



Media statement by the Bench Marks Foundation

Banks fail to do proper due diligence on mining projects

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FOR IMMEDIATE RELEASE

South African banks are failing to do proper due diligence on mining projects, despite subscribing to the International Finance Corporate and World Bank Global Guidelines on Responsible Investments, says the Bench Marks Foundation in a research report released today in Johannesburg.

The report, Policy Gap 9 on South African Coal Mining: Corporate Grievance Mechanisms, Community Engagement Concerns and Mining Impacts, focuses on communities near mines in the Nkangala District including Witbank (eMalahleni) and Middelburg (Steve Tshwete) in South Africa and on two mining corporations, Anglo American Corporation and BHP Billiton.

“Our research indicates that banks are not checking whether the mining projects they are financing comply with legislative and regulatory requirements before releasing funding for the project,” says John Capel, Executive Director for the Bench Marks Foundation.

“In this report, we found that many mines in eMalahleni, seem to obtain funding and mining licences well in advance of water use licences.

The report shows that Anglo coal may have conducted numerous public and interest group consultations during 2006, in 2010 and then in 2011 as part of its environmental impact assessment (EIA) process towards obtaining its mining licence for its new Largo Mine, but there is a huge discrepancy between this first process toward completing its EIA requirements, and its public meetings towards its application for a water licence.

“Anglo Coal’s consultation process towards obtaining a water use licence for its Largo mine, only took place in 2011, a full five years after its Environment Impact Assessment consultation process.

“Of course the corporation uses changes in relevant legislation to explain the discrepancy,” says Capel.

According to the research report, the first box cut took place in 2012, and Anglo Coal secured a contract from Eskom. This contract between the two entities suggests that they consider the issuing of mining licences, approval of EIAs and Environmental Management plans as well as a water use licence as mere formalities and not essential.

“The implication of this discrepancy is that New Largo mine’s construction was already at an advanced state before there was an attempt to run public meetings for a water licence.

“Therefore, Eskom, Anglo Coal and the institutions financing these operations pre-empted the issuing of licences by the Department of Mineral Resources, the Department of Water Affairs, and the Department of Environmental Affairs.

“The bank that financed the mining operation clearly did not do a proper due diligence to see whether the project they are financing, with billions of Rands, complies with legislative and regulatory requirements”.

Bench Marks’ research report indicates that Nedbank is reportedly financing the R11.6 billion Largo coal mine project which involves the construction of an open-cast mine with a capacity to produce 14 to 15 million tons of thermal coal a year.

“Nedbank advertises itself as an environmentally concerned banking institution yet financed this project,” says Capel.

“Not only did it finance the project before the mine had all the necessary licences, its financing an industry that is associated with long-term threats to the environment which is already jeopardising water and food security.

“Not to mention the many health hazards communities face due to coal mining, including black lung disease.

“What’s needed is for financial institutions to insist on the proper documentation before issuing finance and to properly assess their corporate social responsibility as well as that of the corporation they are financing.

“We need tighter controls in the industry,” says Capel. “Therefore, the Bench Marks Foundation calls on the Department of Mineral Resources and the Treasury to investigate and actively tighten controls to avoid this from happening going forward.

“The coal industry currently creates its wealth off dirty and non-renewable energy resources to the detriment of the environment and the misery of surrounding communities. Financial Institutions are, by their lackadaisical approach to rules and regulations, contributing to this”.

To download the report and to view Bench Marks Foundation’s other research reports, go to www.benchmarks.org.za.

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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 in 2001 and the Rt Rev Dr Jo Seoka chairs the organisation.

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