MINUTES OF THE SAMESG WORKING GROUP MEETING

HELD ON 25 SEPTEMBER 2014 AT 11:30

IN THE DELVILLE WOOD ROOM, MILITARY MUSEUM

Present:		**S Dyke (Chairperson)**
	Anneli Botha	**Danie Otto**
	Kevin Davies	**Lizelle Prosch**
	Naledi Moeketsi	**Teresa Steele-Schober**
	Maurice Mostert	
Apologies:	**Anne Aken**	**Tania Marshall**
	Ferdi Bayliss	**Andy McDonald**
	Hermien Botes	**Jacques Nel**
	Frederick Cawood	**Gail Nussey**
	Simon Clarke	**Tarryn Orford**
	Andy Clay	**Cathy Reichardt**
	Alan Cochrane	**Ernst Venter**
	Donald Gibson	**Ingrid Watson**
	Andrew Kinghorn	
In Attendance:	**Ann Donnelly (Scribe)**	

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1. Welcome

The Chairperson welcomed everyone to the second meeting and outlined the *raison d'etre* and purpose of the working group – to draft a proposed Southern African guideline for the reporting of environmental, social and governance parameters within the mining, oil and gas industries (SAMESG).

She outlined the background and motivation for the guideline:

- There is an abundance of codes, regulations and guidelines globally which are present in our legislative and operational environments
- A current challenge exists with the reporting on ESG matters in the mining industry when addressing requirements for exchange reports
- These reports are invaluable to investors, shareholders and the company, for various reasons
- ESG matters contribute significantly to the value proposition and viability of projects
- There is a need to establish which ESG factors are material, which need to be reported, and how
- ESG elements have been incorporated into existing valuation codes as modifying factors only, with no financial consideration of risk
- Global focus of ESG elements is increasingly evident in areas such as transactional and funding arrangements, listing requirements, Government Authorisation to operate, and operational excellence
- Certain key ESG elements have the potential to materially influence a project – and the associated value – but the current Mineral Reporting Code reporting requirements only necessitate a qualitative description (with the exception of closure and rehabilitation liability)

At the first meeting, it was concluded that the first step would be to compile a Code to facilitate the standardisation of the reporting framework and financial quantification tools, to define ESG risks on a systematic and comparable reporting basis. The Code would be aligned with the SAMCODES in both structure and format and would include a checklist to define mandatory reporting, as well as guidance in respect of the quantification of ESG risk.

The SAMESG Committee is made up of competent and qualified people. The Chairman advised that it was planned to invite more people from the industry and also from banking institutions, etc. and not confined to South Africa.

2. Confirmation of previous minutes

The minutes of the meeting held on 17 July 2014 were taken as read. Teresa Steele advised that she had not received the minutes electronically, but that this could have been due to new e-mail programme.

3. Matters arising from previous minutes

The Chairperson reported that she had been in contact with Prof Caroline Digby (Director of the Centre for Sustainability in Mining and Industry (CSMI)). Prof Digby expressed interest but advised that her diary was full.

The Chairperson advised that she had been working with Anneli Botha and Lizelle Prosch on a proposed vision and mission statement for preliminary approval from the working committee before moving forward. The draft paper would then be reviewed and feedback provided. In addition, she advised that Anneli and Lizelle have an interesting concept that would be presented to the meeting on how identified risks might be defined and evaluated.

4. Discussion of the baseline data for the SAMESG

Vision

The Chairperson outlined the proposed vision and advised that the global entity referred to in the vision is SAIMM. This vision is aspirational.

Mr Davies introduced himself and raised a concern regarding the following statement contained in the vision: "provides practical guidance on the assessment, consideration, and assignment of a monetary range to material ESG elements and risks". Mr Davies pointed out some of the difficulties in how to report/disclose/prove technology. Under the IFRS, a liability can only be booked when it has been proven to be relevant, reliable and reasonably accurately determined. Some concerns were raised about assigning a monetary value to ESG risk.

Ms Steele-Schober advised that some mines continue to operate in a non-compliant environment. Mr Davies noted that if there is a legal requirement to address an aspect~~, and~~, and the mine fails to take appropriate action, the legal non-compliance has to be declared and/or reported to the JSE.

Some discussion followed on financial/legal implications and Mr Davies pointed out the difference between cash flow reporting and accounting liability.

The Code will not change the mind-set of the mines that are not legally compliant. The Chairperson agreed and confirmed that often there is a disconnection between different departments and that is where the issues come into question. The concept of the Code is not to replace the Sustainable Development report, but to create a guideline which would serve as an additional help to companies, investors, shareholders and stakeholders. Mr Davies touched on the fiduciary duties of directors and advised that as long as no backbone is put into the process people will continue to falter. He believed another way had to be found to enforce adherence to legislation and did not believe the Code was going to do it. It was suggested that for various reasons, the Code had to become part of the JSE listing rule requirements. The SAMREC Code had a JSE compliance requirement.

The Chairperson believed that if the value-add can be shown to the JSE, they would come on board in due course. Some discussion followed and it was suggested that the Code should guide companies to consider all ESG factors both in terms of risk and materiality. Only the most significant risks would then be quantified and entered onto the balance sheet. It would be near impossible for companies to quantify all ESG risks. It was agreed that the best approach going forward would be to compile the Code as a stand-alone Code, which initially will guide the expansion of ESG modifying factors as part of the existing SAMREC Code. As the utilisation of the SAMESG Code grows, it can then evolve to become a stand-alone Code in due course.

Mission

The proposed mission statement was outlined. This was the SAMESG working group philosophy and principles.

The idea is to develop an audit framework that would form a checklist of aspects to be addressed. The framework for identifying the risks and materiality was presented by Ms Botha.

The methodology incorporated the IFC / Equator Principles. Performance Standards and EHS guidelines would be integrated to deliver a consolidated checklist based on which companies will be assessed against on an annual basis. The idea is not to reinvent the wheel but to make application of the Code meaningful, by linking the level of compliance with materiality. This would show a risk profile for the company. It was suggested that instead of quantifying everything, an instruction be put into the Code to only quantify the highest business risks. The Code would provide guidance in respect of the quantification methodology in order for a standardised approach to be followed. ESG is so wide that it would be nearly impossible to quantify every aspect. The idea with this methodology is to be able to show your investors and stakeholders how the risk migrates over time.

The Chairperson recommended that Scope 1 aspects might be the best starting point. Scope 2 and 3 aspects could be added later, once there is a working model. It was stated that the Code would provide the checklist, but not extend to distribution of the protocol. Mr Davies cautioned that the Code must take legislative requirements into account.

Ms Prosch provided some background on existing quantification methodologies. She stated that the working group would need to determine exactly what type of risk needed to be quantified – the direct business risk and/or the risk to society. The method on how to unpack and quantify would emerge over time. It is a question and debate on what is being quantified: is it cost to society - and how do we link areas together to come up with something that is viable in terms of quantification?

The Chairperson agreed that is very important to find a way to partition it so that you know what your responsibility is.

There are legal requirements and enforcement is currently not good but we do have a standard set for material issues. Ms Prosch commented that, in her opinion, she believed it is important to take what is in the international best practice standards and get that into the Code almost in a summarised, integrated form and to measure the level of compliance vs materiality to identify problem areas.

5. General

The Chairperson commented that huge progress had been made and asked the meeting for closing comments.

The trend analysis/tracking system was discussed. Mr Davies advised that a hot topic is mining safety and suggested trying to find these “hot” buttons, i.e. “look how we are improving the safety, etc.” He suggested some condensing, as it would be the one-liners that would draw attention. Mr Davies also suggested initially focussing on non-financial issues that make a difference.

The Chairperson reiterated that the tools are already there and it is just a question how to best utilise them.

The protocol previously presented summarised a company’s ESG risk profile in terms of both compliance and materiality levels. Ms Botha stated that the strategic plan for companies would be to lower level of risk and materiality by implementing appropriate action plans and controls.

Ms Steele-Schober advised that she felt satisfied that the risk profile allows you to identify your material issues, i.e. unique to the project. Safety will always be the top, but five key issues can be identified that will touch investors’ interest.

Mr Mostert was asked to introduce himself. Mr Mostert is a mining engineer and has done his Master’s thesis on sustainability in mining. He was interested in what this group was about and where it was headed.

6. Closing

The Chairperson thanked everyone for attending and the meeting ended at 13:00

7. Date of Next Meeting

The next SAMESG would be held on Thursday, 30 October 2014 at 11:30.

SUMMARY OF KEY ACTION ITEMS

Sarah Dyke
To develop the framework and discuss in more detail

Sarah Dyke
Have further discussions with Mr Kevin Davies