

**SAMVAL Committee Meeting Minutes  
25 August 2022**

<b>Date of Meeting</b>	25 August 2022	<b>Time</b>	08:00															
<b>Chaired by:</b>	Andrew van Zyl, Chair	<b>Location</b>	Zoom															
<b>Minutes prepared by:</b>	Nazli Mamdoo																	
<p><b>Present:</b></p> <table> <tr> <td>A van Zyl (Chair)</td> <td>Dr T Marshall</td> <td>C Wrigley</td> </tr> <tr> <td>H Bornman</td> <td>A McDonald</td> <td></td> </tr> <tr> <td>A de Bruyn</td> <td>M Mullins</td> <td></td> </tr> <tr> <td>V Duke</td> <td>T Steele-Schober</td> <td></td> </tr> <tr> <td>A Kinghorn</td> <td>M Turnbull</td> <td></td> </tr> </table> <p><b>SAIMM Secretariat:</b> N Mamdoo</p> <p><b>Apologies:</b></p>				A van Zyl (Chair)	Dr T Marshall	C Wrigley	H Bornman	A McDonald		A de Bruyn	M Mullins		V Duke	T Steele-Schober		A Kinghorn	M Turnbull	
A van Zyl (Chair)	Dr T Marshall	C Wrigley																
H Bornman	A McDonald																	
A de Bruyn	M Mullins																	
V Duke	T Steele-Schober																	
A Kinghorn	M Turnbull																	
<b>Topic</b>	<b>Discussion</b>																	
<b>1. Welcome</b>	Mr van Zyl welcomed everybody to the meeting, with a special welcome to Ms Steele-Schober and Ms Wrigley.																	
<b>2. Confirmation of previous minutes</b>	The minutes of the meeting held on 02 June 2022 were taken as a true record. The minutes were proposed by Dr Marshall and seconded by Mr van Zyl.																	
<b>3. Governance presentation by Charlene Wrigley</b>	<p>Ms Wrigley delivered a presentation on ESG Governance. A copy of this presentation would be placed on the website. <b>Action:</b> Charlene Wrigley</p> <p>This presentation was based on the Governance presentation that they had done as part of the SAMCODES ESG Working Group. This was part of the work that was being done on the planned updated to the SAMESG Guideline (2016), which was in response to the changing landscape in respect of mineral reserve and resource reporting, particularly around the ESG requirements. The Environmental and Social components were easier to define; but the 'Governance' had resulted in a lot of discussion, even for sustainability practitioners such as Ms Steele-Schober and herself.</p> <p>She provided some context on what the ESG Group was doing and what the key activities were around the guideline updates. This work was not being done in isolation and they were following CRIRSCO/JORC and other mineral reporting requirements happening globally, to ensure that there was alignment, to avoid duplication and contradiction, and that it was useful.</p>																	

Stakeholder engagement was critical in this work and they wanted to get a full view of who was involved in this process. The type of people to solicit included authors of CPRs, ESG contributors/subject matter experts, authors of mineral reports, security exchanges, etc.

The 'G' in ESG was difficult to pin down. It depended on what people understood on this and what the 'G' needed to be used for and how relevant it was. A Mentimeter survey was undertaken to give people an opportunity to put in what they thought the 'G' meant. Each person in the meeting gave their view of what the 'G' was. Some of the answers included 'decision-making', 'assurance', 'ethics', 'anti-bribery and corruption', 'systems', 'risk', 'managing integrity', 'policies and procedures', 'committees', 'King IV', 'company control', 'decision-making', 'supply chain management'. Attendees put forward their suggestions on what they believed Governance encapsulated. Ms Wrigley agreed to update the presentation and share with the committee.

**Action:** Charlene Wrigley

There was a lot encapsulated under 'Governance', as shown by the S&P Corporate Sustainability Assessments (analysis). South African-centric guidance aspects included King IV, Mining Charter, social and labour plan, B-BBEEE and there was a shift where people were moving to 'apply and explain'.

The SAMESG Steering Committee was looking at what 'G'; could mean in the mineral reporting space, working with other reporting codes and NROs. She provided some examples of other ESG reporting landscapes.

Mr van Zyl thanked Ms Wrigley for her presentation and Mr McDonald's overriding thought process was that it was all very well to report on these Governance matters; but how did one take that into account in determining a value for a mineral asset? If one was looking at cash flows, it was possible to factor that into either the discount rate or capital operating costs; but if one was looking at it from a purely resource space value, he was not sure how that would be taken into account. He believed there would need to be a lot of debate around that in terms of how to handle it.

Regarding the B-BBEE component, the obligations that a company had in terms of the Mining Charter scorecard and B-BBEEE and SLP; these would already largely fall under the Social component. However, from a Governance perspective, if the requirements were not being achieved on the scorecard, how would this be factored into the valuation?

Mr Duke believed the high risk should be distilled into the discount rate, but this would need to be carefully thought out. Ms Steele-Schober was of the opinion that much of this would be qualitative and it would be difficult, at a project level, to value all of the Governance components.

Mr Duke advised that, as independent valuers, there should be consultation with specialists. Mr McDonald suggested that maybe the capital ?? pricing model needed to incorporate Governance factors in there. Mr Duke agreed. Some discussion followed on discount rates. It was felt that these were important discussions that should continue. Ms Steele-Schober advised that these discussions were being held with the other NROs, but she believed that SAMCODES was the only entity trying to get to grips with this at the moment. The whole valuation side

	<p>was an opportunity for SAMCODES to be the leader in this space and it might be worthwhile to talk further about this. Mr Mullins agreed that it was an interesting topic and that there was activity on the JORC side via a workstream. VALMIN had kicked off an update and this would run for a couple of years. The Canadians (Larry Devon Smith) were quite active on this. If one looked at the components that make up the discount rates, many companies would break it down into the view on WACC, country risk and project risk. He would see that as an approach to consider with incorporating ESG risk into the project as a separate term and the what makes up the overall discount rate. He agreed that it was worth a longer discussion.</p> <p>Mr van Zyl believed the Committee should track what was being done by JORC and VALMIN.</p> <p>Mr Mullins believed there was still an enormous spread on comparative values, so it would be very difficult to pin down some of these things properly.</p> <p>Ms Wrigley suggested that this was a conversation starter and investment analysts did this already. She was eager to hear more conversation around this.</p> <p>Ms Wrigley was thanked for her presentation and the suggestion was that time should be set aside to talk through this at more length and in a more structured manner.</p>
<p><b>4. Action Items</b></p>	<p><b>19 March 2021</b> Mr van Zyl advised that he had discussed the setting up of an SAIMM CPD structure with Prof Rupprecht. Dr Rupprecht advised that this was not implemented, but a new level could be created, like a Chartered Member needing CPD credits, and he thought the US required SAIMM to have a CPD system if that membership was used to sign off on reserves.</p> <p><b>26 August 2021</b> Regarding the action item for Mr Duke to pick up the issue of Brines and Non-solid minerals at IMVAL and reporting back, he reported that there had not been an IMVAL meeting since the last SAMVAL meeting. This item had been brought up by Mr Mullins. <b>Action:</b> Vaughn Duke</p> <p>Regarding getting information from CIMVAL regarding the guidance note on the use of real options for valuations in the minerals industry, Mr van Zyl advised that this had not been done. <b>Action:</b> Andrew van Zyl</p> <p>In connection with making contact with mining houses regarding specific meetings with each, this was ongoing. <b>Action:</b> All Members</p> <p>Mr van Zyl confirmed that the discussion point of ESG valuation had been added to the agenda for this next meeting.</p> <p>Mr Kinghorn reported that some links to the document to be used for ESG valuation had been provided.</p>

	<p>Mr McDonald advised that Ms Wrigley had made reference to the SAIMM questionnaire run via the website. The initial findings from the SAMESG workshop were recorded on the website and had been circulated to various people. It would be an ongoing process and at least a year or 18 months to formulate what the guidelines should look like; as well as what would be incorporated into the SAMREC Code and also Table 1, and SAMVAL Code and Table 1. That was the process going forward. This was on the SAMCODES website and the document would be circulated to members of the Committee. This would be a standing action item on the agenda.  <b>Action:</b> Andrew McDonald</p> <p>It was confirmed that Mr Rob Ingram had been requested to give a presentation on what had been picked up on the Readers Panel regarding ESG input.</p> <p>Regarding keeping a list of relevant issues regarding items to be included in SAMESG update and include at the end of the minutes. This was ongoing. Discussions would be held on Governance as a separate function.  <b>Action:</b> Andrew van Zyl</p> <p>Ms de Bruyn advised that she had received a few comments on the JSE Guidance on ESG disclosure. It was confirmed that feedback had been requested.</p> <p>It was confirmed that the ESG information from Ms Steele-Schober had been circulated to all members.</p> <p>WACC was to be added to the agenda for the next meeting.  <b>Action:</b> Camielah Jardine</p> <p>It was confirmed that Ms Wrigley’s presentation had been circulated and presented.</p>
<p><b>4. SK-1300 and comparison to CPR</b></p>	<p>Mr Duke was asked whether was aware of the webinar that SAIMM was hosting in two weeks’ time on SK-1300 and the JSE. Mr Duke responded that he was unaware of this. It was a two-morning webinar on 05 and 06 September.</p>
<p><b>6. ESG</b></p>	<p><b>6.1 ESG Valuation</b></p> <p>It had been asked that this be raised on the basis of how to attach a value to Governance and discount rates. It was suggested that perhaps the way to look at Governance was ‘what was the ideal worth?’ and anything that was not achieved against that became a negative discount factor. That became more of a ‘penalty stick’ approach rather than a ‘carrot’ approach, but it was something that needed a lot of time and debate. It would require incorporation of some form of guidance requirements in the SAMVAL Code as to what and how Governance was valued. The ‘E’ and ‘S’ was covered to a large extent in South Africa, but the ‘G’ component presented a big question mark at this stage.</p>

Mr Mullins believed it could be based on the country's risk aspect. There was a proliferation of ESG ratings coming out from different enterprises and it was evident that this would settle down and that there would eventually be global conformity in terms of company risk ratings from an ESG rating point of view, which one could then transfer across to a discount rate. That would be a possible approximate approach to this.

Ms Steele-Schober suggested that further guidance was required on how the assumptions that are made to manage environmental and social elements that go into those building blocks, because that was not always done adequately either. One had to have the right base to build up from.

It was believed there should be a risk approach to a lot of the ESG matters, which would form part of the guidance in the ESG Guidelines. That seemed to be the trend at the moment and it tied in with what Mr Mullins was saying. That also provided some guidance/process in terms of getting to whatever discounts needed to be applied. Mr van Zyl asked how competence would be determined in a Governance space. The one issue was whether the valuator had a way of confirming a view on Governance into a view on value; and the other was how to develop a view on Governance and who was competent to do that. Mr Duke added that the question was who the Competent Person would seek advice from, e.g. environmental specialists.

Dr Marshall suggested that perhaps it was not a question of getting reliable information; but the focus should rather be on raising the correct questions and letting people decide for themselves what they believed the answers were in terms of what had been compiled in the document, i.e. a focus on transparency. Some discussion followed.

Ms Steele-Schober wondered where the line was in terms of what should be realistic value from a Governance perspective and what was maybe a qualitative, transparent description based on the conversation now and whether that was supposed to inform the investor of the Governance trends.

Mr Duke asked whether it was Governance in terms of Environmental and Social factors; or whether it was Governance in terms of Corporate Governance. Ms Steele-Schober responded that, in the current CRIRSCO Code, there was no focus on Corporate Governance and that was one of the questions being discussed by the CRIRSCO ESG Working Group at the moment. Mr Duke would expect it to be separate. Ms Wrigley responded that it was around what was controllable at the asset level and that was where the focus should be for a particular project.

Bearing in mind the incorporation of ESG components into resource and reserve reporting, it was suggested that care should be taken not to become too complicated. At the same time, the ESG component on mineral valuations should be the focus.

A conversation was held on minimum requirements and exclusive reporting. It was important to get the minimum requirements and best practice. Companies were being encouraged to include frameworks to give investors/stakeholders confidence. Mr van Zyl's preference was a live document be referred to rather than trying to replicate best practice across codes, i.e. cross referencing. The process to end up with was to have a similar ESG guideline to the Diamond guideline, in which certain

	<p>aspects would become part of the Modifying Factors or components to take into account in the declaration of mineral resources and reserves. The same would apply to the valuation in the SAMVAL Code. He asked for further comments.</p> <p><b>6.2 JSE Guidance on ESG</b></p> <p>Mr Duke advised that he had contacted Mr Ingram and a couple of discussions had been held. There had not been any guidance from the JSE. Ms de Bruyn advised that it was absolutely voluntary at the moment and there was a lot of pressure to mandate disclosure. Currently it was guidance only. A close eye was being kept on the ISSB Standards.</p>
<p><b>3. General</b></p>	<p>The Canadian Security authorities had put out a consultation paper on the NI43.101. It appeared that they were planning to do some sort of update. The link was on the website and SAMCODES wanted to send a consolidated reply by 19 September. He asked members to look at this paper and go through the question.</p> <p><b>Action:</b> All members</p>
<p><b>Next meeting</b></p>	<p>The next meeting was scheduled to take place at 08h00 on 24 November 2022.</p>
<p><b>Meeting closure</b></p>	<p>Mr van Zyl thanked everyone for their attendance and input. The meeting ended at 09:40.</p>

**Matters arising/Action Items**

<b>Meeting Date</b>	<b>Action</b>	<b>Responsible</b>	<b>Due</b>	<b>Status</b>	<b>Comments</b>
24/02/22	Pick up issue of Brines and Non-solid minerals at IMVAL and report back	Vaughn Duke	25/08/22		
24/02/22	Get information from CIMVAL regarding guidance note on use of real options for valuations in minerals industry	Andrew van Zyl & M Turnbull	25/08/22		
24/02/22	Make contact with mining houses regarding specific meetings with each	All members	Ongoing		
24/02/22	Share work scope lifecycle on information gathered at ESG inquisition (ToR). Keep as standing item on agenda.	Andy MacDonald	Ongoing		
24/02/22	Keep as list of relevant issues regarding items to be included in SAMESG update and include at the end of minutes	Andrew van Zyl	Ongoing		
24/02/22	Add item of WACC understanding to next agenda	Camielah Jardine			
25/08/22	Members to look at consultation paper from Canadian Security authorities and go through questions	All members	19/09/2		