



Media statement by the Bench Marks Foundation

Employees perceptions and anti racism programmes essential to of Kumba Iron Ore's sustainability

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Reports of nepotism and the perpetuation of racial apartheid arrangements in the workplace and living spaces still plague Kumba Iron Ore Limited. This, says the Bench Marks Foundation in a new report released today, is despite its efforts to actively transform and bring about benefits to South Africans.

The report, entitled 'Floating or sinking' Social Licence to Operate (SLO): Kumba Iron Ore Limited, indicates that although the company has identified transformation as a key aspect of its operation, it seems to fall short in some areas.

"Kumba Iron Ore has received numerous awards for best practice, and is often used as an example for other operations," says John Capel, Executive Director for the Bench Marks Foundation.

"Community members perceive Kumba as being the centre of development in the area. It's seen to control and influence Kathu and the surrounding areas."

But he added: "During our research, reports received from community members revealed that they felt the town of Kathu and the mine reflect the old apartheid class and race structures.

"Workers complain that the mine's security company has taken over the functions of the South African Police Services and harass black workers if they are found in the 'white' residential areas."

It could be argued, says the report, that given the long history the mine has in these communities, the company has failed to drive the transformation agenda, and prefers to maintain the *status quo*.

In terms of employment equity and transformation, the report points to the failure of the company to give a transparent breakdown of gender and race by wage/income grade or category.

Says Capel: "Kumba reports that the attraction, retention and development of human resources are critical priorities for the company and that their employment policy includes competitive remuneration, accredited and ongoing training and development opportunities, fair employment practices, the provision of benefits for improved quality of life as well as personal and professional growth prospects

"But Anglo American resisted demands by workers for a decent living wage of R12,500 in 2012. It relies heavily on contract workers many of whom do not come from the local community. Poverty and unemployment are high in the areas adjacent to the mines despite the fact that there are high education levels amongst the youth.

"The workers and community members are not happy about what's happening around and in the mine".

Anglo America operates in both South Africa and Australia. The industrial mining started at more or less the same time in both countries.

Capel points out that although they started at the same time, the labour regime in both countries is worlds' apart.

According to the report, current wages of mineworkers in South Africa average between R5,223 (US\$500) and R10,440 (US\$1,000) a month. In Australia, the ABS Employee Earnings and Hours Report 2012, showed that the mining industry paid the highest wages in the country, with the average take home earnings at R24,947 (US\$2,388).

“During the strike in 2012, workers confirmed that the lowest salary at Kumba was R6,000 gross and the net amount was R4,000 odd. Reports from the company were that the lowest earner was R12,600 and the basic net was R9,000.

“The workers were unhappy with the misrepresentation of their earnings to the media. They are still unhappy with the difference in earnings between the races”.

Despite the major strikes and serial absenteeism in 2012 as well as reports of racial segregation and unequal monetary compensation from employees, Kumba Iron Ore Limited received the ‘best employer’ in the mining category accolade through both Delloitte’s Best Company to Work for Survey and the Corporate Research Foundation (CRF) institute’s Best Employer Survey in 2012.

“We’d like to know what criteria are used for awards such as this,” says Capel. “How did they issue the award and did they interview the staff at all?

“It’s a survey, but how many staff received this survey to complete?

“During that period, the company’s reports state that it employed a total of 11,773 people. Of that figure, 6,878 were employed on a full-time capacity as permanent employees, 4,193 as full-time permanent contractors, 704 learners; 8,806 fixed-term project contractors at Kumba’s construction projects and 484 young professionals in the company’s talent development pipeline.

“We are concerned about the high level of sub-contracted employees and wonder why they are not classified permanent. This can only mean that Kumba does not extend the same benefits to this grouping, such as the envision share ownership scheme.”

Capel said that if the staff were indeed questioned, it would be interesting to see how the questions were fashioned.

“Kumba needs to take account of soft as well as human issues such as relationships, age, gender and impacts of unemployment to really understand the dynamics within the communities and how their actions impact on these dynamics.

“The company also needs to be more transparent about recruitment, ensuring that its recruitment structure reflects the race, gender and disability structure of our society.

“And it definitely needs to develop quality labour relations and work hard on transforming the Apartheid-type society that has continued to be in force in the area.

“We also call on the South African Human Rights Commission (SAHRC) to set up a high level panel to investigate the allegations of racism in Kumba’s workplace and in the communities surrounding the company and it must set out a remedial plan for the affected communities and businesses in Kathu.

“The SAHRC must also investigate Kumba’s anti-racism and anti-sexism programmes and make recommendations for improvement and hold the company accountable going forward,” says Capel.

The report is the tenth edition within the Bench Marks Foundation’s Policy Gap series and investigates the strengths and weaknesses in Anglo American’s Kumba Iron Ore mining company’s policies in its efforts to gain and maintain a Social Licence to Operate.

The report by the Bench Marks Foundation and the Bench Marks Centre for Corporate Social Responsibility (CSR) at the North-West University highlights the gaps in the company’s Corporate Social Responsibility programmes and aims to change corporate behaviour towards responsible business conduct that benefits communities and embraces the overall wellbeing of those most negatively impacted upon.

Amongst others, the Bench Marks Foundation calls for a new relationship between corporations, communities and ecosystems; equal participation of stakeholders and those most affected by the activities of corporations in the decision-making processes of companies; preservation and protection of the environment for present and future generations, and respect for the dignity of every person and human rights policies based on the Universal Declaration of Human Rights.

For more information on the Bench Marks Foundation, to view all the reports by the organisation, as well as more information relating to the Kumba research, go to www.bench-marks.org.za.

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About Bench Marks Foundation:

Bench Marks Foundation is an independent non-governmental organisation mandated by churches to monitor the practices of multi-national corporations to

- ensure they respect human rights;
- protect the environment;
- ensure that profit-making is not done at the expense of other interest groups; and
- ensure that those most negatively impacted upon are heard, protected and accommodated within the business plans of the corporations.

The Foundation was launched by the Rt Rev Dr Jo Seoka who chairs the organisation and by member churches of the SACC in 2001.

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