

HELD ON 27 AUGUST 2020 AT 09:45

Via ZOOM

Present:

- Mr K Lomborg (Chairperson)**
- Ms M Antoniadis**
- Ms T Flitton**
- Mr R Ingram**
- Dr T Marshall**
- Ms S Mathuray**
- Ms B Mather**
- Mr M Mullins**
- Mr J Nel**
- Mr G Njowa**
- Mr R Singh**
- Dr J Sullivan**
- Ms K van Deventer**
- Mr J Witley**

Apologies:

In Attendance: **Ms G Charlie (SAIMM)**

1. WELCOME

Mr Lomborg welcomed everyone to the meeting and asked members to introduce themselves.

2. ACCEPTANCE OF PREVIOUS MINUTES

The minutes of the meeting held on 28 May 2020 were accepted as being a true reflection of proceedings, subject to the following corrections:

- Ms Mathuray advised that she had been present at the meeting
- Mr Witley pointed out that his name had been incorrectly spelt

3. MATTERS ARISING

28 November 2019

Page 3, Agenda Item 6 – CRIRSCO NEWS: Dr Rupprecht was to put together the list of parked issues regarding SK1300 but this had not been done as yet.

ACTION: Dr Rupprecht

28 May 2020

Page 2 – Agenda Item 4 – SANS 10230 AND COAL GUIDELINES: Ms van Deventer advised that the memo regarding the coal response was to have been sent out with the minutes, but she believed this had not been done. Mr Lomborg advised that this would be sent out for comment and members would be given a period of two weeks to do so.

ACTION: Ms Jardine

Page 4 – Agenda Item 8 – REVIEW OF INDEPENDENCE: Ms Mather was asked whether she knew if Ms de Bruyn had got any further regarding the scope of aspects that she wanted the committee to review in terms of independence. Ms Mather responded that she had not.

ACTION: Ms de Bruyn

Page 6 – Agenda Item 11 – REQUEST FOR CLARITY FROM MR ANDY CLAY: Mr Lomborg advised that the issues raised by Mr Clay had been dealt with and thanks were expressed to those who had contributed.

4. COVID-19: ISSUES ARISING, e.g. SITE VISITS

Mr Lomborg had received some interesting requests and discussions about how the Code would react in terms of Covid-19. Mr Mullins had done some work in this regarding with drones. He asked if there were any aspects that SAIMM need to address; or whether this was a short-term issue that would not escalate. He asked for any thoughts and comments from the floor.

Mr Mullins added that, having organised and participated in an extensive virtual site visit in the Ukraine recently with regard to CP sign-off, the observations were quite interesting. Firstly, there was no substitute for a face-to-face visit, but there were unexpected benefits of using technology which added enormously to the site visit. The view of the geology using the drone, where you could focus in on geological structures, etc. was an eye-opener. The use of high-resolution pit edge cameras was also an eye-opener and the bird's eye view that a drone gave on an open-pit mine was something he had never experienced in a physical site visit. He had received a lot of interest and comments from round the world on this. People were looking at it and doing it, and there were virtual site visits happening with body suits in plants where the person wore a body suit and one could focus in. There was a requirement for site visits in the Codes, and he could see a world where this technology had opened up possibilities. It would not replace physical site visits, but could very well be supplementary to physical site visits. He advised that he would be interested to hear comments from the committee.

Mr Lomborg commented that the first question was that site visits would probably be the biggest issue with Covid-19 and whether it would be good enough to say that people could not go to site so they could just sign it off; or whether there was something more substantial required in terms of using drones, etc.

Dr Marshall believed that, for a new project that was being visited, it would definitely be necessary to go the extra mile to get some sort of visit done; whether it be virtual or physical. For projects where it was more of an ongoing thing and the site had been visited several times before, it was probably not as important.

Ms van Deventer added that, for regular operations, there should not be an excuse not to do a site visit. She found that, even in hard lockdown in the Mpumalanga area, it was still possible to go on site visits, as long as the personal protection gear was used. Things like the documents were easily available from the Survey Department and these could be used as an added tool. From an international point of view, if travel was not possible, then that was a big concern and something different would have to be done. For new sites, there would have to be some physical view of what was happening on the site.

Mr Lomborg asked whether anything official should be put out, or whether queries should be answered with the response that it was highly recommended for initial visits and – where practical – documents, etc. could be used for follow up visits.

Ms van Deventer responded that it was up to the CP to motivate what had happened and to understand that that would be queried if due process had not been followed.

Mr Witley agreed that in South Africa there was absolutely no excuse not to do a site visit and he also thought that Covid-19 was a short-term issue and nothing should be done to the Code itself. In terms of guidance, he also agreed that it should be the responsibility of the CPs to satisfy themselves that they had done all they could, through whatever means possible. He had some issues with the 43101, but it basically insisted that a site visit would be done and there was not allowance for not doing a site visit under their regulations. There were many things that one could do. If one could not get there because it was in a different country, CPs could perhaps rely on someone who was in-country to go and visit on their behalf. There could perhaps be collaboration to a certain extent. He still believed it was up to the CPs to satisfy themselves that they had done everything possible to verify the conditions of the site and the information being used. The question was whether it was possible to delegate.

Mr Lomberg did not believe anything formal should be put out at this stage, but if the Committee was asked, the response should be that it was up to the CP and there should really be no excuse for something within the country. Internationally, it may be challenging and there were ways to deal with it. For an initial site visit, it would be much more important to undertake. For follow up visits, it might be necessary; but in all aspects, the CP who made that call should be able to defend it.

5. SANS 10230 AND COAL GUIDELINES

Ms van Deventer had completed a short memo on the understanding of how SANS and SAMREC were put together. Unfortunately, this had not been distributed, but would be sent out after this meeting and comments would be requested. This could then be finalised before the next meeting.

6. SAMCODES APP

Ms Flitton reported that the Android application was still working in its current form. The initial application and subsequent application to the Apple Store had been denied and there was going to have to be quite a bit of work and reformatting of the App in order to get it to be Apple-friendly. In the meantime, discussions had been held with the developers to find out if there was another way to make it viable, i.e. via the Progressive Web Application. This had been investigated and a trial version would be made available for about 12 weeks, so that it could be tested to see if it would accommodate Apple users in the meantime.

A hold had been placed on the Apple Store application process as it was a lot of wasted time, energy and effort. The team would progress with the PWA. The link would be tested and Ms Flitton would provide feedback. That was the current situation.

The three users spoken about at the last meeting had been identified (one from SAMOG; one from SAMESG; and one from SAIMM, as well as Ms Flitton) and they would be trained once the PWA was out of the way. Then it would be possible to carry on loading content. Content had not been loaded for a while. The original suggestion was that Ms Flitton would be informed whenever anything was updated on the SAMCODES website and she would then update the App accordingly. She was not sure whether anything had been done and she requested that Dr Marshall keep her informed. Dr Marshall advised that the next update would be in a month or so. She would arrange training for the additional three users. Ms Letebele was the contact person on the Android. In terms of the costs for the PWA, this would be R850/month to maintain. At the last meeting, Mr Lomberg was asked about the analytics. Users had not been pushed to register and this would be followed up as soon as the PWA was up. There were between

12-15 users at present. Ms Flitton asked all those members with Android phones to register themselves as users.

Mr Lomborg asked Dr Marshall whether an advertisement could be placed in the GSSA newsletter in a month or so, regarding the App and trying to encourage people to register and provide sponsorship. Dr Marshall agreed and advised that the next newsletter was scheduled to go out in a weeks' time. She asked if something could be sent to her before Monday, it could be added either in the August edition. Ms Flitton was asked to put something together for Dr Marshall to put in the newsletter and this was agreed.

ACTION: Ms Flitton

7. CRIRSCO

Mr Lomborg reported that CRIRSCO would be holding a virtual meeting this year, which presented its own set of challenges. It would be six three-hour sessions, starting on 14 September 2020. This year, each NRO would be allowed to nominate four additional observers and they would then be invited to observe three of the six sessions. One of those would be the report-back session; one would be some of the business aspects; and the other could be a technical session. The SSC Chair, SSC Deputy Chair, SAMREC Deputy Chair and the GSSA representative on SAMREC were the people nominated. SAIMM would be the Secretariat and would provide all the secretarial aspects of the meeting, such as minute-taking.

It was anticipated that China would soon become a member for their financial markets and they would still have their own regional reporting code. It was important that they had the mandate for China to join.

8. SAMCODES 2021 CONFERENCE

SAIMM was producing a journal volume with nine or ten papers which would come out soon. At the beginning of the year, another call would be put out for papers so that SAIMM could expand on what it had and, where the current papers needed to be updated, that opportunity would also be offered. Members were requested to submit papers to that Conference, which was scheduled for October 2021.

9. CRIRSCO DEFINITIONS

A small committee had met to go through the CRIRSCO definitions. Mr Lomborg found it quite valuable and there quite a few redundant issues that needed to be resolved. The final document would be put together for that and this would be circulated and it would go into the CRIRSCO meeting. It might well be one of the few that go in. He invited any comments from members who were in those meetings. Ms de Bruyn missed the last meeting and asked whether the proposed changes would be circulated to the SAMREC Committee. Mr Lomborg responded that a document would be put together and sent out. If CRIRSCO changed the definitions, then, as countries came on, they would be requested to use the new definitions. It was a long process, but it was part of what CRIRSCO did.

ACTION: Mr Lomborg

10. SK-1300 ISSUES

Mr Lomborg advised that he would have to speak to Prof Rupprecht about the SK-1300 issues. There were issues that would change and it was interesting that the American focus was very much on SK-1300 and the SME Guide was almost secondary in some aspects. There were aspects in there that needed to be considered, particularly as they were already being considered by other countries. Ms Flitton advised that Prof

Rupprecht had confirmed that he would get to it. She agreed to follow up on this with Prof Rupprecht.

ACTION: Ms Flitton

11. REVIEW OF 'INDEPENDENCE'

Ms de Bruyn opened a discussion on independence. The JSE was currently busy testing the waters from their perspective. Over the years, independence came up every now and again. When the SAMREC Codes were initially implemented, independence was discussed at length. At that point, a lot of the competence was sitting inside the listed entities and therefore it would have been very difficult to insist on independence.

From a JSE perspective, they insisted on independent auditors, independent sponsors, etc., but yet they did not insist on an independent CPR. Ms de Bruyn wanted to find out if things had moved on through the years. The JSE's requirement was for a CPR when a company was listed and when a Category One transaction was being carried out; which was basically 30% of the market capital. At that point in time, a CPR was required. On an annual basis, there were the disclosures of resources and reserves. Ms de Bruyn wanted to separate the two discussions and focus initially on a new listing and a Category One transaction.

It has been seen in the past that, although the JSE did not insist on an independent CPR, they often got what seemed to be an independent party doing the CPR. When the JSE went that route, to insist on independence, they would deem an employee of the company not to be independent, so a company would not be allowed to use its own employees to prepare the report for a listing or a Category One transaction. The CP should not be controlled by the company or should not control the company. There should not be any business relationship between the company and the CP, where the success of the transaction and the CP's fees were dependent on the success of the transaction. Those were issues that would influence the independence of a CP. If the JSE were to go that route and insist on an independent party signing off on the CPR, Ms de Bruyn asked for views from the floor.

Mr Lomborg put forward some of the comments that had come out of recent training. The first was that, if an auditor audited a company, the company never saw the report and it could then be submitted to the authorities if they were in some way in breach. He asked if this was the case. Ms de Bruyn advised that it was true that the auditor had the responsibility to report if there were certain things happening in the company; but the company had a mandate with the author, i.e. the company signs an agreement with the auditor. She did not agree that the report did not belong to the company.

Mr Lomborg asked, if the report was commissioned by the company, and paid for by the company, who owned it and whether they would have any interaction. One of the aspects that did not come up was that the CPR was often a marketing document as well as a technical document, so the company would almost always want to be involved in making sure that it presented a reasonable case for them. That might well influence independence. Ms de Bruyn advised that was why it was even more important to have an independent person signing off on the CPR. As the independent party, they were as good as their last performance and that was how they made their money. If there was a question mark around the competence and the CPR did something in the report that put a question mark on his/her competence based on pressure put on them by the company, then their reputation would be destroyed. Mr Lomborg countered that that never happened. Ms de Bruyn noted that that was why the processes and procedures were so important. If a person was sitting inside a company, they could be put under pressure from management to change figures. This would be more difficult if the person were independent,

Mr Lomborg added that one of the other comments that was made was that if you were going to be independent, Company A could commission a consultant to do a CPR and the first time the company saw it, it would be final, so there was no interaction at all with the company. He asked if this was the way to go. Ms de Bruyn could not comment, as she did not have insight into the detailed processes. The comment that came out of the SAMVAL meeting was that there were a lot of interactions with the client; and the client gave certain information; and obviously the report was based on discussions with the company and information that was provided by the company. She could not imagine someone sitting in an office and doing the report in total isolation and with no interaction with the company, but she did think that an independent party running their own firm would have a better ability to act independently from the company than the employee sitting inside the company, should there be pressure on them to do something untoward.

Mr Witley commented regarding the independent CPR, saying that it was tricky. From an independence point of view, the way to overcome this would be to issue a statement that there had been full disclosure between the company and the independent CP. He did not believe it was reasonable to submit a report as final without the issuer having the opportunity to ensure that full disclosure had taken place. Mr Mullins agreed and believed he would not be comfortable doing a CPR without interaction with the client or the commissioning entity. He valued and appreciated all the intense interaction. In terms of being pressurized by the company, it was up to the CP to stand up for what they believed in and convince the company based on all the work they had done and/or the procedures in place, to ensure that what was being put in the report was defensible to their peers. He believed the world had changed and there was value and merit in looking at the independent CPR or the transactions that Ms de Bruyn had specified.

Ms Flitton advised that her company (AngloGold) already did independent reviews and included in their code is a section on what a CP should do if they believed they were being unduly influenced. They were independently auditing a certain portion of their operations and procedures and had put in whistle blowing facilities. They held CP workshops to highlight the responsibilities and accountabilities. She asked if it was not better to enhance the Code that way, rather than forcing independent CPRs. She was not convinced that independent CPRs were entirely independent, given the fact that the independent consultants were being paid by the company.

From a new listings point of view, Ms de Bruyn believed that this was a 'once-off' kind of sign-off. The external audits that were being done on the resources and reserves were obviously a voluntary audit or an SEC requirement. The whistle blowing mechanism was also internal and that was why she wanted to split the ongoing requirements from the Category 1 and new listing perspectives. She had a little bit more sympathy with the cost and the effort going into an annual independent sign-off on resources and reserves, so she wanted to separate the discussions.

The difference on the ongoing side was that when you listed a company, you ask people to invest in this company. Now you have the internal person who actually wanted this capital and was preparing the CPR, based on which the person was going to invest. So there could be the temptation to inflate the figures in order to encourage the people to invest.

For a new listing, it made sense and it was important to get an independent sign-off. If the seller of the asset did the CP, they would try and inflate it to get a higher value.

Mr Lomborg advised that this was all within the JSE. Surely then, an additional requirement should be added into the Section 12 listing rules that require that independence. It should not be in the SAMREC Code. Ms de Bruyn agreed that it would be a listing requirement. Mr Lomborg continued that if this was added as a requirement

under Section 12, he would not personally have an issue. If it was to be put in the SAMREC Code, he would have reservations.

Mr Mullins advised that ASIC in Australia had a requirement for independence in certain transactions and he asked whether the FSB had similar requirements or whether they played a similar role. Ms de Bruyn responded that they did not have any requirements, it was only the JSE.

Ms van Deventer suggested that when there was a significant transaction about to happen, the shareholder or partner who was purchasing the 30% or plus share would, from their side, also do a due diligence and audit on the CPR published. She asked if that would not be a check? Ms de Bruyn responded that whether it was done by themselves or by an expert, it would surely add value if it was an independent party.

Mr Witley asked if someone wanted to buy shares in the company, they might not be able to afford getting a due diligence done. Ms de Bruyn advised that this would give the private investor the information they required to make an informed decision. Mr Witley advised that he was aligned 100% with Ms de Bruyn.

Mr Mullins asked whether the CPR produced by anyone independent would also go through the Readers Panel process. Ms de Bruyn confirmed that it would.

Regarding the annual disclosure, Ms de Bruyn said that although this was not a full CPR, it was the most important part of a CPR. On an ongoing basis, the listed entities were asked to disclose. The JSE get the independent auditors disclosing figures, but the most important part of a mine's space is setting off the balance sheet and is only disclosure by the company itself. From a JSE perspective, it did not have a requirement for an annual audit or regular audit, so maybe that could also be discussed. The first prize would be that this disclosure of the resources and reserves and everything around it gets signed off by an independent CP before disclosure in the annual report. The company would still take the responsibility. Mr Lomborg advised that he would not be comfortable with somebody else doing all the work and then him signing off on this. It would mean doing a re-run to ensure that all the information was correct. This would be onerous financially and time-wise for big organisations such as Anglo. Ms Mathuray agreed and advised that regular audits were very beneficial and advised that these were done by independents in the case of Anglo, on all assets. In the case of independent auditors, a particular auditor would only be used for a two-year cycle and would then be swapped in order to provide a new perspective. This was an internal requirement from Anglo. Ms Flitton advised that her company had established internal governance. She added that whistle blowing was taken very seriously by her employers. Mr Witley suggested that, from Ms de Bruyn's requirements, rather than insisting on an annual sign-off in terms of the continued listing obligations, it might be better to insist that companies report their audit process, then the investor could get some assurance that good governance was taking place. Ms de Bruyn agreed that it could also be considered that if there was more than a 10% increase/decrease in the resources and reserves, then it could be independently signed off.

Mr Njowa asked about the concerns around the three-year audit cycle which was currently being practiced. With accounting, the issues that were dealt with were definite, except when it came to fair value estimation. When one was doing resource and reserve estimations, a certain amount of judgement was required by the CP. Different CPs might put in different CPRs, using the same information, and this might materially affect the estimate. Care had to be taken in this regard. For small companies it might be possible, but it was not practical for larger companies.

Ms de Bruyn understood the cost implications for companies with many assets. She believed that 'audits' that Ms Mathuray and Ms Flitton were talking about were more of a

review of the process of how they could do the resources and reserves. She understood that these would be estimates and it would be like a review of how the internal staff got to that value in the end, rather than being a verification process.

Mr Lomborg believed that Anglo had a very good system, where they had a numbers audit and a review: one to check the actual numbers and the other to check the process. Ms de Bruyn agreed to discuss this offline with Ms Mathuray and Ms Flitton in order to understand the process. She wanted to give investors the comfort of an independent party doing the verification/audit, to give them a sense of what that meant, as this was different from an audit. Some discussion took place on due diligence.

Mr Singh asked that, in order to give everybody peace of mind, whether it would not be an idea to have a body affiliated with the JSE that would have a database of consultants; saying that if companies wanted to list with the JSE, they this was the database of consultants to use. That was where this discussion was going. Mr Lomborg commented that this discussion had been held a few times.

Mr Mullins noted that the fundamental difference between financial auditing and that which was done in the resources and reserves was that in the latter it was auditing future estimates; and the two were very different. He supported an independent sign-off on a material change, or at least a sense of a CPR on a material change and an updated report on a regular cycle. Most companies already had that system in place and the requirement for the review on a regular basis was what was needed.

Mr Njowa believed the word 'audit' had been abused in all ways. That was where some confusion came in with regarding to what was considered an audit. It was clear in accounting terms, but the way in which the word 'audit' was used when talking about resources and reserves was a loose term. One other comment was around creating the database. With SK1300 coming into play next year, there would be some major changes. As a regulatory, the first three years would be critical, because it way it was currently worded was that if each independent signed off, they would be liable in both their personal and company capacity and this would have repercussions around that was considered to be an audit.

Mr Lomborg added that continuous reviews or audits of companies' annual resource and reserve statements were important. The important thing was that the proper mandate should be given to whoever was doing that. Most consultants would easily be able to do that, and most big companies had those resources in-house. Having an independent was just ticking a box.

It was a valuable discussion and members were invited to liaise with Ms de Bruyn. Ms de Bruyn would set up a meeting to discuss this further with Ms Mathuray and Ms Flitton.

ACTION: Ms de Bruyn

12. TRAINING

Dr Marshall reported that training was going very well. She added that 69 people had registered to attend the Introductory Course. The Introductory Course showed how the online system worked. A poll was sent around of the years' experience of the delegates. Keeping in mind that this was an introductory course, 35% of the delegates had zero experience but, at the top of the scale, 16% of delegates had experience of 5-10 years; 24% had between 10-20 years' experience; and an additional 14% had over 20 years' experience. She found that very interesting for an introductory course. The people with the experience had asked interesting questions.

There were no other training courses this year, but training would be put together for 2021. An Advanced Course would be held every second year, alternating with the Basic

Course. This would have to be reviewed and dates set up. It was also important for the training not to clash with the SAMCODES Conference in 2021.

13. GENERAL

Ms Flitton raised a question around training. She asked whether this would be done online in future, or whether SAMREC would aim for face-to-face training. She suggested that maybe a lot of people had not attended the Beginner and Advanced Courses because they could not get to the venue. She found that four mornings a week worked quite well and that splitting it had made a difference. Her recommendation was to have online meetings in future.

Some discussion followed on having a combination of face-to-face and virtual. Dr Marshall advised that the Introductory Course worked better online, but that the Advanced Course could be done face-to-face. There was also an opportunity for 'on demand' courses.

Mr Ingram believed the online courses were very successful and there had been good discussions. He would like to see them run again.

14. CLOSING

Mr Lomberg thanked all participants for their input and closed the meeting. The next meeting was scheduled to take place on 25 February 2021.

KEY ACTION ITEMS

1. DR STEVEN RUPPRECHT

Put together and distribute list of parked issues.

2. CAMIELAH JARDINE

Circulate Ms van Deventer's memorandum to all members in respect of the Coal Guidelines.

3. MS DE BRUYN

Set up discussion with Ms Mathuray and Ms Flitton regarding auditing/review processes.