

MINUTES OF THE SAMEG WORKING GROUP MEETING

HELD ON 17 JULY 2014 AT 09:00

IN THE DELVILLE WOOD ROOM, MILITARY MUSEUM

Present:

S Dyke (Chairperson)

Anne Aiken	Naledi Moeketsi
Nerine Botes	Tarryn Orford
Annali Botha	Lizelle Prosch
Fred Cawood	Markus Reichardt
Andy Clay	Marietjie Reynecke
Simon Clarke	Teresa Steele
James Cross	Charles Wells
Briony Lider	

Apologies:

Vicky Beukes	Deirdre Lingefelder
Alan Cochran	Gail Nussey
Annalie de Bruyn	Danie Otto
Donald Gibson	Ernst Venter

In Attendance: S Moolla - Manager, SAIMM

1. Welcome

The Chairperson welcomed everyone to the meeting and asked that they introduce themselves.

2. Confirmation of working group members

The Chairperson reported that she had been in contact with people to serve on this working group. If members knew of anyone else who should be attending, they could advise her or Ms Moolla of the details. Mrs Aiken stated that she should be replaced by Ms Hermien Botes at future meetings.

In reply to Mr Clay's question on what had been done in terms of getting interested and affected parties to join the working group, the Chairperson replied that this had not been addressed as she wanted to have this meeting first.

Prof Cawood requested that Prof Caroline Digby, the Director of the Centre for Sustainability in Mining and Industry (CSMI) should also be invited. **Action: Sarah Dyke**

3. Terms of reference

The Chairperson and Mr Clay had become involved in SAMREC and SAMVAL and felt that more could be done in terms of the environment, social issues, etc. to support the industry. However, the intention was not to reinvent the wheel, but to consider what was available with regard to environmental, social and sustainability guidelines.

Prof Cawood reported that this had been discussed at the SSC and they were not clear whether there was the need for a code in this area. It was recommended that a working group be established and that a guideline document be prepared that could convince the SSC if there was a need for it. He reiterated that there was no clarity and that not all the members of the SSC were convinced of the need for a Code.

Mr Clay gave the history of SAMREC/SAMVAL which had been started in 1998 as a common set of rules around reserves and resources. He went on to say that the Denver Accord had been signed to get a process in place. JORC had been formed in Australia and SAMREC in South Africa. In 2001 there was broad alignment internationally and CRIRSCO was formed as the umbrella body.

The SAMVAL Code was created as a result of the need for a valuation code. Similar codes were set up in Canada (CIMVAL) and Australia (VALMIN). This had resulted in the scepticism of accountants with regard to mining and geology being resolved. There was currently a similar body to CRIRSCO being discussed for these valuation codes.

SAMOG had been prepared as a NI51-101 look alike. This code also had the alliance of the JSE and the Alberta Securities Commission (ASC).

Feedback in 200 had seen the need for a joint SAMREC/SAMVAL Committee and the SSC had been formed.

He stated that there was a need to look at environmental issues and for everyone to use a standard code. The question regarding reporting to whom and for what purposes was raised.

Prof Cawood stated that the purpose of this meeting was to consider if there was a need for a code in environmental management, how it linked in with the other codes bearing in mind that the other codes were set up to mitigate risks. Consideration should also be given to where the risks were, and that if there was a code, to ensure that it was internationally aligned. He added that the JSE checked the accuracy, true and fair representation for shareholders, and that SAMREC and SAMVAL were referred to in Section 12 of the Listing Requirements. A competent persons report could not be done without using SAMREC or SAMVAL. This led to competency issues and ECSA, SACNASP and PLATO were the statutory bodies with whom competent persons could be registered. SAMREC mentioned environmental reporting, but did not say how it was to be done. He questioned how this could be tied together. (SAMREC had a checklist to be used by competent persons).

Dr Reichardt stated that the challenge was the plethora of other "voluntary" standards. He felt that these standards comprised of principles that anyone with intent could bend. Mining companies did not put money aside for mine closure. The aspects revolved around the numbers, and there was a need to get to grips with the risk process for which a number could be given to the accountants. However, it was noted that the risk and tolerance of risk was different for all mining companies.

Mrs Botha questioned whether the guidelines would cover sustainability, labour, etc. or just environmental issues. Mrs Liber felt that it needed to cover all issues. Mr Clay felt that it was necessary to have an orderly process in order to get a summary mandate to the SSC.

The question of a Government representative was raised and it was noted that the working group needed to be clear, concise and everyone needed to be in agreement with what we wanted to achieve. The other caution was getting the buy-in from bigger mining companies such as BHP Billiton, Anglo American, etc. Mr Clay added that with the assistance of Ms Annalie de Bruyn it would go into the Listings Requirements. It was also important not to make it too onerous for juniors.

In reply to the Chairperson's question regarding whether it would ultimately become a stand-alone code or part of the other codes, Mr Clay advised that there was no need to fear it being with the other codes as the only requirement is that it is not mandatory.

It was agreed that the users of the guideline would be companies involved in due diligence and banks. He added that this working group would work towards having it aligned internationally in the same way as the SAMVAL code. He added that if the working group was effective issues such as people seeing it as another stumbling block to getting foreign investors would be addressed. He felt that the working group needed to be clear on how it would function before getting Government representation.

The Chairperson added that with the current challenges being faced it may be worth considering the development of a code. Prof Cawood advised that the risks needed to be considered and then see if they were important in terms of reputational risk and the outcome of this would give the answer.

Dr Reichardt stated that it was important to identify what the code was meant to do and who the audience was. None of the other codes started off as being codes and a common approach was needed before it got to that stage. Mr Clay questioned what the working group wanted and how it would get there. He felt that a mission and vision statement was required. Codes were always written as principles-based documents. In reply to Mr Wells' comment regarding what the costs and risks were, Mrs Lider advised that we certainly could not put a cost to it.

It was necessary to make this code palatable and material to people who were using it. Mr Clay suggested that a list of all the current guidelines was put together and then the most important ones could be identified as big ticket items. The working group could then be divided into smaller sub-groups to look at individual issues. Dr Reichardt questioned whether professionals were accessing this information in a standard format.

Mrs Steele advised that the way to deal with this was integrating it in the SAMREC Code. She felt that it would force a coherent process if everything was in one document. Mr Clay advised that the SAMREC/SAMVAL and SAMOG Codes (Samcodes) were already too far ahead in their processes and that the way to address this was to look at including it in the next revision of the codes in 3 – 5 years. The Chairperson stated that the way ahead was to develop it as a separate item with the ultimate goal being to have it incorporated into the Samcodes.

Dr Reichardt added that there was no module covering environmental issues at any university. There would be a battle with this until there was integration.

It was felt that this was still about the materiality and how it affected a company, although it was noted that one of the biggest liabilities/risk was community based and not environmental.

Mr Wells added that it would be good if there were clearly defined principles and a set standard to get to the valuation. Mr Clay reiterated that this would be a principles-based document. However, if it was not a code it would be a waste of time. A similar diagram to SAMREC's Table 1 could be formulated. Mrs Botha felt that in order to avoid "death by audit" one protocol should be developed that integrated all the documents which could be used as the starting base. Dr Reichardt added that there were many new initiatives which added no value. It was necessary to look at existing documents and identify the ones that added value. He stated that there was too much duplication.

The EFC was the forum that integrated and didn't need to be duplicated. This working group had to look at what it wanted to work with, that added value. To this end interested and affected parties needed to be informed that this code was being considered.

Mr Clay stated that the working group needed more industry representatives. The Chairperson would come up with a mission and vision statement, and would also begin the process of communicating with interested and affected parties.

Action: Sarah Dyke

Mr Clay advised that the JSE had a parallel approval process for the other codes that included the FSB, Exco and Listings Board. It was anticipated that the draft codes would be ready for public comment by the end of November.

4. Draft guidelines

After due deliberation the working group agreed that it was necessary to develop a code. The existing guidelines would be used to fill in the gaps. The working group was requested to review the guidelines and provide feedback before the next meeting.

Action: All working group members

5. General

It was agreed that the meetings should be held monthly and should not be longer than an hour.

6. Closing

The meeting ended at 10:47.

SUMMARY OF KEY ACTION ITEMS

Sarah Dyke

Contact the Director of the CSMI to join the working group.

Sarah Dyke

Prepare a mission and vision statement and start engaging interested and affected parties.

All members

To review the guidelines and provide feedback before the next meeting.