

**PROPOSED BROAD-BASED SOCIO-ECONOMIC
EMPOWERMENT CHARTER FOR THE SOUTH
AFRICAN MINING INDUSTRY**

**ANGLOGOLD'S RESPONSE TO
MINING CHARTER**

VISION

All the actions and commitments set out below are in the pursuit of a shared vision of a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans. The goal of the empowerment charter is to create an industry that will proudly reflect the promise of a non-racial South Africa.

VISION

These are vital words as they indicate clearly that the end state, which is the goal of all stakeholders, is a competitive mining industry within a non racial South African society.

PREAMBLE

Recognising:

- The history of South Africa, which resulted in blacks, mining communities and women largely being excluded from participating in the mainstream of the economy, and the formal mining industry's stated intention to adopt a proactive strategy of change to foster and encourage black economic empowerment (BEE) and transformation at the tiers of ownership, management, skills development, employment equity, procurement and rural development;
- The imperative of redressing historical and social inequalities as stated by the Constitution of the Republic of South Africa, in inter alia section 9 on equality (and unfair discrimination) in the Bill of Rights;
- The policy objective stated in the Minerals and Petroleum Resources Development Bill to expand opportunities for historically disadvantaged persons to enter the mining and minerals industry or benefit from the exploitation of the nation's mineral resources;
- The scarcity of relevant skills has been identified as one of the barriers to entry into the mining sector by historically disadvantaged South Africans (HDSA's);
- The slow progress made with employment equity in the mining industry compared to other industries.

PREAMBLE

This clearly sets out the political imperatives which this Charter seeks to address, and which all fair minded commentators will acknowledge.

Noting that

- It is government's stated policy that whilst playing a facilitating role in the transformation of the ownership profile of the mining industry it will allow the market to play a key role in achieving this end and it is not the government's intention to nationalise the mining industry.
- The key objectives of the Mineral and Petroleum Resources Development Bill and that of the Charter will be realised only when South Africa's mining industry succeeds in the international market place where it must seek a large part of its investment and where it overwhelmingly sells its product and when the socio-economic challenges facing the industry are addressed in a significant and meaningful way.
- The transfer of ownership in the industry must take place in a transparent manner and for fair market value.
- That the following laws would also assist socio-economic empowerment:
 - The Preferential Procurement Framework Act (No. 5 of 2000)
 - The Employment Equity Act (No 55 of 1998);
 - The Competition Act (No. 89 of 1998) (Also ref. To the Amendment Act No. 35 of 1999 and subsequent amendments);
 - The Skills Development Act (No. 97 of 1998).

Noting that

This section acknowledges the economic imperative of growth and the concomitant imperative for South Africa's mining industry to be globally competitive.

Therefore

The signatories have developed this Charter to provide a framework for progressing the empowerment of historically disadvantaged South Africans in the Mining and Minerals Industry. The signatories of this Charter acknowledge:

Section 100. (2) (a) of the Minerals and Petroleum Resources Bill, which states that, to insure the attainment of Government's objectives of redressing historical social and economic inequalities as stated in the Constitution, the Minister of Minerals and Energy must within six months from the date on which this act takes effect develop a Broad-Based Socio-Economic Empowerment (BBSEE) Charter.

1. SCOPE OF APPLICATION

This Charter applies to the South African mining industry.

3. OBJECTIVES

The objectives of this charter are to:

- Promote equitable access to the nation's mineral resources to all the people of South Africa;
- Substantially and meaningfully expand opportunities for HDSA's including women, to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources;
- Utilise the existing skills base for the empowerment of HDSA's;
- Expand the skills base of HDSA's in order to serve the community;
- Promote employment and advance the social and economic welfare of mining communities and the major labour sending areas; and
- Promote beneficiation of South Africa's mineral commodities

4. UNDERTAKINGS

OBJECTIVES

These objectives combine both the political and economic imperatives set out above.

UNDERTAKINGS

All stakeholders undertake to create an enabling environment for the empowerment of HDSA's by subscribing to the following:

4.1 Human Resource Development

The South African labour market does not produce enough of the skills required by the mining industry. Stakeholders shall work together in addressing this skills gap in the following manner:

- Through the standing consultative arrangements they will interface with statutory bodies such as the Mines Qualifications Authority (MQA), in the formulation of comprehensive skills development strategies that include a skills audit;
- By interfacing with the education authorities and providing scholarships to promote mining related educational advancement, especially in the fields of mathematics and science at the school level;
- By undertaking to ensure provision of scholarships and that the number of registered learnerships in the mining industry will rise from the current level of some 1200 learners to not less than 5000 learners by March 2005; and
- Through the MQA shall undertake to provide skills training opportunities to miners during their employment in order to improve their income earning capacity after mine closure.

Government undertakes that:

- In its bi-lateral relations with relevant countries, undertakes to secure training opportunities for HDSA companies' staff, as well as exchange opportunities with mining companies operating outside of South Africa;
- Through the MQA and in collaboration with academic institutions, DME associated institutions, NGO's, and the Gender Commission, shall provide training courses in mining entrepreneur's skills;

Companies undertake

Human Resource Development

AngloGold currently spends 5,2% on training (including a 1% training levy) of its South African payroll on training and has 104 students at Technikons and Universities on bursaries, 73% of whom are previously disadvantaged. We also have an extensive school support programme for schools in rural areas which have an association with mining. We will need to extend the school support programme.

We wholeheartedly support the expansion of learnerships, and look forward to the more rapid registration of learnership programmes through the MQA. We currently have 370 employees on technical training programmes, of whom 72% are previously disadvantaged

Companies undertake

- To offer every employee the opportunity to become functionally literate and numerate by the year 2005 in consultation with labour;
- To implement career paths to provide opportunities to their HDSA employees to progress in their chosen careers; and
- To develop systems through which empowerment groups can be mentored as a means of capacity building.

4.2 Employment Equity

Companies shall publish their employment equity plans and achievements and subscribe to the following:

- AngloGold operates a programme which offers all employees the opportunity to achieve functional literacy by the end of 2004;
- We are currently rolling out career development plans for all employees;
- We have mentor programmes in place for graduates and diplomats, and will expand these to cover all employees on training and development paths;

Employment Equity

- Establish targets for employment equity, particularly in the junior and senior management categories. Companies agree to spell out their plans for employment equity at the management level. The stakeholders aspire to a baseline of 40 percent HDSA participation in management within 5-years;
- South African subsidiaries of multinational companies and South African companies, where possible, will focus their overseas placement and/or training programmes on historically disadvantaged South Africans;
- Identification of a talent pool and fast tracking it. This fast tracking should include high quality operational exposure;
- Ensuring higher levels of inclusiveness and advancement of women. The stakeholders aspire to a baseline of 10 percent of women participation in the mining industry within 5-years; and
- Setting and publishing targets and achievements.

4.3 Migrant Labour

Stakeholders undertake to:

- Ensure non-discrimination against foreign migrant labour.

- Our current targets are 30% for senior management and 44% for junior management by the end of 2004, though the 5-year timeframe will end in 2008. Our target is the equivalent of 42% overall. The figure stood at 25% as at January 1 2003. We will not prejudice any existing incumbent in this process;
- We have already given such opportunities to young employees and will continue to do so, including employees from disadvantaged backgrounds;
- We are in the process of implementing a leadership development programme throughout our company globally, and this will include South Africans from disadvantaged backgrounds;
- Woman currently make up 3% of our workforce, and we will work to increase this;
- The company will publish regular employment equity reports.

Migrant Labour

AngloGold does not distinguish between employees on the basis of either migrancy or nationality.

4.4 Mine Community and Rural Development

Stakeholders, in partnership with all spheres of government, undertake to:

- Co-operate in the formulation of integrated development plans for communities where mining takes place and for major labour-sending areas, with special emphasis on development of infrastructure.

4.5 Housing and Living Conditions

Stakeholders, in consultation with the Mine Health and Safety Council, the Department of Housing and organised labour, undertake to:

- Establish measures for improving the standard of housing including the upgrading of hostels, conversion of hostels to family units and the promotion of home ownership options for mine employees; and
- Establish measures for improving of nutrition of mine employees.

4.6 Procurement

Procurement can be broken down into three levels, namely: capital goods; services; and consumables.

Stakeholders undertake to give HDSAs a preferred supplier status, where possible, in all three levels of procurement. To this end stakeholders undertake to:

- Identify current levels of procurement from HDSA companies;
- Commit to a progression of procurement from HDSA companies over a 3 to 5-year time frame reflecting the genuine value added by the HDSA provider;

Mine Community and Rural Development

We already have a plan in place to ensure safe drinking water and effective sanitation in all significant labour sending areas. We are also developing programmes to extend access to healthcare to employees and their dependents in rural areas.

Housing and Living Conditions

- A programme of hostel improvement has been in place for some time, and includes the conversions of some hostels to married accommodation. We will address this with renewed vigour through our Shop Stewards Council.
- This is ongoing.

Procurement

- In 2001, we sourced R194m from previously disadvantaged providers – 7,5% of total procurement. We reached 9% in 2002 and have set targets of 20% in five years and 30% in ten.

- Encourage existing suppliers to form partnerships with HDSA companies, where no HDSA Company tenders to supply goods or services; and
- Stakeholders commit to help develop HDSA procurement capacity and access Department of Trade and Industry (DTI) assistance programmes to achieve this.

List of suppliers: It is envisaged that information on all HDSA companies wishing to participate in the industry will be collected and published. All participants in the industry will assist the DTI in compiling such a list that will *inter alia* be published by government on the Internet and updated regularly.

4.7 Ownership and Joint Ventures

Government and industry recognise that one of the means of effecting the entry of HDSA's into the mining industry and of allowing HDSA's to benefit from the exploitation of mining and mineral resources is by encouraging greater ownership of mining industry assets by HDSA's. Ownership and participation by HDSA's can be divided into active or passive involvement as follows:

Active involvement:

- HDSA controlled companies (50 per cent plus 1 vote), which includes management control.
- Strategic joint ventures or partnerships (25 per cent plus 1 vote). These would include a Management Agreement that provides for joint management and control and which would also provide for dispute resolution.
- Collective investment, through ESOPS and mining dedicated unit trusts. The majority ownership of these would need to be HDSA based. Such empowerment vehicles would allow the HDSA participants to vote collectively.

Passive involvement:

- Greater than 0 percent and up to 100 percent ownership with no involvement in

Ownership and Joint Ventures

Active involvement:

- We have sold to ArmGold assets which produced some 1,081,000 ounces of gold in 2002. AngloGold's South African operations produced 3,412,000 ounces of gold in the same period. By this measure, AngloGold's "empowerment index" stands at 24,1%.
- We are investigating the creation of an employee "save as you go" share scheme. We are also encouraging financial institutions to create broad-based empowerment unit trusts, which could acquire, *inter alia*, AngloGold equity.

management, particularly broad based ownership like ESOPs.

In order to measure progress on the broad transformation front the following indicators are important:

- The currency of measure of transformation and ownership could, *inter alia*, be market share as measured by attributable units of South African production controlled by HDSA's.
- That there would be capacity for offsets which would entail credits / offsets to allow for flexibility.
- The continuing consequences of all previous deals would be included in calculating such credits/offsets in terms of market share as measured by attributable units of production.
- Government will consider special incentives to encourage HDSA companies to hold on to newly acquired equity for a reasonable period.

In order to increase participation and ownership by HDSA's in the mining industry, mining companies agree:

- To achieve 26% HDSA ownership of the mining industry assets in 10 years by each mining company; and
- That where a company has achieved HDSA participation in excess of any set target in a particular operation then such excess maybe utilised to offset any shortfall in its other operations.

All stakeholders accept that transactions will take place in a transparent manner and for fair market value. Stakeholders agree to meet after 5-years to review the progress and to determine what further steps, if any, need to be made to achieve the 26% target.

4.8 Beneficiation

This Charter will apply to mining companies in respect of their involvement in beneficiation activities, specifically activities beyond mining and processing. These include production of final consumer products.

Mining companies will be able to offset the value of the level of beneficiation achieved by the company against its HDSA ownership commitments.

Mining companies agree to:

- Identify their current levels of beneficiation.
- Indicate to what extent they can grow the baseline level of beneficiation.

4.9 Exploration and Prospecting

Government will support HDSA companies in exploration and prospecting endeavours by, *inter alia*, providing institutional support.

4.10 State Assets

Government will ensure compliance with the provisions of this Charter and be exemplary in the way in which it deals with state assets.

4.11 Licensing

To facilitate the processing of licence conversions there will be a scorecard approach to the different facets of promoting broad based socio economic empowerment in the mining industry. This scorecard approach would recognise commitments of the stakeholders at the levels of ownership, management, employment equity, human resource development, procurement and beneficiation. These commitments have been spelt out in sections 4.1 to 4.9 above.

The HDSA participation required to achieve conversion within the five year period on a company specific basis will be specified in the score-card, hereto attached as Annexure A.

Beneficiation

AngloGold has a 25% investment in OroAfrica, South Africa's largest gold jewellery manufacturer. This company beneficiates some 120,000 oz (4 tonnes) of fine gold annually into 200,000 oz of finished gold jewellery product, of which some 70% is exported. AngloGold has recently commenced a further study of the gold business downstream from the mine, and will be informed by this study the extent to which it is both possible and profitable to further beneficiate our product.

Exploration and Prospecting

We would be pleased to enter into commercial partnerships with companies run and owned by previously disadvantaged people in regard to exploration activities.

4.12 Financing Mechanism

The industry agrees to assist HDSA companies in securing finance to fund participation in an amount of R100 billion within the first 5-years. Participants agree that beyond the R100 billion-industry commitment and in pursuance of the 26 per cent target, on a willing seller – willing buyer basis, at fair market value, where the mining companies are not at risk, HDSA participation will be increased.

4.13 Regulatory Framework and Industry Agreement

Government's regulatory framework and industry agreements shall strive to facilitate the objectives of this Charter.

4.14 Consultation, Monitoring, Evaluation and Reporting

It is recognised that the achievement of the objectives set out herein entails an ongoing process.

Companies undertake to report on an annual basis their progress towards achieving their commitments, with these annual reports verified by their external auditors. A review mechanism will be established which again provides flexibility to the company commitments.

Parties hereto agree to participate in annual forums for the following purposes:

- Monitoring progress in the implementation of plans;
- Developing new strategies as needs are identified;
- Ongoing government/industry interaction in respect of these objectives;

Financing mechanism

It is vital to note that facilitating finance for transactions will be a part of achieving the initial 15% target, and not in addition to it. The monetary value has its origins in the judgement made of how much ownership transfer was possible for fair value. R100 billion represents roughly 15% of the total value of the SA mining industry. The R100 billion is therefore a measure of the change the industry believes is realistically possible over a period of time. It is not a cheque the industry intends to write, nor a discount existing owners will have to suffer, nor a measure of a discount.

Consultation, Monitoring, Evaluation and Reporting

AngloGold will report on a regular basis on its progress in achieving the targets set out in this Charter.

- Developing strategies for intervention where hurdles are encountered;
- Exchanging experiences, problems and creative solutions;
- Arriving at joint decisions;
- Reviewing this Charter if required.