

SAMREC
MINUTES OF THE
SAMREC WORKING GROUP MEETING
Held on 25 October 2012 at 10:30am at the Military Museum, Delville Wood Room

PRESENT:

K Lomborg

F Harper

T van Zyl

M McWha

S Rupprecht

A de Bruyn

P-J Grabe

J Luckmann

A Clay

S Mathuray

APOLOGIES:

V Deonarain

J Witley

K Kenyon

R Davel

K van der Merwe

T Marshall

C Dohm

F Camisani

M Harley

G Smith

In Attendance: **J Dixon (Manager, SAIMM)**

Note to these minutes: *These minutes are compiled from the recording made of proceedings.*

1. WELCOME

The chairman welcomed all to the meeting and everyone introduced themselves. The Competence issue was raised at the meeting of 30 August 2012. The JSE decided to give industry until July 2013 to come up with their own procedure to deal with Competence and its registration. The next logical conversation would then be on Independence of Competent Valuers and Competent Persons. This subject will be dealt with on the next meeting date ie 29 November 2012.

2. REPORT BACK ON CRIRSCO MEETING

The meeting was held at the end of October and there were 7 participants. The South Africans, Australians, Canadians, Americans, Russians and Chileans, effectively the 7 codes that report under CRIRSCO. The members of CRIRSCO are looking at including more Eastern European members such as Kazakhstan and Uzbekistan. The Argentinians are keen to join. They all have similar issues to ourselves and are happy to use the CRIRSCO template. The issue is how it gets implemented and who takes responsibility for the Competent Person and Independence. The Chileans have made a law that effectively means it is run by a Government agency, which makes it more entrenched. The Argentinians are not sure how they will implement it. The SME from America, they are in the process of approaching the Securities Stock Exchange in New York to get guideline 7 revised. They have submitted it but anticipate a 3 year process. The issue there is that in the US, people report only reserves but everywhere else they report reserves and resources and they are being negatively affected.

The aspects of the CRIRSCO template were reviewed. All the CRIRSCO definitions and comments that the SAIMM presented were accepted and agreed to. The JORC people have put their final changes together for their revision. They have asked for comment. The deadline is the 26th of October 2012. The ASX has also published a paper and requires comment by 26 October 2012. The Australians have put on the table the 'If not, why not rule' – we need to consider this ie, they have taken table 1 and have expanded it a bit, added some explanation. When a person presents a resource or reserve, the person needs to go through the tables and if they do not already have an

explanation for a particular situation, the person needs to be able to explain why it is not needed/included.

There are two organisations that are influencing matters, that is, the International Standards Accounting Board – they are trying to set up a global way of valuing mineral assets. The other organisation is the Petroleum people who are working with the United Nations. They are trying to get the way they are doing things mandated as a world code, eg they distributed a draft paper entitled 'World Code' the title of which was not appreciated in industry.

3. JSE REQUIREMENT/DECISIONS

There are two matters that need to be discussed. The Competence issues and the Independence issue. The aim in this meeting is to determine how these discussions should proceed and what the desired outcome should be.

Competence. The JSE put together a way of listing people who wanted to write CPRs for JSE listed companies and they would keep a register. There has to be review or disciplinary system in place.

It was submitted that SAMREC is not set up to maintain and hold a register and they don't have the disciplinary procedure in place. The JSE is not set up to deal with it either. We should advise the professional societies on what to do and put pressure on them to do it.

It was argued that the problem with the JSE holding the list is that they only represent one portion of the community – that is the investment sector. There are many smaller unlisted companies that also write CPRs. It was submitted that there should be a sub-committee of the SAMREC SAMVAL WGs to set up an adjudication process which follows the lines of accreditation already prescribed by the JSE. That committee would meet several times a year to assess people who apply to be Competent Persons or Competent Valuers. The list will then be held by SACNASP with the understanding that they are merely holding and maintaining the list and not disciplining anybody in terms infringements. The list will be synced with the JSE and they will compare the list against any reports that come in, written by people on the list.

The aim of the point above is that the legal background when a complaint is lodged, if there is an issue/dispute over what has been sold, then there is a legal process that can be followed through.

Question – isn't that the mandate of the professional society under which you submit the report as a CP?

Answer: the Professional Society does not have the legal background that can take you through to a fine or prison sentence.

SACNASP and ICASA have this legal background. SACNASP however does not have the Competence to assess competent people. That should be the responsibility of a sub-committee of the SAMREC SAMVAL group.

The organisations involved here of ICASA, SACNASP, PLATO, GSSA and SAIMM.

What has been suggested is that there should be a centralised list that is then held by some other organisation, eg by SAMCODE that is referenced and kept up to date.

There would have to be a mandate from the professional societies to the SSC to assist with setting up the structure to run this process, even if it means amending their constitutions.

The JSE would have to set out a list of criteria for the professional body dealing with an infringement and the possible means of penalty.

There are two components here; the first is the gatekeeping of the list, If we collaborate with the JSE as the standing SAMREC SAMVAL committee, which has already been mandated to assist, then putting in an accreditation system in place, working with the JSE should not be a problem. Putting

people on a list with the competency documented should not be difficult. The big point is what would occur next when something goes wrong.

If one was to read the global view on Codes, one of the reasons why SAMREC and SAMVAL has a lot more credibility in most arenas because it is regulated by statutory bodies.

It would seem that there needs to be a strong recommendation from the WGs to the SSC to go out to the professional bodies saying this is what is going to happen ie we are required by the JSE to put this procedure in place, deal with it and the implemented timeline.

The process that the JSE suggested is a good procedure, the difficulty is that there are 5 different bodies that are potentially responsible or there has to be one body that is mandated and must be able to implement and discipline in terms of the list.

The JSE suggested that the chairperson of the SSC try and set up a meeting with the 5 different professional organisations, explain to them what the situation is and what has happened to date. Ask them if they are interested in starting their own process. If they are interested, they must get together and start. Ideally, there should only be one process.

From a valuation side, there is a complication because there should be two lists, one for CPs and one for CVs. The creation of the two separate lists is easier or more difficult in one case vs another. The Valuers have SAICA as a statutory body. But none of the abovementioned bodies are the right body to hold the list. In the case of Valuers, if SACNAS, ECSA, PLATO or SAICA are approached, none of them are necessarily the right body to deal with valuation issues. SAMVAL is a long way behind in the valuation side. In the SAMREC side the fundamentals are reasonably easy to identify. On the SAMVAL side, discussions are still being started and things are not so clear. But it is agreed that we needs to make a start. A committee has been established and has been meeting to begin the process.

The question arose – do we need to set up a CP list that is independent of CVs for the moment – answer – possibly. The JSE requires a list of both. It may be best to start with a CP list as a starting point.

Again it was suggested that a body be set up under the SSC, but again, there is no disciplinary method. Whoever sets up the list needs to be able to discipline them. If they put them on, they have to be able to take them off as well.

Alternatively, when applying, the person above must indicate to which organisation they are affiliated and that organisation should take responsibility for the disciplinary procedure if a problem arises. The problem is, do their rules capture what is in essence in the SAMREC and SAMVAL codes.

The group agreed that the proposed plan by the JSE was in fact a good idea. It would also allow a second tier because if it was implemented and it got round that the JSE implemented it, people would say that if it is good enough for the JSE it is good enough for everyone else.

To what extent does the JSE need to be involved to establish the list? What the JSE has heard is that industry wants to put the list together themselves. So the JSE will give industry the opportunity to do it themselves. The JSE will assess how the list has been put together, whether there is a disciplinary process that they can follow and rely on if something goes wrong in terms of a report prepared by someone on that list. If all of the above is acceptable to the JSE then if an individual wants to do something in the public domain he/she will have to be a registered member of the list.

The JSE suggested the following: Alastair, Ken and Ed should set up a meeting with the chairpersons of the 5 bodies. They must put it to them that this is what the JSE wants to do and there are members of those societies that seem to think that the JSE should not do it. Ask them if they are interested in participating in such a process. If all 5 say yes, then ask how they propose to do it. Do they create one committee or create 5 committees from each society – the societies must decide if and how they will do it. Group agreed to this.

4. INDEPENDENCE

Independence will be discussed at the next meeting which will be a joint meeting. The main issues are whether independence is required and what level of independence is required when. Part of it is asking, is it a junior, is it public, is it a private company or a corporation. Do the same rules apply for everybody.

7. GENERAL

Suggestion is that

The next meeting is on the 29th of November 2012 at 09:00 – joint meeting with SAMVAL.