detailed strategy for the sector with ambitious and achievable targets for investment, growth, transformation, and employment that will have a positive socio-economic impact for the country.

Commitments

Social Partners agree to the following:

Commitment 1: Ethical and Accountable Leadership

Social Partners commit to ensuring ethical leadership in all spheres of the Mining Industry, i.e. Government, Business and Labour.

In this regard members adopt as the pillars of ethical leadership, the principles of honesty, fairness, professionalism, integrity, transparency, accountability, “*Ubuntu*” (I am because you are) and “*Batho Pele*” (people first).

Social partners agree that the interests of the people of South Africa as a whole are of paramount importance, and therefore will conduct themselves in such a way that, mining communities, workers, and the environment are considered and respected at all times.

Commitment 2: An enabling regulatory environment, a well regulated sector, a law abiding industry characterised by stable relations between stakeholders

South Africa’s mineral endowment is undisputed and in order to maximise the potential in mining and mineral resources, social partners are committed to ensuring a clear, transparent, stable and enabling policy and regulatory environment.

All Social Partners commit to participate in good faith, in the consultations on policy, legislation and regulation, raising the needs and concerns of its constituents and respecting those of other social partners.

Government will ensure that the policy and regulatory environment is clear, stable, consistently applied and enabling for investors of different sizes and origins and responsive to the constitutional imperatives of consultation and transformation.

- Government commits to the creation of an equitable and competitive policy, regulatory and operating environment that stimulates investment, growth and transformation in the South African mining sector.
- Government further commits to ensuring that the law is administered by a wellcapacitated regulator with clear time-frames and conditions for processing of applications and sanctions.

Government will ensure that there is transparency and communication with stakeholders with respect to the development and implementation of the law.

Government to set up appropriate institutional arrangements for regular interaction between stakeholders

- Government commits to work with relevant stakeholders to improve service delivery by local government, and to working with business and organised labour to improve our collective impact on community development in order to take the pressure to provide services and to reduce unrest and demonstrations about service delivery, from mining houses.
- Government to strengthen institutional arrangements, develop standard processes and procedures for the consultation, approval and monitoring of social and labour plans which brings clarity, transparency and accountability to the SLPs Integrated Development Plans.
- Government commits to work with relevant stakeholders in developing the institutional capacity to more effectively deal with illegal mining, crime in mining and illicit financial flows.

Business commits to supporting efforts of Government to create a clear and stable regulatory environment, and thereafter to respect, comply with and communicate positively and consistently on the regulatory framework. In this regard Business commits to:

- Participate in good faith in the consultations on legislation, regulation and policy, raising the needs and concerns of its constituents and respecting those of other social partners.
- Ensure that there is meaningful compliance to the spirit and the letter of the law of the country including but not limited to mining specific legislation and regulations.
- Communicate challenges and concerns within the appropriate channels
- Communicate positively to the benefit of the sector on the regulatory and policy environment
- Participate in good faith in addressing labour disputes and concerns
- Participate and contribute objectively to the continuous evolution of an improved regulatory and policy environment

- Commit to assist and support organised labour in the training of workers on their regulatory rights and duties
- Encourage participation of labour and communities in the industry, and respect them as partners and participants.

Training and skills development of management on labour relation issues to encourage a cultural revolution in industrial relations.

Assist Government in combating the practice of illicit financial outflows.

Labour commits to supporting efforts of Government to create a clear and stable regulatory environment, and thereafter to supporting efforts to ensure compliance and communicating positively and consistently on the regulatory framework. In this regard Labour commits to:

- Participate in good faith in the consultations on legislation, regulation and policy, raising the needs and concerns of its constituents and respecting those of other social partners.
- Comply with the standards and norms set in regulation and play a meaningful role in ensuring compliance to the spirit and letter of the law
- Communicate workers' challenges and concerns through the appropriate channels within a reasonable time,
- Ensure that organised labour's discontent and concerns are communicated clearly and conducted within the ambit of the law and with due consideration to the growth, competitiveness and transformation of the sector.
- Promoting stable, normalised relations between trade unions and avoiding destructive rivalries.
- Take reasonable steps to train workers on their regulatory rights and duties.

Commitment 3: New Enterprise Development

While the importance of sustaining and growing current investment (both domestic and foreign) is duly recognised, Social Partners further recognise the need to support the growth and development of new entrants of investors. Domestically this will require the development and adoption of an emerging miners strategy that will support new and existing small, micro and medium enterprises throughout the mining value chain, with

special reference to historically disadvantaged South Africans, women, youth and people with disability. These avenues may include, amongst others, Small Scale Artisanal Miners, Prospectors and Developers, Mining Operators, Suppliers and Service Providers, Downstream beneficiators, Environmental Rehabilitation and tailings dump operators. Participation of communities and cooperatives across all of these points of entries will be encouraged across all of these opportunities of entry.

Government and Business commit to:

- Exploring mechanisms to ease the access of new entrants to funding
 - Promoting pairing and mentoring between Major miners and Emerging miners across all commodities
 - Promote access to markets including access to infrastructure, logistics and foreign marketing endeavours

Commitment 4: Beneficiation and Strengthened Economic Linkages

The impact, and therefore benefits, of mining to the economy is much broader than only the production and value added to the economy. Mining industry linkages comprise its impact backward/upstream to its huge supplier base and forward/downstream to the beneficiation of its products.

As mineral resources are by nature non-renewable, Social Partners remain committed to maximise economically viable value addition from extractive activities. This means supporting downstream (processing and manufacturing) as well as side-stream and upstream (greater localisation of mining goods and services procurement) value addition. Social partners will accelerate R&D, enterprise development and marketing efforts in the priority value chains and identifying opportunities with lower barriers for entry for new entrants, small enterprise development and community or cooperative formations.

Government commits:

- To develop a clear and enabling mechanism for increased uptake of the “beneficiation offset” provision of the Mining Charter.

- To the pursuit of the rationalisation and maximisation of incentives for economically viable mining supplier industrialisation in support of higher local procurement from the mining industry, R&D and innovation.
- To launching a Mandela Platinum Coin to drive demand for platinum, develop a Jewellery beneficiation strategy and accelerate fuel cells research and development **Business** commits to:
- Support economically viable beneficiation projects in harmony with the mining sector business models. Local procurement and support of SA products and input materials. In pursuit of the latter, it will embark on a process to achieve the adoption of unified codification of mining inputs and to pursuing partnerships, enterprise development and R&D that will support value addition.
- Partnering with government to promote demand and promote development and innovation for locally manufactured goods.

Labour to encourage the up-skilling and side-skilling of the workforce in a bid to facilitate the absorption into other sectors.

Commitment 5: Exploration and Availability of Geological Information

The future of the South African mining industry in terms of competitiveness, growth and decent work is dependent on the revitalisation of prospecting of new mineral resource deposits. Key to this will be the modernisation of geological information systems, which will improve the ease of doing business to potential investors. In this regard:

Government will ensure that the Ten-Year Integrated Mapping Programme is realised on schedule and that this information is accessible to potential investors through a free and transparent system. This programme will produce a multi-disciplinary geological platform, including structural geology, geochemical mapping, geophysics surveys and geochronology and enhancing coverage of geological mapping from 1:100 000 to 1:50 000. Government will further ensure that:

- Incentives for prospecting are rationalised and intensified including through adoption of a “flow-through share model” for early stage mining investment and consideration of other regulatory exemptions for prospectors.
- Development of a junior miners fund to be administered in cooperation with the industry, development finance institutions, and the Council for Geoscience, such a fund will have a special focus on HDPs, women and youth. The fund will start at R250 million.
- Providing an offset for business contribution to the fund recognising this as supplier as contributing to enterprise development as stated in the BBBEE codes of good practise.

Business commits to:

- Work with Government to promote efforts to modernise the South Africa’s geological information systems both domestically and internationally and contribute time, expertise and where possible resources, and to encourage contributions from other sources, towards the funding on the 10 year integrated mapping programme.
- Promoting the setting up of a task team that will be constituted by the Council for GeoSciences (CGS), DMR, labour and the mining companies. This task team will explore the various exploration options available to the country. Mining companies

will contribute, expertise and the experiences gained through exploration activities at company level. Through this it is envisaged that a least cost optimal exploration solution will be developed.

Labour commits to communicating positively on the value of increased exploration activities and to promoting investment in the Junior Miners Programme.

Commitment 6: Investment Promotion

Social Partners are committed to the continued growth and competitiveness of the South African mining industry and will jointly promote South Africa as a favourable destination for mining investment. In this regard social partners commit to:

- Cooperation in and mutual support for current programs/endeavours by the individual partners to promote and market SA mining products will be scaled up.
- Joint investment roadshows (as Team SA Mining) will be conducted on a regular and ongoing basis with social partners contributing through human and financial resources.
- Provincial promotional Roadshows
- Targeted international investment roadshows to finance and investment capitals

Commitment 7: Infrastructure

While South Africa has an internationally recognised infrastructure network, there are some commodities for which increased efficiencies and decreased costs will lead to considerable competitiveness and growth outcomes. Most mining reserves/resources that are dependent on heavy infrastructure are inland (long distances to the sea) and in deep rural areas. As a result, infrastructure costs represent more than 50% of the mining sector's intermediate input costs. Therefore, increased efficiencies and decreased costs will lead to considerable competitiveness and growth outcomes in general, and specifically for the 'bulk' (coal, chrome, manganese and iron ore) commodities. In this regard, **Government** commits to:

- Pursuing the availability, competitive access and cost of freight, logistics and energy for the mining industry with a special focus on coal, chrome and manganese. Furthermore, the integrated infrastructure programme for the Waterberg region including bulk water, rail and electricity programme for the Waterberg region to unlock coal, platinum and other resources will be accelerated.

- Set up an institutional arrangement (amongst the Sector, relevant government departments and state agencies) where the specific needs of the mining sector can be discussed and regular information on mutual support from infrastructure suppliers and the sector can be exchanged **Business** commits to:
 - Partake and contribute time and expertise to such an infrastructure forum.
 - Continue optimising its usage of energy amongst others, promoting and adopting cogeneration opportunities.
 - Contribute to solutions regarding the country's water shortages as far as acid mine water is concerned, in the context of mine closures, the needs for rehabilitating and safeguarding of the environment, and provision of water to agriculture and communities.

Labour commits to communicate a positive message and promote awareness in communities for the promotion and preservation of available infrastructure

Commitment 8: Decent Working and Living Conditions

Social Partners are committed to ensuring that the mining sector creates safe, healthy and decent working conditions for mineworkers. Mine health and safety provisions of social partners must also consider the neighbouring and affected communities. Social Partners further commit to adhering to prescribed time frames

Commitment 9: Research, Development and Innovation

Government and Business to assess the suitability of existing government incentives for Innovation, Research and Development (RDI), manufacturing investment and competitiveness as well as mining investment for supporting the mining industry's transition to new technologies.

Labour to participate in the identification and reporting of RDI needs and to table it at the appropriate forums.

Commitment 10: Decent Work

The mining industry has the potential to induce prosperous clusters of industries to support its development, which can significantly broaden economic growth and benefits and create decent jobs.

Social Partners are committed to ensuring that the mining sector creates safe, healthy and decent working conditions for mineworkers and encouraging the same for other workers in the value chain. Mine health and safety provisions of social partners must also consider the neighbouring and affected communities.

Commitment 11: Managing external shocks and ensuring a just transition

Government commits to:

- Working with relevant agencies and partners in addressing illegal mining. In this regard more, efforts will be made to legitimise mineral resources currently being mined by informal or unlicensed miners. This will be done by providing geological information, skills, tools and access to markets while ensuring that mining will be conducted in a safe and environmentally responsible manner. **Business** commits to:
- Supporting legitimate SMEs and emerging miners
- Managing challenges on distressed mines in such a way as to protect jobs where possible and continuously skill and re-skill workers
- Facilitate where possible, the sale of distressed and other mining assets, that would otherwise be closed to interested parties in the event of all other interventions failing
- Promoting the adoption of new technologies and a just transition for deep level mines particularly those currently operating on the margin, in distress and under care and maintenance in all commodities
- Commits to collaborate with Government on the establishment of a test mine, as part of research and development infrastructure, that will unlock value for the tripartite stakeholders, local researchers and suppliers of goods and services.

Labour commits to:

- Supporting the adoption of new technologies for deep level mines particularly those currently operating on the margin, in distress and under care and maintenance particularly in the gold and platinum sectors

Commitment 12: Community Empowerment and Development

Social Partners recognise the importance of ensuring that mining poses a win-win scenario for mining host communities. In this regard the management of negative externalities and promotion of positive ones should be central to operations throughout the mining life-cycle.

Government

- Will promote participation of local community groups including women, youth and people with disabilities for the promotion of new entrants into the mineral value chain including in procurement, processing, beneficiation, historical re-mining and rehabilitation and mining operations. **Business**
- Will strengthen training in mine host communities particularly of women, youth and people with disabilities to ensure that they are able to be used as a talent pool for the meeting of employment equity targets.
- Engage with communities, traditional leaders and relevant stakeholders in a way that promotes social cohesion and shared benefit, engaging communities in terms of the prescripts of the MPRDA on mining activities as well as the development, and monitoring of meaningful social and labour plans.
- Pursue concurrent rehabilitation not limited to the land, soil and water but also extending to people in respect of social and health interventions.
- With the support of government will seek to release rehabilitation funds early to assist with concurrent rehabilitation and the employment of people from the local communities to do this work.
- Commit to working within the law regarding relocations of mine communities and grave sites

Implementation and Monitoring Mechanisms

These commitments shall be monitored by Social Partners through a Mining Leadership Forum which will include Principals of the signing partners. This Forum will oversee the work of specific working groups who will be tasked with implementation and meet on a quarterly basis. The ambitions of this Accord will be developed into a detailed Growth and Competitiveness Strategy 2030 which will be devolved into annual and quarterly milestones.

Mining stakeholders, as represented by the Department of Mineral Resources (DMR); organised labour, including National Union of Mine Workers; Solidarity, AMCU and UASA, as well as organised business, including Minerals Council of South Africa and South African Mining Development Association, convened to affirm their commitment towards attainment of growth and competitiveness of South Africa's mining industry.

Mr. S. G. Mantashe
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Signed at _____ on the _____ day of _____ 2019