A Social Licence to Operate within mining communities: A case study of Kumba in the Northern Cape Province, South Africa

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I dedicate this study to my late friend Dr Lilly Mokoena (1984 – 2014) - thank you for always believing in me.

- I’d like to thank God for His amazing grace and unconditional love, especially over the last few years of my studies.
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“We can do anything we want to do if we stick to it long enough.” Helen Keller
KEYWORDS

Community engagement; Corporate citizenship; Corporate governance; Corporate Social Responsibility (CSR); Free, Prior and Informed Consent (FPIC); Kumba; Mining; Northern Cape Province; Social Licence to Operate (SLO); Stakeholder dialogue; Stakeholder engagement; Stakeholder theory; Sustainable Development (SD); Swedish International Development Agency (SIDA)
ABSTRACT

South African mining operations are increasingly taking into consideration the credibility carried by the so-called Social Licence to Operate (SLO). Unlike stipulated mining regulations and acts, Social Licence to Operate does not follow a documented process, but a ‘gentleman's agreement’ between the mining company and its surrounding communities.

To put the practice of Social Licence to Operate into perspective, one needs to go as far back as the history of mining in South Africa. With this thought in mind the question arises: ‘Has the communities surrounding mining operations always been consulted or are they placed at the forefront from the early stages of the operation?’

One of the characteristics of a Social Licence to Operate is that it should take place before, during and after the completion or closure of the mining operation. Fair enough, most mining companies might have missed the opportunity to include the communities from the first phase; however, there is still a need to maintain the Social Licence to Operate.

Social Licence to Operate should not be seen as an only way to maintain a healthy relationship with the community members without compromising the return on investment. Another way is to ensure a strong emphasis on community members as part of stakeholder partnership with the mine.

This relationship can have win-win outcomes for both the mine and communities, without one party manipulating another party. The purpose of this study was to look into a Social Licence to Operate within mining communities: a case study of Kumba in the Northern Cape Province, South Africa.

Herewith a brief framework of the study: Chapter One is the Orientation and Background information of the research project; Chapter Two gives a theoretical orientation of Corporate Social Responsibility (CSR) and related concepts; Chapter Three outlines the findings from Sishen mine (Kumba Iron Ore) in Kathu obtained during the field work; Chapter Four highlights findings from some of the community
members interviewed during the field work in the surrounding communities of Sishen mine, and the last chapter, *Chapter Five*, provides a conclusion drawn from the research project and recommendations thereof.
OPSOMMING

Suid-Afrikaanse mynbedrywighede neem toenemend die geloofwaardigheid van die sogenaamde Social Licence to Operate (SLO) in ag. Anders as gestipuleerde mynbouregulasies en -wette, volg Social Licence to Operate nie 'n gedokumenteerde proses nie, maar 'n 'gentleman's agreement' tussen die mynmaatskappe en die omliggende gemeenskappe.

Om die praktiek van Social Licence to Operate in perspektief te plaas, moet 'n mens so ver teruggaan as die geskiedenis van mynbou in Suid-Afrika. Met dit in gedagte onstaan die vraag of die gemeenskappe rondom mynbedrywighede altyd geraadpleeg was of altyd op die voorgrond geplaas was vanaf die eerste fases van die mynboubedrywighede.

Een van die kenmerke van Social Licence to Operate is dat dit moet plaasvind voordat, tydens en nadat mynbedrywighede voltooi of afgesluit is. Hoewel die meeste mynmaatskappe die geleentheid misloop om die gemeenskappe van die eerste fase af in te sluit, is daar steeds 'n behoefte om 'n Social Licence to Operate in stand te hou.

Die Social Licence to Operate moet nie gesien word as die enigste manier om 'n gesonde verhouding met die lede van die gemeenskap in stand te hou, sonder om die opbrengs van investering te bedreig nie. Nog 'n manier is om te verseker dat 'n sterk klem geplaas word op die lede van die gemeenskap as deel van 'n vennootskap met die myn.

Hierdie verhouding kan wen-wen uitkomste inhou vir beide die myn en gemeenskappe sonder dat een party die ander manipuleer. Die doel van hierdie studie is om ondersoek in te stel na Social Licence to Operate binne myngemeenskappe: 'n gevallestudie van Kumba in die Noord-Kaap Provinsie, Suid-Afrika.

Vervolgens word 'n kort raamwerk van die studie gegee: Hoofstuk Een is die Inleiding en Agtergrondinligting van die navorsingsprojek. Hoofstuk Twee gee 'n
teoretiese oriëntatie van Korporatiewe Sosiale Verantwoordelikheid (KSV) en verwante konsepte. *Hoofstuk Drie* skets die bevindinge van Sishen-myn (Kumba) in Kathu wat tydens die veldwerk verkry is. *Hoofstuk Vier* lig die bevindinge uit van sommige lede van die omliggende gemeenskappe van Sishen-myn, met wie tydens die veldwerk onderhoude gevoer is. Die laaste hoofstuk, *Hoofstuk Vyf*, bied gevolgtrekkings aan wat uit die navorsingsprojek gemaak is, asook aanbevelings.
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GLOSSARY

CC – Corporate Citizenship

CG – Corporate Governance

CSI - Corporate Social Investment

CSR – Corporate Social Responsibility

DMR – Department of Mineral Resources

EIA - Environmental Impact Assessment

FPIC - Free, Prior, Informed Consent

HDSA – Historically Disadvantaged South Africans

JSE - Johannesburg Stock Exchange

MPRDA - Mineral and Petroleum Resources Development Act

SARS – South African Revenue Services

SEAT – Socio-economic Impact Assessment Toolbox

SE – Stakeholder Engagement

SLO – Social Licence to Operate

SLP – Social and Labour Plan

SRI - Socially Responsible Investment

RWG – Relocation Working Group

TB – Tuberculosis
CHAPTER 1: ORIENTATION AND BACKGROUND

1.1 INTRODUCTION

The Mineral and Petroleum Resources Development Act (MPRDA) (2004) determines that mining companies must comply with a number of requirements in order to acquire or renew mining licences (new order mining rights). Amongst others, the requirements include an Environmental Impact Assessment (EIA) and a Social and Labour Plan (SLP). One of the main objectives of the Social and Labour Plan is to ensure that mining companies play a leading role in the socio-economic development of the areas in which they are operating (Social and Labour Plan guidelines, 2012). This statement may appear to be contradictory, but it can be argued that the developmental well-being of a mining company, in terms of the economic, environmental and social dimensions, depends greatly on a good relationship with the surrounding community.

A healthy relationship between the mine and the community means harmony, mutual understanding and respect from both parties. The Fraser Institute (2012) concurs by stating that the credibility of mining companies is based on characteristics like honesty, transparency, community engagement and consistency, to name but a few. However, taking into account recent events in the South African mining sector, it can be argued that this statement holds little truth.

An example of this disparity in understanding and respect between mining companies and communities is the 2012 ‘Marikana massacre’. What the world witnessed on 16th August 2012 in the Marikana area, following a strike by Lonmin mineworkers, can be attributed to various underlying social issues. Issues such as a top-down management approach, inadequate community engagement processes and poor social conditions (for example housing and infrastructure) give rise to a questionable Social Licence to Operate (SLO) in local and adjacent communities (Bench Marks Foundation, 2012).

A Social Licence to Operate (SLO) is necessary in developing a good relationship with all stakeholders, especially local communities (The Fraser Institute, 2012). Total
acceptance from the local communities of the mining company and its operations means a positive Social Licence to Operate and mutual understanding. According to The Bench Marks Foundation (2012:2), government needs to ensure that local mining communities are actively involved in decision-making processes, particularly where their lives are directly affected. Ensuring that communities are part of the decision-making process could possibly be the starting point for sustainable community development projects.

Community development in the mining industry also forms part of the elements of the Mining Charter in South Africa. The Broad-Based Socio-Economic Empowerment Charter (2010) for the South African mining and mineral industry clearly states:

“Mining companies must conduct an assessment to determine the developmental needs in collaboration with mining communities and identify projects within the needs analysis for their contribution to community development in line with Integrated Development Plans (IDPs), the cost of which should be proportionate to the size of investment”.

In many ways, one can say it is no longer optional for mining companies to take care of its surrounding environment, including communities in close proximity. Community development thus is becoming a core part in operating an organisation or in this case a mining company. When mining companies give back and build a good relationship with surrounding communities, these ties go beyond community development or a Social Licence to Operate, but touch on Corporate Social Responsibility (CSR) and corporate governance (CG).

As Blowfield and Murray (2011:7) point out, corporate responsibility occurs the moment a company takes care of its community’s social needs. It becomes clear when studying corporate responsibility theory that a sustainable development approach provides long-term solutions. Any business that gives back to its community should at least aim for a long-term solution, taking into consideration environmental, social and economic factors. Blowfield and Murray (2011:23) further arrived at a similar conclusion noting:
“…the triple bottom line was developed to address this by encouraging companies to think in terms of adding economic, social and environmental value”.

The Bench Marks Foundation and North-West University (specifically the Bench Marks Centre for CSR at the Potchefstroom Campus), in collaboration with the Stockholm School of Economics and Diakonia (Swedish NGO) embarked (2012-2014) on a joint project under the Swedish International Development Agency’s (SIDA) Partner Driven Cooperation (PDC). The Bench Marks Foundation is an independent international NGO, based in Johannesburg. The organisation’s main focus and unique point lies within Corporate Social Responsibility (CSR) and evaluations of corporate performance against international measuring instruments. The involvement of the Bench Marks Foundation thus carries substantial weight in the project partner equation, since one of the main agendas of the Foundation is to plot strategic interventions to benefit both the mining companies and community members living in close proximity to the mines.

In addition to the above, the Bench Marks Centre for Corporate Social Responsibility’s contribution is to merge theory and practice and in so doing develop practical recommendations that can be used to improve mining community engagement and development. The ultimate goal is to facilitate the negotiation and engagement process and ensure that community development practices have a long-term participatory approach and are sustainable in nature. Therefore it is envisioned that recommendations from this study, and further projects established from this partnership (Bench Marks Foundation & Bench Marks Centre) could positively contribute towards sustainable development in the mining industries of Southern Africa.

The locus of this study is the Kumba Iron Ore mining company – an affiliate of the Anglo American group. According to Anglo American Business Report (2012) Kumba Iron Ore is the fourth largest mining company in South Africa and it is listed on the Johannesburg Stock Exchange (JSE). The bulk of Kumba’s iron ore production comes from Sishen mine, located near Kathu in the Northern Cape Province (Anglo American Business Report, 2012). There are also two other Kumba mining
operations, one near Postmasburg (Kolomela mine), also in the Northern Cape and the other one in the Limpopo Province (Thabazimbi mine). As a result of increasing global economic pressure, Anglo American announced in 2015 that the Thabazimbi mine will be closed.

Due to the scope of work and in order to narrow down the study, the operational research focus (case study) was only at Sishen mine. However some generic recommendations at the end of the study can be extrapolated to similar mining contexts.

Given the above-mentioned background and orientation of the study, the specific problem statement can be put to the fore.

1.2 PROBLEM STATEMENT

The Fraser Institute (2012) is of the opinion that a Social Licence to Operate (SLO) goes further than formal documentations and focuses more on the real social issues and acceptance of mining companies by adjacent communities. According to the above mentioned Institute the following represent the steps on how to achieve a Social Licence to Operate (SLO):

- Mining companies must develop a good relationship with all stakeholders, including communities;
- Governments, mining companies and local communities must undertake trilateral (involve the above three parties) negotiations from the start of the mining process;
- Mining companies must be sensitive to local cultural norms; and
- Mining companies must start with community engagement as early in the process as possible.

The above four steps need to be considered before, during and after the life of the mining operations, since a SLO remains an essential factor for the sound relationship between mining companies and surrounding communities.
This study set out to investigate and determine how Kumba had obtained its Social Licence to operate from adjacent communities. Two main angles to the above-mentioned umbrella framed the wider problem area to be investigated. Firstly, the processes followed (from the side of the company) are highlighted and in the second instance - the capacity of the community to grant the Social Licence to operate is determined. In terms of the capacity of communities, different approaches - amongst other factors - were scrutinised, for example top-down/bottom-up approaches, participation and communication, self-reliance and resilience within communities.

A further and related dimension of the problem was to determine if there had been conflicting expectations between the mining company and the community in negotiating the SLO. The ultimate aim of the study was to highlight possible ways that both the community and the mining company could benefit from a joint relationship.

Derived from the aforementioned problem areas regarding a SLO, the following research questions that guided the research, had arisen:

1) How to define and scrutinise CSR and other related concepts such as SLO, Community Engagement and Stakeholder Engagement?
2) What is the nature of CSR practices at Kumba, and how are relevant policies, projects, programmes and conflict management being implemented in the communities?
3) What social issues form part of discussions in the Kumba communities when negotiating a SLO?
4) What recommendations can be made in order to secure a sound Social License to Operate in the area, which will acknowledge community members as key stakeholders?

In retrospect, the question of a Social Licence to Operate is more often than not hugely problematic and difficult to understand. Against the above-mentioned background and the posed research questions, the main problem to be investigated in this study was thus the lack of comprehension from outside (especially communities) regarding the associated structures, processes, projects and dynamics
of obtaining a SLO, as well as Kumba’s inability – according to the communities – to address critical social issues, e.g. relocation and unemployment. In analysing and scrutinising the theory and practice of a SLO in the identified research setting (Kumba), valuable contributions could be made in terms of stakeholder dialogue, community engagement, and, eventually, long-term sustainable development. Meaningful recommendations also shed more light on this problematic and contentious issue.

In order to address the abovementioned research questions the following research objectives were outlined.

1.3 RESEARCH OBJECTIVES

The overarching objective was to:

Investigate how the mining company obtained its Social Licence to Operate through its CSR projects, taking into account different social issues and the capacity of the community in negotiating a SLO.

The specific objectives were to:

1) Define and scrutinise the concept of CSR, and explore related concepts in the CSR literature relevant to the study (e.g. Social Licence to Operate, Community Engagement and Stakeholder Engagement).

2) Explore the nature of CSR activities at Kumba and ascertain how relevant and effective Kumba’s policies, projects and programmes, including conflict management, are being implemented in the communities.

3) Explore the relevant social issues in the Kumba communities in negotiating a SLO.

4) Make recommendations in order to ensure a sound Social Licence to Operate process in the area, which acknowledges community members as key stakeholders.
1.4 CENTRAL THEORETICAL STATEMENT

According to Cronjé and Chenga (2009:418) mining companies have best intentions to reach out to their communities, however, whether they do or not is another story. There is a gap between policy and what actually gets implemented. Having a sound Social Licence to Operate in place will assist in addressing some of the issues from the onset. Based on the dynamics of the community, the mining company will need to adjust and strive for a good relationship. When the community surrounding the mining company is considered as one of the stakeholders, it could possibly minimise potential conflict. As already indicated (Point 1), the Social Licence to Operate is secured when a good relationship between mining companies and adjacent communities is established (The Fraser Institute, 2012).

There are possible ways to ensure that the community members are acknowledged as key stakeholders. One of the ways could be an effective community development process or approach. According to Coetzee, development aiming at people’s well-being is at the core of providing opportunities for people to become more than what they are (Coetzee, 2001:120).

An ideal approach will therefore be what Coetzee termed as the micro-foundation for development thinking, the people-centred approach (Coetzee, 2001:119). According to Coetzee (2001:135) any developmental programme must focus on ways to uncover people’s own definition of human well-being. Comprehensive consultation and joint decision-making are basic and essential in striving to increase humanness (Coetzee, 2001:122). Emphasis on the comprehensive consultation once again highlights the relevance of a SLO throughout the mining operation activities.

Furthermore, a sound stakeholder relationship with the community members will ensure the value of community engagement. Clear stakeholder dialogue and partnership will prevent negative atmosphere and possible conflicts.
1.5 RESEARCH DESIGN

According to Mouton (2001:55) a research design serves as a blueprint for the entire study which essentially means without a proper research design the foundation of the study will be shaky. A well thought out research design serves as a guideline in order to adequately address the research problem (Mouton, 2001:107). For this study the research design that was followed was mainly qualitative in nature. The specific research procedures are discussed below.

1.5.1 Research Procedures

Holliday (2007:50) suggests: “A research design applies the principles set out in the discussion of methodology to the practicalities of day-to-day realities of setting a structuring of activities by means of an account and cataloguing of what was done and why – usually in the past tense”. For the purpose of this study, a literature study and a survey procedure were used.

1.5.1.1 Literature Study

A detailed study of literature available in corporate social responsibility, sustainable development, community engagement, legislation and Social Licence to Operate were considered using sources such as books, conference articles, academic journals, government and international reports, company annual reports and Internet resources.

To establish that other studies similar to this study have not yet been done, a search was conducted on:

- NEXUS
- EBSCOhost
- Google Scholar

1.5.1.2 Survey Procedure

The survey was conducted in the community adjacent to Sishen mine in Kathu (Northern Cape Province).
A qualitative research approach was used for this study. The nature of the study was explorative as it sought to investigate how the mining company had obtained its Social Licence to Operate.

In addition to the literature study (Point 1.5.1.1), data was collected using semi-structured interviews, focus-group discussions and, where possible, personal observations.

1.5.2 Case Study

This particular study is a single case study which, according to Henning (2005:243-244), means it was conducted using one incidence. In this case, against the background of the broader Social Licence to Operate issue in the South African mining industry, Kumba was identified to study, and general recommendations and suggestions can be made for similar mining dynamics.

1.5.3 Sampling

The aim of sampling is to ensure a fair representation of the targeted population (Mouton, 2012:110). According to Mouton (2012:132), in social research, the goal of sampling is to draw a representative of population elements. For this study, random and purposive sampling procedures were used to select participants. To avoid being biased in sampling one needs to take into account different strata; in the Kumba setting the researcher indeed took account of different relevant strata of the population, for example gender, race, ethnicity, age, as well as employment and migration status. Sampling for the study was done with the assistance of management at the mine, as well as different community leaders and key informants in the area (e.g. a local pastor).

1.5.4 Data Collection

As already indicated, the general plan for data collection was through semi-structured interviews with relevant participants from the community. Focus group meetings with community members and management from the mine were also arranged. The data was collected during August 2013 when the researcher
accompanied the research team of the Bench Marks Centre for CSR to the research area.

a) Semi-structured interviews

For this study, semi-structured interviews were conducted with some of the community leaders or members in the identified community. In total 60 people including young people, one local psychologist, mine workers, local farmers, mine management and community elders were interviewed during the field work. The semi-structured interviews are probably the most commonly used type of interview (Sanchez, 2006:1). Semi-structured interviews were preferred for this study because of the research subject’s substantial freedom to ask additional questions as they may arise (Bryman, 2001:314). It is also understood that this kind of interview would create space for more in-depth conversation (Sanchez, 2006:1). The more natural the conversation and interaction, the more concrete and open the information that could possibly be obtained during the interviews.

b) Focus groups

Typically when conducting a focus group interview, a maximum number of 15 people are assembled together with a specific discussion purpose (Barbour, 2007:37; Marshall & Rossman, 2011:149). The intention was mainly to interact with community members and hear from their perspective what they understood by Social Licence to Operate. We grouped people according to their interests and roles they play in the community – for example the mine workers were interviewed as a group as opposed to mix them together with young people (each group had a minimum number of five members).

1.5.5 Data Analysis

One of the ways to analyse research data once it has been collected is through content analysis (Du Plooy, 2001:191). Qualitative content analysis is appropriate in examining and categorising the collected data from the semi-structured interviews and focus group discussions (Du Plooy, 2001:83, Devi, 2009:5).
The recorded and transcribed data formed the basis of the thematic analysis. Qualitative data analysis was done with the use of available documents from the Sishen mine, with regard to processes and structures involved in obtaining SLO. Other theoretical contexts (e.g. CSR, sustainability, stakeholder engagement, etc.) were also used to re-contextualise the collected data.

More specifically, the researcher also followed the following eight steps during the process of conceptual analysis of qualitative data, as identified by Palmquist et al. (2005):

1. Deciding on the level of analysis
2. Deciding how many concepts to code for
3. Deciding whether to code for the existence or frequency of a concept
4. Deciding how to distinguish among the concepts.
5. Developing rules for the coding of texts
6. Deciding what to do with irrelevant information
7. Coding texts
8. Analysing results

1.5.6 Ethical Considerations

The three most important principles that guided ethical consideration are:

1) To ensure there is no harm to participants
2) To fully inform the participants of their consent
3) To guarantee no invasion of privacy

The researcher endeavoured to comply with all three principles throughout the study. For general ethical consideration the aim of the study was explained in detail and repeatedly to every participant in this study. Ryen (2011:418) concurs by stating that
informed consent means the participants have the right to know that they are being researched and fully understand that they can withdraw at any time. The participation was purely voluntary and no incentives were promised. A letter of consent in both English and Setswana was signed by each participant, the researcher and study leader.

The North-West University (NWU) considers research ethics a high priority. The Research Ethics Committee of the NWU was formed in order to serve as the gatekeeper of ethical considerations in research. Currently, post-graduate students are expected to complete a Research Ethics Application Form before they commence with their respective projects. The nature of the form communicates the scope of the research and to what extent ethical considerations should be taken into consideration with regard to people, animals and other vulnerable groups. Only after the form has been completed will the Research Ethical Committee of the NWU approve the research. This process safeguards the ethical manner in which the proposed research is conducted. This study thus also went through the mentioned ethical process and got an ethical clearance number (NWU-00177-13-A7).

1.6 LIMITATIONS

The two main limitations to the study were firstly access to the company (Kumba), and secondly, the widespread communities from which data had to be collected. However, the qualitative nature of this study – in contrast to a formal quantitative survey -allows space to be versatile and to get relevant information at alternative ‘places’ and in different ways and settings.

1.7 SIGNIFICANCE OF THE STUDY

As indicated (Point 1.3), the overarching goal of this study was to investigate how Kumba had obtained its Social Licence to Operate. Recommendations and concluding remarks from the study could contribute positively towards sustainable development in the Southern African mining sector. Furthermore this study aimed to develop a comprehensive Social Licence to Operate checklist (under the
Recommendations) that can be employed and used by mining companies across the board.

This study also adds to the already existing rich literature with regard to the following:

- Acknowledgement of communities as key stakeholders in mining companies;
- The importance of a Social Licence to Operate as a first step in mining processes;
- A holistic corporate governance approach in the mining industry; and
- Effective community engagement and a bottom-up approach.

1.8 CHAPTERS OUTLINE

Chapter 1: Orientation and Background

Chapter 2: Social Licence to Operate: Theoretical Orientation

Chapter 3: CSR Programmes and Projects at Sishen Mine

Chapter 4: Community engagement in negotiating a Social Licence to Operate

Chapter 5: Conclusion and Recommendations
CHAPTER 2: SOCIAL LICENCE TO OPERATE: THEORETICAL ORIENTATION

2.1 INTRODUCTION

The focal point of this study hinges on understanding the practice of a Social Licence to Operate (SLO) within the mining company under discussion. However, it is of further importance to note that a SLO is embedded within the field of Corporate Social Responsibility (CSR) and other related concepts are also in play, such as Sustainable Development (SD), Corporate Social Investment (CSI), Socially Responsible Investment (SRI), Corporate Citizenship (CC), Corporate Governance (CG), Stakeholder Engagement (SE) and Stakeholder Theory.

To reflect on the paradigm shift that has occurred over the recent years, there has been an expansion in the understanding and practice of Corporate Social Responsibility in the South African mining setting. New legislation after 1994, such as the Mineral and Petroleum Resources Development Act (MPRDA – 2004) as well as sector charters, for example the Mining Charter, play a pivotal role in ensuring that real transformation occurs within the mining milieu. However, these progressive mining regulations are not unique to South Africa. According to the European Commission for Employment and Social Affairs (2002), Corporate Social Responsibility is a concept describing how companies integrate social and environmental concerns into their business operations and in their interactions with stakeholders on a voluntary basis. This is due to the increasing awareness that the success of the business and its sustainability lead to responsible ethical business behaviour.

For South Africa, the discovery of gold resources dates back to as far as 1886. Since then, the mining industry has always played a notable role within the country’s economic, political, social and environment spheres (SA Mining Charter, 2010). Progressing past 1994, the industries universally, but more especially the mining industry, came under pressure to practice sound Corporate Social Responsibility.
The concept of Social Licence to Operate has not always been known and started off as a form of solidarity standpoint from communities against mining projects. According to Black (2012:20) the mining companies as well as other industries have managed in recent times to use a SLO as a mechanism to gain acceptance and forge relationships with adjacent communities.

2.2 DEFINITION OF CONCEPTS

The underlining parameter centres around, amongst others, Corporate Social Responsibility and in the defining of CSR (2.2.1), a distinction between CSR and CSI is outlined. Sustainable Development (SD) is basically seen as an interrelated concept to CSR, therefore a discussion on SD (2.2.2) is presented. The main focus of the study is a SLO (2.2.3) and, associated with that, Stakeholder Engagement (2.2.4). These concepts are consequently put to the fore. Lastly, there are of course other related and relevant concepts, which are also briefly discussed, namely Free, Prior and Informed Consent (FPIC) (2.2.5) and Corporate Citizenship (CC) (2.2.6).

2.2.1 Corporate Social Responsibility (CSR)

The principal concept to elaborate from hereon is Corporate Social Responsibility, followed by several fundamental concepts relevant to this study and to the understanding of the practices of a Social Licence to Operate (SLO) in the mining environment.

Recently, issues surrounding Corporate Social Responsibility have become more pertinent to mining companies, particularly in the context of their relationship with their immediate community, including their employees.

Corporate Social Responsibility is a complex construct that is, as already indicated, related to various but interconnected concepts. How developed countries define Corporate Social Responsibility certainly differ from how developing countries envision CSR (Prno & Scott, 2012; World Bank, 2012). The World Bank’s definition of CSR is possibly the closest golden thread that creates a nexus in both developing
and developed countries’ understanding of CSR. The World Bank defines CSR as a business commitment and contribution towards sustainable economic growth.

This includes stakeholders such as employees, their families, the local community and society at large, aiming to improve the quality of life in ways that are best for both business and development (World Bank, 2012).

Previously in the South African mining sector, Corporate Social Responsibility was generally understood to be hand-out donations, seen as a philanthropy exercise and supporting good causes. The main shortfall with this kind of thinking may possibly be due to the fact that, while the motives were benevolent, it did not however alleviate the ever-growing social issues around the mines, such as poverty, unemployment and poor living conditions (Hamann, 2008:20). To further expound the concept of CSR as indicated above, Wilson (2001:120) explains that the concept of Corporate Social Responsibility is commonly diverse, and thus covers a broader spectrum, which makes it nearly indescribable.

Wilson (2001:120) furthermore states that Corporate Social Responsibility emerged from the need to address wrong corporate behaviour regarding social issues that does not directly impact on the business bottom line. Over and above meeting the social needs, striving for economic stability and taking the environment into account, businesses are starting to address issues that might harm their companies’ moral standing. As Roseland (2000:1) states, companies need to place high emphasis on economic and social approaches as part of the overall mandate to the company’s everyday business.

As already suggested, there is also a need for a distinction to be drawn between Corporate Social Responsibility and Corporate Social Investment (CSI). CSI is commonly the point of departure, a realisation that a company cannot only capitalise off its environment, but is obliged to benefit it as well (Njenga & Smith, 2007:4). CSR goes a step further than just CSI and, according to Blowfield and Murray (2011:57), companies are also becoming more aware of the balanced triple bottom line which implies profit (contributes to economy), people (social investment) and planet (environmental friendly). In terms of good practice in Corporate Governance (CG)
and for the benefit of CSR, companies are encouraged to follow standards of Integrated Reporting (IR). The benefit of Integrated Reporting provides a holistic view into the company’s information, strategy, performance, governance and sustainability – showing the various outputs to the different stakeholders in an integrated way (Sloan, 2010:1).

The following section outlines a definition of Sustainable Development (SD) - a concept that is considered closely interrelated to Corporate Social Responsibility.

2.2.2 Sustainable Development (SD)

This section elucidates what Sustainable Development (SD) entails and its interrelated relationship with Corporate Social Responsibility. As already alluded to in the Introduction, CSR and SD are seen as interrelated concepts.

The World Commission on Economic Development (WCED), also known as the Brundtland Commission, coined the most commonly used definition of sustainable development in 1987. According to the WCED (as cited by Blowfield and Murray, 2011:61) humanity has the ability to make development sustainable – to ensure that it meets the needs of the present generation without compromising the ability of future generations to meet their own needs. The concept of sustainable development implies limits – not absolute limits, but limitations imposed by the present state of technology and social organisation on environmental resources and by the ability of the biosphere to absorb the demands and effect of human activities.

Sustainable Development is a conceptual and practical approach to combating poverty, social inequality and environmental degradation (Davis, 2007:14). It refers to maintaining development over time and furthermore reconciling development and the environmental resources on which society depends (Elliot, 2006:100). Blowfield and Murray (2011:58) point out that every company defines the concept of Sustainable Development in terms of its own unique ability to achieve its individual aims, but also to a more critical examination of how commercial development activity is necessary to support life degree that jeopardises the ability of future generations to support long-term sustainable developments.
Essentially, what sustainable development intends to do is to integrate social, economic and environmental factors towards planning, executing and application, to ensure that the mineral and petroleum resources, amongst others, could be preserved for long-term purposes, as stated by the report in the Amendment of the broad-based socio-economic empowerment Charter for the South African mining and minerals industry.

The formation of the concept SD can be traced back as far as the 1960’s. There were many achievements during this period, as can be seen from the subsequent table. The table highlights significant milestones in the understanding and recognition of Sustainable Development throughout the world:

Table 1: Sustainable Development milestones

<table>
<thead>
<tr>
<th>Period</th>
<th>Brief description</th>
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<tbody>
<tr>
<td>1960’s</td>
<td>In 1969, the National Environmental Policy Act was passed in the United States, making it one of the first countries to establish a national legislative framework to protect the environment. The law sets the basis for environmental impact assessment in the world.</td>
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<td>1970’s</td>
<td>1977 saw the Green Belt Movement being started in Kenya, using community tree planting to prevent desertification.</td>
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<tr>
<td>1980’s</td>
<td>In 1987, <em>Our Common Future</em> (Brundtland Commission) was established. Report of the World Commission on Environment and Development (WCED) weaves together social, economic, cultural and environmental issues and global solutions.</td>
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<tr>
<td>1990’s</td>
<td>In 1992, another progress in Sustainable Development takes place at the Earth Summit. The UN Conference on Environment and Development (UNCED) was held in Rio de Janeiro. Agreements were reached on the action plan Agenda 21 and on the Convention on Biological Diversity, the Framework Convention on Climate Change and the non-binding Forest Principles.</td>
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<tr>
<td>2000s</td>
<td>In 2002, the World Summit on Sustainable Development was held in Johannesburg, marking 10 years since the UNCED Conference</td>
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in Rio. In a climate of frustration at the lack of government progress, the summit promoted “partnerships” as a non-negotiated approach to sustainability.

In 2005, the Kyoto Protocol entered into force, legally binding developed country parties to goals for greenhouse gas emission reductions and establishing the Clean Development Mechanism for developing countries.

In 2008, Green Economy ideas entered the mainstream. National governments invested a portion of their economic stimulus in environmental actions and a low-carbon economy and green growth became new objectives for the future economy.

In 2011, the United Nations Climate Change Conference was held in South Africa to align the strengths, capacities and expertise of the organisations of the UN system, to deliver as one in addressing the challenge of climate change amongst other issues.

United Nations Climate Change Conference met for the 19th yearly session in 2013, in Warsaw (Poland). The conference delegates continued the negotiations towards a global climate agreement. The conference led to an agreement that all states would start cutting emissions as soon as possible, but preferably by the first quarter of 2015.

From the above highlights, tracing back as far as the 1960's, it becomes clear that the heartbeat of Sustainable Development has come a long way in preserving the environment while maintaining social and economic well-being.

Sustainable Development is concomitant with Corporate Social Responsibility in that it seeks long-term sustainable solutions. One of the ways to forge and implement long-term solutions is when there is a mutual understanding between the mining company and its adjacent community members. In terms of sustainability, a Social...
Licence to Operate is then encouraged before, during and after the mining operations have begun. In the following section, the concept of a Social Licence to Operate is explained.

2.2.3 A Social Licence to Operate (SLO)

A Social Licence to Operate is a total acceptance within local communities of companies in general and more so mining companies and their operational activities. The credibility of a company is dependent on honesty and open communication within the local communities. Starting on the right foot with the community will improve the company’s reputation immensely (Nelsen, 2005).

As discussed in Chapter One, a Social Licence to Operate is understood to be a necessary step in developing a good relationship with all stakeholders including the local communities (The Fraser Institute, 2012). According to Veiga et al. (2001) it is in the mining companies’ best interest to maintain a healthy relationship with local communities adjacent to where they are operating. A SLO must be owned and cannot be applied for. It is important to note that culture, politics and environmental aspects are some of the attributes that characterise and distinguish each mining community and need to be factored in regarding the important SLO process.

As stated by Prno and Scott (2012:346), a SLO acknowledges its existence when a mining company is having an on-going relationship with the local people in order for them to conduct its operational activities. Local communities thus hold strong influence in granting a Social Licence to Operate. The influential power that the local community has, thus also contributes to the mining development process (Prno & Scott, 2012:346).

For the purpose of this study, the understanding of a SLO needs to be conceptualised within a mining context. In this regard, Nelsen and Scoble (2006:223) are of the opinion that a SLO represents a genuine opportunity to transform the mining into an activity that is recognised to promote the triple-bottom line (social, economic and environmental well-being) in local communities where they operate.
According to Miltojevic (2010:33) a Social Licence to Operate stems from being right standing with local communities and addressing social issues they might be faced with. Taking into consideration a Social Licence to Operate with communities has become a significant Corporate Social Responsibility agenda and a standard requirement. Also, proper communication underlies a SLO. In this regard, a SLO addresses issues surrounding the relationship between a mining company and local communities through participation and a two-way communication process (Nelsen & Scoble, 2006:47).

True benefits and legacy of a Social Licence to Operate can be achieved when the reputation and the acceptance of the mining company into the community are through genuine relationships solely based on trust and mutual understanding. It is then when the community view the mining company as a trustworthy and respectful partner which results in a win-win outcome (Prno and Scott, 2012:346; Browne et al., 2011:707).

According to Cowe and Hopkins (2008:4), the company’s reputation towards a healthier relationship with its community is built on seven attributes. These attributes add to a mutual relationship between the mining company and its adjacent community members and they are mentioned in no particular order: trust, reliability, quality, consistency, credibility, relationships and, most importantly, transparency.

The importance of acquiring a Social Licence to Operate (SLO) with communities is currently becoming a significant approach and procedure in the South African mining industry (Miltojevic, 2010:33). According to Prno and Scott (2012:346) it (the SLO) is becoming a universal phenomenon – communities around the world want to play a pivotal role in decision-making and be assured that industries surrounding them will take their safety and the environment into consideration.

Prno and Scott (2012:346) contends that, to a greater degree for mining companies, a Social Licence to Operate reduces possible social risks and assist in growing operations to move forward without community conflict. As for communities, the granting of a Social Licence to Operate indicates they have been meaningfully considered in decision-making and have fully benefited from the mining project.
Finally, Veiga et al. (2001:190) outline three factors that form the basis in understanding the relevance of a SLO within a mining context:

1) Environmental impacts must not pose any unacceptable risk to associated communities;
2) Mine development must be perceived to bring a net benefit to the community. To achieve this, community diversification must be part of mine planning, development and operation and post-closure plans; and
3) Communications between the mining company and the community must be transparent and effective - the community should be encouraged to share in decisions that have direct impact on them.

One of the strategies that may assist in open communication between the mining company and communities is through the stakeholder engagement approach. Stakeholder engagement forms part of stakeholder management in that it forges ways and strategies to engage with different stakeholders. The following section elaborates more on what stakeholder engagement entails.

2.2.4 Stakeholder Engagement

According to the Minerals Council of Australia (2013) fair stakeholder engagement is the one that includes community members and is essential for promoting and achieving long-term sustainable development. As it has already been indicated, stakeholders might include local communities, NGOs, local government and employees (as well as their families). In addition to the above definition, the World Summit on Sustainable Development believes stakeholders to be those people who have invested interest in a particular decision, either as individuals or a group of people. Again, they might include local community members, non-government organisations, governments, shareholders and employees.

According to Walton (2007:49) stakeholder engagement is an ongoing and multi-faceted process that can include the following:

- A company providing necessary information to the community for them to make an informed decision.
• There needs to be a plan of action to build capacity and equip communities.
• It is important to listen and respond to community and stakeholder concerns.
• Open communication creates inclusiveness and communities feel part of relevant decision-making processes.
• Developing goodwill and always looking for ways to a better understanding of objectives and priorities lead to healthy confidence in decision-making.
• The last point to note is the importance of establishing realistic understanding of potential outcomes.

Furthermore, principles and elements of engagement with stakeholders, as elaborated on in the Minerals Council of Australia report (2013), are communication, transparency, collaboration, inclusiveness and integrity. These principles are to be adhered to throughout the engagement process with different stakeholders at all times.

One of the key elements of SLO acknowledges and highly recommends effective engagement with communities which communicate the concerns and interests of the people - this level of engagement recognises the importance of community engagement as a continuous and complete process. One of the ways for effective strategic alignment is to engage with stakeholders through leading a more equitable and suitable social development by giving those who have a right to be heard the opportunity to be part of a decision-making process.

Later on in this study, under Stakeholder Theory (Point 2.3), there is an in-depth discussion about effective strategic alignment of stakeholder engagement.

The following section discusses one of the most vital facets in ensuring the community member’s involvement in the process of a Social Licence to Operate, namely Free, Prior and Informed Consent (FPIC).

2.2.5 Free, Prior and Informed Consent (FPIC)

Free, Prior and Informed Consent (FPIC) relates to a SLO in the sense that it also requires complete and continuous engagement with local communities before
starting any operations. It is important to put people at the forefront by including them in decision-making processes. As alluded by Sosa, “...people are given full rights to participate in decisions affecting their land and resources; this includes the right to say no to natural resources development” (Sosa, 2011:2). This notion also highlights the importance of informed public participation. It is important to be open and let the community members know and understand what their involvement in decision-making would mean.

Some similarities and differences between FPIC and a SLO are the following:

- FPIC is primarily recognised as a regulation from the government whereas SLO is something a project is required to obtain without government involvement.
- The goal of FPIC is to ensure that consent is obtained before a project proceeds. It is not readily concerned with maintaining consent after a project has already been approved. SLO on the other hand takes a longer process route and emphasises the need to maintain community support throughout the project’s lifecycle.
- FPIC is rooted and focused mainly on relations with indigenous people. A SLO does not differentiate between the types of communities that it applies to. The two approaches can also be differentiated on their degree of formality in how the process of FPIC works.
- Regardless of the differences between FPIC and a SLO, both advocate for a strong mutual goal – namely an objective of securing community support for a proposed undertaking.

Finally, the following attributes characterise the relevance of FPIC, as outlined by Goodland (2004:11):

- FPIC is freely given;
- Fully informed;
- Obtained before permission is granted to a proponent to proceed with the project; and
- Is consensual.

When FPIC is fully acknowledged it could possibly pave a way for corporate citizenship. Every company is now required by industry charters, stakeholders and in some cases the Stock Exchange to practice corporate citizenship. In the next section corporate citizenship is explained.

2.2.6 Corporate Citizenship (CC)

According to Freemantle and Rockey (2004:6), for any company or organisation to be able to demonstrate strong corporate citizenship, an environmental and social awareness as well as a positive contribution towards a healthier economy are needed.

In some cases corporate citizenship is seen as an interdisciplinary structure whereby various disciplines, such as political science, sociology, legal studies, management studies and economics, are starting to reconsider the role of business in society in light of the ongoing global debates.

Therefore corporate citizenship thus serves as a perfect link which may help to connect these various disciplines. In business, corporate citizenship has emerged as a role player in social spheres by ensuring good governance.

According to the CSI Handbook (2008) good corporate citizens are concerned with social investment, because it facilitates sensible business and a sustainable future. The following are characteristics which bare reference to contributions enabling community development and promoting a positive relationship between the company and its surrounding communities:
1. Business reputation
2. Active social advocacy
3. Holistic approach to the well-being of the community and environment
4. Long-term sustainable solutions

Likewise, corporate citizenship can be seen as a systemic approach to corporate responsibility which requires a wide understanding of the political place of the company in national and international communities as well as the economic, social and environmental impact and performance of the company as a whole.

According to Marrewijk (2003:2) corporate citizenship is emerging as a prominent term in the management literature, dealing specifically with the social part of the business dynamics. It is therefore correct to say good corporate citizenship is about understanding and managing an organisation or company's direct influences and relationships with the society in a way that minimises the negative and maximises the positive.

Njenga and Smit (2007:4) accentuate that every business forms part of a social and environmental cluster within CSI and therefore a good business cannot be conducted in detrimental social and environmental circumstances. Corporate citizenship is characterised by the beneficial benefits of CSI and at the same time is also concerned by the ethical and reputational demands of CSR (Njenga & Smit, 2007:5). The following diagram illustrates a strong intertwine between the concepts of Corporate Social Investment (CSI), Corporate Social Responsibility (CSR) and Corporate Citizenship (CC).
**Figure 1:** The relationship between Corporate Social Investment (CSI), Corporate Social Responsibility (CSR) and Corporate Citizenship (CC) as adapted from Njenga and Smit (2007)

From the above diagram it becomes apparent that corporate citizenship is seen as the glue between corporate social responsibility and corporate social investment as it aims at a holistically approach to social and environment sustainability in long-term outcomes. CSI places emphasise on the reputation of a company. One of the many questions asked here is 'what are the ways in which the company can contribute to
the well-being of the communities’? (Njenga & Smit 2007:6). CSR reflects the character of a company – the most important question every business (company) should ask is ‘is the company accountable to best business practices for the benefit of communities and other stakeholders?’ (Njenga & Smit 2007:6). Ultimately, it is expected from companies and in particular mining companies to ‘complete the circle’ and become good Corporate Citizens (as explained in Figure 1 shown above). The issue of long-term sustainability also needs to be considered when engaging with communities. The ideal situation is a place whereby the community can stand on its own feet long after the mining company has left. The question to consider here is ‘who are we as a contributor to sustainable global wellbeing?’ (Njenga & Smit, 2007:6).

Given the importance of the different stakeholders in a mining context, as well as the supposed and expected harmony between them (also see Social Licence to Operate – 2.2.3, Stakeholder Engagement – 2.2.4 & Free, Prior and Informed Consent – 2.2.5), the Stakeholder Theory forms a critical conceptual framework for this study, as discussed in the subsequent section.

2.3 STAKEHOLDER THEORY

First and foremost in the stakeholder theory, managers are required to draw a line that links the world of business and the world of ethics together (Freeman & Parmar, 2007:434). According to Freeman and Parmar (2007:434) stakeholder theory furthermore creates space within the Corporate Social Responsibility sphere to restructure and leave behind obsolete assumptions about the objective business world and subjective ethics world, in order to assist managers in making informed decisions.

According to Phillips (2004:2) legitimate stakeholders are owed an obligation by the organisation as opposed to derivative stakeholders. Derivative stakeholders are those who hold power over the organisation and could benefit or have negative influence on the organisation.
Typically a legitimate stakeholder includes, amongst others, a group of employees and local communities. They are normally defined as those who have voluntarily accepted benefits and to whom the organisation has incurred obligations of fairness (Phillips, 2004: 4-5).

As seen in the previous section (Stakeholder Theory 2.3), stakeholders are individuals who are actively involved in the company and whose interest may influence the outcomes or success of a company. Corporate Social Responsibility is often linked to stakeholder relations in that it encourages a company or organisation to consider its environmental impacts, social relationships as well as economic dimensions.

Stakeholder Theory is about managing business-society relations in a strategic way. Over the years, stakeholder theory has evolved from a pure Theory into a more comprehensive aspect addressing general stakeholder relationships (Jones & Wicks, 1999:22). According to Freeman and Parmar (2007:435) the Stakeholder Theory gives an opportunity for researchers to be able to interpret what is going on and to give a better understanding of management practice, so that ultimately it can improve value-creation in how people treat each other. Freeman and Parmar (2007:436) elaborate further by pointing out that the legitimacy of stakeholder theory is in its managerial point of view regarded useful to senior management and stakeholders in order to maintain their relationships.

According to Phillips (2004) Stakeholder Theory is characterised by the following factors:

- Stakeholder Theory does not fall neatly into the positivist conception of a theory.
- Stakeholder Theory creates a new narrative for executive effectiveness, one that is based firmly in managerial experience and decision-making.
- Stakeholder Theory aims to guide managerial action.
- Stakeholder Theory is about enable better business in contexts where flesh-and-blood managers cannot always predict what will happen.
The legitimacy of Stakeholder Theory in its managerial point of view is profoundly useful to executives and stakeholders in order to maintain the relationship.

Stakeholder Theory allows academics to interpret what managers, executives and stakeholders are doing and saying. It allows academics to interpret what is going on, and to give better, more coherent accounts of management practice.

Stakeholder Theory is a theory of organisation management and ethics.

From the above characteristics some light is shed of what Stakeholder Theory entails over and above stakeholder management and business ethics.

After the definition of concepts as well as an overview of Stakeholder Theory the focus is consequently on the practical implications of a SLO.

2.4 PRACTICAL APPLICATION OF A SOCIAL LICENCE TO OPERATE (SLO)

Mining companies are increasingly operated in areas characterised by extreme levels of poverty, lack of resources and corruption within the local government. As noted by Donovan (2012:50), from an interview with a mining executive: “If we cannot get it right above the ground we can’t get to the stuff under the ground”. This statement highlights the relevance and subsequently the importance of obtaining a Social Licence to Operate in a proper manner.

There is a formal approval through mining regulatory processes that is required by the government (Department of Mineral Resources). Mining companies must have a valid mining licence which includes, amongst others, an Environmental Impact Assessment (EIA) as well as a Social and Labour Plan (SLP). A key aspect of a SLP, in relation to this research, is the question of local economic development (LED) in the area where the mining company is operating. This of course, links on to the issue of a SLO. As already indicated in this Chapter, Blowfield and Murray (2011:57) reiterate that a Social Licence to Operate refers to the public’s acceptance of a company’s impact on a wider society. There are numerous ways in which companies can fortify their Social Licence to Operate. Stakeholder engagement, transparency and integrated reporting help mining companies to maintain a good
relationship with their neighbours. The success of a mining company depends to an increasing extent on the degree that the expectations of the local communities are being met.

The consequences of not having a SLO can have direct implications for the companies: in revenues, difficulties in attracting skilled employees, delays in mining activities due to strikes and possible closure due to community opposition to the mining operations. As it has already been indicated, building towards social capital in the relationship between a mining company and its surrounding communities will have a win-win outcome for both parties.

Given the importance of the ‘community’ as stakeholder in the SLO process, it is important to briefly highlight the concept of a mining community. According to Veiga et al. (2001:1) mining communities refer to where the population is significantly affected by a nearby mining operation. The community may be associated with the mining venture through direct employment and other impacts, such as sharing of land and environmental issues. Prno and Scott (2012:347) state that in the mining environment, local communities are emerging as key stakeholders and governance actors. In development communication terms the concept stakeholder here refers to community members, active community groups, local and regional authorities, NGOs, the government and other institutions working at the community level (Bessette, 2009).

Bessette (2009) is of the opinion that, when mining companies in general involve communities in the development process, they assist in the following practical aspects:

- Discussing natural resources management practices and problems;
- Identifying, analysing and prioritising problems and needs;
- Identifying and implementing concrete initiatives to respond to those problems;
- Identifying and acquiring the knowledge required to implement such initiatives; and
- Monitoring and evaluating their efforts and plan for future actions.
Over the recent years, mining companies have progressed in terms of engaging with communities. In this regard, Prno and Scott (2012:348) state again that the key to successful community engagement is in the understanding of the perspective of communities as stakeholders. There is a possibility to minimise the risks of negative impacts such as disruption, or even worse, denial of a Social Licence to Operate in cases where the mining has not started as yet, when community members are considered as key stakeholders.

Walton (2007:177) further states that mining companies increasingly recognise the importance of maintaining a Social Licence to Operate, and also acknowledges the benefits of engaging constructively with their communities. It is useful when engaging with communities to understand their common belief and what generally binds them together (Walton, 2007:1).

Jenkins and Obara (2006:2) note that key stakeholders, and the ones that are closely tied to the social welfare of the country, are, of course, mining communities (see Introduction - 2.1). Communities play a critical role in consenting to mining operations and are therefore important because of the impact they face from mining. As primary stakeholders, communities play an important part in the mine’s right to operate. A healthy and long-lasting relationship between mining companies and local communities cannot be over-emphasised. This is what will ultimately keep the mine in conflict-free business for a long time.

When addressing the issue of mining communities, the basics of sustainable development need to be interpreted. Jenkins and Obara (2006:2) believe that mining has a huge positive impact on local communities. These positive effects include the creation of new communities and wealth, income from export revenues and royalties, technology transfer, skilled employment and training for local populations and improvements in infrastructure, such as roads, schools and health clinics. Since the global environment in which mining companies operate is under scrutiny, it is imperative to maintain a good reputation with regard to social issues.

Mining companies need to be perceived as to bring an economic boost to the local community by making the community part of the planning, development, operation
and post-closure. There must be effective communication between the mining company and the community. People should be encouraged to take part in decision-making, especially when it directly affects their future. Community participation assists mining companies to avoid possible risks to the sustainability of both their operations and those of the community.

Ismail (2009:199) defines community as a nuclear family consisting of a group of people with common interests and shared purpose and expectations. As for the community development, Ismail (2009:200) continues to suggest that any initiative taken by community members with a particular company to empower local people is seen as community development. Furthermore, community development is when there is an active development aimed at social justice, mutual respect and identifying community as one of the key stakeholders.

The following statement uttered by Lassonde (2003:12) supports the need for good neighbourly manners between the mining company and its adjacent communities: “You don’t get your social licence by going to a government ministry and making an application or simply paying a fee…it requires more than money to truly become part of the local community in which you operate”. The Social Licence to Operate cannot be bought, but it is something you earn out of mutual agreement. As already stated in Chapter One, mutual respect and open communication between mining companies and local communities are common components of a SLO.

According to Nelsen (2005:49) there are ways to ensure mutual respect and open communication as part of engaging with local communities as stated below:

- Understanding of local culture, language and history;
- Designing programmes to educate local people about the mining activities;
- Encouraging open communication with all stakeholders including communities;
- Maintaining a sound track record and a positive corporate reputation;
- Training the work-force;
- Creating business partnership with communities;
- Employing innovation and technology to avoid undue impacts;
• Seeking community support and capacity building;
• Enabling corporate transparency; and
• Collaborating with communities to help meet their infrastructure needs.

Gottlieb (2006:1) describes community engagement as a process of building relationships with community members who will in return work side by side with you as an ongoing partnership in a long term. Furthermore, community engagement is about a company building an army of support for its mission, with the end goal of making a better place to live.

For local communities, the granting of a SLO often means they have been effectively involved in decision making and have received satisfactory benefits from the project, and for mining companies a SLO reduces social risk and helps allow operations to continue without friction from community (Prno & Scott, 2012:347).

Given the focus of this study, substantial consideration is given to the concept of a SLO and the importance and implication thereof. Social Licence to Operate can be seen, to a certain extent, as that it informs relationships between the mining company and the communities. According to Kemp (2010:2) a Social Licence to Operate is also perceived as *community approval to operate* which extends beyond formal legal approvals and government regulations.

To maintain a Social Licence to Operate the mining companies must avoid a conflict of interests in as far as promises and commitments are concerned. It is accepted of a mining company to be accountable to the communities through all the stages of the project cycle, and not engage in any irresponsible behaviour such as not adhering to socio-economic development of the community.

The following are some of the phases regarding sustainability in a mining cycle that cannot be taken for granted:
From the above diagram it becomes clear that for the benefit of both communities and the mining company, the issue of a Social Licence to Operate needs to be addressed. The mining companies have a significant role to play with and along their surrounding communities in transforming and developing socio-economic issues as well as the environment. It is against this backdrop that this chapter draws to a conclusion.

2.5 CONCLUSION

From this chapter it is clear that the future of mining companies depends on their good and ongoing relationship with local adjacent communities. It is even becoming more important for mining companies to obtain a Social Licence to Operate from the initial stage in the mining process. Social Licence to Operate (SLO) goes beyond obtaining official documents from a departmental government. SLO is a good standing based on mutual respect with local communities. Furthermore, a SLO can be seen as a good basis and point of departure for Corporate Social Responsibility
Engaging with communities is not a once-off consultation at the beginning of the process. It requires a long term commitment which needs to be followed throughout the life cycle of the mine. Dismissing communities’ concerns as illicit is not seen as engagement.

The paradigm shift in the governance landscape has a direct impact in the role the communities play in the mining environment (Prno & Scott, 2012:347). According to Walton (2007:178) the key to successful community engagement is in understanding of the perspective of the community as stakeholders.

By honouring the SLO process, which also includes community engagement, a company indicates that it acknowledges its contribution towards the community in which it operates – this may include going beyond what is required and regulated and in so doing, maintaining the constructive mutual benefits.

Failure to embrace the process of a Social Licence to Operate can have direct impact on socio-economic developments and possible infringement on basic human rights. Social Licence to Operate not only affects disadvantaged people. Issues such as economic development and environment matters affect everyone. Although companies are often expected to provide benefits and opportunities for local people and those who are less fortunate, people who are well resourced also deserve the benefits of an undamaged environment.

South African mining operations are increasingly taking into consideration the credibility carried by the so-called Social Licence to Operate. The Social Licence to Operate does not follow documented processes but rather a ‘gentleman’s agreement’ between the mining company and its surrounding communities.

The next chapter takes a closer look into CSR programmes and projects within the communities of Sishen mine.
CHAPTER 3: CSR PROGRAMMES AND PROJECTS AT SISHEN MINE

3.1 INTRODUCTION

When analysing the effectiveness of Corporate Social Responsibility (CSR) programmes, other developmental projects and Stakeholder Engagement (SE) in local communities adjacent to the operations of large multi-national corporations, as well as the clashing of corporate culture (mining company) and local culture (communities) become increasingly evident. Given this evident circumstances, the contentious issue of a Social Licence to Operate (SLO) strongly comes to the fore. As already indicated, a Social Licence to Operate goes further than formal documentation and legislative requirements (e.g. a mining or a water licence or regulated labour practices), and focuses more on the real processes and practicalities regarding the acceptance of a specific company by the relevant community or communities.

According to Miltojevic (2009:33) the Licence to Operate comes from behaving contextually correct which has an influence to maximise the acceptance of a Licence to Operate, and more so approaching each set of circumstances appropriately. It is important to take note here that what works in one situation does not necessarily mean it will work the same way in the next situation. Establishing a Social Licence to Operate within communities has become a significant and rightfully so Corporate Social Responsibility agenda in the twenty-first century. What will largely contribute to the granting and maintaining of a Social Licence to Operate is the way in which the mining company approaches the communities and nurture the relationship.

There are primarily two approaches through which mining companies contribute to the well-being of communities: through a traditional or a pro-active model. According to Nkagisang (2007:93) the traditional model can be divided into two forms of socially responsible practices: complying with the mining regulations and acts, and out of moral obligation such as philanthropic giving. The pro-active model refers to when the mining company goes beyond what is proposed as requirements and meets the needs of communities.
As mentioned by Nkagisang (2007:116), the South African mining sector can be commended for doing their part in ensuring that previously disadvantaged South Africans are empowered and play a role in the future of mining across South Africa. When addressing the issue of employment equity, the South African Mining Charter for the mining and mineral industry clearly states that in order to create a conducive environment to ensure diversity, as well as participation of historically disadvantaged South Africans (HDSAs) at all decision-making positions and core occupational categories in the mining industry, every mining company was required to achieve a minimum of 40% HDSAs in management by 2014, and 10% women in core occupational categories. However, even with a commitment from the sector towards the formal advancement of HDSAs, there are still some instances where there is simply a lack of effective communication in negotiating a successful SLO with adjacent mining communities.

With reference to research Objective Two (see Chapter One – 1.3), programmes and projects involved in addressing social issues and managing conflict situations at Sishen Mine are key to determining the nature of a SLO in this study.

Consequently, this chapter focuses on what the Sishen Mine as a company does for its surrounding communities in terms of Corporate Social Responsibility (CSR). The Kumba SEAT Report (2012) outlines the company’s payoff line as “...positively impacting on communities with the future in mind”. With this bold payoff line the statement suggests the impact and contribution of Kumba towards its communities. From the Kumba Integrated Report (2013), it is clear that the company is determined to actively transform the undesired legacy of Apartheid and bring about more mining benefits to the ordinary South Africans. Kumba Iron Ore has its policies focused on Local Economic Development (LED), skills development, community skills development, preferential procurement, employment equity, women in core mining, education, health and wellness programmes, infrastructure and entrepreneur development. The Sishen Mine forms part of Kumba Iron Ore and when mentioning Kumba Iron Ore, reference is made to the company in its whole entity.
The following section gives a brief overview of the Sishen Mine in Kathu in the Northern Cape Province (South Africa) in order to understand its origin and the communities surrounding this mine. For a more complete picture, brief attention is also given in the section to the social responsibility and empowerment of the company towards its workforce, especially management.

**Picture 1: Aerial view of Sishen Mine in Kathu**

Source: Anglo American

### 3.2 BACKGROUND OF SISHEN MINE

The Sishen Mine has been in operation for over sixty six years and it is Kumba’s flagship. Kumba Iron Ore is the mother company under which the Sishen Mine falls. Throughout this study - as already indicated - mention of Kumba Iron Ore is in reference to a broader picture. The other two mines within Kumba Iron Ore are Thabazimbi in Limpopo Province (closed down in 2015) and Kolomela in Postmastburg, also in the Northern Cape Province. Most of the Sishen Mine employees reside in Kathu, Sisheng, Mapoteng and Dingleton communities. Sishen Mine has sufficient resources to sustain at least a 21-year production and life of mine (LoM) (Kumba Integrated Report, 2013).

The Sishen Mine is rated as one of the seven largest open-pit mines in the world. The Sishen Jig Plant is the largest jig plant of its kind in the world. It operates around
the clock for 365 days a year. Sishen Mine serves in South Africa and in the world, having estimated reserves of 2.43 billion tonnes of ore grading 58.6% iron metal. For operations activities, as dated for 31 December 2012, the Sishen Mine recorded 918.9Mt of final product (Kumba Integrated Report, 2013).

According to the Kumba Integrated Report, (2013), Kumba Iron Ore owns 74% of the Sishen Iron Ore Company (SIOC), which was born out of the unbundling of Kumba Resources in 2006. Historic highlights of Kumba include the opening of the Sishen Mine in 1953 in the Northern Cape Province, and in 1976, the South African government’s investment in the infrastructure to enable the export of iron ore from the Sishen Mine via the Sishen-Saldanha rail link and port facility.

In as far as the employment equity goes on management level; the following demographic diagram highlights the representative of the executive members at the Sishen Mine. The diagram reflects the Sishen Mine leadership team as per SEAT Report of 2013 and the diagram is used according to the researcher’s own interpretation.

**Figure 3: Demographic diagram of Sishen Mine leadership team**
The above diagram shows the leadership team which consist of twelve people of whom eight are males and four females. There is one Black male, one Indian male, two Coloureds males and four White males. There is one Black female and three White females. There are policies and Acts such as Employment Equity, Affirmative Action, Skills Development and Black Economic Empowerment in the workplace that were designed to bridge the gap between Blacks and Whites in order to facilitate equal opportunities for both Blacks and Whites. It is also required from the mining companies to raise the bar for more Blacks in management positions.

According to the Sishen Mine, its diversity programmes are comprehensive and aiming at transforming the organisation beyond what the Mining Charter requires. An example to testify in this regard is 48% of management being made up of historically disadvantaged South Africans. In the SEAT report there is no mention of wage breakdown in terms of gender and race in the work force, therefore it is unclear what the minimum wage for specific lower categories could be. Within the surrounding mining communities, where the SLO must actually be earned, the company also claims to do a lot in terms of CSR.

The following section gives a brief overview of different community areas in the surrounding of the Sishen Mine.

3.3 BRIEF BACKGROUND OF THE COMMUNITIES

The surrounding communities of the Sishen Mine are as follows: Sisheng (also known as Mapoteng), Dibeng and Dingleton – take note that the areas are not mentioned in any particular order.

Kathu, the area nearby Sisheng, means "town under the trees", after the Camel Thorn forest it is situated in. The phrase "the town under the trees" was coined by an engineer working in the town in the early 1990’s as part of a tourist marketing drive. It was also intended to be a marketing slogan. The meaning of the word "Kathu" has anecdotally also been attributed to a porridge brewed by the local population from the powder found in the pods of the Camel Thorn trees. Kathu was established in the late 60's early 70's. The town of Kathu is perfectly situated in-between Upington and
Vryburg, with about a 2 hour drive to each. Kimberley is a 3 hour drive away. Sisheng is located to the west of Kathu and was initially planned as a high density residential area for mine workers without families or any other social structure. It consists of group housing units that belong to the mine to the west, with small pockets of other houses to the west thereof. The larger residential housing component of Sisheng is located nearer to Kathu in the form of single residential houses (Ext 5). The area to the east of Sisheng is the fastest growing residential area outside of Kathu. The next area to be discussed is called Dibeng.

Dibeng started off as a small settlement on the banks of the Gamagara River which provided water for the small-holdings that run the full length of town. The residential areas are characterised by the river in the centre of town and the rocky limestone outcrops directly east and west of the river. Dibeng consists entirely of single residential houses, but can be split into a low density area to the west and higher density and less formal houses to the east. Dibeng was given its name by the Batswana and it means "first drinking place" in Setswana. This small town is situated on the banks of the dry Gamagara River. Residents have to provide their own water and every property has its own wind pump, therefore Dibeng is sometimes referred to as "the sunflower town". The next section gives brief information about Dingleton; the distance between Kathu and Dingleton is about 27 kilometres.

The township of Dingleton was constructed to serve the Sishen Mine in the Northern Cape at the time of mine development in the 1950’s. The town was built by the state-owned mining company at the time, called Iscor. As already mentioned, the mine is now owned by Kumba Iron Ore, a subsidiary of the Anglo American plc group. In the recent years it has been said that by modern standards, Dingleton is located too close to the current mine. This has been compounded by rising environmental awareness and the expansion of mining activities at the Sishen Mine.

Consequently, the following sections present qualitative data that was collected by means of semi-structured interviews with the Sishen Mine’s Local Economic Development (LED) manager and Sustainable Development (SD) manager.
respectively, as well as information obtained from Kumba’s policies and annual documents and reports.

3.4 THE NATURE OF CORPORATE SOCIAL RESPONSIBILITY AT SISHEN MINE

The Sishen Mine is an integral part of the Northern Cape Province, contributes largely to the economy and it is the only mine in the area that covers John Taolo Gaetsewe District Municipality as a labour sending area of which 80% are rural villages. In 2011 about R70 million were spent on socio-economic and community development initiatives.

According to the Local Economic Development (LED) manager at the Sishen Mine, LED is a driving force behind Sishen Mine’s Licence to Operate and also places emphasis on enterprise development. Over and above the company’s adherence to a broad Corporate Social Responsibility agenda, there is, more specifically, also a Social and Labour Plan (SLP) to observe. In South Africa, the constitutional law stipulates that mining companies need to have Social and Labour Plans in place in as far as human resource development and sustainable community development are concerned. The Mining Charter is clear on issues concerning the local community as well as employees. Some of the Social and Labour Plan’s objectives include the emphasis given to effective socio-economic development of mine operating areas, including labour sending areas and also the expansion and use of existing skills to empower local communities.

This leads to the following section which illustrates the practical implications of the Social and Labour Plan from the Sishen Mine.

3.4.1 Social and Labour Plan

Against the background of Social and Labour Plan requirements as well as guidelines from the Mining Charter, Sishen Mine points out that the company also strives for positive corporate citizenship through engaging and partnership with different stakeholders. As already been stated, Local Economic Development is another important key area of a Social and Labour Plan. For the last five years until
Kumba’s Annual Report of 2012, there has been numerous success stories reported through enterprise development which could be seen as a direct boast in the local economy of the Northern Cape Province.

The Sishen Mine’s Sustainable Development manager reiterated the alignment of Kumba’s overall mission with SLP requirements. In this regard, the following can be mentioned: an approach of community engagement and development aiming to foster partnerships, the development of infrastructure as well as enterprise, health and social development, and lastly, the boosting of education and skills initiatives (see 3.5). The above-mentioned is believed to be Kumba’s national imperative to pursue the well-being of their communities.

Kumba Iron Ore states that their Social and Labour Plan is also aligned with the needs of local communities and municipalities (Integrated Development Plans – IDPs), as stated in the Kumba Integrated Report (2013). When dealing with the implementation of Social and Labour Plans, the question of stakeholder relations come strongly to the fore, and is addressed in the next section.

### 3.4.2 Stakeholder Relations

One of the ways that Kumba Iron Ore’s Sishen Mine is addressing its CSR mandate is through placing a higher emphasis on positive stakeholder relationships, sustainable development and harmonious relationships with its surrounding stakeholders. According to the SEAT Report (2013) Sishen Mine’s Sustainable Development Department ensures that interventions are formulated to engage with various stakeholders.

The quality of the relationship between the mine and its stakeholders depends mainly on the care Sishen Mine takes during consultation and engagement with stakeholders. In the mentioned SEAT Report, it also states the four different stakeholder categories based on the size of their stake in the mine. The four stakeholder categories are as follows:
1. Shaper – stakeholders with a significant vested interest in the Sishen Mine and a high level of influence over other stakeholders, such as the local government and department of Agriculture and Land Reform, as well as shareholders.

2. Influencer – stakeholders with a high level of influence over other stakeholders, but without a significant vested interest in the Sishen Mine. Examples here could be the media, other mining companies and the Department of Mineral Resources (DMR).

3. Follower – stakeholders with a significant vested interest in the mine, but with a low level of influence over other stakeholders. It could be Non-Profit Organisations or Suppliers and community members.

4. Bystander – stakeholders with an insignificant vested interest in the Sishen Mine and a low level of influence over other stakeholders. SARS can be categorised in this group.

Furthermore, the Sishen Mine stakeholders are divided in main groups, namely government, civil society, media, industry and internal stakeholders. Typically, members of the community are classified under civil society and perceived to be followers and sometimes also shaper stakeholders. The SEAT Report (2013) clearly reflects the importance of community members as stakeholders – they do have a significant vested interest with high or low influence over other stakeholders.

Kumba Iron Ore acknowledges that to address inequality from the past in the mining communities, there must be collaboration between the company and the community (Kumba Integrated Report, 2013). Kumba’s Chief Executive, Mr Norman Mbazima reiterating the above statement by mentioning that the nature of Kumba’s operations is to look into how to mitigate the large economic imbalances in the communities in which they operate.

According to Kumba Iron Ore, the company ensures on-going interaction with stakeholders in order to achieve social cohesion and strengthen community engagement through addressing engagement challenges, such as conflict between the mine and community members.
Some of the typical concerns brought forward by stakeholders are issues around environmental and socio-economic challenges which introduce the next point of discussion.

### 3.4.3 Environmental and Socio-Economic Challenges

From an environmental perspective, the scale of the mining footprint has consequences on land management, especially rehabilitation and biodiversity, groundwater management and the efficient use of resources in terms of mining and processing.

In terms of the environmental and socio-economic challenges, two significant contributing features of Sishen Mine stand out, namely the mine’s physical size and the impact of the mine (socially, environmentally and economically) (Kumba Integrated Report, 2013).

The following are the most important environmental and socio-economic challenges faced by Kumba and their perceived intervention in terms of mitigation:
**Table 2: Environmental and Socio-Economic challenges and intervention**

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Management intervention</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental:</strong></td>
<td></td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Studies and experiments to determine the best rehabilitation technique for mine rock waste dumps have been running for the past four years and were completed at the end of 2007. Consultation with the Department of Mineral Resources (DMR) on approval of the preferred option, and updated mine closure cost estimates related to the physical environment, was completed in 2008.</td>
</tr>
<tr>
<td>Dust</td>
<td>Dust is controlled through a chemical suppression process.</td>
</tr>
<tr>
<td>Dewatering</td>
<td>Studies are being conducted to determine the impact zone of dewatering activity on neighbouring farmers. Sishen Mine maintains ongoing consultation with affected farmers and the Department of Water Affairs and Forestry (DWAF). Where required, the mine assists affected farmers with water supplies.</td>
</tr>
<tr>
<td>Resource use and efficiency</td>
<td>There is ongoing investigation and implementation of more efficient technologies to reduce water and energy consumption, and consequently also the reduction of emissions and waste.</td>
</tr>
<tr>
<td><strong>Socio-Economic:</strong></td>
<td></td>
</tr>
<tr>
<td>Lack of skilled artisans</td>
<td>The mine dedicates substantial resources to train and retain artisans. The training centre is one of the few fully accredited institutions in the country that provides valuable theoretical and practical training for its own needs and for others.</td>
</tr>
<tr>
<td>Home ownership</td>
<td>New developments include an evaluation of home affordability, and the implementation of employee assistance programmes to promote home ownership. The hostels in Kathu are being converted into bachelor flats and employees are encouraged to bring their families to Kathu.</td>
</tr>
<tr>
<td>Local economic development</td>
<td>There is ongoing consultation with local and district municipalities to support Integrated Development Plans (IDPs). Community development projects are continually identified, and form part of the company’s Social and Labour Plan, which is aligned with local government’s Integrated Development Plan and local economic</td>
</tr>
</tbody>
</table>
Following the discussion on challenges both within social and economic spheres, the focus now moves to specific programmes and projects at the Sishen Mine aimed at addressing various social issues.

3.5 PROGRAMMES AND PROJECTS DEALING WITH SOCIAL ISSUES

As already alluded to (see 3.4.1), Kumba tries their utmost to align the overall mission of the company with SLP and Mining Charter requirements. In order to earn a SLO from the adjacent communities and to secure a mining licence from the Department of Mineral Resources (DMR), it is important for the mining company to go beyond mere compliance. Successful and viable CSR programmes and projects are thus a very serious matter for the company, especially projects related to the relevant key areas, namely: Local Economic Development (LED), skills development (in the company as well as in communities), community development, preferential procurement, employment equity, women in core mining, education, health and wellness programmes, infrastructure and entrepreneurship (Kumba Integrated Report, 2013).

According to Sishen Mine their social and community development programmes are extensive and do recognise the interdependence of the mine and the community, as well as the importance of working together in meeting the wider community's (employees and local communities) needs.

The whole question of labour and employee wellness is a good example of the company’s ‘humane’ projects. In 2011 Sishen Mine built 136 houses for its employees. Furthermore, the mine’s home ownership programmes are in favour of employees being able to purchase their own homes.

Envision - which is Kumba's employee share participation scheme - has ensured that employees are active stakeholders that enable them to have a direct interest in the company’s profit. According to the Anglo American Report (2012), Envision paid out R2.7 billion to 6 209 members at its first maturity date in December 2011. It is
reported that each Envision scheme member who has been employed by the Sishen Mine since its market listing, dating back to 2006, received pre-tax cash pay-outs, with those employed subsequently, receiving pay-outs in line with their tenure. It needs to be noted that with the Envision Employee Share Ownership Scheme Employment came undesirable consequences. Some of these included increase in divorce rate, unplanned shopping spree and a high increase in absenteeism at work because people stayed home and spent their money.

Kumba’s Integrated Report (2012) states that an estimate of 94% of Sishen Mine employees are unionised, or in some cases covered by collective bargaining agreements. Moreover, the relationship between unions and the mine continued to be sound.

When shifting the focus to local communities, it is important to briefly re-visit the definition of a mining community. The South African Mining Charter (2010) defines any area where mining takes places and serve as sending areas to be a mine community. The Mining Charter also explains that a community is formed when a social group of people with common interest and understanding of rights in a particular area of land, act communally in terms of an agreement, custom or law.

In terms of the communities, Kumba’s Community Enterprise Development (CED) outlines Kumba Iron Ore’s partnership with its people and focuses on the following areas (Kumba Integrated Report, 2013):

- Enterprise development, predominantly at local level.
- Education projects which emphasise early childhood development; Grade R (reception) and primary school education; interventions in English, Mathematics and Science; while at the same time, supporting essential infrastructure and teacher development.
- Skills development, including capacity-building programmes for school leavers who cannot afford tertiary education and the provision of relevant training in local communities.
• Health and welfare projects in partnership with, or in support of, government initiatives to improve community access to quality health care by investing in health programmes interventions.

• Infrastructure projects aligned with Kumba Iron Ore’s Local Economic Development (LED) and socio-economic commitments. Every year, in line with the Mining Charter, each of Kumba Iron Ore’s operations submit a Community Development Report to indicate that the profiles of relevant communities have been considered; credible leaders have been identified within the communities; the leaders have been consulted prior to the implementation of projects; a needs analysis has been conducted and priorities set as such; the relevant ward councillors or municipality managers have been consulted to determine the possibility of partnerships with respect to identified projects and the local authority’s Integrated Development Plan (IDP); and provision has been made for the transfer of skills and capacity-building within the relevant community.

• Kumba Iron Ore’s SLPs, developed to support mining licences, entrench Kumba Iron Ore’s commitment to South Africa’s national imperatives and the communities. The SLPs are aligned with the IDPs, in order to avoid duplication of effort with mine-based CED departments as custodians of the various initiatives, and directly responsible for LED at operational level. Community engagement is also based on Anglo American’s SEAT process, to enable mines to identify and manage the socio-economic impact of their activities on local communities and to provide guidance on how to improve performance on key social issues. The Toolbox also guides and informs operations in selecting the best CSI initiatives to mitigate negative impacts and develop positive interventions.

As part of the efforts to address issues of community engagement and development, Sishen Mine conducted a Socio-economic Impact Assessment Toolbox (SEAT) research in 2011 to determine its impact on hosting communities and stakeholders. According to the information obtained from the mentioned Research Report, Sishen Mine has made notable improvements in consolidating its approach and practice with regard to community engagement and developments. Furthermore, in the same Report, Sishen Mine acknowledges that positive relationships with host communities
(in this case it will be Kathu, Sisheng, Dibeng and Dingleton) and key stakeholders are critical for win-win outcomes. A lengthy list of issues were looked at, such as community engagement plans, policy requirements, social and economic impacts and next steps to be followed were also outlined as a way-forward in addressing community development.

The following table highlights some of the small businesses that were established and funded through the Business Development Support throughout the Northern Cape Province. Furthermore, this is where Kumba is eliciting a SLO from the community as well as in the spirit of meeting up with the demands of the Social and Labour Plan, which are geared towards ensuring that communities benefit meaningfully from the mining activities.

**Table 3: Some of the companies represented in the Business Development Support Centre**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Brief description of company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ausleo Construction</td>
<td>The business has a showroom to display all the products they provide as leading service provider.</td>
</tr>
<tr>
<td>2. Baitiredi Carpentry Construction</td>
<td>The entrepreneurial flair of the owner – takes pride in its woodwork and craftsmanship of excellent quality.</td>
</tr>
<tr>
<td>3. BIJ Car Wash</td>
<td>The business has excellent car wash and fine upholstery services and delivers excellent service beyond its client’s expectations.</td>
</tr>
<tr>
<td>4. Blue Chili</td>
<td>Blue Chili provides sound and lighting, DVD making, photography and operates a recording studio for producing.</td>
</tr>
<tr>
<td>5. Bojosi Transport</td>
<td>The business offers safe and reliant transport to local residents.</td>
</tr>
<tr>
<td>6. Butterfield Bakery</td>
<td>The bakery sells freshly baked bread at</td>
</tr>
<tr>
<td>7. Buvhezi Towing</td>
<td>The business’s main focus is swift and reliant vehicle towing and recovery services.</td>
</tr>
<tr>
<td>8. Carol’s Driving School</td>
<td>It offers a variety of driving licence lessons.</td>
</tr>
<tr>
<td>9. Claudine’s Driving School</td>
<td>The business takes pride in the extreme safety measures that are in place and in its hard working employees who serve the local community.</td>
</tr>
<tr>
<td>10. Daries Verkoeling Algemene Werke (Air conditioning general work)</td>
<td>The business is known for its excellent craftsmanship and good service.</td>
</tr>
<tr>
<td>11. Day care Hair Cosmetics</td>
<td>The business owner ensures dedication, sustainability, creativity and good service.</td>
</tr>
<tr>
<td>12. DJT Car Repair &amp; Scrap Yard</td>
<td>The business renders towing services, car repairs and spray painting services to taxi owners and private car owners.</td>
</tr>
<tr>
<td>13. Gerrit Plumbing and Construction</td>
<td>The business maintains its financial position that has improved substantially over the years and is now able to finance large contracts from its own savings account.</td>
</tr>
<tr>
<td>14. Eliakim Traders</td>
<td>The store offers well-known local brands as well as global brands, such as Paul Smith, Nike and Billabong.</td>
</tr>
<tr>
<td>15. Erika’s Eethoekie</td>
<td>The business caters for the general public, serving foods such as porridge and beef stew, russians and chips and cool drinks.</td>
</tr>
</tbody>
</table>
Another outcome of the SEAT process is a detailed Community Engagement Plan (CEP), compiled in accordance with Anglo American’s requirements and is updated annually. In addition, through the SEAT and Financial reports the Sishen Mine has illustrated substantial financial commitment to the communities surrounding its operations. The threat could be for the mining company to translate the financial contribution into tangible and visible developmental impact, so that it can be recognised by community members as a right move towards maintaining a SLO.

The following section explains how, in a typical conflict situation, Sishen Mine manages and implements contingency plans. Managing of conflict is an important part of gaining a Social Licence to Operate (SLO), because it reduces the risks that may arise in relation to societal resistance. Furthermore, conflict management helps during the planning, developing and implementing phases in the operation and takes societal perspective into account, by so doing recognising communities as key stakeholders.

### 3.6 MANAGING OF CONFLICT AT SISHEN MINE

According to the SEAT Report (2012), Sishen Mine supports a culture of fairness and responsibility. Complaints and Grievance Procedures are also available to all stakeholders (including community members).

The process of the Complaints and Grievance Procedures, as required by the Anglo Social Way, is explained in the diagram below:
The mining company states that they engage with key stakeholders and participate when there are challenges and concerns raised through, amongst other, forums, local community leaders, community representatives, farmers, Unions, NGOs and the media.

Specific social and psychological problems in the community also lead to tension and conflict within and amongst individuals (see also 3.5). The company also attempts to intervene in these cases. In an interview questionnaire sent by email to one of the local psychologists in Kathu, the following general social and psychological issues in the communities close to Sishen Mine were mentioned: family problems, including marital issues; unemployment; poverty; conflict; depression; alcohol abuse; as well as the usage of dagga, to mention only a few.

The psychologist states one of the ways the mine is addressing the above mentioned issues, is by making services of social workers and a Human Resource practitioner available on a daily basis. Information sharing is often given out through brochures and publications. Additionally there are also financial support services and
places like FAMSA, which offer free services to all community members and public members at large.

According to the psychologist the overall impression is that even though there are some people that misuse the services for their own benefit (for example when they ask for a doctor's letter to take a day off work), there are numerous instances where intervention must take place to address some of the social issues, for example in the case of living arrangements (hostel or single rooms) that are not suitable for healthy family building.

3.7 CONCLUSION

This chapter was set out to report back on the Social Corporate Responsibility practices of the company, as part of the process to gain a Social Licence to Operate from the nearby communities. The social responsibility of the company in terms of its workforce, especially management, was also briefly highlighted. The Sishen Mine policies, programmes and projects were then highlighted throughout the chapter. Sishen Mine’s Sustainable Development activities in areas such as economy, safety, environment, health and wellness and more importantly social and community development as well as the way in which the mine handles conflict situations, were reported on.

Based on internal research conducted by Sishen Mine as part of SEAT report, the mine prides itself in making a significant contribution and progress in as far as consolidating its approach and practice with regard to community engagement and development. Furthermore, the mine is prepared to effectively contribute to local and regional socio-economic development and to better distribute the benefits of mining to people and communities in dire need. Also, conflict management helps during the planning, developing and implementing phases in the operation and takes societal perspective into account; by so doing recognising communities as key stakeholders.

It is noted with interest that Sishen Mine believes that positive relationships with host communities and key stakeholders are critical for favourable outcomes to the benefit of all parties involved.
However, in all of the communities which were visited during the field work, common social-illnesses that were apparent are lack of infrastructure, poverty, unemployment, illiteracy and poor health. In Chapter 4, the findings and viewpoints from the mentioned communities on these and related issues are reported on.
CHAPTER 4: COMMUNITY ENGAGEMENT IN NEGOTIATING A SOCIAL LICENCE TO OPERATE

4.1 INTRODUCTION

This Chapter relates to research Objective Three: To explore the relevant social issues in the Kumba communities in negotiating a SLO.

The Chapter elaborates on issues pertaining to involvement, engagement and capacity of communities with regard to relevant social issues in negotiating a Social Licence to Operate (SLO). The social issues that are highlighted include - but are not limited to - communication, relocation, health, safety, education, housing, racial divides, nepotism and socio-economic empowerment. The following offers a brief definition of each social issue stated above.

*Communication* means the activity or process of expressing ideas and feeling and giving people information. *Relocation* is understood to be when you move somebody or something to a new place to work or operate. *Health* is the condition of a person’s well-being which includes body or mind. *Safety* is the state of being safe and protected from any danger or harm. *Education* is a process of teaching, training and learning, especially in schools or colleges, to improve knowledge and develop skills. *Housing* refers to houses, flats or apartments that people live in, especially when referring to their type, price and condition. *Racial divides* could be happening or existing between people of different races. *Nepotism* is giving unfair advantages to your own family if you are in a position of power, especially by giving those jobs. The last term is the issue of *socio-economic empowerment* which relates to society, economics and development in a broader sense.

With regard to the development efforts made by the Sishen Mine as highlighted from *Chapter Three*, the process of a SLO should not be referred to as being reactive – which basically means it must be a two-way street between the mining company and its surrounding communities. Furthermore, the mining company needs to be proactive and deliver beyond what is regulated. It is imperative in any major project to include community members throughout the life cycle of the project from the
initiation phase through to planning, as well as implementation. All these project life-
cycle phases are based on the wellbeing of all parties involved. From the data
acquired for this study, it appears as if the Sishen Mine does what they deem to be
important for the community members. The mine’s motives are noble, but not always
welcomed by the community members. In this case, it will be sensible of the mine to
try and understand the fundamental needs of communities surrounding the mine.
Furthermore, the understanding of cultural differences and context by mining
companies are also highly encouraged.

In light of the importance of community engagement and the capacity of the
community, the next section elaborates on these concepts.

4.2 INVOLVING AND ENGAGING WITH THE COMMUNITIES

To understand the social issues at stake, firstly the concept of involving and
engaging the communities, as well as their capacity, are conceptualised. It is
imperative to understand the local setting and cultural differences when engaging
with communities. One of the ways in doing so is by establishing good relationships
with some key people within the communities. It is also important to understand that
real engagement happens through taking into consideration what community
members are saying about the company. It may be perceptions, but for ordinary
people the reality is born and lives within a perception.

There is a general understanding that community engagement is perceived as a
vehicle in securing a Social Licence to Operate. For any mining company to thrive
and maintain its Social Licence to Operate, clear evidence of community
participation through engagement is needed. Unlike stakeholders, such as local
government, the community members are not as organised and well-informed in
matters that concern them during the Social Licence to Operate process. It is
therefore advisable for communities to identify key members in the community to
play a leading role and to form part of the negotiation and communication processes.

Community members are most likely going to be in favour of the mine if they have a
sense of belonging and feel that their voices add value – meeting public expectations
and understanding of local settings contribute towards effective community engagement which then leads to positive participation.

Parallel to community engagement is capacity building. This is to ensure that the community members are capable to make an informed decision. The capacity of the community to make informed decisions ties closely with how much information the mining company has provided. The issue of transparency plays an important role in this regard – the bottom up approach in communication is critical as it provides community members with information that enables them to be capable participants in negotiating a Social Licence to Operate.

A further complicating factor to this study in terms of community engagement, is of course the fact that there are several communities (Kathu, Mapoteng, Dibeng and Dingleton) surrounding the Sishen Mine. As a matter of fact, and as indicated in Chapter Three, the mine serves the greater Northern Cape Province in as far as the community development issues are concerned.

In the next section, the social issues that are complicating community engagement, already announced in the Introduction, and identified in this study, are discussed, with supportive empirical data.

4.3 RELEVANT SOCIAL ISSUES IN NEGOTIATING A SOCIAL LICENCE TO OPERATE

The following identified social issues form part of the negotiation process between the company and communities in this study in terms of a Social Licence to Operate.

4.3.1 Communication

The importance of open communication in a case of building a good relationship and understanding with community members should never be compromised. Regarding the issue of communication between the mine and surrounding communities, some of the sentiments of community members are shared.

The following was said regarding the Envision pay-outs:
“Not everyone received the same information – it’s only because through the radio when I say something you are going to listen but the last person to say something is always defending the mine. We had an agreement on Envision in 2006 and it matured in 2011, firstly they said tax free – one, it was close to R570 000 the whole money according to production and influx rate and everything – fine. When time of maturity arrives they give people R370 something – the grades are different – the last person got around R370 so we questioned the mine – we have seen the tax inside and we asked them to call SARS people to come and explain to us how much percentage they taking out – instead of calling SARS they called Anglo-American people to come and address us and we told them they are irrelevant people”.

Some of the community members expressed themselves in the following way about the communication in terms of the Dingleton relocation process:

“Kumba have set up grievances mechanism and working together with the church – it is a good system, I think. There is grievances mechanism that people can use should they have complains – we need to use that medium, however that medium with all its good intentions won’t work at a later stage. Yes, it’s true the Kumba mine sends people SMS and informs us of what is happening and in terms of the relocations processes and way forward – there is also quarterly newsletter in Afrikaans and English – they have this structure in place. They have an office in the community for relocation matters – they have open door policy – there are processes in place and they do their duty especially when it comes to communicating with the people – they sent SMS to 359 house owners and reach out to people to inform them in what is happening in terms of the relocation issues – in terms of communication, I think they are doing well to explain the processes to people, but…it can still improve.”

When dealing with community members it is important to employ a bottom-up communication approach – this ensures that everyone is included in the communication process. It is also important to ensure that the communication between the mine and the community is a two-way communication. In the case of
Sishen Mine it appears as if most of the communication come from the mine and end with the mine.

The next section deals with the relocation from Dingleton to Kathu.
4.3.2 Relocation

The township of Dingleton was constructed to serve the Sishen Mine at the time of mine development in the 1950s. For at least the last fifteen years there have been talks in the township that people will be relocated to the nearby town of Kathu. Currently, the Sishen Mine is engaging with the community members about the process of relocation and resettling. There are communication channels in place as part of the process – one of the ways the mine is communicating with the people is through Short Text Messages (SMS) to the house owners and there are also public meetings held – this is according to some of the community members interviewed.

According to latest reports from Kumba, as indicated in their Sustainable Development Report (2013), no agreement has been reached as yet with the Dingleton community on issues surrounding the resettlement process. The same documents state that progress thus far has been slower than anticipated.

The company is admitting that the Dingleton community’s proximity to the mining operation at the Sishen Mine may have impacts on Kumba’s organisational responsibility and capability (Sustainable Development Report, 2013).

With regard to the Dingleton relocation process, Kumba reported in 2007 that... “the mine and the community will also appoint an independent ombudsman which will implement an agreed complaints and grievance procedure that any resident can address complaints too in the event that they feel that any of their complaints, grievances or other concerns have not been adequately addressed”.

From the above statements it appears as though there is a miscommunication between the mine and the community of Dingleton. The following questions came to attention: Has there been transparency and effective public participation? To what extent is it a bottom-up communication approach?

In an interview with a Pastor from a local church in Dingleton and also a member of the Relocation Working Group (RWG), it was mentioned that there are existing community engagement structures in the area. The RWG also serves as a community forum structure and represents the community, amongst other things, in
the process of relocation of Dingleton by the Sishen Mine. According to the Pastor, it is a good idea that Kumba has set up grievances mechanisms of some sort. There are a lot of good things that Kumba is doing for the community in Dingleton at large, however, there is a need to address grassroots level issues, such as empowering the youth of Dingleton through the relocation process. There is also an issue of high unemployment. People of Dingleton are not always considered when they apply for a tender with the mine. According to the pastor, people are being told by the company that they don’t have the necessary skills.

From the internal research done by Kumba for the Sishen Mine SEAT report (2012), the following represents the demographics of Dingleton:

**Table 4: Demographics of the Sishen Mine communities**

<table>
<thead>
<tr>
<th>Population gender distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>49%</td>
</tr>
<tr>
<td>Female</td>
<td>51%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General employment status</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>57%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>43%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentage of population that receive government grant</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receive government grant</td>
<td>13%</td>
</tr>
<tr>
<td>Don’t receive government grant</td>
<td>87%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adult population able to read/write well</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Read/Write well</td>
<td>94%</td>
</tr>
</tbody>
</table>
Against the background of the relocation process, the following statements reflect some of the viewpoints by the Dingleton community members:

**Dingleton community member 1:** “There are people in Dingleton that say let’s sign so that we can move and get out of this mess… and the other group of people says we can’t sign and move away from this mess only to end up in another mess. The community is divided into two and I can’t see how it will benefit the mine and the people… there are poor people in this community that won’t be able to afford houses to where they are relocating the people… people are very poor… what’s happening here is a serious situation and I am telling you Kumba has divided the community by approaching individuals… about 80% has signed and the rest hasn’t signed… so, the community is divided”.

**Dingleton community member 2:** “I don’t have property in this community but am speaking on behalf of my people and I can only hope it will be a win-win situation at the end”.

**Another community member continues:** “It breaks my heart – it breaks my heart looking around our community and the relocation situation – it’s heart-breaking. One feel powerless to be part of the solution – you know, I am part of Relocation Working Group (RWG), but to be honest we have been taken for a ride – why doesn’t Kumba listen to us – our voices. Why doesn’t Kumba show us their licence agreement … why doesn’t this community know about prospects report of what’s happening right behind us… let the people know what’s happening – share details and will leave the mine alone when we know what’s happening… if I was a white man… (don’t feel bad white people in this room when I start talking like this… I love white people just as much as I love my brothers and sisters – I have asked God’s forgiveness in my heart) but if I was a white man – if we were a white community, am telling you we would have had answers long time ago… am saying this and am not asking for sympathy from you guys – the whole relocation process is not fair…”
Due to the nature of mining operations, specific related health issues, e.g. tuberculosis (TB) and other chronic diseases from dust pollution, like sinusitis and asthma, were common in the study area. The following section highlights some of the points as put across by research subjects in terms of health issues.

4.3.3 Health

As is the case with other infrastructural services in the area, the best health care facilities are located in Kathu. As a matter of fact, the mine has indeed contributed a substantial amount of funds towards the health infrastructure in the broader Northern Cape Province. Even with these contributions, community members continue to blame the mining company for their health problems. Most of the illnesses normally associated with mining, were mentioned by the respondents: HIV infections, chronic chest related illnesses (sinusitis, asthma and tuberculosis), substance related illnesses and mental health problems, to name only a few. There is a health centre in Sisheng, where mine workers go for their routine general medical check-up. However, there are still people that seriously need proper health care.

One of the mine workers had this to say “...there is lot of dust here - the rock we break is shining and there is lot of fibre we get from there. The dust is bad you can’t even keep the house clean. When Anglo-American people come here they only show them one house that is dust-free, but the rest of the houses are not the same”.

Some of the respondents complained about a constant struggle with sinusitis and asthma from dust pollution:

“People have sinus and most of them are children who now suffer chronic sinus and asthma due to dust in the area”.

There is also an issue of high increase of HIV/Aids in the community which is attributed to most of the foreign mine workers.

“Our daughters die young - they have opted to living with married mineworkers. Some of these girls even work as sex-workers.”
The general health infrastructure and well-being of mining community members seems to be compromised. Most of the community members believe that their poor health issues are as a result of mine operations and they therefore expect the mine to provide health facilities. Because of the nature of the mining operation extra care needs to be taken in ensuring the wellbeing of the environment, and the same is true for the people living close to the mine. The mine needs to provide proper health facilities and strong health support for their communities.

Furthermore, another related point to take cognisance of, is the issue of safety – the following section highlights the general safety of people.

4.3.4 Safety

Some of the mine workers who were involved in the 2012 protest that led to many of them being retrenched – were of the opinion that their safety had also been compromised “…another problem here is with the Red Ants and they are breaking people’s houses. We have spoken to the media but Kumba has money and the newspapers don’t want to write stories”.

In addition to the Red Ants in the community, some of the mine workers stated that the mine employed Vetus Scholar Security Company which is now constantly terrorising members of the community, and even search for drugs:

“Basically, eh, they [Sishen Mine] brought security from outside to help them combat the strike [in 2012] but at that point – that security company has gone beyond their responsibilities – they are now in charge of the town’s law and order … I’d like to believe the searching of drugs belongs to the police – they also demand to see people’s passport, I believe all of this searching belongs to the police. And they beat the community up and they broke some of our colleagues here. Cases have been opened and nothing has happened. We tried to even go further to the Prosecuting Authority in Kimberley to report this matter – they phone them in our presence and even then nothing has happened”.

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The nature of mining is in such way that it carries high risks, therefore safety measures to protect the local people should be up to the highest standards and cannot be compromised.

Education is a basic building block in any society and a basic human right. Some educational problems that came to the fore in the research are now highlighted. Poor education may eventually also lead to unemployment.

4.3.5 Education and Unemployment

The issue of access to education remains problematic in some of the neighbouring communities surrounding the Sishen Mine. Lack of schools is in itself not the mine’s responsibility, but that of the local government. However, it is evident that a lack of good education leads to high percentages of unemployment amongst young people. A drive around Dibeng area during the school hours looks like school holidays – young unemployed people are hanging out at spaza shops, some of them drinking beer and playing cards.

Some of the community members shared their views regarding unemployment amongst young people in the area:

“Empower and give vision to young people. Let the young people be empowered in this relocation process – let them take pride and be part of the process. Empower young people”.

From the SEAT Report conducted for Sishen Mine it is confirmed that there are a high percentage of young people completing Grade 12. This report furthermore illustrates that, apart from matriculation, some of these young people are proactive in furthering their studies with the mine related vocational qualifications with the hope they will be employed by the mine.

Like education, shelter (housing) is also a basic human right that features high in the hierarchy of basic human needs.
4.3.6 Housing

In the surrounding communities of the Sishen Mine, like most mining communities in South Africa today, the infrastructure is still not up to standard. To address some of the housing problems, the mining company provides a living-out allowance. Living-out allowance is when employees are given the option to stay outside of the accommodation provided by the mine. The relevant issue is that some mine workers are squatting in back rooms for a minimal rental tariff and use the rest of the allowance for other purposes. This living arrangement adds to different social dynamics, such as families becoming dysfunctional, alcohol abuse and in some cases prostitution.

The following view was uttered by one of the mineworkers regarding the issue of housing and living arrangements:

“The housing system here is also full of Apartheid - white residential areas are well-built and maintained. When you look around where black people living its poor RDP houses and shacks – the sewerage spill and litter everywhere.”

The issue of housing will remain a critical one in mining communities, and mining companies and local government – especially in this study area - must come up with concerted efforts in order to address the issue.

The legacy of Apartheid left behind strong lines of dividing people based on their race, and leads us to the following issue, namely racial divides.

4.3.7 Racial divides

The issue of unfairness which is rooted in racial divides is unfortunately evident in the communities surrounding the Sishen Mine. Like most residential areas in South Africa, it seems that - even post-1994 - there are still areas reserved for white people only. It’s almost like an unwritten rule of segregation. The affluent people, who are mostly white people, live in typical safe residential areas with proper infrastructure, whereas the majority of black people live under appalling circumstances, such as sewerage spills and poor roads.
The following voices were heard from some of the people in communities adjacent to the Sishen Mine with regard to racial issues:

“Northern Cape is full of Apartheid – am being straight forward. Northern Cape in Kathu is full of Apartheid. Let me give you a practical example – I reported to DMR about my injuries and that is why I think I should go outside like Rustenburg or Joburg and maybe they can hire me. I went to DMR in Kimberley and they have not responded that is why am saying there is something between DMR and this company – Sishen Mine operates like it’s a government. It’s governing the union and even governing the municipality – why am saying this, people were looking for land in Mapoteng – the municipality says we can’t give you this land because it belongs to the mine. Have you ever seen a municipality listen to the mine? The municipality is been ruled by the mine – it is because they are supplying them with cars… they have money. You can’t even talk to the newspapers about this mine because they have the money and the media itself can’t report about the mine. Even Lesiba Seshoka [a former Spokesperson for The National Union of Mineworkers] who is he and now he comes and says he is shivering NUM [National Union of Mineworkers].”

Another respondent had the following to say: “Sishen Mine is not a good employer - It’s not good. Let me give you a practical example – white people are earning lot of money here – other people neh it’s like they don’t have standard – the white people, they employ people without driver’s licence. People get employed yesterday and supervisor people who have been working here for over 30 years. If you go to the job-grading of this mine, all foremen are whites – people in higher places are mostly whites, black people are very few”.

Local people being interviewed believe that the mine is controlled by white people only. The following quote is a testimony to this: “Let me tell you something actually this mine because I have never worked any other mine – this mine is a government itself. If you are looking for a land from the Municipality you must ask from the mine”.

Some of the people interviewed during the field work stated that most of the management positions are occupied by white people, and furthermore, black people
are few and only there for window dressing and to satisfy the government. The tone of this statement could also relate to the next issue, namely nepotism.

Nepotism is a close cousin of corruption, unfairness and unethical behaviour – it ensures that people occupy job positions they don’t qualify for.

4.3.8 Nepotism

From the information obtained during interviews, strong claims of nepotism that is taking place within the mining context were expressed:

“What is happening in this mine neh, the father, the mother, the brother in law – all head of sections...that’s not fair”? Maybe it is better somewhere else, but come to this mine – go and check how many people with the surname Van Rensburg we have in this mine. Some of them are Head of section – a person who is earning money. And check their qualifications – they can’t even speak English – how can you be Head of section and you don’t speak English – how can you be – you supposed to be bilingual…all the people with the surname Van Rensburg in this mine are blood related”.

The issue of nepotism contradicts fairness and the spirit of community empowerment as this practice can limit chances of deserving people ever being promoted or hired.

Furthermore, nepotism can be damaging towards socio-economic empowerment, as is illustrated in the following section.

4.3.9 Socio-economic empowerment

The issue of socio-economic empowerment is also very important when it comes to negotiating and maintaining a Licence to Operate with communities. An interviewee expressed the following view:

“All that we saying is give people from this community an opportunity … empower and give vision to young people. Let the young people be empowered in this relocation process – let them take pride and be part of the process. Empower young people. I see empowerment whereby people will be able to sustain themselves in
years to come…I have this thing that if people must be compensated for what they have to do – I see that as a central part of sustainability for the future. So, I see personal compensation in this regard as a way of sustaining people but I also see sustainability as people must be helped to help themselves, earn a living, to grow themselves as human beings, pursue their goals and dreams and stuff they want to do. I want children to be educated in this community, I want Kumba to at least invest in the children’s education – the children need to have vision and stay in school beyond matriculation – finish well and have further higher education entrance. Education is key and it’s a real empowerment because no one can take that away from you…”

Another interviewee had this to say: “Take for example Oom Jan – what will happen to his small business when Kumba relocate the community… and there is Oom Toekie, he still waiting a year later for his contract to be processed – for a tender. Oom Toekie is competing with a white company which don’t have all the requirements but will likely get the contract over Oom Toekie – I’ll be quite surprised if Oom Toekie gets that contract… As a contractor in this community it’s difficult to get a job while Kumba is just here – if you talk to Kumba they will tell you those people don’t have skills. That’s nonsense. Why don’t they empower people like they say we don’t have skills? Why is Oom Toekie’s contract still stalling after so long – and when you compete with a white company – which already doing other work for the mine. At the end of the day it means people like Oom Toekie that needs to be empowered don’t stand a chance – the people around him are empowered but not him – when Oom Toekie gets empowered they will be more people empowered and create more jobs for locals… When we talk about the issue of empowerment I don’t think they there yet in terms of social licensing principles…”.

Socio-economic empowerment is imperative in ensuring proper community development and capacity building – it also has a long-term impact and therefore can impact on sustainability as well. Socio-economic growth and stability encourage an independent mentality whereby community members are empowered to contribute towards their wellbeing and a positive society.
As a way of analysis after the social issues were scrutinised, it is clear that the absence of mutual understanding, harmony and respect between the communities and the mining company bring about a sense of unhappiness. From the empirical data presented above, it is also clear that successful community engagement and acceptance from the beginning, enables many positive benefits and lasting trust to maintain a good neighbourhood relationship throughout the operations phase until the life end of the mine operations. However, due to a lack of an open communication approach between the communities and the mine, there are a lot of disparities. The gap in communication is yielded by what the communities expect from the mine and what the mine provides. Effective communication with a bottom-up approach will assist in addressing issues close to the heart of the communities. When communities feel validated, there are mutual respect and understanding.

It emanates from the research that people’s well-being, safety, health, access to proper housing and the need to be educated, are critical basic human rights. The mining company that has a holistic approach in addressing these basic human rights will be in good stand with its communities. When the community feels like their issues are taken seriously, they will probably respond in a more positive way towards the mining operations.

4.4 CONCLUSION

The Sishen Mine has programmes and projects in place to address some of the community socio-economic needs and in so doing creates a caring culture. The ways in which some of these programmes and projects are received by community members surrounding the mining operations are a clear indication that the negotiation and communication approach within a Social Licence to Operate framework, is in need of reconsideration.

A large number of community members indicated that they welcome and appreciate programmes and projects initiated by the Sishen Mine, however, they also indicated that contrary to what the mine says, they were not consulted about what their needs consist of. Poverty is an issue in the communities of Mapoteng, Dibeng and
Dingleton. Failure to offering community members job opportunities in the form of tenders, and not even acknowledging job applications, contribute deeply to the apparent poverty caused by social ills. Unfair access to work contracts and employment in favour of white companies over black entrepreneurs, and men over women, are to say the least, contrary to what is stated in the South African Mining Charter.

Claims of racism and poor social integration within the Sishen Mine and surrounding communities negate the full potential of the community’s entrepreneurial projects in terms of long-term sustainability.

The next Chapter gives recommendations and final conclusive remarks, based on the findings of the study.
CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

This research study was conducted through qualitative research methods and aimed at investigating a Social Licence to Operate (SLO) within mining communities surrounding the operations of Kumba Iron Ore in the Northern Cape Province, South Africa.

The focus of this last Chapter is to provide a conclusion drawn from the findings as presented in Chapter Three and Chapter Four. Recommendations are also discussed by highlighting issues that can improve the relationship between the mining company and its adjacent communities.

An overview of the findings reveals that the Sishen Mine (of Kumba Iron Ore) is doing well in reaching out to large and widespread communities through the entire Northern Cape Province, however, having said that, the mine needs to look closely into the well-being of its employees, especially those at entry level and working underground. It emerged from the study that most of the unsatisfied employees are people occupying positions underground.

It is apparent that how the mining company understands being a good neighbour is not necessarily how the community members perceive it to be. Effective community engagement can limit misunderstanding between the mine and its communities – to be socially responsible the mine needs to engage with the community in a pro-active and constructive way. Two-way communication and transparency from the mining company is imperative and will lead to harmony and good neighbourhood spirit.

As put across in Chapter Two, a sound stakeholder relationship with the community members will ensure the value of community engagement. Clear stakeholder dialogue and partnerships will also prevent a negative atmosphere and possible conflicts.

At the end of the study, the following questions can be posed in retrospect: How can
the mining company ensure a sound stakeholder relationship in order to secure a SLO, and, secondly: What does clear stakeholder dialogue and partnership mean? Even though the mine is doing their part in reaching out to the community, a huge gap between what is done on the ground level and what is written on the glossy annual reports in terms of Sustainable Development, Corporate Social Responsibility and a Social Licence to Operate, evidently remains.

The following section reports back on the most important findings, based on the research objectives as outlined in Chapter One.

5.2 MAIN FINDINGS ACCORDING TO OBJECTIVES

This section of the study reflects on the research objectives and the associated findings which derived from the applicable chapters.

**Objective One:** To define and scrutinise the concept of CSR, and explore related concepts in the CSR literature relevant to the study (e.g. Social Licence to Operate, Community Engagement and Stakeholder Engagement).

It emerged from the Literature Review in Chapter Two that a Social Licence to Operate within communities has become a significant Corporate Social Responsibility agenda and a very important requirement that companies must take into account in their sustainability scenarios. There are different definitions of Corporate Social Responsibility (CSR) which make the concept commonly diverse, and thus cover a broader spectrum. CSR emerged from the need to address wrong corporate behaviour regarding social and environmental issues that do not directly impact on the business bottom line. Furthermore, one of the ways to forge and implement long-term solutions is when there is a mutual understanding between the mining company and its adjacent community members. In terms of sustainability, a Social Licence to Operate is encouraged before, during and after the mining operations has begun. Without a doubt, SLO is becoming a universal phenomenon – communities around the world want to play a pivotal role in decision-making and be assured that industries surrounding them will take their economic and social needs, safety and the environment into consideration.
**Objective Two:** To explore the nature of CSR activities at Kumba and ascertain how relevant and effective Kumba’s policies, projects and programmes, including conflict management, are being implemented in the communities.

Kumba has its policies focused on Local Economic Development (LED), skills development, community skills development, preferential procurement, employment equity, women in core mining, education, health and wellness programmes, and infrastructure and entrepreneur development, and these were reported on in *Chapter Three* of this study. In terms of employment equity, especially in the top senior management, according to the Sishen Mine, its diversity programmes are comprehensive and aimed at transforming the organisation beyond what the South African Mining Charter requires. In addition to that, the Sishen Mine is an integral part of the Northern Cape Province and contributes largely to the economy, and it is the only mine in the area that covers John Taolo Gaetsewe District Municipality as a labour sending area, of which 80% are rural villages. As stated by the Local Economic Development (LED) manager at the Sishen Mine, LED is a driving force behind Sishen Mine’s Licence to Operate and also places emphasis on enterprise development. The Sishen Mine also prides itself in that the company strives for positive corporate citizenship through engaging and partnership with different stakeholders, including the surrounding communities. Also notably is the Sishen Mine’s focus on extensive social and community development programmes. It recognises the interdependence of the mine and the community, as well as the importance of working together in meeting the wider community’s (employees and local communities) needs. Managing of conflict is an important part of gaining a Social Licence to Operate (SLO), because it reduces the risks that may arise in relation to societal resistance.

**Objective Three:** To explore the relevant social issues in the Kumba communities in negotiating a SLO.

In *Chapter Four* the focus was on the social issues that were explored in this study, which are: communication, relocation, health, safety, education, housing, racial divides, nepotism and socio-economic empowerment. The lack of effective two-way
communication between the mine and its surrounding communities could have led to possible claims and dissatisfaction, such as the issues of racial divides and nepotism. Furthermore, the long delayed relocation process in Dingleton indicates miscommunication between the mine and communities.

Community members are most likely going to be in favour of the mine if they have a sense of belonging, if they feel that their voices add value, and that the mine is attending to the above-mentioned social issues. When the mining company is able to meet public expectations and have an understanding of the local setting it may contribute towards effective community engagement, which in turn, can lead to positive public participation. What the mine is doing in terms of reaching out to the community should be applauded, however there are still missing links in the relationship. One of the ways to address the missing links could be through the real understanding of the fundamental needs of communities surrounding the mine. The bottom-up communication approach is key when trying to understand the community's needs, and open and consistent communication between the mine and its community will lead to mutual respect.

Objective Four: To make recommendations in order to ensure a sound Social Licence to Operate process in the area, which acknowledges community members as key stakeholders.

The following section gives recommendations based on the study.

5.3 RECOMMENDATIONS

The following recommendations are based on the data collected and analysed and the conclusions drawn from this study. The information is divided into categories in order to group key recommendations together.

5.3.1 Capacity Building and Open Communication

Capacity building and open communication ensure that community members are equipped to be included in decision-making processes and that they are able to make informed decisions on matters that affect them directly or indirectly. The
following pointers are recommended in order to move towards an effective communication approach:

- Work continuously towards the increasing of Historical Disadvantaged South Africans in decision-making positions of the mine’s strategic team.
- Engage with communities through effective listening and intent to learn – share the company’s aspirations, plans, opportunities and technologies with the communities.
- Develop a two-way and bottom-up communication approach in order to engage with the communities adjacent to the mine – this approach will ensure a better understanding between the mine and its communities and in return improve mutual respect.

5.3.2 Understanding Local Settings and Community Culture

It is of utmost importance to understand local settings and culture. This process could be time consuming, but it will help the mining company to be effective when addressing local social issues. Here are some ideas that can assist in the better understanding of local settings as well as community culture:

- Form strong partnerships with all key role players who share responsibility for sustainable development.
- Identify community leaders and liaison directly with them as strategic role players, but also brand ambassadors.
- The mine can consider doing a pilot study and follow-up studies aimed specifically at understanding local settings, as well as social issues that matters most to the community.
- Furthermore, the offices of Local Economic Development and Sustainable Development within the Sishen Mine respectively need to understand different communities in terms of their perceptions and social conditions – this will help in facilitating community development initiatives.
- It is important to realise that what works perfectly in one local setting does not necessarily means it will work out the same in the next setting – one case does not necessary fit all.
5.3.3 High Risk Issues

The community’s health and safety should under no circumstances be compromised – a high priority needs to be placed on issues relating to health, safety and the general wellbeing of people:

- Demonstrate an overriding commitment to the health and safety of the employees and the surrounding communities in which the mine operates.
- Proper health facilities with easy access to all community members need to be put in place.
- Health education on issues such as sexual transmitted infections (STIs) and HIV/AIDS needs to be presented on a regular basis.
- The mine needs to implement high standard protection to alleviate air pollution and dust in the area.
- Due to the nature of the mining operations, more care needs to be given in ensuring the wellbeing of the environment and the people living close to the mine.

5.3.4 Best practised SLO principles

These recommendations are made to ensure best practice in terms of a SLO:

- True benefits and the legacy of a Social Licence to Operate can be achieved through genuine relationships based on mutual understanding and trust; subsequently this will boost the reputation of the mine and it will be embraced into a community.
- Starting on the right foot with the community will improve the company’s reputation immensely (Nelsen, 2005).
- Companies need to be sensitive about factors such as lower revenues, difficulties in attracting highly skilled employees, delays in mining activities, poor employee performance, high work absenteeism and possible closure due to community opposition to the mine; a proper negotiated SLO could minimise these risks.
5.3.5 Characteristics of a SLO

For the benefit of the mining company and to the advantage of the community, it is advisable to consider the following characteristics of a SLO. These SLO characteristics could assist in improving the existing relationship between the mining company and its surrounding communities:

- A SLO implies mutual respect between the mining company and the people in communities.
- A SLO is seen as on-going approval and complete acceptance from the hosting community.
- A SLO reduces possible social risks and assists growing operations to move forward without community conflict.
- The credibility of a mining company is depended on honesty and open communication within the local communities.
- A SLO acknowledges its existence when a mining company is having an on-going relationship with the local people in order for them to conduct its operational activities.
- A SLO refers not only to the legal abiding requirements of obtaining a licence for mining purposes, but rather to obtaining social agreement on mining activities from surrounding communities during the prospecting, mining and final stages of mining closure.
- A SLO addresses issues surrounding the relationship between the mining company and local communities through participation and two-way communication processes.
- The granting of a SLO indicates the community have been meaningfully considered in decision making and have fully benefited from the project.

5.3.6 Engaging the community through Free, Prior and Informed Consent (FPIC)

Free, Prior and Informed Consent supports the notion that every community member has a right to be consulted for matters that has direct or indirect implications on their wellbeing. FPIC encourages community engagement from the initial stages of the
project throughout the process and beyond completion. An informed community results in an engaged community – members of the community feel liberated when they are able to make informed decisions. More specifically, the following pointers can be presented:

- For a healthier relationship between the mine and the community it is important to obtain consent before the mine operations start.
- Grass-root development through robust engagement with community plays a leading role.
- FPIC forms an integral part of securing and maintaining a SLO.

This brings the Chapter to the final section which concludes the study.

### 5.4 CLOSING REMARKS

Establishing a Social Licence to Operate within communities has become a significant point on the Corporate Social Responsibility agenda in the twenty-first century. It is therefore no surprise that more and more mining companies are becoming socially aware and sensitive towards community needs and developmental structures.

In order to ensure long-term sustainable solutions in community development, one of the ways is to align expectations and needs from both the community and the mining company. It is also of highest importance to always remember that the local community is not a unified group of people, but rather a grouping of different individuals with their own characteristics and their own interests.

Goodland (2004:1) notes that “[t]he bottom line of Free, Prior Informed Consent is that the affected communities must understand that they will benefit from the proposed project and that these specific benefits will far exceed any worst case scenario of unforeseen impacts.”
As numerously implied throughout the study, when the mining company employs the following ten steps at the start of the operations it will result in respect from the community and the community being a good neighbour:

1. Understanding of local culture, language and history.
2. Educating local stakeholders about the project, for example operational processes and environmental impacts.
3. Ensuring open communication amongst all stakeholders.
4. Maintaining a sound track record and a positive corporate reputation.
5. Training the workforce.
6. Creating a business partnership with communities for economic development.
7. Employing innovation and technology to avoid undue impacts.
8. Seeking community support and capacity building.
10. Collaborating with communities to help meet their infrastructure needs.

Given the conclusion drawn from the field work and recommendations made thereof, the following still remain general challenges when addressing the issues of a SLO:

- Lack of comprehension from communities regarding the associated structures, processes and dynamics of obtaining and maintaining a SLO.
- Emphasise on the comprehensive consultation once again highlights the relevance of a SLO throughout the mining operation activities.
- The vast differences between expectations and perceptions of the community as well as the mining company.
- Interpersonal communication, group media, traditional media, mass media, information and communication technologies are different types of communication tools that could be used to engage effectively with community members.

The failure to embrace the process of a Social Licence to Operate can have an impact on socio-economic developments and possible infringement on basic human rights. A Social Licence to Operate thus not only affects the poor and disadvantage
people – issues such as economic development and environmental matters affect everyone. Over and above, meeting the social needs, striving for economic stability and taking the environment into account, businesses are now also starting to address issues that might harm their companies’ moral standing.

Issues such as moral standing and a company’s reputation can be addressed within the negotiation process of a SLO, Effective two-way communication remains a key issue in addressing and ironing out the relationship between the mine and its community. In the case of the Sishen Mine, the company claims in their opinion as far as sustainable development, community empowerment, socio-economic issues, policies and regulations goes, they are on par, but on the other hand the community says the exact opposite. Where is the missing link? Is it a case of a policy gap?

In reference to policy gap and as it has already been indicated in this section, there needs to be an alignment of expectations and needs from both the community and the mining company. The motive on whether mining companies are practicing public relations, community relations or community development has been distorted over the recent years. There definitely is emerging data that mining companies are adjusting their approach to stakeholder engagement and development, not only at the level of policy, but also within organisational structures and in practice at the operational level to accommodate new trends. Furthermore, it is important for the mining company to ensure that the community members are not overwhelmed by expectations to be part of the decision-making process – it is imperative to focus on long term impact and helping the communities to learn better negotiating skills.
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Mineral and Petroleum Resources Development Act see South Africa


