CHAMBER OF MINES
of South Africa

#NotOur**Charter**

MINING CHARTER IMPACT ASSESSMENT INFOGRAPHIC:
'TAKING A SLEDGE HAMMER TO THE INDUSTRY'

"The DMR's charter would do serious damage to mining and the economy." Roger Baxter, CEO, Chamber of Mines

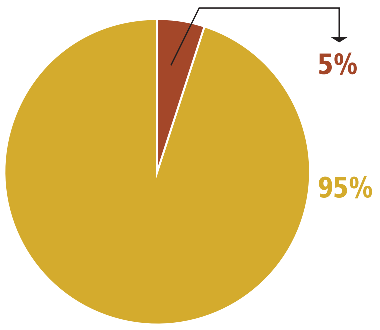
The DMR's charter in its current form will destroy the South African mining industry by imposing extra levies and other costs. And its new targets and processes will benefit only a small minority of South Africans.

WHAT ARE THESE NEW LEVIES?

THE 1% PAYOUT

Holders of new mining rights will have to pay 1% of turnover, as a kind of special dividend, to the 30% BEE shareholders. It is fair to ensure that BEE shareholders receive a dividend stream – as the industry agreed in the 2010 charter. But, using as an example national 2016 data, the total dividends paid by mining companies to shareholders was R6bn. One percent of revenues was R5.7bn. Once the R5.7bn is paid preferentially to the 30% BEE holders, it would leave almost nothing for the remaining shareholders. And more than a quarter of that, R1.5bn, would go to the MTDA*.

2016 industry returns according to DMR's charter



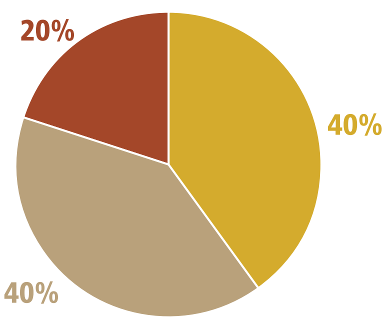
- Dividends to 70% of shareholders
- Dividends paid to 30% of shareholders

Source: Stats SA

CONFISCATION OF TRAINING FUNDS

Education and skills development is a powerful transformation tool. In 2016 the mining industry spent R6bn (5% of payroll) on empowering employees through education and training. Under the DMR's charter, the majority of these funds would be redirected to tertiary institutions – to which the mining industry contributed R1.6bn over the past 5 years – and another R2.4bn to the MTDA*, leaving insufficient funds for workers' training.

2016 skills development spending according to DMR's charter



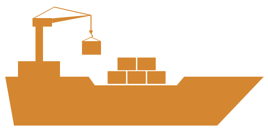
- MTDA
- Tertiary institutions
- Funds remaining for skills and education

Source: Stats SA

1% LEVY ON FOREIGN SUPPLIERS

Foreign suppliers will have to pay 1% of the value of their sales to the MTDA*.

The original idea was that this levy be used for mine community development. But this amount will also be directed to the MTDA*, for no clear purpose yet clarified. The foreign suppliers will simply increase their prices to compensate for their losses. This will make mining inputs more expensive and make our industry less competitive globally.



This will cost the industry approximately another

R700 million
PER ANNUM
based on 2016 data

SO WHAT DOES THE DMR's CHARTER MEAN FOR NEW MINES?

Investment in new mining rights will stop. No one other that BEE shareholders (who would include naturalised citizens) would have any reason to invest in new mines.

WHERE WILL ALL THESE NEW LEVIES GO?

As we see, most of this money will be redirected to the MTDA*, a fund to be established by the Minister that has no clear function or governance structure.

WHAT DOES ALL THIS MEAN FOR THE INDUSTRY?

All these new levies, and there are others, would be tough enough for a booming industry. For the struggling mining industry they are unfordable.

*Mining Transformation and Development Agency

1% levy requirement from foreign suppliers + **1% increase in supplier prices** + **Skills training compromised** = **A less competitive industry that investors won't want to support**

For more information visit: **miningcharter.chamberofmines.org.za**

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THE CURRENT STATE OF SA MINING

The South African mining industry is in crisis. The sector has been in drastic decline over the last 5 years:

Number of people employed in the industry declined by **70,000** (14%)

Industry profits before tax declined by **48%**

Mining's contribution to GDP declined by **0.2%** per annum

Dividends paid to investors declined by **52%**

Domestic input costs continue to rise
- Energy
- Labour
- Transport
- Steel

IMMEDIATE IMPACT FOLLOWING THE ANNOUNCEMENT OF THE DMR'S CHARTER

R51 billion
VALUE LOST
on 15 June by listed SA mining companies

R2.7 billion
VALUE LOST
on 15 June in pension funds

60% OF MINING SHAREHOLDERS
are SA citizens, as part of their pension funds, and have been severely impacted

ECONOMIC IMPACT OF THE DMR'S CHARTER

- ↓ Downgrade of mining companies by ratings agencies
- ↑ Investment hurdle rates
- ↓ Number and amount of new investment
- ↓ Output = ⊖ impact on exports, GDP and jobs

Without new investment and given the weak state of the mining industry, the industry will shed:

- **50, 000 – 100,000** mining jobs and
- **100,000 – 200,000** mining related (or indirect) jobs are at risk

- ↓ Contribution to fiscus

Shrinking pie =
Bad for transformation
Bad for the country
Bad for savings
Bad for communities
Bad for all citizens

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