



GOLD FIELDS

GOLD FIELDS SA

SHARING THE VALUE



www.goldfields.co.za

SHARING THE VALUE

Gold Fields aims to be the global leader in sustainable gold mining. That does not mean staying in business for ever; but rather leaving behind a viable economy, a clean environment and a thriving community

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Johannesburg owes its existence to the Witwatersrand gold rush of the 1880s but in those days, mining was governed only by self-interest. The huge short-term capital it generated guaranteed a legislative and regulatory fair wind and in southern Africa little attention was paid to the impact of incoming speculators on the people who had lived there for millennia.

Elements of this attitude have persisted into modern times, and gold mining—indeed any kind of mining—is still often associated with environmental pollution, negative social legacy and an opportunistic business model that maximises profit but pays no more than lip service to cleaning things up once the mine is spent.

Well, that is changing, and the efforts being made by one of the world's largest gold mining companies, Gold Fields, promise to be a benchmark for sustainable mining in the future. Gold Fields is headquartered in Sandton and listed on both the Johannesburg and New York Stock Exchanges. It operates four mines in South Africa, further mines in Australia, Ghana and Peru, and has committed itself to becoming the global leader in sustainable gold mining.

FROM COMPLIANT TO SUSTAINABLE

This is not just a declaration: it is a journey. More than a century of poor mining practice, pollution from abandoned tailings, denuded landscapes and unthought-out population displacement can't be swept away just by saying that we are going to comply now, just so that we can talk ourselves into gaining a



Thembelihle Park,
Northern Cape



Tarkwa gold mine, Ghana

licence to mine. Companies must be audited more closely than that, says Phillip Jacobs, Gold Fields' VP of Sustainable Development for the South Africa region. The image problem is not of Gold Fields' making; like most of the majors it has complied rigorously with regulations and legislation since it was formed in 1998. As with its peers, if not the entire industry, safety was a priority and remains so. "If we can't mine safely we won't mine!" says Jacobs.

But he admits that responsible mining was more of a compliance issue in those days. These days, compliance is a starting point. Thinking at Gold Fields has moved progressively from compliance—not breaking the law—through corporate social investment (CSI) and corporate social responsibility (CSR) to sustainable business in the fullest sense. Today it is busy promoting the final step to creating shared value.

Shared value will drive the next wave of innovation and productivity growth in the global economy, according to the Harvard Business Review, where the concept was first defined in 2010. "It will also reshape capitalism and its relationship to society. Perhaps most important of all, learning how to create shared value is our best chance to

legitimise business again." Clearly this is an important goal for the mining industry, and the benefits of shared value flow both ways, Jacobs points out. It is not window dressing—there should always a business case for projects.

While there is no standard definition of shared value Gold Fields does measure both its wider economic impact and the amounts dedicated to social economic development

(SED) spending. In calendar 2011, the most recent full financial year, the company spent around US\$55 million on SED of which around 80 per cent was spent in South Africa.

So what precisely does sustainable development mean to him, and who does it involve? "Most of our social development initiatives are integrated with the social and labour plans (SLPs) that we have to submit to get a mining licence. That is a useful way to pull together different elements of the business including health and safety, human resources and our economic development, environmental,

accommodation and procurement. But that is just our point of departure."

The Sustainable Development (SD) department Jacobs heads pulls together all the corporate plans for safety, health, community development and environmental best practice. "There is a thin line between our employees and the community—and in many cases no line at all, as they live in the community." It could hardly be otherwise in a company that employs up to 40,000 people, to which must be added the considerable secondary impact

**\$55
MILLION**

.....
**Gold Fields'
social development
spending in 2011**

“THERE IS A THIN LINE BETWEEN OUR EMPLOYEES AND THE COMMUNITY—AND IN MANY CASES NO LINE AT ALL, AS THEY LIVE IN THE COMMUNITY”

on the communities near to the mine sites, and in the 'labour-sending areas'. "Many of our workers migrate from the Eastern Cape or KZN as well as Mozambique and Lesotho to work in the mines. So when we promote community projects we don't just focus on the 'host' communities but also the sending communities."

Gold Fields' journey has moved the whole organisation from departmentalised

and piecemeal thinking on SD to an integrated approach, says Jacobs. "Instead of just doing ad-hoc projects we have started looking for meaningful, sustainable projects that will make a difference." The vision for SD is twofold: on the one hand to avoid leaving any residual liabilities, on the other to leave behind an economy that is independent once the mine closes—as it must eventually. The gold resources at the

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Thembelihle Park



Gold Fields CEO Nicholas J Holland opens Thembelihle Park

Kloof Driefontein Complex (KDC), South Africa's largest mine, could last for around 50 years, but like all mining operations are governed by world demand for gold. So whatever happens, legacies such as ghost towns, communities left without alternative employment, acid pollution and the like must have no part in it.

To prepare the community to sustain itself, the first thing is to understand how that community works, he says. "Our ethnographic assessments give us a picture of the community as we collect data on education levels, skills available, literacy, unemployment and the like." In every case the local municipality will have an Integrated Development Plan (IDP) that identifies wealth creation projects, so

Gold Fields will align its own information gathering process with the IDP as far as possible, improving it where necessary and adding projects it believes will be beneficial to that community.

It's a constant learning process. One of the earliest projects established in 2003 was a rose propagation farm and marketing enterprise near KDC. Gold Fields and the government-run Industrial Development Corporation have invested a total of R160 million (US\$22 million) in the Living Gold rose farm over the past few years. To date, this alternative livelihood project has provided jobs and training for over 600 people in the skills of growing, harvesting, sorting and packaging roses for export. Though the venture has been a commercial

success, one of the most valuable lessons was that the value to the community is not related to the size of the investment. “We have projects where we have spent R10,000 and the impact is proportionately as significant,” he says.

PROJECTS FOR PEOPLE

A good example is the Alien Vegetation Project at KDC, which aims to create jobs and conserve local biodiversity through the clearing of alien vegetation and the production of charcoal. The project’s 45 participants have produced 500 tonnes

of timber since it started in November 2010. South Africa is trying to eradicate exotic species like eucalyptus and wattles that are both invasive and thirsty.

Studies showed that an eradication programme could cost R5 million in the first year alone, with follow-on costs to stop the pest vegetation coming back. “Instead we identified people in the community, typically unemployed people, bringing them together in a small business enterprise. We trained them up to a level where they had certificates they could take

**500
TONNES**

.....
Timber produced at KDC
by the Alien Vegetation
Project

“INSTEAD OF JUST DOING AD-HOC PROJECTS WE HAVE STARTED LOOKING FOR MEANINGFUL, SUSTAINABLE PROJECTS THAT WILL MAKE A DIFFERENCE”

and use elsewhere if required, got them the equipment they needed and supported them through a pilot stage, which expanded to the point that now we have a whole community eradicating alien vegetation. We have even negotiated an offtake agreement for them with a company that will buy the timber. In that way we successfully addressed an environmental issue, an economic issue and

a social issue all in one go and at low cost.” Another project more closely aligned with traditional agriculture, while feeding directly into the tree replacement programme, is still in its pilot phase. The company has created an ‘Agri-Hub’ with the threefold mission of assessing small scale agricultural projects for feasibility and getting them off the ground; training; and production. “The idea is simple,” explains Jacobs. “We started with wormeries where we compost the kitchen waste from our living accommodation. The wormery produces liquid fertiliser and compost. That is used in our tunnels where we produce the seedlings.”

The vegetable seedlings are initially given to the community that lives around the KDC mine to plant gardens. To give an idea of the project’s scale, the last time Jacobs checked, about 40,000 plants were growing. The project will be extended to the company’s mines at KDC West, South Deep and possibly Beatrix. From the initial CSI opportunity to provide seedlings to establish food security within a community, Gold Fields has gone a step further, training participants how to plant their seedlings, how to fertilise and how to water them. Some of the plants are used for food, others sold



Employee housing project in Glenharvie



Environmental initiative at Beatrix mine

“WE SUCCESSFULLY ADDRESSED AN ENVIRONMENTAL ISSUE, AN ECONOMIC ISSUE AND A SOCIAL ISSUE ALL IN ONE GO AND AT LOW COST”

and the money used to buy more seedlings.

As well as cabbages and spinach, the tunnels are propagating saplings, all indigenous South African trees, to replace the invaders as they are removed. A similar project, still at the planning stage but scheduled to be launched before the end of 2012, will address bee keeping and honey production. “Again, the principle is to align environmental benefits with socio-economic

needs. Beehives can be housed anywhere—each community member could have a few hives and the bees assist pollination in gardens where we are growing trees and rehabilitating the area.”

SPIRIT OF ENTERPRISE

While these initiatives encourage self-sufficiency, the ultimate aim is to leave behind a local economy that works, and

for that you need individuals who will invest their money, skills and vision in their community. You need entrepreneurs. These men and women emerge naturally in the project and slowly take over until it is self-sustaining. There are signs that this process is happening in the agri-projects we have looked at, but Gold Fields is also keen to encourage sustainable business like the Futyana Bakery, based at the KDC mine. It is run by an ex-Gold Fields employee, employs 22 local people and supplies the mine with more than 2,000 loaves of bread every working day. Gold Fields supplied loan finance to the enterprise, as well as indefinite rent-free accommodation in an old hostel building. A group of women produce a range of safety attire and equipment at another

enterprise that was established to serve as a hub for independent community businesses.

Gold Fields has now started a ‘localisation project’ to support entrepreneurship. It started by creating a database of all existing enterprises in the community and the skills available. The data will be available to the local business community and the municipality. Gold Fields itself will be able to use it to build a supplier community that can supply not only foodstuffs, along the model of the Futyana Bakery, but also craftsmen like plumbers or welders that it may require as well as mining related services like safety clothing, electrical or engineering services. “We will assist them with mentorship to get them to the quality level we need,” Jacobs promises.

Driefontein headgear,
South Africa



The next phase will be to create business development centres in all the mine and sending communities to act as a repository for the local database and an incubator for growing businesses. Professionals from the mine's training facilities will provide basic training in numeracy and literacy. "Once they have passed that stage they can have the opportunity to obtain portable skills in disciplines like animal husbandry, carpentry, metalwork, auto repair and the like."

The company's procurement policy will help to provide the market. For example if there are houses to be built, instead of getting contractors to tender, the database will be used to source the building skills needed from the local community. The business development centre could help them form a business to do the work; it could provide them with meeting rooms and act as their communications hub, so they will be able to offer their services to other local businesses or municipalities.

Though the will has always been there, the progress from a mindset of compliance to one of shared value has not been without pain. But Jacobs says it has been worth every step. "For a mining company to be successful today, cosmetic changes are not enough: it must change its moral fibre, it's very genetic makeup. We have done that, I believe." **BE**

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