



Media Statement by Bench Marks Foundation

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Conflict of interest plagues mining industry

The involvement of the state as a direct producer and a marketing agency in the diamond mining sector has been identified as one of the major issues plaguing the diamond mining industry in South Africa and the region, a new study has revealed.

The study, released today in Johannesburg by Bench Marks Foundation says that this type of 'interference' and conflicting interests in the mining sector is becoming quite common.

The study notes that the proposed state mining company, African Exploration, Mining and Finance Corporation (AEMFC) wants to simultaneously play the role of regulator as well as mining house and is severely criticised by concerned role players.

"South Africa is probably the only country in the world where several former premiers suddenly emerge as leaders in the corporate world in minerals in which their provinces specialise; Manne Dipico in diamonds, Popo Molefe (formerly North West) in platinum and Tokyo Sexwale (Gauteng) in gold," said John Capel, the chief executive of Bench Marks Foundation.

In Botswana, Debswana is 50% owned by the government of that country. Namdeb is 50% owned by the government of Namibia and Williamson Diamonds is 25% owned by the Tanzanian government. This, according to the study, ensures that producer countries receive dividends through their share holdings.

"In South Africa, the sale of a 26% equity interest in De Beers Consolidated Mines (DBCM) in 2006 to Ponahalo Holdings enabled De Beers to meet the ownership element of the Mining Charter, significantly above the legal requirement.

"The Charter requires 26% Historically Disadvantaged South African (HDSA) ownership of all extractive companies by 2014," added Capel. "The real challenge should be to ensure that poor communities that are impacted upon become the preferred ownership partner. Mining benefits need to bring about development at community level that enhances people's access to livelihood development, human dignity and sustainable development. We need to have

development from below and not just that of the elites in society and those well connected. Recently there have been calls for the nationalisation of the mines. What lies behind such calls is that it is hard to see how ordinary people reap the benefits of mining said John Capel.

The research by the Bench Marks Foundation on the diamond industry on the South African coast is a continuation of the Foundation's broader SADC research initiative into the extractive industry. The main focus is CSR practice of mining companies regarding the three basic dimensions of sustainable development – economic, social and environmental – in the areas in which they operate.

A study by Bench Marks Foundation on Botswana is due for release later this year.

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Issued by Quo Vadis Communications on behalf of Bench Marks Foundation

Bench Marks Foundation is an independent organisation monitoring corporate performance in the field of Corporate Social Responsibility (CSR) with the focus on social sustainability and economic empowerment. The organisation encourages CSR that goes beyond reporting mechanisms and focuses on the gap between policy and practice, thereby assisting civil society groups and corporations to move beyond philanthropy to more strategic interventions that benefit both the corporations and society. Central to Bench Marks' agenda is how CSR is integrated into companies' operations and ensuring that it is at the core of every decision making process.

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