



CHAMBER OF MINES  
of South Africa

# PRESENTATION TO SAHRC – NATIONAL HEARING ON UNDERLYING SOCIO-ECONOMIC CHALLENGES OF MINING-AFFECTED COMMUNITIES

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# The Chamber of Mines



- Voluntary employer organisation that supports and promotes the SA mining industry, serving members and promoting their collective interests by providing strategic support and advisory input
- Advocacy and lobbying with no executive authority over its member companies
- Members comprise:
  - 38 major mining companies
  - 32 junior mining companies
  - 4 associations - Aggregates, Sands Producers Association of Southern Africa (ASPASA), South African Diamond Producers Organisation (SADPO), Association of Shaft Sinkers and SA Mining Contractors, Clay Brick Association of South Africa (CASA)
- Chamber member companies:
  - Represent more than 90% of SA's mineral production by value
  - Contribute around R11.3bn in taxes pa
  - Employ around 400 000 people
- All Chamber member are required to sign and adhere to a Membership Compact

# Mining matters

- Even though the overall mining industry was loss-making in 2015 (aggregate net loss of R37bn), economic contribution of mining remains significant
- In 2015, mining represented
  - 25% of merchandise exports
  - 7.7% of GDP
  - 10% of JSE market value
- Mining is a fundamental pillar of SA , and has contributed greatly to the country's socio-economic development
- History has not always been a proud one
  - Seeking a new way forward where mining is relevant to SA
  - Addressing legacy issues
- Industry's contribution goes beyond economic inputs: industry is committed to addressing legacies of the past and contributing meaningfully to policies that reflect the true demographics of the country and create an environment that will create a sustainable and prosperous mining industry.
- Mining Charter is a vehicle through which the industry can achieve its transformation objectives.

# Mining industry is transforming people

## Skills development

- Mining sector the largest funder of training and development in SA
- In 2015 contributed in excess of R5bn towards skills development and training
- Between 2011-2015, sector has funded more than 12,500 tertiary education students

## Employment equity

- Until the late 1980s, skilled jobs were denied to black miners.
- It took 10 years for proportion of positions skilled by black miners to approach 20%.
- Since 2004, HDSAs in skilled and management positions have risen to between 40% and 75% (current Charter target), depending on category

## Women in mining

- Representation of women in mining sector has improved significantly from around 11,400 in 2002 to around 53,000 women in 2015
- Women now represent more than 10% of people employed in mining activities.
- More needs to be done

# Mining industry is transforming

## Housing and living conditions

- Industry recognises need to redress historical imbalances and contribute to improved living conditions for existing and future operations.

## Ownership

- All large mining companies have achieved 26% target of HDSA ownership and meaningful economic participation
  - Chamber calculation of 38%
- Meaningful economic participation inclusive of identifiable beneficiaries: BEE entrepreneurs (63%), Communities (22%), ESOPs (15%)
- 7.1 million HDSAs participated through
  - R47bn in dividends
  - R116bn in initial transaction values
  - R159bn net value creation (after debt, including dividends)

# Mining royalties

- In addition to normal corporate and other taxes, mining companies pay royalties to National Treasury for the benefit of all South Africans
- SA mineral royalties payments:

2011/12	R5.5bn
2012/13	R5.6bn
2013/14	R2.0bn
2014/15	R6.4bn
2015/16	R5.4b

Source: SA National Treasury Budget Review

## Recommendation:

Portion of mining royalties should be ring-fenced for mining-impacted communities.

This is the practice in some mining jurisdictions such as Ghana, Guinea and Argentina, where for instance, c.20% of the royalties are ring-fenced for the mining-impacted communities to enable them to deal with in-migration and other impacts of mining

# Social and Labour Plans (SLPs)

- SLPs detail how a mining company will contribute towards development of mine host communities and labour-sending areas
- In addition to approx. R2bn per year spent on mine community development through SLPs, other resources, such as technical skills, secondments to municipalities, skills training of communities and general CSI expenditure is having a real impact on local communities
- But, mining companies cannot resolve the social delivery issues on their own. Better consultation and collaboration is called for with local/provincial government and other stakeholders
- Chamber encourages disclosure of SLPs by individual mining companies. Some have made their SLPs and annual SLP reports to the DMR available on their websites and many more disclose information relating to SLP commitments in their annual reports
  - A real concern for some mining companies is that the approval process for SLPs by the regulator takes time, and publishing an unapproved document is problematic

## **Recommendation:**

Chamber welcomes an improvement to the SLP model of social delivery, especially when it comes to ensuring that the projects undertaken are reflective of a consultative process, undertaken with legitimate representatives and addressing the developmental needs of the community in which it operates. Approval process for SLPs should be expedited to enable better transparency.

# Environmental management

## Water resources management

- Chamber members comply with the applicable legislation – NWA and National Water Resources Strategy 2
- Significant progress in going beyond compliance through development and application of international best practices - water treatment technologies, dust suppression techniques, tailing management, rehabilitation of impacted mining lands
- Collaboration with the DWS to develop target/benchmarks for Water Conservation and Water Demand Management in the mining sector to foster water use efficiency.
- Industry continues to seek win-win solutions and partnerships with government in dealing with environmental legacies

## Interface of mining with protected areas

- Chamber members have committed to *not* mine in legally protected areas
- Chamber facilitates South African Mining and Biodiversity Forum (SAMBF) with participation by mining companies, government departments and conservation organisations, independent/academics, organised labour and financial institutions.
- SAMBF provides an opportunity for cross-sectoral interaction and cooperation to improve biodiversity conservation, management and performance in SA mining industry
- Initiative led to the adoption of a best practice guideline on mainstreaming biodiversity into the mining operations



# Environmental management (2)

## Mine closure and rehabilitation

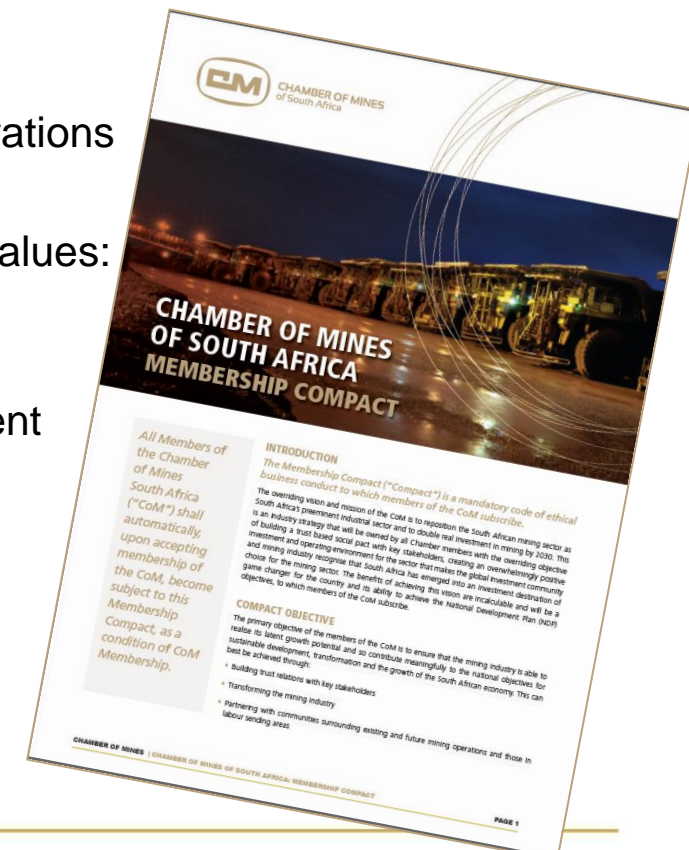
- Chamber believes that closure planning must start prior to commencement of operation and continue throughout life of mine.
- COM has published guideline on closure and rehabilitation

## Regulatory matters

- In pursuit to lowering the mining industry environmental footprint Chamber members strive to go beyond the principles and requirements of all the applicable environmental legislation
- Mining industry is committed to implementation of the One Environmental System
- Certain challenges currently hinder effective implementation OES, including NEMA Financial Provision Regulation, the need for further alignment of legislation and capacity constraints

# Chamber of Mines Membership Compact

- Adopted in 2015, a mandatory code of ethical business conduct to which Chamber members subscribe
- Each member has to sign Membership Compact
- Primary objective to ensure that mining industry is able to realise its latent growth potential and so contribute meaningfully to the national objectives for sustainable development, transformation and the growth of the SA economy. This can best be achieved through:
  - Building trust relations with key stakeholders
  - Transforming mining industry
  - Partnering the communities surrounding existing and future mining operations and those in labour sending areas
- Members are obliged to conduct their business according to the five agreed values: responsible citizenship, respect, trust, honesty and accountability
- Guiding principles a framework to enable members to achieve Compact objectives. Members undertake to integrate guiding principles into management systems to ensure consistent application across all operations.
- Through Membership Compact, Chamber members commit to compliance with all relevant legislation, and to making every possible effort to meet or bettering the targets outlined in the Mining Charter
- The Compact is a living document and will be continuously refined and developed following consultation with members



# In conclusion

“I yearn for the South African mining industry to continue on a journey to greatness. If we follow the right approach, our advocacy will take us in a direction that is to the benefit not only of the industry alone but, on balance, to the benefit of our society more broadly.

But, in my view, we have to acknowledge, perhaps more than the industry has done previously, including in its testimony to the Truth and Reconciliation Commission, the other side of that legacy. And we need to focus our minds even more than we have done so far, on what contribution we can make to address that legacy.”

Mike Teke, Chamber President at 126<sup>th</sup> AGM of the Chamber of Mine, May 2016