

# The Policy Gap (2)



**Review of the  
Corporate Social  
Responsibility  
Programmes of  
the Platinum, Coal,  
Gold and Uranium  
Mining Sectors in  
South Africa**



*The Bench Marks Foundation*

SADC Research report

**Review of the Corporate Social Responsibility  
Programmes of the Platinum (Limpopo),  
Gold and Uranium Mining (North West, Gauteng), and  
Coal (Mpumalanga) Sectors in South Africa**

**Bench Marks Foundation**

**2008**

Research commissioned by the Bench Marks Foundation in collaboration with the Peace, Principles and Participation Initiative (PPP) and supported by the Netherlands Institute for Southern Africa (NIZA)

The research project was supported by groundwork in Pietermaritzburg, South Durban Environmental Alliance (SDCEA) and the National Children Rights Committee (NCRC).

The following people contributed to the SA research: Mudjadji Trading (PTY) Ltd: David van Wyk and Loselo Segwe with contributions from Jabu Mngomezulu and Shaun Jackson.

June, 2008

Cover pictures from top: ABC 7 News, AP, Mike Hutchings - Reuters

#### THE BENCH MARKS FOUNDATION

PO Box 62538, Marshalltown 2107, South Africa

Tel/Fax: +27 11 832-1750

Tel: +27 11 832-1743/2

[www.bench-marks.org.za](http://www.bench-marks.org.za)

© Bench Marks Foundation, 2008

## FOREWORD

The Bench Marks Foundation sets out to examine the relationship between corporations and society, including labour, the environment and communities. It examines what corporations say about themselves, the legislative environment in which they operate and the gap between policy and practice.

Mining peer awards are handed out to companies largely based on the mining houses' reporting initiatives, often drawn up by the public relations department of the company. These glossy reports look good and showcase a few corporate responsibility initiatives, like investment in schools and clinics, yet fail to go to the heart of social responsibility and sustainability.

For mining houses to be truly responsible they need to address their social, labour and economic impacts in a sustainable life giving manner. This requires a response that *goes beyond reporting*, to one that addresses the development of livelihoods. On black economic empowerment, communities are crying out for a share but are sidelined by the emergence of 'Juniors' in the mining industry, who often reap all the benefits. This happens at the expense of community well-being as this report demonstrates.

In terms of company corporate social investment programmes, much needs to be done to address the social, economic and environmental impacts. This can be in the form of clean up operations, to projects that involve communities in water purification initiatives and large scale environmental restoration projects that can employ thousands of people. This of course is costly at first but nevertheless opportunities exist that can make all of these projects self sustaining.

The real question is of political will as senior government officials often sit on the boards of mining houses and the confusion of local economic development imperatives of government result in mining houses performing government functions. In particular the minerals and energy department promotes mining as the keystone for economic growth and black economic empowerment, often at the expense of community interests.

The Bench Marks Foundation key aim is to influence a different business model, underpinned by ethical business practices and sustainability. For business, sustainability is mostly about increasing profits, whereas sustainability for us is about protecting present generations and ensuring a sustainable environment for future generations.

Whilst we recognise that mining brings enormous economic benefits to the state, these benefits are often at the expense of rural communities and their way of life. Our call is that the

starting point of economic life should be communities and how communities actually benefit from mining. This requires a fundamental mind shift, away from purely reporting to making a big difference on the lives of communities and to that of worker safety and health.

This report examines platinum mining in Limpopo and how mines engage with communities, especially how these communities are relocated to make way for mining. It looks at coal in Mpumalanga and the role of government and officials of state owned enterprises and their role in black economic empowerment initiatives, often at the expense of other interest groups. It then looks at gold, the legacy of water contamination, ground destruction and uranium, a by-product of gold.

All of us are called upon, as the book of Genesis says, to look after the earth and to have dominion over the earth in a responsible stewardship manner.

The Rt. Rev Bishop Jo Seoka  
Chairperson Bench Marks Foundation  
June 2008

## OVERVIEW

### *Platinum in Limpopo*

Much is said in public about the need to attract foreign investment and the benefits of mining, job creation, contribution to GDP and overall economic benefits associated with the extractive industries. Little is said of how such investment should shape economic development, especially that of communities that are forced to relocate to make way for mining.

Platinum mining houses often have to compete with communities who have been living in the same area for more than 400 years. Mining prospectors, the new BEE players, and what this report refers to as 'treasure hunters', snap up prospecting and mining rights, by-passing community interests. 'Huge' rewards are dangled in front of those who will relocate, from R5000 to R20 000 per family. This is the most money people living in rural communities have ever received and the temptation of this along with new and better houses and maybe a job are too big to resist. Others do resist and demand better compensation and still others refuse to relocate.

At stake is communities' way of life kinship relations, cultural traditions, livelihoods and subsistence and agricultural farming. Those that refuse to move to make way for mining operations are cut off from their water supplies, have to live with mine blasting, and often have their land fenced off and lose their grazing land. Those that do move often find themselves worse off, their grazing and subsistence farming land far away and often unsuitable for farming.

Bedeviling all of this is how the mining houses consult with communities, sponsoring structures such as section 21 companies. Are these structures representative of community interests or are these structures used to coerce communities into moving? Will communities actually be better off? Is enough being done to ensure communities have access to information and expertise to fully understand what the impact of mining will be, especially the consequent challenges of livelihoods, jobs, if any, and the huge environmental problems accompanying mining operations?

This study paints a grim picture of mining in Limpopo: alleged forced relocations, ill prepared new townships, negative impacts on peoples' way of life and deteriorating access to livelihoods, especially that of women who bear the most negative consequences.

Can things be done differently that ensure communities are fully in the know; have access to proper information that guides them in their negotiations? The answer is yes. Nevertheless the big challenge is to ensure that communities give their prior informed consent and this means having access to expert opinion and access to information. Whether communities agree to be relocated, or not, the challenge is to ensure that if they are relocated that they are better off and not worse off.

Mining corporations need to adhere to their own international standards, by building long-term relations with communities. The International Council on Minerals and Mining (ICMM) calls for mines to go beyond compliance and to use this opportunity to build long-term continuing and sustainable relationships. It says these relationships should be considered as long-term investments and therefore it is important to allow the time for such relationships to develop. It says that cultural differences should be recognised, particularly within indigenous communities and that engaging in dialogue can only occur if each party understands each other's perspective. Cross-cultural training is important to build levels of respect.

It then says that consideration should be given to the involvement of a neutral third party. This can help to overcome actual and perceived asymmetries (in terms of power, resources, and so on) and can be instrumental in supporting the development of trust. It talks about developing trust and ensuring that stakeholders are listened to and promises are fulfilled and proposes support training of community relations staff and that community relations staff is given adequate status and support.

Last but not least, communities are also crying out for justice, equity and to be the preferred BEE partner, but this is not happening.

The Bench Marks Foundation calls on mining corporations to go beyond reporting, to putting in place ethical standards that govern their relations with communities and to ensure measurable local economic development indicators.

### **Gold in Gauteng and in the North West**

Gold has always been the mainstay of the South African economy and today's government is as entwined with the interests of the gold mining industry as it was in the early 20<sup>th</sup> century. Mining corporations continue to assume little responsibility for the health, education or housing of the families of their black employees while operating in monopolistic conditions and creating super profits. An example is the living out allowance where the responsibility of providing housing is shifted away from mining companies and local government onto communities, as previous hostel dwellers now compete with township residents for accommodation.

The South African Mining Charter requires 15% ownership of mining operations by historically disadvantaged South Africans by May 2009, and 26% by 2014. Although the Mining Charter seems noble in its many intentions, it is this ownership structure by a few 'black elites' that is of most concern.

The Minerals and Petroleum Resources Development Act (MPRDA) rests ownership of minerals in the state and this allows for the disinheritance of local communities and even commercial farmers on whose land minerals may be found. Mining corporations focus their empowerment on a few individuals; thus by-passing more innovative ways to spread broad based black economic empowerment.

The impact and consequences of mining on local farmers and traditional communities on whose land minerals are found is often overlooked. This research report points out that any destruction to land, water and health and safety can never justify the benefits mining brings.

For mining to proceed in an area a Social and Labour Plan (SLP) must be drawn up that looks at local economic development and integrated development plans. The research study found that communities are largely not consulted with and do not have access to these social and labour plans, and are generally excluded from negotiations.

This report poses challenges towards a broader based empowerment focus and empowerment that takes into account our history of exclusion and which addresses socio-economic needs and that integrates mining interests with those of communities.

## ***Coal in Mpumalanga***

Coal is the second biggest mining operation in South Africa and South Africa is the second biggest coal exporter after Australia as well as the lowest cost producer after Indonesia. Coal also formed the backbone of Afrikaner empowerment after 1948 and now forms a cornerstone of black economic empowerment. Much of our coal is in Mpumalanga and this is the country's most productive coalfield.

Coal, South Africa's black gold, has become critical in the development of the South African black middle class, the so called "black diamonds". While the world is gasping for breath and we are faced with global warming, South Africa's government has embraced coal as an essential part of its social engineering project to create a black middle class, no matter what the environmental costs.



The involvement of current and former government officials as shareholders, board members or managers in mining companies is undermining democracy, causing tensions and conflict and is undermining the trust of communities in the various spheres and institutions of government.

Coal is used in energy production, whether in Eskom's electricity generators, to cool them down, or in steel production for use in furnaces to cool melting ore to liquid iron, or in Sasol's coal to liquid manufacturing, all of which have a devastating impact on water contamination and on air quality.

South Africa in terms of population size is one of the world's largest emitters of CO<sub>2</sub>. Old coal fields also pose a huge problem to water as water seeps in and is then contaminated with heavy metals, seeping back into the ground and service water, causing acid mine drainage or acidic water. All of this not only impacts on South Africa's scarce water supplies, but also on rural communities, local farmers and agriculture. To make matters worse, it seems that water licenses are handed out without any investigation as to the short and long-term impacts on local people, farmers and the environment.

Consultation with communities is a prerequisite for attaining mining concessions. However, public meetings that are supposed to be consultative in nature are used by mining houses to baffle communities with scientific jargon. Mining interests groups only have to show that in some way they have consulted with affected communities by filling in a report to the Department of Minerals and Energy (DME) showing the date and time of such a meeting.

No matter the level of representation from communities and their lack of understanding, the DME, the Department of Water Affairs and Forestry (DWAF), grant mining concessions and water licenses to all a sundry, or so it appears, overlooking issues of good governance on the side of recipients.

The Mpumalanga Lakes District is known to be the largest fresh water catchment area in the Southern Hemisphere and is under severe threat of annihilation from the irresponsible manner in which both DME and DWAF have handled the affairs of granting mining concessions.

We need to pause and think and ask what will our country look like in 10 years from now; will we still have any drinkable water, will we have forced people off their land into the cities, and how will we cope? What are the implications of the present empowerment and energy model? Do we have a future?

John Capel  
Executive Director, Bench Marks Foundation

# Table of Contents

1.	INTRODUCTION	1
2.	BACKGROUND AND ORIGIN OF THE RESEARCH PROJECT	2
3.	CRITICAL CHALLENGES	3
4.	AIM OF STUDY	5
5.	RESEARCH METHODOLOGY	5
6.	ETHICAL CONSIDERATIONS	11
7.	LIMITATIONS OF THE RESEARCH	11
8.	SUSTAINABLE DEVELOPMENT & CORPORATE SOCIAL RESPONSIBILITY	14
8.1	Introduction	14
8.2	Describing Corporate Social Responsibility	16
8.3	CSR in mining	18
	8.3.1 <i>The Development of CSR in the mining industry</i>	19
	8.3.2 <i>The importance of CSR for mining companies</i>	20
	8.3.3 <i>Social licence to operate</i>	22
8.4	Conclusion	24
9.	LEGISLATIVE AND POLICY FRAMEWORK	25
9.1	Mining legislation	25
	9.2 Legislative concerns regarding CSR	27
10.	PLATINUM MINING IN LIMPOPO	28
	10.1 Introduction and background	28
	10.1.1 <i>Geology</i>	28
	10.1.2 <i>Reserves</i>	29
	10.1.3 <i>Market</i>	30
10.2	Findings and discussion	30
	10.2.1 <i>Economic dimension</i>	31
	10.2.2 <i>Environmental dimension</i>	49
	10.2.3 <i>Social dimension</i>	71
	10.2.4 <i>CSI and CRS reporting in the platinum mining sector in Limpopo</i>	86

11.	GOLD AND URANIUM IN GAUTENG AND THE NORTH-WEST PROVINCE	89
11.1	Introduction and background	89
	11.1.1 <i>Background of gold mining in S.A.</i>	90
	11.1.2 <i>Background of uranium mining in S.A.</i>	94
	11.1.3 <i>Major corporations in gold and uranium mining</i>	99
11.2	Findings and discussion	103
	11.2.1 <i>Economic dimension</i>	103
	11.2.2 <i>Environmental dimension</i>	108
	11.2.3 <i>Social dimension</i>	116
12.	COAL MINING IN MPUMALANGA	120
12.1	Introduction and background	120
12.2	Findings and discussion	121
	12.2.1 <i>Economic dimension</i>	121
	12.2.2 <i>Environmental dimension</i>	123
	12.2.3 <i>Social dimension</i>	136
13.	CONCLUSION AND RECCOMENDATIONS	138
13.1	Conclusion	138
13.2	Recommendations	139
	13.2.1 <i>Contextualisation and recommendations</i>	139
	13.2.2 <i>Specific recommendations</i>	140