

# Annual report

FOR THE YEAR ENDED 30 JUNE 2015

## 7.3 SAMREC/SAMVAL

F.T. Cawood, *Chairman*

A. Bals	K. Lomberg
R. Becker	C.D.A. Loxton
M. Booyens	A. Macfarlane
A. Clay	K. Redman
K. Davies	G.L. Smith
A. de Bruyn	E. Swindell
J.R. Dixon	D. van Niekerk
S. Foya	J. Visser
D. Kruger	

The SAMREC/SAMVAL Committee (SSC) operates under the auspices of the Southern African Institute of Mining and Metallurgy (SAIMM) and the Geological Society of South Africa (GSSA). It oversees and administers the SAMCODES, which is a collective acronym for the following documents:

- ▶ The SAMREC Code, dealing with the reporting of mineral resources and reserves
- ▶ The SAMVAL Code, dealing the reporting of mineral asset valuations
- ▶ The SAMOG Code, dealing with the reporting of upstream petroleum resources, reserves, and asset valuations.

During 2014 the SSC established a new Working Group (SAMESG) to consider the need for drafting a guideline document on how environmental, social, and governance issues impact on the reporting of resources, reserves, and asset valuations.

The SSC meets quarterly, while its Working Groups (on each of the documents under administration) meet monthly. *Ad hoc* meetings and complaints are also dealt with in-between meetings. Key issues and events that influenced the business of the SSC during the past year are summarized below and are discussed in more detail later in this report:

1. The SAMREC Working Group revised its Code and is on target for implementation in May 2016
2. The SAMVAL Working Group made good progress on the updating of the SAMVAL Code
3. The SAMOG Code was implemented in early 2015
4. The SAMESG Working Group amended Table 1 of the SAMREC Code
5. The TOR of the SSC was revised
6. The ECSA Board notice on Identification of Engineering Work matter is potentially resolved
7. Three complaints were handled by the SSC during the period under review.

### *SAMREC Working Group (K. Lomberg, Chairperson)*

The SAMREC Working Group meets on a monthly basis. The group consults stakeholders regularly in-between meetings, in addition to making formal presentations and publications in the SAIMM and GSSA bulletins. The Working Group also developed SAMREC learning materials for presentations at

schools and public consultations. The Exposure Draft was released to members of the GSSA and SAIMM at branch meetings, and consultation included roadshows at Witbank, Cape Town, Rustenburg, Kimberley, and Johannesburg. The target date for launching the new updated SAMREC Code is May 2016. The next part of the approval process will be to consult with the JSE and the Financial Services Board (FSB). Thereafter, the Code will need to be published in the Government Gazette.

A companion volume to provide industry guidelines is currently being compiled for release at a conference in May 2016 under the joint auspices of the GSSA and SAIMM. Competent Person training was undertaken through the GSSA and participation at the 35th International Geological Congress in August/September 2016 is planned by the South African CRIRSCO representatives.

The SAMREC Code is regarded as the basis from which the other SAMCODES have developed, and the SAMREC Working Group therefore has to liaise with the other Working Groups on a regular basis. For example, the SAMESG Working Group added environmental, social, and governance content to Table 1 of the SAMREC Code, which required a close relationship between the two groups.

### *SAMVAL Working Group (A. Macfarlane and K. Redman, Chairpersons)*

The SAMVAL Working Group has been busy with a review and update of the SAMVAL Code. The final draft was circulated for internal comment and released for wider comment in May 2015 to the members of the Working Group, the SAIMM, and GSSA. Through a public participation process, key issues for review were identified and discussed during the roadshows mentioned under the SAMREC section.

Revision issues include value definition, Competent Valuator statutory registration, and alignment (although this issue is substantively complex and to date has not been resolved) with international practise. The target date for launching the new updated Code is also May 2016 at the SSC conference on the updated Codes. Mrs Redman developed SSC materials for public consultation and presented these to the Competition Commission and MASA. The focus of the period June 2014 to June 2015 was to finalize a draft that could be released for comment on the following basis:

- ▶ The final exposure draft was sent to members of the GSSA and SAIMM for further comment and consultation, which included roadshows
- ▶ The next part of the approval process will be to consult with the JSE and the FSB. This step includes a public participation process for further comment. Once any FSB issues have been resolved, the SAMVAL Code will be published in the Government Gazette
- ▶ Once the SAMVAL process is complete, overlaps with the South African Property Valuers Profession Act of 2000 (SAPVPA) must be resolved. Currently, valuations for

## Annual report

companies that list on the JSE are performed under either the SAMVAL or SAMOG codes, while valuations of assets that are not held by a JSE-listed company overlap with SAPVPA

- ▶ A companion volume to provide industry guidelines is currently being compiled. This is in preparation for the conference to be held in May 2016 under the joint auspices of the GSSA and SAIMM
- ▶ Mrs Redman presented an overview of the SAMCODES to MIASA (Mining Industry Association of Southern Africa) on 13 February 2015, in addition to giving a presentation in Kimberley at a diamond conference on behalf of the SSC.

Mr McFarlane chaired the IMVAL Committee and successfully initiated discussions with international counterparts in setting up a global Mining Asset Valuation Group, with the intention of establishing a global counterpart to CRIRSCO. He was instrumental in getting the IMVAL template to finalization and the final draft has been circulated to member organizations, including the SAMVAL Working Group, for comment before finalization. Discussions with the International Valuations Standards Council with regard to the IMVAL template and the association of Mineral Asset Valuators with the IVSC are ongoing. Mr Clay and Mrs Redman are additional representatives on IMVAL. The current Chairperson of IMVAL is Mr Roscoe.

During the review period, Mr McFarlane was succeeded by Mrs Redman as Chairperson of the SAMVAL Working Group. Mr McFarlane made a tremendous contribution during his time, and his hard work is recognized and appreciated by the SSC.

### *Oil and Gas Working Group (A. Clay, Chairperson)*

In late 2012, the Oil and Gas Committee was provided with a new mandate from the SSC to reactivate its work and create an Oil and Gas Reporting Standard for Public Reporting in South Africa. The SAMOG Code is the output document and the SAMOG Committee included experts (international and local), together with interested and affected parties. The Committee established a relationship with the Alberta Securities Commission as the custodians of the National Instrument 51-101 reporting code, and Part 5 of that Code has been adopted with minor modifications to create the draft SAMOG Code. The Petroleum Resources Management System (PRMS) is the internationally accepted classification system for the petroleum industry and is the anchor of the new SAMOG Code for reporting resources and reserves as well as global definitions.

Section 12 of JSE Act was redrafted to include oil and gas, which changes were approved by the JSE EXCO. The SAMOG Code was ratified by the SSC in 2014, and implemented early in 2015 after the JSE Act had been amended to accommodate this Code. The SSC managed the process of establishing the Oil and Gas JSE Readers Panel, which process required approval of a TOR, nominations, and JSE appointment. The Readers Panel is now waiting for the first submission under this Code. The JSE has managed to secure a memorandum of understanding with the Alberta Securities Commission for future maintenance of the Code. A revised version of the NI 51-101 is currently in preparation.

### *Reporting on environmental, social, and governance parameters (S. Dyke, Chairperson)*

The SSC gave its provisional blessing to an exploration of the possibility of developing a guideline document for the reporting of environmental, social, and governance issues. The first meeting was in July 2014 and since then the Committee has met monthly. The Working Group has been productive, and their outputs to date are:

- ▶ An initial consultation paper
- ▶ The case for developing a scoping exercise
- ▶ Amendment of Table 1 of the SAMREC Code. The Working Group has also initiated a public consultation process in this regard. The SAMREC Working Group, as the custodian of the SAMREC Code and Table 1, provided comment and additional input
- ▶ The first working draft of the SAMESG guideline was submitted to the SSC for consideration on 28 May 2015. During that SSC meeting, the Committee indicated that the guideline would be published on the SSC website and referenced as the official document for reporting purposes. The SAMESG guideline is aligned with both national and international principles.

Both SAMREC and SAMVAL chairpersons have invited the SAMESG Working Group to submit a proposed edit for the SAMREC/SAMVAL codes as to how the SAMESG should be considered when reporting under the auspices of the respective Codes. The next part of the approval process will be to obtain approval from the SSC, and publication on the SSC website, following conversion of the SAMESG to an appropriate format. Its implementation might require amendment of the JSE Act and affect the composition of the JSE Readers Panels.

### *Revision of SSC terms of reference*

The current TOR document is dated June 2009 and permission for revision was approved by SAIMM office-bearers on 11 April 2014 after consultations with the GSSA. The new TOR document is likely to be implemented before the end of 2015. The main issues are:

- ▶ The SSC Chair's role needs to be properly defined at the time of appointment
- ▶ All SSC revenue received will be ring-fenced within the SAIMM accounting system in order to provide for operational (including legal) expenses
- ▶ The work of the SSC needs to be frequently communicated to members. Since the meeting, the President decided that the SSC Chair be invited on Council to communicate SSC business on a regular basis
- ▶ An Oversight Committee consisting of GSSA and SAIMM office-bearers was established to discuss additional matters related to the TOR, budgetary requirements, and management of possible risks to the parent bodies.

The TOR of the SSC provides for a system of rotating chairs between the GSSA and SAIMM. My two-year term as SSC Chair ends at the end of 2015 and the GSSA will nominate the Chair for the period 1 January 2016 to 31 December 2017. In terms of the TOR, the SAIMM has to nominate a Deputy Chair for this period. This SSC leadership matter must be an agenda point for decision at the final Oversight Committee Meeting for 2015.

## Annual report

### *IDOEW Board Notice – CBE Notice on the imminent regulation of the Engineering Profession*

Members of the SAMVAL Working Group were involved in providing written and verbal comments to the Competition Commission on the Engineering Council of South Africa Identification of Work proposals (IDoW) published as part of the requirements in fulfilment of the Council for the Built Environment Act. In addition, the SSC had fruitful meetings with ECSA, SAIMM, and the CC. The current state of affairs is:

- ECSA acknowledged the overlaps and assuming that the CC is satisfied that the Notice is not uncompetitive, ECSA will address the exemptions issue in the Regulations to its Act
- ECSA further acknowledged that mutual exemptions may not work and it will be more appropriate for the wording in the different Acts/Regulations to ‘speak’ to each other
- A joint working committee to address overlaps and

develop appropriate legal text, consisting of members from ECSA, SACNASP, and PLATO, will be created. Its TOR will be established with SSC input.

### *Complaints handled by the SSC*

Three complaints regarding Competent Person/Valuator reports affecting the following companies were handled by the SSC during the period under review.

In conclusion, as the outgoing Chairperson of the SSC, I would like to thank the SAIMM, GSSA, and SSC members for their hard work and support. This group of professionals is hard-working, and passionate about the work of the SSC and the future of the Committee and its working groups. I also want to thank the JSE, Working Group Chairs and all committees, who are all contributing enormously in developing and maintaining codes, guidelines, and regulations involving the business of the SSC.