

# TRANSFORMATION

"We are committed to working with government, labour, our host communities and other stakeholders to ensure that the South African mining industry advances the interests of all stakeholders."

We regard transformation as an effective means to redress historical inequality and facilitate broader social development, and we unequivocally support transformation in the South African mining industry to achieve these goals and give all South Africans a stake in the country's mineral wealth. Mining licences depend on transformation performance and compliance with the relevant legislation is a key focus. We are committed to working with government, labour, our host communities and other stakeholders to ensure that the South African mining industry advances the interests of all stakeholders.

## HOW WE MANAGE TRANSFORMATION

The social and ethics committee oversees transformation. Transformation principles are integrated into business processes with specific focus in those areas most directly involved in promoting transformation such as the human resources, procurement and corporate social responsibility functions.

Progress in terms of the requirements of the Mining Charter and the dti CoGP is monitored on an ongoing basis and reported to the social and ethics committee every quarter.

## MINING CHARTER 2018

The Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter) aims to achieve the transformation goals of the Mineral and Petroleum Resources Development Act (MPRDA). The objectives of the Mining Charter are to:

- Promote equitable access to the nation's mineral resources to all the people of South Africa;
- Substantially and meaningfully expand opportunities for Historically Disadvantaged Persons (HDPs) to enter the mining and minerals industry and to benefit from the exploration of the nation's mineral resources;

## Reporting context

### REPORTING FRAMEWORKS

ICMM



UN SDGs:



UNGC 6

### PRINCIPAL LEGISLATION

- The Mineral and Petroleum Resources Development Act (MPRDA)
- The Mining Charter
- The Department of Trade and Industry Revised Codes of Good Practice (dti CoGP)
- The Employment Equity Act



- Utilise and expand the existing skills base for the empowerment of HDPs and to serve the community;
- Promote employment and advance the social and economic welfare of the mine communities and major labour sending areas;
- Promote beneficiation of South Africa's mineral commodities; and
- Promote sustainable development and growth of the mining industry.

The six South African mines submitted reports to the DMRE in June 2020 regarding their performance for the 12 months to December 2019 in terms of the reporting requirements set in the 2018 Mining Charter. The Mining Charter requires the mining industry to implement and report on:

### Ownership

All mines exceed the 26% HDP ownership set in the Mining Charter.

### Mineral beneficiation

The Minerals Council South Africa is engaging with the DMRE on behalf of its members to better understand the reporting requirements in light of the Mineral Beneficiation Strategy.

### Housing and living conditions

Our housing strategy and policy aims to ensure that every employee has decent accommodation in line with the Mining Charter, the Housing and Living Conditions Standards for the Minerals Industry and the relevant municipal and spatial planning legislation. Housing initiatives are discussed on page 76.

### Mine community development

Our socio-economic development initiatives aim to make a meaningful contribution to mine community development. Community projects are identified through consultation with community leaders, communities and local municipalities, and include skills transfer and capacity building initiatives. There was a delay in 2019 projects at Modikwa Mine as the mine is prioritising the execution of the outstanding 2018 projects in line with the official completion of the 2014-2018 SLP. A catch-up plan is in place to fast track the execution of 2019 and 2020 projects. Nkomati Mine is in consultation with all local economic development beneficiaries to ensure that legacy projects are completed before the mine closure. ARM's corporate social responsibility initiatives are discussed on pages 40 to 42.

### Human resources development

The mines invested in excess of 5% of annual salaries in human resources development, as required by the Mining Charter. This includes mining and engineering learnerships to employees and local communities, scholarships, bursaries, study assistance grants, opportunities to graduates for vocational training and adult education and training (AET). Skills development is discussed on page 71.

### Employment equity, Procurement and Supplier and enterprise development

are discussed in more detail below:

#### Employment equity

Mining licence holders are required to submit five-year employment equity (EE) plans to the Department of Employment and Labour (DOEL) for approval.

Transformation in the workforce, skills attraction, development and retention are guided and monitored by the employment equity and skills development committee, which reports to the ARM exco. It reviews recruitment processes, follows up on deviations in EE performance and monitors the technical skills required to meet our transformation goals.

The group executive: compliance and stakeholder relations and the group executive: human resources conduct quarterly workshops at the operations to monitor and evaluate progress in terms of Section 43 of the Employment Equity Act, 55 of 1998, as amended.

The Mining Charter sets targets for HDP and female representation in the workforce, as well as for persons with disabilities (PWDs) and core and critical skills. ARM group EE performance improved in all occupational levels and exceeded the Mining Charter targets at most levels, with areas requiring further attention being HDP representation at senior management, female representation at senior and junior management and PWD representation. Talent management, succession plans, promotion, recruitment and selection efforts are targeted to address areas below target.

Initiatives to nurture and prepare African females for management levels include talent pool identification and management programmes, career path programmes, individual development plans for key employees to fast track targeted employees, recruitment of PWDs and increasing female learnerships, bursaries and graduates. The ARM women development, women in leadership development and future leadership development programmes also play important roles in developing leadership capabilities in women in the workforce.

## Preferential procurement and enterprise and supplier development

Preferential procurement and enterprise and supplier development promote entrepreneurship and economic growth among historically disadvantaged persons (HDPs), create jobs, improve market access for South African capital goods and services, and increase economic activity in the areas around our operations. The corporate procurement department assists divisional chief executives to drive the process of improving preferential procurement. Suppliers and service providers are required to supply B-BBEE improvement plans when proposals are submitted and to supply valid and current B-BBEE certificates at the start of the contract. Suppliers and service

providers are encouraged to continuously improve their B-BBEE ratings and to communicate any changes in their status.

Recognition of performance depends on valid B-BBEE accreditation of suppliers by SANAS-accredited agencies or through sworn affidavits for exempt micro enterprises (EMEs) and qualifying small enterprises (QSEs). Operations track and flag expiry of suppliers' B-BBEE certificates to ensure that they remain valid.

We offer awareness workshops to educate suppliers on B-BBEE requirements and ARM operations' preferential procurement policies, with a particular focus on non-compliant companies, and encourage 26% black-owned businesses to partner to increase black ownership.

Mining Charter Element	Compliance target %	Measure	Year 1 Target
Total procurement spend on goods and services	Mining Goods – procure a minimum of 70% locally manufactured with 60% local content.	HDP-owned companies	3%
		Women/youth-owned companies	0.7%
		BEE compliant companies	6%
	Services – procure a minimum of 80% from local sources.	HDP-owned companies	44%
		Women-owned companies	13%
		Youth-owned companies	4%
		BEE-compliant companies	9%
Research and development	SA-based	70%	
Sample analysis	SA-based	100%	

All mines achieved the year 1 targets for mining goods, as well as services procured from BEE-compliant companies. Black Rock, Beeshoek and Khumani mines achieved the remaining services procurement targets. Two Rivers, Modikwa and Nkomati mines did not achieve the procurement targets for women- and youth-owned companies, and procurement procedures have been amended to improve performance in these areas.

Nkomati Mine did not achieve the sample analysis and research and development targets, while Two Rivers Mine has initiated a process to identify areas for research and development to achieve the Mining Charter target in that area.

The enterprise and supplier development programme aligns with the goals of the preferential procurement programme by supporting black-owned and black women-owned SMMEs to help sustainable businesses graduate into the mining supply chain. Support includes training, mentoring and coaching, early payment terms to assist with cash flow management, provision of equipment and financial support. Where appropriate, opportunities are ring-fenced for such suppliers.

Operations supported SMME's in their enterprise and supplier development programmes during the Covid-19 pandemic by providing repayment holidays on their interest free loans for three months and providing on-boarding medical screening declaring them fit for travel to the mines.