

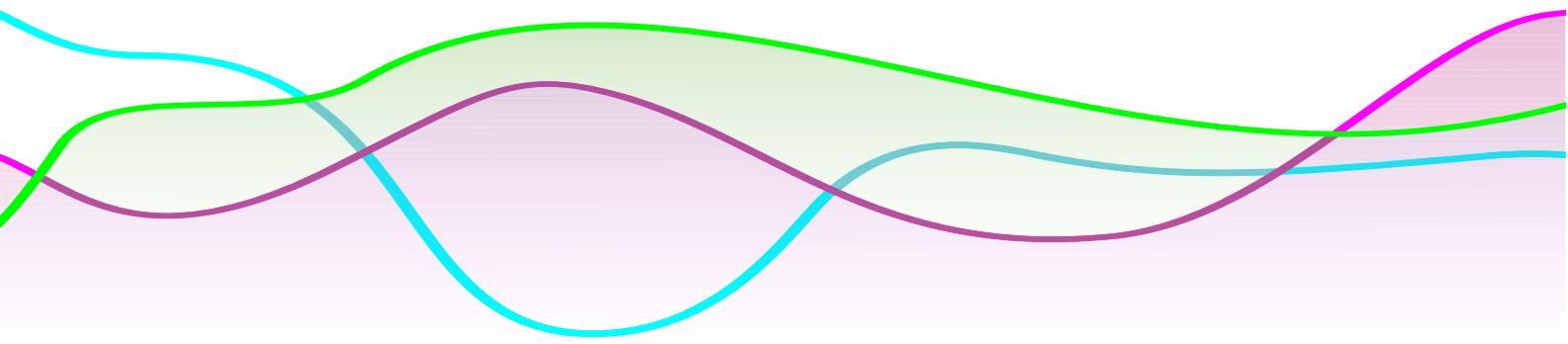
# Deloitte.



## **Value Beyond Compliance**

A new paradigm to create shared value for mines, communities and government

**2019**



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# Introducing value beyond compliance



## The issue at hand

In current market conditions and socio-economic circumstances, mining companies not only need innovative business models to deal with cost, capital, efficiency, talent, technology and digitisation; **but also new strategies to manage rising stakeholder demands, strategic risks related to their 'social licence to operate' and increased regulatory requirements linked to socio-economic priorities.**

Globally society is increasingly disillusioned with business profit at the expense of society. Governments have attempted to balance company profits and competitiveness with benefits to society by introducing policies and regulation. Whilst this has resulted in an increase in corporate social responsibility spend, it achieved limited impact and high levels unemployment, poverty and wealth inequality remain ubiquitous. In many countries the true socio-economic contribution of mines is being

questioned. External stakeholders, such as government and communities, believe that historically mining companies were the sole earners of wealth and that they continue to prosper at the expense of the broader society. Negative stakeholder sentiments persist and bring forth potential social volatility, which in turn impacts a mining company's 'social licence to operate'.

Nevertheless mining companies have invested significant sums in local socio-economic development as they seek to comply with increasingly comprehensive socio-economic development scorecards set by national government.

In South Africa for example, many mining companies face the challenge of dual compliance with both the Mining Charter III of 2018 as well as the Department of Trade and Industry's broad based black economic empowerment (BBBEE) scorecard; which seek to drive priorities of socio-economic development,

industrialisation, transformation (which includes black ownership, employment equity, diversity and inclusion) and localisation. Governments view resource endowment as a vehicle for wealth creation, competitiveness and social progress, and the pressure and cost of compliance will remain.

How then does the mining CEO build greater social capital, deal with stakeholder perceptions and demands, achieve a greater socio-economic impact, meet compliance requirements and ensure its 'social licence to operate'? A new paradigm is required and mining companies need to find new innovative strategies to ensure both their economic sustainability as well as 'social licence to operate'.

## New paradigm thinking and value beyond compliance

From a Deloitte perspective, we believe that mining companies have the opportunity to take the lead to bring the sector, government and society closer together and create shared value beyond the compliance agenda.

Value beyond compliance is about the fundamental synergy between economic performance and social progress and creating shared value.

There are various ways in which our clients seek to generate shared value.

In some cases, it means collaborating with other mining companies to bring local government and communities on-board and jointly plan and deliver on local socio-economic cluster development.

In other cases, we work closely with our clients to develop and implement a broad range of shared value strategies related to stakeholder engagement, enterprise and supplier development, diversity and inclusion, the regulatory environment and measuring impact (see Figure 1).

Shared value is a strategic choice made by a company to apply their profitable business model in a manner which creates economic profits and prosperity for its shareholders, as well as the community within which it operates.

Shared value is not about corporate social responsibility nor shared ownership; it addresses society's pressing problems while simultaneously fostering long term business competitiveness and economic benefits.



Source: Michael E. Porter & Mark R. Kramer, Harvard Business Review, January - February 2011. Available from HBR.org.

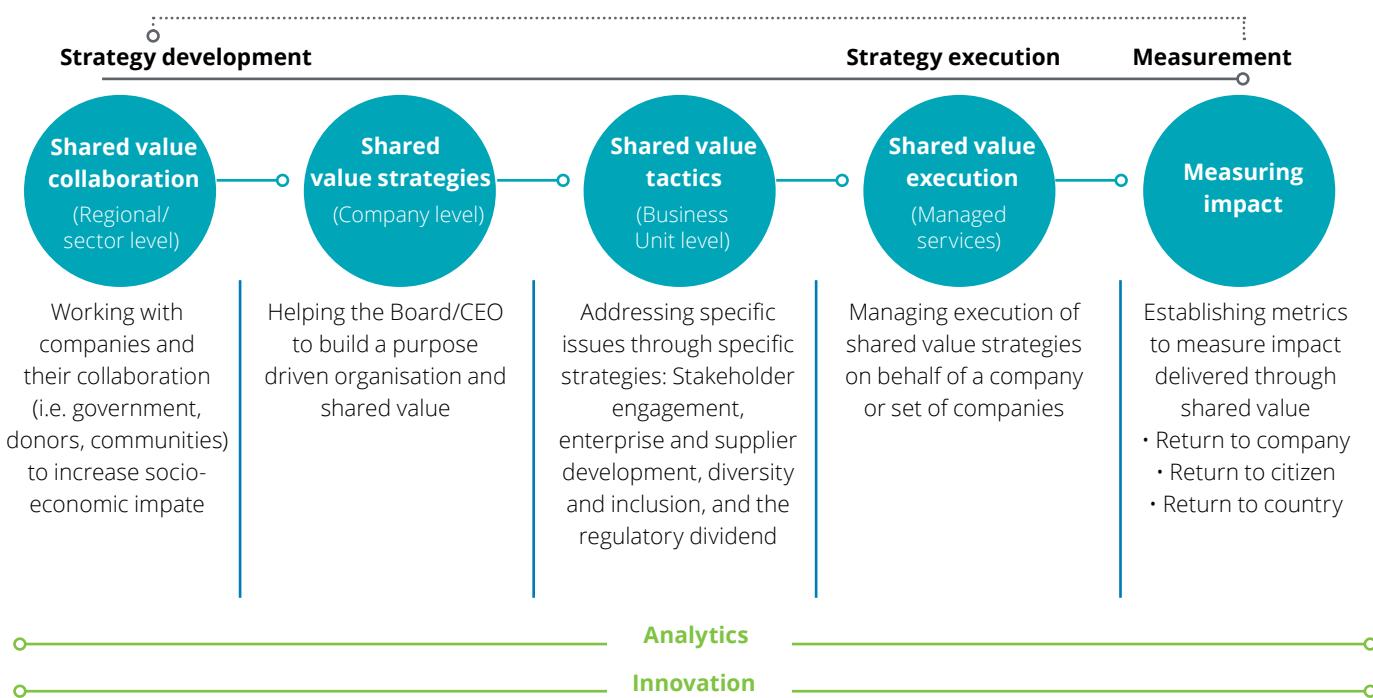


Figure 1. Value beyond compliance strategy design, implementation and measurement

Value beyond compliance strategy and implementation is underpinned by two important enablers.

**i. Analytics.** Analytics not only improves decisions related to core mining business, but also holds enormous potential to integrate and help companies track socio-economic baseline data; stakeholder needs, disposition and desires; implementation progress and results of community development projects and initiatives; and visually overlay this information on maps with geographic information systems data.

**ii. Innovation.** Innovation is required to find new ways of engaging stakeholders, especially the youth; exploring economic succession to ensure a sustainable future for regions beyond the-life-of-mines; re-looking mining land use in the context of agricultural innovation; and using digitisation as a driver for greater social benefits and alternate economic opportunities.

In the new paradigm of Value Beyond Compliance it is important to collaborate with stakeholders, other mining companies and government; explore innovation as a means to solving socio-economic development issues; make new strategic choices and measure the true socio-economic impact from the perspective of citizens, governments as well as mining companies.

This document outlines six courses of action that mining companies can follow to achieve Value Beyond Compliance:

1



Understand the complexities of the stakeholder landscape and engage thoughtfully and proactively

2



Be serious about localising procurement

3



Embrace diversity and inclusion

4



Anticipate and influence the regulatory environment

5



Measure social impact in simple terms understood by each set of stakeholders

6



Collaborate regionally

## 1

# Understand the complexities of the stakeholder landscape and engage thoughtfully and proactively to manage social risk



The mining industry has long been at the forefront of the social activist's agendas due to their proximity and impact on the environment and society, and often labelled as irresponsible corporate citizens, justly or unjustly.

Whilst mining companies have certainly remedied some of their historical issues, the image of the industry as a whole, remains tarnished.

Diverse stakeholder groups and host communities often hold deep-seated and largely negative views about the perceived impacts of the sector, resulting in a tumultuous stakeholder relations landscape. As a result, companies and governments increased across the globe are coming under increasing pressure to grow their contribution and accountability to sustainable development and raise their social impact footprint as evident by

changes in reporting both internally and externally.

The digital era has further exacerbated the stakeholder landscape challenge, having given rise to unprecedented accessibility to information, both real and fake, which is often open to interpretation. Such interpretation can quickly be disseminated through a population fuelling perceptions and further fragmenting the stakeholder landscape. Fostering positive relationships amongst all stakeholders affected is fundamental to the management of social risks, requiring mining companies to adapt their

stakeholder engagement strategies in order to stay ahead of social risks.

## Stakeholder engagement strategies and Value Beyond Compliance

While mining companies have taken strides to uplift communities and deliver shared value, they are battling to move beyond conventional 'tick box' compliance exercises. Marking its tenth year of release, Deloitte's tracking the trends (see Figure 2) highlights this growing awareness with a marked progressive uptake and focus by mining companies on social responsibility and stakeholder engagement.

**Tracking the Trends** - Due to continuous changes in issues facing the mining industry, mining companies must be agile in reacting to these changes

	2014	2015	2016	2017	2018	2019
1	Cost of Contraction	Operational Excellence	Operational Excellence	Shareholder Value	Bringing digital to life	Mining Strategy
2	Matching Supply & Demand	Innovation	Innovation	Productivity Improvement	Overcoming innovation barriers	Managing risk in the digital era
3	Innovation	Reducing Energy Costs	Supply & Demand in China	Operating in an Ecosystem	The future of work	Analytics and artificial intelligence
4	Lack of Funding	Project Deceleration	Delayed Decrease in China's Demand	The Digital Revolution	The image of mining	Sustainable shared social outcomes
5	Capital Project Deceleration	Lack of Funding	Shifting Energy Mix	Cyber Security	Stakeholder relationships	Diversity and inclusion programs
6	Social Responsibility	Junior Miners Struggle	Stakeholder Engagement	Creating a Shared Vision for the Sector	Water management	Work, workers, and the workplace
7	Resource Nationalism	Seeking new Skillsets	Lack of Funding	Social License to Operate	Changing shareholder expectations	Digitizing the supply chain
8	Corruption	Geopolitical Uncertainty	Impact of Global Tax Changes	Supporting Strategic Priorities	Reserve replacement woes	Decoding Capital Projects
9	Improving Safety	Stakeholder Engagement	M&A Plateau	Creating Healthy & Inclusive Workforces	Realigning mining boards	Demanding Provenance
10	Skill Gaps	Engaging with Government	Corporate and Personal Welfare	Integrated Approach to Reporting	Commodities of the future	Water-energy nexus

Figure 2. Tracking the trends in mining from 2014-2019



Source: Deloitte: Tracking the Trends 2013, 2014, 2015, 2016, 2017, 2018, 2019

Addressing such challenges will not be solved through conventional approaches- there is a need to find new ways of engaging to enable the industry to have a greater impact on society. The mining industry must seek a transition from a reactionary approach towards one which is more proactive.

To effectively and proactively manage social risk, stakeholder engagement strategies must evolve on three levels, as demonstrated in Figure 3.

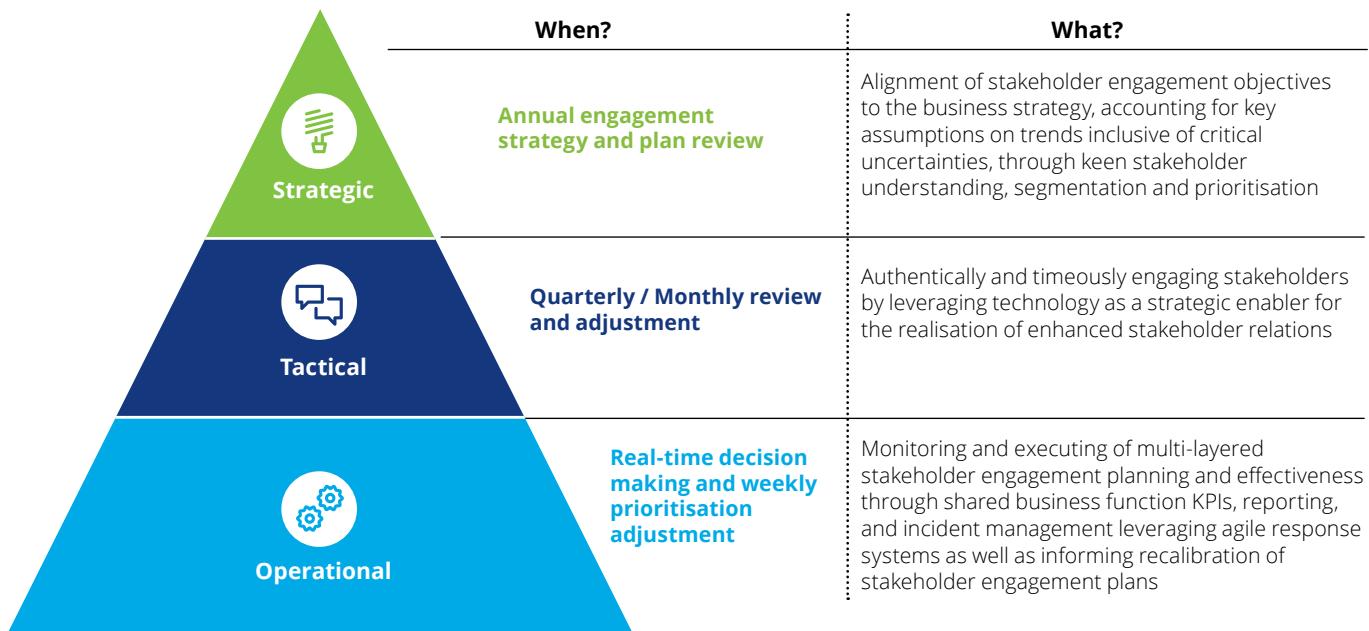
On a strategic level, from simply documenting and mapping a company's

stakeholder landscape to a true in-depth understanding and analytical intelligence around the needs, motivations, and influencing factors relevant to each individual stakeholder and not just groups. Where the opportunity presents itself, mines within a region should also collaborate and share information.

At the tactical level, stakeholder interaction and channels must adequately address nuances within the stakeholder landscape accurately conveying company performance against stakeholder needs.

Cross collaboration between business functions on a company operational level is also important to appropriately address stakeholder requirements while realising value and efficiencies.

Overall, stakeholder Engagement Strategies must enable iterative revision and adjustment based internal performance metrics in conjunction with collaborative stakeholder interactions and feedback.



**Figure 3. Levels of stakeholder engagement strategies and actions**

### The role of analytics and digital technology

Digital technology serves an enabler that augments stakeholder engagement strategies. Stakeholder engagement strategies informed by depth of insight and intelligence generated through analytics will increasingly become the only effective means of mitigating risk related to social environments as well as encouraging close interaction and collaboration with stakeholders. Companies leveraging technology to augment proactive stakeholder engagement strategies at a tactical and operational level will realise added value.

### A new approach

Under evolving operating environments and uncertain times, conventional stakeholder engagement strategies will not help deliver desired Value Beyond Compliance. Mining companies will have to use transformative systems led by meaningful stakeholder engagement, and cross-functional and cross-company collaboration.

Best-in class industry leaders have begun adapting their stakeholder engagement strategies to meet the current challenges by developing integrated management control solutions to ensure internal systems, processes and capabilities are able to meet stakeholder demands in a digital age.

The successful execution of stakeholder engagement strategies will facilitate sustainable socio-economic contribution and ultimately derive mutually beneficial outcomes. Value beyond compliance can be achieved through realisation of advanced stage integrative stakeholder engagement strategies involving high levels of visibility of issues, addressed with agility and enhanced technologies, resonating across functional areas while allowing for sector alignment and shared-objective collaboration.

# 2 Be serious about localising procurement



## Context

For many years mining companies operating in the African continent have endeavoured to create and promote locally based suppliers as part of their site level procurement strategies. These programmes were aimed at enabling the achievement of two complimentary objectives, namely 1) the creation of competitive supply networks close to the mining operations and 2) the enhancement of local stakeholder relations. However, in many instances the success of such programmes have fallen below the expectations of local communities and regulators.

As a result, mining legislators across the continent are increasingly exerting their influence further. Legislators are tasked with achieving the difficult balance of designing incentives to attract foreign direct investments into mining versus the leveraging of mining investments as a catalyst for local content development, technology transfer and local revenue generation.

## Local content trends in Africa's mining sector

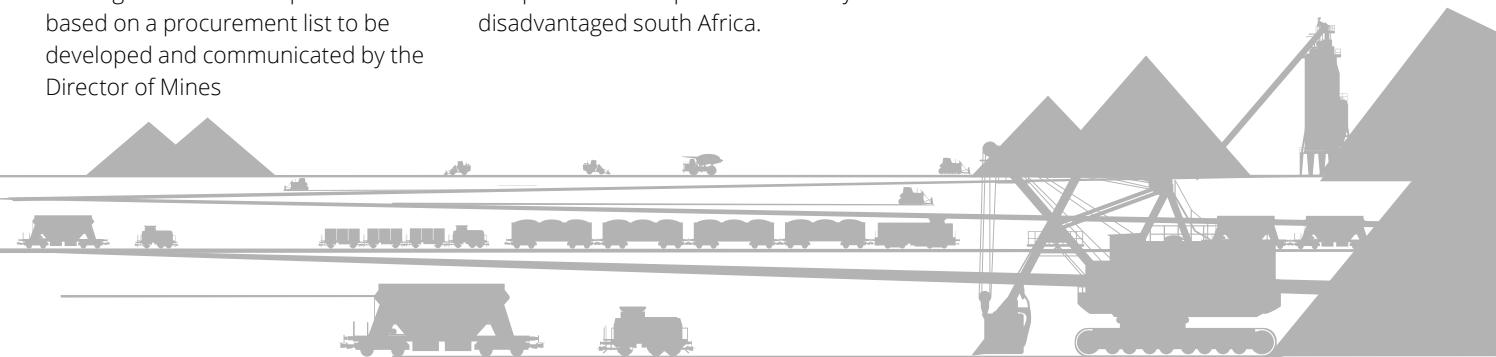
To illustrate, in May 2017 the Government of Kenya enacted new local content regulations that require companies operating in the mining sector to submit to the Cabinet Secretary for Mining, procurement plans. These plans emphasize that local content development must:

- Set target levels of local procurement based on a procurement list to be developed and communicated by the Director of Mines

- Indicate specific support to be provided by mineral rights holders to local providers or suppliers
- Demonstrate measures being implemented to develop the supply of local goods and services including broadening access to opportunities and technical support.

Tanzania, the Africa's fourth largest producer of gold, has in early 2018 introduced amendments to its Mining Act of 2010. The amendments provide that every foreign company which wishes to provide services to the mining rights holder shall incorporate a joint venture (JV) company in which Tanzanians hold not less than 25% of the equity. The regulations also provide that a local content plan must be submitted by the mining right holder to the Local Content Committee of government. The local content plan shall give preference to local goods and services manufactured in Tanzania provided that the same meet internationally acceptable standards or those set by the Tanzania Bureau of Standards.

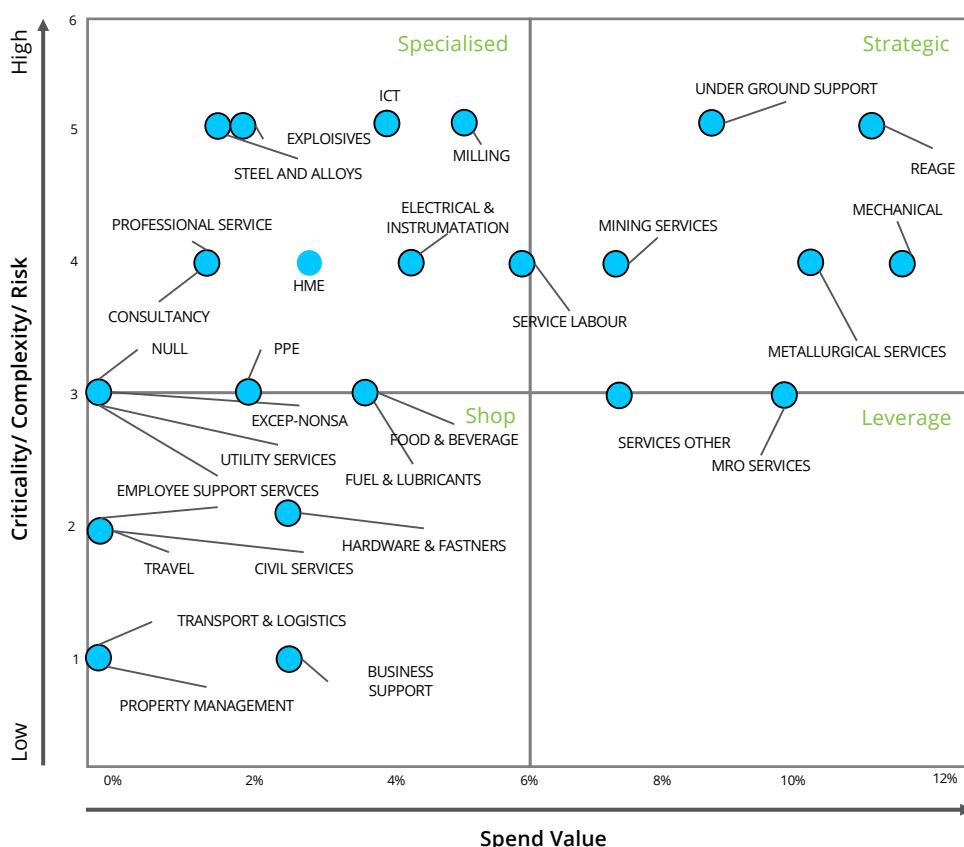
In South Africa, the latest instalment of the Mining Charter (i.e. Mining Charter III, gazetted in 2018) compels mining rights holders to increase their local content for manufactured mining goods to 60% over a period of five years. In addition, the charter requires that mining rights holders procure 60% of mining goods and 70% mining services from companies that empower historically disadvantaged south Africa.



### Responding to emerging trends

It is clear that mining companies operating in the continent are increasingly expected to enhance local content contributions and assist the local regulators in leveraging mining as a catalyst for the creation and growth of local manufacturing and services sectors. This will require a shift from a more tactical focused approach at site level to strategic, integrated approaches that embrace regional clusters and industry collaboration inclusive of multiple mining right holders, regulators, global original equipment manufacturers and local country business forums.

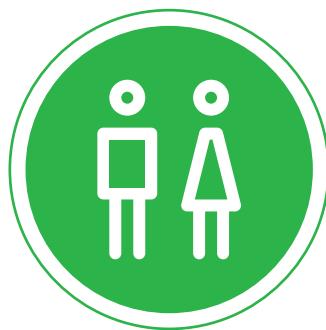
Historically many companies focused on developing local suppliers in low complexity / low value spend categories such as cleaning, catering and security services to meet compliance requirements. To meet new requirements, mining companies need to shift to more strategic and specialised spend categories that have economic scale and higher technological complexity such as heavy mining equipment manufacturing and maintenance, mining services, explosives & ballistics services and engineering consultancy, illustrated in Figure 4.



**Figure 4. Shift required to strategic and specialised spend categories that have economic scale and higher technological complexity**

Mining companies now need to adopt a new paradigm of thinking to create Value Beyond Compliance and meet the expectations of not only regulators but also community and other local stakeholders.

# 3 Embrace diversity and inclusion



## The challenge

Despite ambitious targets and good progress, mining companies across the region still struggle to create workforces that are more diverse. In South Africa, where reporting on gender and race is mandated, the sector not only falls far behind the average for both gender and race workforce composition, but it is consistently one of the lowest ranked sectors out of eleven sectors (see Figure 5 and 6)<sup>1</sup>.

Rank (out of 11 sectors)

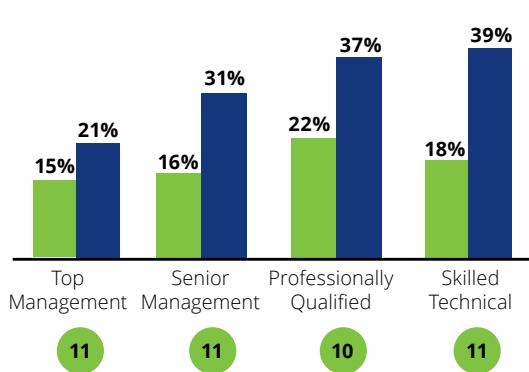


Figure 5. Women as a % of the workforce in South Africa, by management level<sup>2</sup>

Rank (out of 11 sectors)

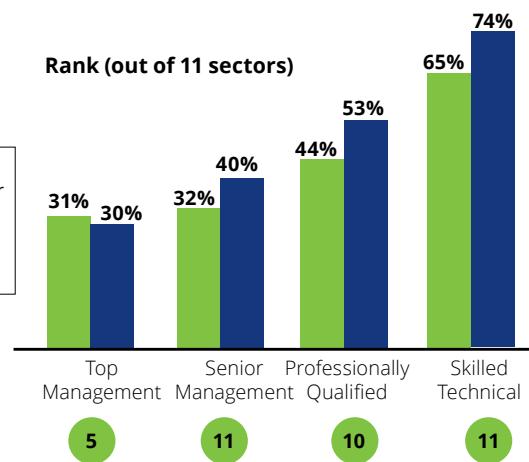
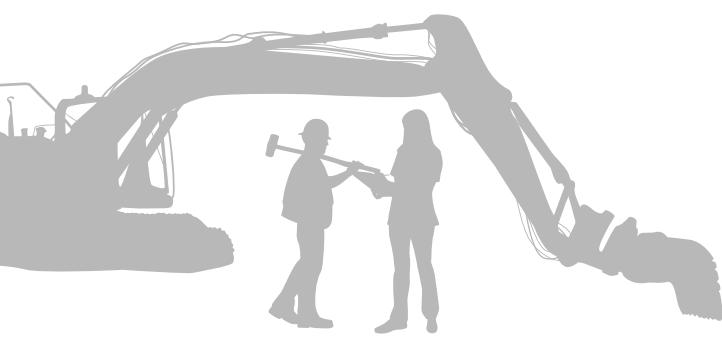


Figure 6. African, Coloured, Indian persons (ACI) as a % of the workforce in South Africa, by management level<sup>3</sup>

The BBBEE scorecard measures five dimensions, and the management control dimension which measures the level of race and gender diversity in South African companies, is by far the lowest scoring score for mining companies relative to the other four elements (see Figure 7).



<sup>1</sup>Average based on average of sector totals, not weighted based on relative size of sector

<sup>2</sup>Source: Minerals Council South Africa, "Women in Mining in South Africa" 2017, <http://www.mineralscouncil.org.za/industry-news/publications/fact-sheets/send/3-fact-sheets/424-women-in-mining>, accessed 8 December 2018

<sup>3</sup>Commission for Employment Equity, "Annual Report 2016-2017", 2017, <http://www.labour.gov.za/DOL/documents/annual-reports/Commission%20for%20Employment%20Equity%20Report/2016-2017/commission-for-employment-equity-report-2016-2017>, accessed 8 December 2018

<sup>4</sup>Monitor Deloitte analysis based on the most recent published scorecards of JSE-listed companies in the "Oil, Gas and Basic Materials" sector. Scores based on the % of points received per element of the scorecard.

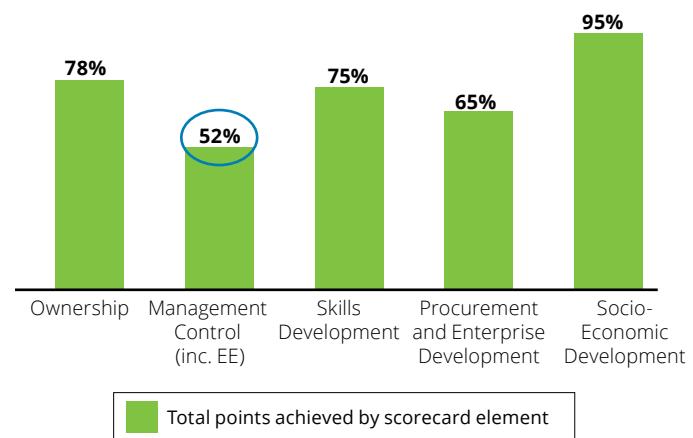


Figure 7. Percentage of maximum points available by scorecard element as per scorecards signed off in 2017 / 2018, whichever is most recent<sup>4</sup>

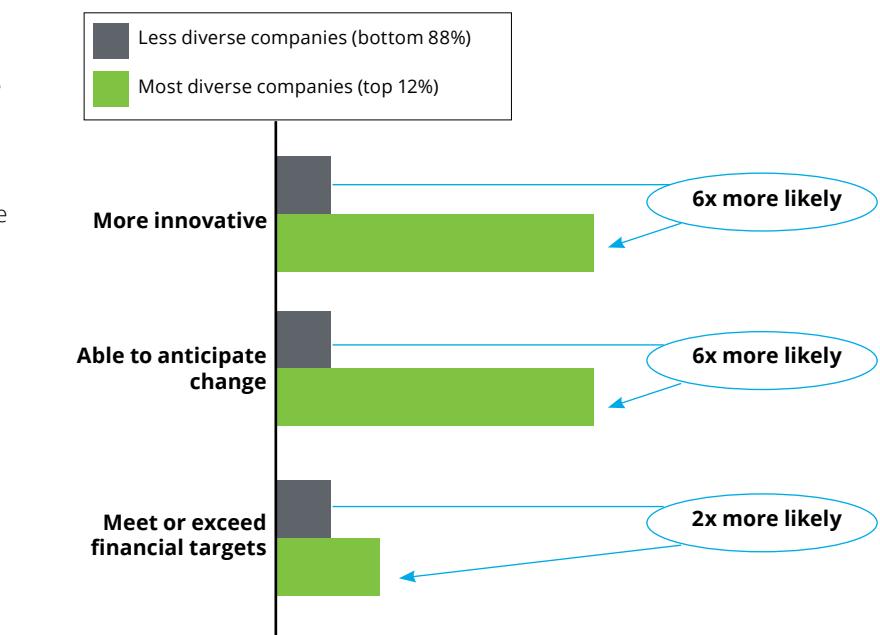
## Diversity and inclusion – Value Beyond Compliance

Management must look beyond compliance targets and see the opportunity in diversity and the value it brings to the sector's talent equation. Research by Deloitte, based on a survey of 245 global organisations and more than 70 client interviews, highlights that the most diverse and inclusive companies are six times more likely to innovate, six times more likely to anticipate change, and twice as likely to meet or exceed financial targets (see Figure 8).

Promoting diversity in African mining operations can enable companies to access new sources of talent and broaden the number of wage earners in historically disadvantaged households. In addition, an increase in diversity is correlated to an improvement in safety and operational efficiency.

Barriers to diversity in the sector, however, continue to exist in two forms. One type of barrier is physical and material (e.g. lack of infrastructure, personal protection equipment and machinery designed for women), which are particularly real for women and persons with disabilities. To overcome these challenges mining companies need to undertake a rigorous assessment of their facilities and working environments. They also need to be create mechanisms for employees to provide feedback on any physical challenges that they may encounter. The mechanisation and digitisation of the sector, supported by focused skills development spend, presents opportunities for leaders to re-think the entire profile of the workforce.

The second set of barriers are socio-cultural, for instance, biases in recruitment and performance



**Figure 8. Value and impact of a diverse workforce<sup>5</sup>**

management, or relationships based along gender or race lines. Whilst physical barriers can be addressed with investment and focused programmes, the latter set of barriers are more deep-rooted.

Real change starts with leadership buy-in that recognises the value that a more inclusive and diverse workforce can bring, not just a compliance obligation seen to be a 'tick box' exercise. Common narratives abound in the sector and hold back commitment; for example, diversity as a zero-sum game creating winners and losers, diversity as disruption to business performance, and diversity as another mandated transformation programme. These narratives need to be deconstructed with diversity re-cast as a "strategic lever".

### Diversity and inclusion strategies

As Deloitte we believe that each

company needs to design and implement a diversity and inclusion strategy. Such a strategy needs to be evidence-based and use real-world data from across the talent journey (recruitment, promotion, retention) to inform choices and targeted investments. Progress can then be tracked using data dashboards and analytics, accompanied by mechanisms that ensure accountability for results.

Focus groups with key segments of the workforce can help to create dialogue around sensitive topics and develop solutions that are owned by employees, further contributing to Value Beyond Compliance. Lastly, strategic opportunities also exist for companies to collaborate with one another and with other stakeholders to create a cross-sector impact.

<sup>5</sup>Bersin by Deloitte (Deloitte Consulting LLP), "High-Impact Diversity and Inclusion: Maturity Model and Top Findings" 2017, accessed 10 November 2017, <http://bersinone.bersin.com/resources/research/?docid=20888>

# 4

# Anticipate and influence the regulatory environment



## Introduction

Socio-economic and environmental imperatives such as the rehabilitation of the environment, monitoring the post-mining environment and applicable training and skills development have long formed a central theme in mining regulatory frameworks both within Africa and other continents. Whilst strict compliance to these regulatory requirements is still an important imperative, this is no longer sufficient in a world where there is increasing pressure from stakeholders and regulators on the mining industry to create shared value, more concrete benefits to society and ensure environmental and social sustainability in the long-term. However, instead of viewing regulation as a burden, the key question is *'Why shouldn't the mining sector be able to derive tangible and exponential value from the regulatory framework instead of it being seen as a barrier to innovation and growth'*.

## Global outlook

The shift towards a low-carbon economy has seen an adjustment in most corporate strategies due to enhanced focus on technological innovation as well as more stringent environmental standards.

Regulatory frameworks are placing further accountability requirements on the mining sector both in an effort to ensure sustainable shared value and inclusive growth (of both the sector and the respective economy) and also to drive responsible behaviour with good corporate citizenship.

## Local challenges

Locally regulation is also becoming increasingly complex. For example, South Africa's new Mining Charter (Mining Charter III, gazetted in 2018) continues to place pressure on the mining sector to achieve minimum levels of compliance to retain their mining rights focused on key areas such as ownership, employment equity, human resource development, inclusive procurement, supplier and enterprise and community development, including housing and living conditions. This is in conjunction with existing legislation that focuses on health and safety, environmental impact and social sustainability.

Until recently the informal rights of customary communities were not protected by law. In a landmark judgment handed down in November 2018, it was confirmed that the community has a right to decide how their territory is used. The High Court ordered the government to obtain prior community consent before granting mining rights in Pondoland. Local residents contested the granting of mining rights as they believed it would destroy their homes, culture and ecology of the region.

## African complexities

Whilst majority of African countries require, as a minimum, an Environmental Impact Assessment (EIA) together with restoration and rehabilitation plans, certain countries like Burkina Faso, Ghana and Zambia have introduced further requirements. These include depositing funds with the central bank

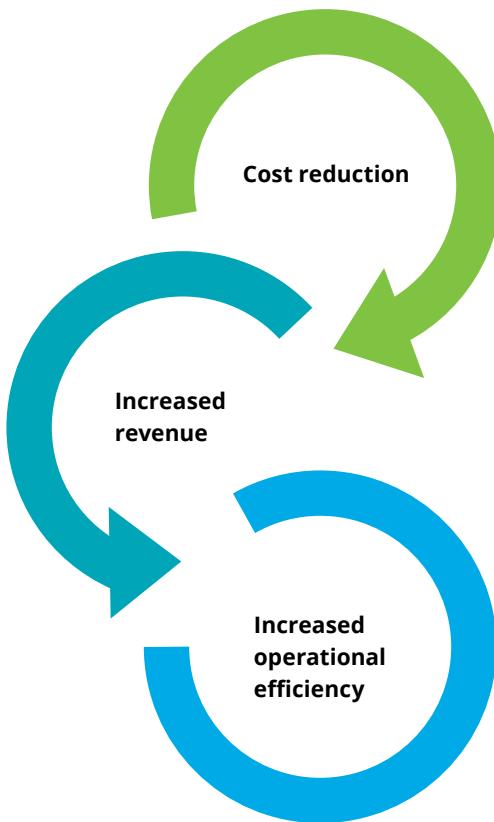
to fund restoration plans, a number of additional licenses over and above the license to operate as well as the submission of annual audited reports. These disparate and often contradictory regulations are further complicated by government policy and budgetary needs such as Tanzania's introduction of increased royalty rates and clearance fees on mineral exports. With continued focus on the mining sector as a growth area across Africa, understanding and navigating through these complexities will be paramount to ensure continued sustainable growth.

### Leveraging opportunities

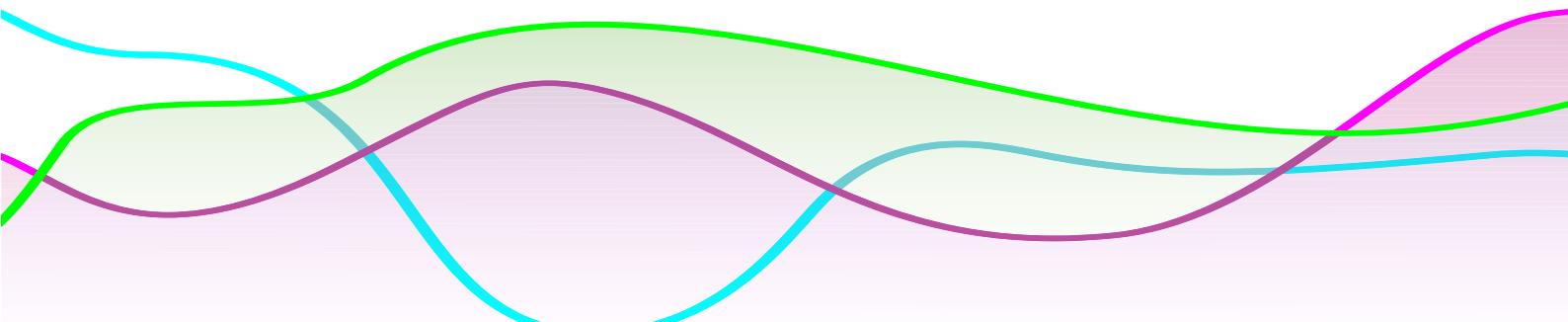
Leading global mining companies increasingly view stakeholder relations, community development, safety and health, and environmental as multiple dimensions of a single challenge – namely sustainability. Subsequently, these companies have created one holistic sustainability strategy that integrates the various compliance requirements across the set of relevant legislative frameworks, and established cross-functional teams that meet frequently to deliver on the associated plans and tactics and engage with stakeholder accordingly. A single view on the range of sustainability requirements enables companies to better mitigate risks and strengthen stakeholder relations. This in turns enables companies to reduce costs and increase efficiency.

The key to leveraging these aspects is to switch from a reactive to strategic, proactive approach in managing the current regulatory framework. Essentially the aim is to create a 'regulatory dividend' which can be calculated and demonstrated to further increase shareholder value (see Figure 9).

There are multiple opportunities for capitalising on the existing regulatory framework. It is imperative that bold steps are taken now to reap the benefits and create sustainable value beyond (mere) compliance.

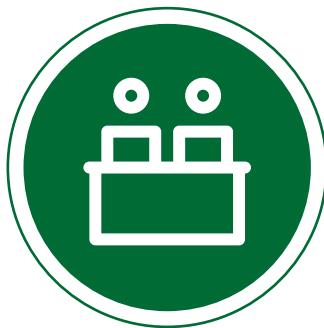


**Figure 9. Creating the regulatory dividend**



## 5

# Measure social impact in simple terms understood by each set of stakeholders



One of the challenges in achieving Value Beyond Compliance is understanding how value is perceived by the various stakeholders. One of the founding tenets of Value Beyond Compliance is that business has a role in society beyond simply delivering returns to shareholders. There are other stakeholders who have real and valid claims to some sort of return on the mineral wealth of a country. Governments of resource rich countries expect that their resource endowment will improve the competitiveness of their economies and drive socio-economic development. Similarly host communities also feel a deep sense of ownership of the resource on top of which they live. Regulation is typically how governments tend to prescribe their view of what an appropriate balance of return is.

To move beyond compliance, one needs to define the concept of "value". Value to shareholders is easily defined, because this is typically described in financial terms – a language that shareholders understand very well. Measures such as social return on investment are useful when reporting to shareholders, because they attempt to translate social outcomes into financial terms – the language of shareholders.

Financial measures are less useful when it comes to demonstrating value to other stakeholders. For example, how much has been spent is less important to community groups and local non-governmental organisations. It is important to identify and define outcomes that matter to all stakeholders, and then quantify the value each stakeholder receives in these terms.

Governments typically care about economic growth, local content and job creation. Regional and municipal governments are typically more concerned with what happens in their particular area. Communities typically care about income earning opportunities and access to basic infrastructure. Figure 10 illustrates a model that outlines three sources of return, namely return to stakeholders, return to country and return to citizen.

It is important to note that every country is different, every region is different, and every community is different. Communities that might be geographically close to each other can have vastly different needs. If we are to achieve value to all these parties, we need to be very diligent in understanding exactly what their biggest needs are, and to quantify these in terms that they understand.

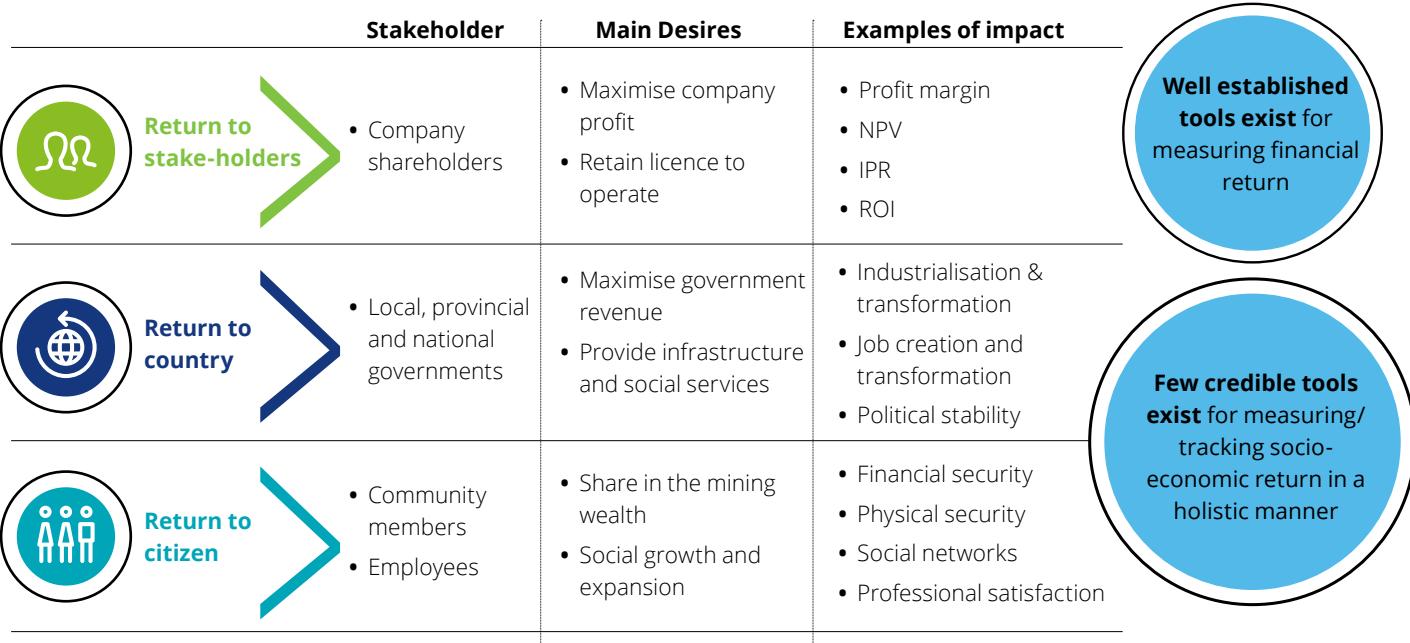


Figure 10. Measuring impact – the three sources of return model

True Value Beyond Compliance starts with a shared vision, quantified in a set of metrics that, taken together, define the value to each stakeholder in terms that they understand. Targets can then be set and performance monitored against these metrics. If we report against these metrics we increase the probability that stakeholders will give us credit for our efforts.

Finally, it is important to understand how value delivered to the other stakeholders, contributes to the value received by shareholders. This is the essence of shared value. A mining company derives value from having physical and regulatory access granted to their operations by communities and governments. This value accrues in terms of quality and predictability of earnings. Mining companies also derive value from motivated, engaged and safe working employees, who have stable home lives and secure livelihoods. Investors are starting to take note of these elements and to ascribe real value to them.

In conclusion, effective achievement of Value Beyond Compliance starts with a shared vision that is quantified in terms that matter to each stakeholder, and is finally achieved when success is reported against these metrics.



# 6 Collaborate regionally



## The case for collaboration

The question of how to create Value Beyond Compliance often extends beyond the mandate and ability of a single mining company. Mines have difficulties in dealing with the challenges of unemployment, inequality and poverty in the communities that surround them. In many instances there is an over reliance on government and donors to address social challenges; individual mining company actions are often too small and incremental; and financial and human resources are not optimally deployed. There are various reasons why collaboration between mines, government, communities and other partners makes sense:

- **Collaboration will ensure more effective local socio-economic development planning**

Mining activities need to be incorporated in local development plans and integrated with broader regional and national plans; yet too often local governments across sub-Saharan Africa do not have adequate capacity – and national government often has too many other priorities in their pursuit of growth.

Local development plans are often completed in isolation from regional plans; and are not necessarily a true reflection of the socio-economic priorities and aspirations of local communities. This leads to mines potentially implementing local

community projects that are not well accepted, nor make a true impact – perpetuating the perception that mining companies are 'not doing enough'.

Economic succession plans that aim to create sustainability beyond current mining activities, requires coordination and involvement of many role players – and should not be the sole responsibility of a single mine seeking to fulfil compliance oriented rehabilitation and post-mining closure.

- **Collaboration will ensure more effective and efficient community development projects.**

Different mining companies often operate in close proximity, and often community development projects overlap. For example, there may be an overly strong focus and duplication on education related projects with limited projects in another area such as healthcare and wellbeing. Duplicated projects mean inefficient use of (scarce) resources losing out on the potential scale that one large multi-company and multi-stakeholder initiative could bring.

In addition, despite positive intent, enterprise and supplier development projects are often complex to implement successfully due to the demands of training, mentorship and incubation of emerging small businesses placed on mines.

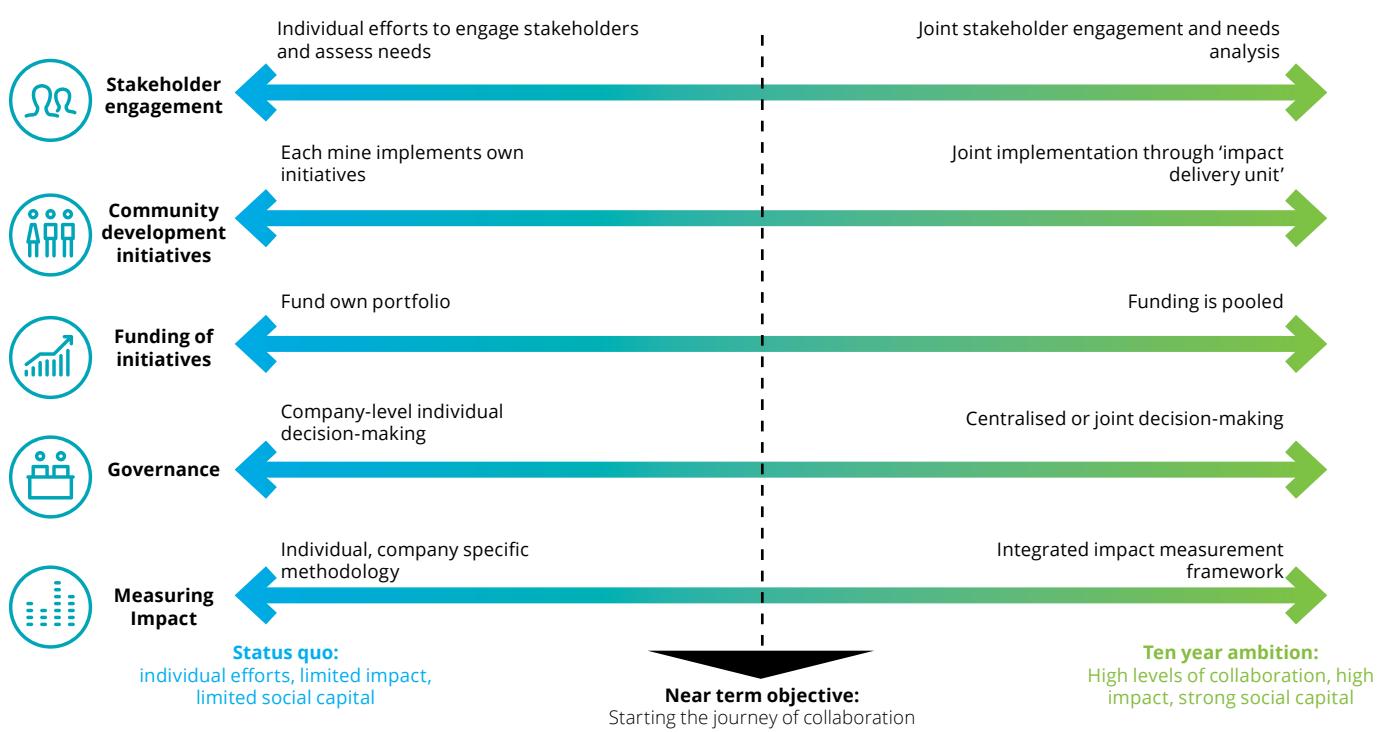
- **Collaboration will enable more effective stakeholder consultation and participation with a single, holistic view on priorities**

Many mines struggle to effectively engage, consult and collaborate with stakeholders. Community groups are often fragmented with conflicting demands. At times it is difficult to decipher who the legitimate community representatives and groups are. Not all communities recognise elected and other formal local government structures as their representatives or as being concerned with their interests.

Though their needs are valid considering the extent of socio-economic development issues, communities' expectations may also exceed available funding, resources or time-frames to execute initiatives.

### How to collaborate to create Value Beyond Compliance

Collaboration can be viewed as a continuum, and there are various options for collaboration across aspects such as initiative selection, implementation, funding, partners, decision making, governance structures and measuring impact as illustrated in Figure 11.



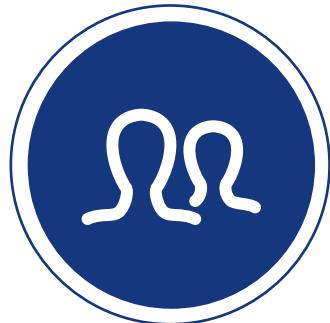
**Figure 11. Collaboration options**

Collaboration is also a journey, and we recommend that mining companies start off by for example engaging stakeholders jointly and selecting two to three collaboration projects; before proceeding to a model of pooling all funding and establishing integrated governance structures.

Collaboration is a powerful means through which to build and strengthen local economic clusters and the ecosystem as a whole.

Given resource scarcity and lower than required levels of economic growth, increased levels of collaboration become an enabler to achieve greater socio-economic impact.

# 7 Contacts



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