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2018 Mining Charter III:
Finding a happy medium

Key insights

Ownership

Existing Mining Right Holders

An existing mining right holder who achieved a minimum of 26% - including a right holder whose BEE partner has since exited - is recognised as compliant for the duration of the right.

This recognition is not applicable upon renewal, and is not transferrable to a new owner in the case of a transfer or sale.

Beneficiation:

An existing mining right holder claimed the 11 percentage points beneficiation offset prior to the commencement of the Mining Charter, 2018, shall retain the offset for the duration of the mining right.

Pending Applications

The Mining Charter, 2010 will apply to all pending applications lodged and accepted prior to the coming into effect of the Mining Charter 2018.

The right holder will be expected to increase their minimum BEE shareholding to 30% within 5 years from the effective date of such a mining right.

New Mining Rights

A new mining right must have a minimum of 30% BEE shareholding, which shall include economic interest plus corresponding percentage of voting rights per mining right or in the mining company which holds a mining right.

A minimum of 30% BEE shareholding must be distributed in the following manner:

Qualifying Employees

5%

Host mine communities

5%

BEE Entrepreneur

20%

BEE Shareholding

30%

Offset by contributing to Beneficiation

5%

5% of which must preferably be for women

A mining right holder may claim the equity equivalent mechanism against a maximum of 5 percentage points of a BEE Entrepreneur. A mining right holder must submit to the Department a Beneficiation Equity Equivalent Plan for approval, as outlined in the Mining Charter implementation guidelines.

Non-transferrable carried interest

Non-transferrable carried interest or a minimum 5% equity equivalent benefit

• Equity equivalent refers to 5% equivalent of the issued share capital, at no cost to a Trust or similar vehicle set up for the benefit of host communities

Ownership

100%

Ring fenced elements which require 100% compliance

Inclusive Procurement, Supplier and Enterprise Development

40%

Mining goods procurement

| Measure | Transition period | | | | | Compliance Target | Weighting |
|---|-------------------|--------|--------|--------|--------|-------------------|-----------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | | |
| % of total mining goods procurement budget must be spent on South African manufactured goods produced by Historically Disadvantaged Persons owned and controlled company | 3% | 6% | 10.5% | 15% | 21% | 21% | 5% |
| % of total mining goods procurement budget must be spent on South African manufactured goods produced by women owned and controlled company or youth owned and controlled company | 0.71% | 1.43% | 2.50% | 3.57% | 5% | 5% | 5% |
| % of total mining goods procurement budget must be spent on South African manufactured goods produced by BEE compliant company | 6.29% | 12.57% | 22% | 31.43% | 44% | 44% | 5% |

Transition period

10% 20% 35% 50% 70%

Year 1 Year 2 Year 3 Year 4 Year 5

“Non-discretionary expenditure” means total procurement budget excluding procurement from rail, utilities (electricity, water, rates and taxes) and fuel.

Mine Community Development

Approved Social and Labour Plans (SLP) must be published in English and a dominant language(s) commonly used within the mine community

A Trust or similar vehicle which will oversee the implementation of the 5% equity equivalent detailed under the ownership element should have - at minimum - representation from host communities and mining companies. The Trust will:

- Identify community development needs
- Be responsible for developing a host community development programme, fund distribution, governance and organisation

Use of funds for administration costs, project management and consultation fees of the Trust or similar vehicle may not exceed 8% of the total budget. A development programme shall not substitute SLP commitments

Employment Equity

Increased targets

Inclusion of black females

Reflective of national or provincial demographics

Introduction of career progression plans as a practice requirement

Inclusion of disabled employees

Board and executive management targets must include BEE shareholders

5-year transition period:

A mining right holder must within a period of 6 months from the date of publication of the Mining Charter, 2018, submit a five-year plan indicating progressive implementation of the provisions of Employment Equity element targets.

Services procurement

| Measure | Transition Period | | Compliance Target | Weighting |
|---|-------------------|--------|-------------------|-----------|
| | Year 1 | Year 2 | | |
| % of total services budget must be spent on services supplied by Historically Disadvantaged Persons | 43.75% | 50% | 50% | 5% |
| % of total services budget must be spent on services supplied by women owned and controlled company | 13.13% | 15% | 15% | 5% |
| % of total services budget must be spent on services supplied by youth owned and controlled company | 4.37% | 5% | 5% | 5% |
| % of total services budget must be spent on services supplied by BEE compliant company | 8.75% | 10% | 10% | 5% |

Transition period

70% 80%

Year 1 Year 2

Human Resource Development

Invest 5% of leviable amount (excl. the statutory skills development levy) on essential skills development activities such as:

Science

Technology

Engineering

Mathematics

Artisans

Internship

Bursaries

Beneficiation

The skilling and research investment must be apportioned in line with national or provincial demographics

Enterprise and Supplier Development

Mining goods

Up to 30% of the total procurement budget on mining goods (excluding non-discretionary expenditure) may be offset against supplier development.

30%

Services

Up to 10% of the total procurement budget on services (excluding non-discretionary expenditure) may be offset against supplier and enterprise development.

10%

Housing and Living Conditions

Decent and affordable housing

Home ownership

Social, physical and economically integrated human settlement

Proper healthcare services

Principles as set out in the Housing and Living Conditions Standards for the Mining and Minerals Industry developed in terms of section 100 of the MPRDA which includes:

The Housing and Living Conditions Standard shall be reviewed to provide clear targets and timelines for the implementation of the housing and living conditions principles.

Sources: Department of Mineral Resources, Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018; and the Media statement by the Minister of Mineral Resources, Mr Gwede Mantashe, on the occasion of the release of the Mining Charter, 2018

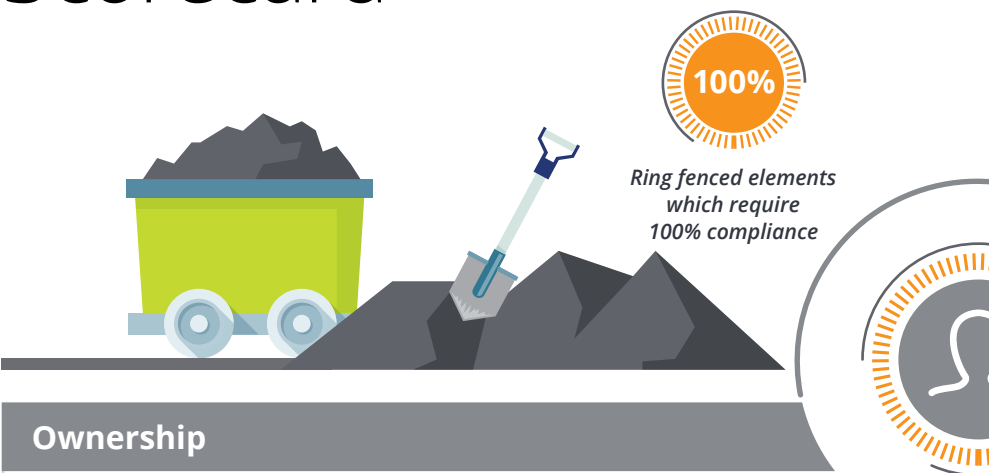
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The Mining Charter must be read together with the Implementation Guidelines gazetted on 19 December 2018.

2018 Mining Charter III Scorecard



New Mining Rights

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|--|---|--|------------|
| Minimum target for representation of Historically Disadvantaged Persons ownership. | 30% BEE shareholding | A minimum of 5% non-transferable carried interest to qualifying employees from the effective date of a mining right. | Y/N |
| | | A minimum of 5% equity equivalent benefit defined herein or 5% carried interest to host communities from the effective date of a mining right. | |
| | | A minimum of 20% effective ownership in the form of shares to Historically Disadvantaged Persons, 5% of which must preferably be for woman. | |
| Meaningful and effective participation. | Beneficiation Equity Equivalent mechanism in lieu of BEE shareholding | A maximum of 5 percentage points of BEE shareholding. | Y/N |
| | | Net value | |
| | | Voting rights attaching to an equity instrument owned by or held for a participant measured using the Flow through principle or Control principle. | |
| | | Economic interest representing a return on ownership of the entity similar in nature to a dividend right, measured using the Flow Through Principle. | |
| | | | |

Existing Mining Rights

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|--|-----------------------|-----------------------------------|------------|
| Minimum target for representation of Historically Disadvantaged Persons. | 26% | Meaningful economic participation | Y/N |
| | | Full shareholder rights | |

Pending Applications¹

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|--|-----------------------|---|------------|
| Minimum target for representation of Historically Disadvantaged Persons ownership. | 26% | Net value | Y/N |
| | | Voting rights attaching to an equity instrument owned by or held for a participant measured using the Flow through principle or Control Principle. | |
| | | Economic interest representing a return on ownership of the entity similar in nature to a dividend right, measured using the Flow Through Principle or Control Principle. | |

¹All pending applications will be required to top-up from 26% to 30% HDP ownership within the 5 year transitional period provided in terms of Clause 2.1.2.

Employment Equity

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|-----------------------------|--|------------------------|------------|
| Board | Historically Disadvantaged Persons | 50% | 2% |
| | | Of which must be women | 2% |
| Executive Management | Historically Disadvantaged Persons | 50% | 4% |
| | | Of which must be women | 3% |
| Senior Management | Historically Disadvantaged Persons | 60% | 3% |
| | | Of which must be women | 3% |
| Middle Management | Historically Disadvantaged Persons | 60% | 2% |
| | | Of which must be women | 2% |
| Junior Management | Historically Disadvantaged Persons | 70% | 2% |
| | | Of which must be women | 2% |
| Employees with disabilities | Employees with disabilities as a percentage of all employees | 1.5% | 2% |
| Core and critical skills | Historically Disadvantaged Persons | 60% | 3% |

Human Resource Development

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|---|-----------------------|--|------------|
| HRD expenditure as percentage of total annual leviable amount (excl. mandatory skills development levy) | 5% leviable amount | Invest 5% of the leviable amount as defined in the HRD element in proportion to applicable demographics (employees and non-employees). | 30% |

Housing and Living Conditions

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|---|---|--|------------|
| Improvement in the standard of housing and living conditions of mine employees. | 100% compliant with Housing and Living Conditions Standard commitments. | Implement all Housing and Living Conditions commitments in the Standard. | Y/N |

| DTI levels | DMR scorecard | Ring Fenced Elements + percentage weighting |
|---------------|---|---|
| Level 1 | Ring fenced Elements + 100% | |
| Level 2 | Ring fenced Elements + 80 - 100% | |
| Level 3 | Ring fenced Elements + 70 - 80% | |
| Level 4 | Ring fenced Elements + 60 - 70% | |
| Level 5 | Ring fenced Elements + 50 - 60% | |
| Level 6 | Ring fenced Elements + 40 - 50% | |
| Level 7 | Ring fenced Elements + 30 - 40% | |
| Level 8 | Ring fenced Elements + 20 - 30% | |
| Non-compliant | Ring fenced Elements + <20% | |
| Non-compliant | Ring fenced Elements not met + weighted element score | |

Mine Community Development

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|---|--|--|------------|
| Meaningful contribution towards Mine Community Development with biasness towards mine communities both in terms of impact, in keeping with the principles of the social license to operate. | 100% compliant with approved SLP commitments | Publish the SLP in 2 languages (Dominant one in the community and English) | Y/N |
| | | Implement all approved commitments in the SLP | |

Inclusive Procurement, Supplier and Enterprise Development²

| Element Description | Compliance Target (%) | Measure | Weight (%) |
|--|--|---|------------|
| Total procurement budget spend on goods and services | Procure 70% locally manufactured mining goods with a 60% local content | 21% of total mining goods procurement budget must be spent on South African manufactured goods produced by Historically Disadvantaged Persons owned and controlled company | 5% |
| | | 5% of total mining goods procurement budget must be spent on South African manufactured goods produced by women owned and controlled company or youth owned and controlled company; and | 5% |
| | 80% Services | 44% of total mining goods procurement budget must be spent on South African manufactured goods produced by BEE compliant company | 5% |
| | | 50% of total services budget must be spent on services supplied by Historically Disadvantaged Persons | 5% |
| | | 15% of total services budget must be spent on services supplied by women owned and controlled companies | 5% |
| | | 5% of total services budget must be spent on services supplied by the youth owned and controlled companies. | 5% |
| | | 10% of total services budget must be spent on services supplied by a BEE compliant company | 5% |
| | | | |
| Research and Development | | A minimum of 70% of total research and development budget to be spent on South African based research and development entities | 2,5% |
| Sample Analysis | | Utilise South African based facilities or companies for the analysis of 100% of all mineral samples across the mining value chain. | 2,5% |

² See transitional arrangements for progressive targets to be met during the transitional period.

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