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INTRODUCTION

This report presents the findings of a Socio-economic Assessment Toolbox (SEAT) study undertaken at Mondi Business Paper South Africa (MBP SA) Mkhondo business unit, located in the south-eastern Mpumalanga District, South Africa. The SEAT study was carried out from November 2004 to February 2005.

OVERVIEW OF THE OPERATION

MBP SA is part of Mondi Business Paper, an international producer of high quality paper. MBP SA Mkhondo controls approximately 75,000 hectares of land, and supplies pulp wood directly to the Mondi Packaging mills at Piet Retief and Richards Bay, and the Mining Timber mill in Piet Retief.

MBP SA Mkhondo (known to stakeholders and otherwise referred to as Mondi) has an annual turnover of R284.7 million (US$43.8 million)¹ and accounts for the direct employment of 4,041 people, directly and indirectly supporting 18,000 people in the district. Of the total number of people employed, 41 are directly employed by Mondi, and 4,000 are employed by the eight contractors appointed by Mondi to run its silviculture and harvesting operations. Five of these contractors are historically disadvantaged South Africans (HDSA's).

EXISTING SOCIAL MANAGEMENT SYSTEMS AND SOCIAL INVESTMENT ACTIVITIES

Mondi's approach to the management of their social issues range from consultation activities to social projects. Consultation ensures the on-going identification and management of issues and impacts, and social projects are specifically aimed at addressing the needs of the local communities that reside on Mondi property. The key aspects of Mondi’s social management system include a community engagement facilitator (CEF) who is chiefly responsible for the management of social issues associated with the operation, and the establishment of Working Plan Unit (WPU) Forums, which allow for local stakeholder complaints and issues to be raised and addressed.

ISSUES IDENTIFIED BY STAKEHOLDERS

As part of the SEAT study, a consultation process was conducted with communities resident on Mondi property, neighbouring farmers, non-governmental organisations, and local authorities. Arising from this, a number of key issues were identified, both positive and negative.

Positive issues

The positive issues that were identified by stakeholders relate to: (a) benefits associated with Mondi’s social management system and community social investment (CSI) activities – with specific mention made of Mondi’s improved efforts at listening to and resolving key stakeholder issues, and involvement in local community projects; (b) employment of local residents, and Mondi’s on-going contribution to the local economy, including Black Economic Empowerment (BEE) opportunities; and (c) high standards in the workplace, particularly in relation to non-discriminatory treatment of employees, high safety standards in its operations, and its sustainable forestry practices.

Stakeholder concerns

A number of stakeholder concerns were raised regarding the MBP SA Mkhondo operation. Those that have been identified as priority issues are described briefly below.

Poor communication between management and local communities

Local communities reported inadequate communication between themselves and Mondi management. Poor

¹ Comparative values are calculated at R/US$ exchange rate of 6.5.
communication is considered a priority issue as it under-mines the potential for good relations between Mondi and its stakeholders.

The impact of the proposed nodal system on basic needs provision and relations between Mondi and local stakeholders

In 2000, Mondi initiated investigations into the consolidation of five nodal villages from amongst the poorly planned and equipped villages on their property. This programme aimed to provide basic services and acceptable infrastructure development through a process of resettlement and consolidation. Although government approval was received, the ‘Nodal System’ has been stalled due to inadequate community involvement in the development of the nodes, and resultant lack of community support. The impact of this delay on basic needs provision is a source of discontent among local communities.

Working conditions associated with appointed contractors

A number of negative perceptions were raised by employees regarding working conditions under Mondi’s appointed contractors. The concerns cover topics such as working hours, remuneration, transport to work, payment etc. Although these issues are the responsibility of the contractors, the concerns raised pose significant reputational risks to Mondi (as the ultimate employer).

The impact of HIV/AIDS on the labour force

With a high percentage of the labour force reportedly being HIV positive, Mondi and the contractors stand to lose a large proportion of their skilled and unskilled labour force.

Poor credibility/reputation of Mondi

A number of stakeholders reported that Mondi does not always deliver on its commitments. These perceptions undermine trust and prevent the development of long-term relationships and cooperative partnerships.

Linked to the issue of poor communication, there are perceptions among local stakeholders that Mondi use non-local contractors and that contractors are not employing 100% of their employees from the local villages. The company has provided assurances that this is not the case, and that local labour and contractors are appointed, wherever possible. However, the lack of communication on Mondi’s local employment and procurement policy has resulted in strained community relations and distrust.

Tension over resources

Tension has arisen between Mondi and local residents over grazing of cattle and collection of firewood on Mondi property. Incidents of arson have also occurred, although the culprits responsible for these actions have not yet been identified.

Safety issues

Safety issues were raised relating to: (a) overgrown conditions in the plantations, resulting in unsafe conditions for women and children (e.g. crime and rape); (b) incidents of arson and crime; and (c) logs from the trucks falling off onto the road, causing safety hazards. These safety issues pose life-threatening risks to Mondi employees and its neighbours.

MANAGEMENT RESPONSES TO ISSUES RAISED

Due to the high priority of many of the issues identified during the SEAT process, a number of management measures were implemented soon after SEAT was completed. Where measures still have to be implemented, the target date for their completion is December 2005.

By way of improving the poor communication between Mondi and its local communities, Mondi has established key communication processes, namely, the Working Plan Unit (WPU) Forums, communication of issues between ward councillors and the Mondi CEF, and participation in meetings held by the farmers unions and farmer associations. On-going consultation is also seen to be the key to addressing issues around poor credibility.

In terms of resolving the current deadlock over the proposed Nodal System, Mondi has already held a meeting between themselves and local government, with the subsequent establishment of a Technical and a Strategic Committee and plans for wider consultation with key stakeholders regarding the Nodal System. Overcoming any obstacles to the implementation of these measures is receiving priority attention by Mondi.

In response to the high number of negative perceptions about contractor working conditions, Mondi has requested a human resource and labour specialist to check contractor compliance with the Basic Conditions of Employment Act (1997). In the event that there is non-
compliance, Mondi will take appropriate action to ensure compliance with the Basic Conditions of Employment Act.

By way of addressing the impact of HIV/AIDS on the labour force and their dependents, Mondi has embarked on a number of initiatives aimed at building local capacity to address these impacts (e.g. facilitating receipt of grants for orphans and care-givers), as well as assisting with access to testing, treatment and counselling.

A number of key management activities have taken place in connection with the grazing of cattle on Mondi property. These include consultation with livestock owners, training on livestock management, and setting aside of grazing areas for the winter months. Mondi has also committed to consulting on and resolving the current sensitivities within their existing firewood policy.

Actions have also been identified for addressing all safety concerns, thus ensuring that overgrown areas in the plantations are cleared, and that criminal elements are addressed (e.g. arson). Issues around the unsafe transportation of timber have also been put in place.

### ADDITIONAL ACTIVITIES TO BE CONDUCTED

Three additional actions need to be carried out as part of the overall SEAT study. These are the completion of a detailed management and monitoring plan for the key issues that have been identified, the development of additional key performance indicators to measure the success of suggested management measures, and a self-assessment of Mondi performance in relation to social and economic aspects within key Anglo policies and principles.
1 INTRODUCTION

1.1 OBJECTIVES

This report presents the findings of a Socio-economic Assessment Toolbox (SEAT) study undertaken at Mondi Business Paper South Africa (MBP SA), Mkhondo Municipal District. The SEAT process has been developed by Anglo American plc, Mondi’s parent company, to help operations identify and manage their social and economic impacts on local communities.

The SEAT process was carried out from November 2004 to February 2005. The main objectives of the assessment were as follows:

- To identify and assess the impacts (positive and negative) that the operation might have on the local communities and other relevant stakeholders within its zone of influence, and in doing so;
- To align Mondi Business Paper (MBP) with its primary objective of managing sustainable operations in order ultimately, to remain the business partner of choice and to grow the wealth of the stakeholders.

1.2 STRUCTURE OF THIS REPORT

This document reports on the results of the assessment and is structured as follows:

- Section 2 sets out the approach and objectives of the SEAT process, in particular identifying how the approach was applied at MBP SA Mkhondo;
- Section 3 provides an overview of the operation at MBP SA Mkhondo, including basic information about the operation, their current social management and community investment programmes, and economic contributions of the operation;
- Section 4 provides an overview of the villages on MBP SA Mkhondo property;
- Section 5 identifies and discusses the issues raised by stakeholders during the SEAT consultation process;
- Section 6 prioritises the issues raised during consultation;
- Section 7 provides an outline of recommended actions and management responses. These measures are targeted at addressing the priority issues identified during the assessment;
- Section 8 lists the various indicators that were developed from the SEAT study;
- Section 9 outlines the additional activities that MBP SA Mkhondo needs to undertake in order to complete the SEAT study; and
- Section 10 provides contact details for key MBP SA Mkhondo staff and for further information on SEAT.

1.3 ACKNOWLEDGEMENTS

MBP SA Mkhondo would like to express its gratitude to the numerous parties that were involved in the undertaking of the SEAT study, and without whose assistance the assessment would not have been possible. We would particularly like to thank the management of MBP SA Mkhondo, KSE-Ukhozi Environmentalists, Environmental Resources Management (ERM), and all the external stakeholders who put time aside to share their views and concerns with us. We hope to thank you for your time with actions on the ground.
2 OBJECTIVES AND APPROACH

THE APPROACH taken for the assessment was in line with the five key steps outlined in the SEAT process. These are defined in Box 2.1.

Box 2.1 Key Steps in the SEAT Process

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Define Objectives of the SEAT process</td>
</tr>
<tr>
<td>2</td>
<td>Profile Mondi and Neighbouring Communities, and Identify Key Issues</td>
</tr>
<tr>
<td>3</td>
<td>Evaluate Social and Economic Impacts</td>
</tr>
<tr>
<td>4</td>
<td>Provide Guidance on Management Responses to Key Issues</td>
</tr>
<tr>
<td>5</td>
<td>Reporting to Stakeholders</td>
</tr>
</tbody>
</table>

The specific objectives of the SEAT study at MBP SA Mkhondo were:

- To identify key socio-economic and environmental issues of concern amongst key stakeholders within the zone of influence of the business unit;
- To evaluate existing initiatives in the study area, provide feedback on their success and suitability, and identify opportunities for improvement;
- To identify critical issues for developing an integrated community engagement plan;
- To capture best practice at Anglo with the view to applying such practices as a benchmark for the rest of the organisation;
- To assist in planning an integrated and holistic approach to the management of socio-economic and environmental impacts generated by operations within the business unit; and
- To facilitate the collection of data for reporting on the performance of MBP SA Mkhondo and develop indicators that are relevant to local conditions.

Consultation with internal and external stakeholders, MBP SA Mkhondo staff, and community representatives was essential to meeting the objectives of the SEAT assessment. Approximately 1,800 individuals representing 23 different stakeholder groups were consulted. A list of the stakeholder groups that were consulted is given in Box 2.2.

Box 2.2 Stakeholders Consulted

**Affected parties**
- Forty-six local communities/villages residing on MBP SA Mkhondo property
- Local schools and school governing bodies
- MBP SA Mkhondo personnel (junior, middle and senior management)
- Contractor employees
- Contractor management

**Interested parties**
- Neighbouring farmers
- Local Economic Forum
- Church leaders/pastors
- Mkhondo Arts and Crafts
- Training providers
- Political parties
- Taxi association
- Private medical services
- Love Life

**Authorities**
- Mkhondo Local Municipality
- Department of Labour
- Department of Transport
- Department of Social Services
- Local department of traffic control
- Department of Agriculture
- Department of Education
- Department of Health
- Traditional leaders

Both qualitative and quantitative information was collected for the purposes of the SEAT assessment. The qualitative information was gathered through open-ended interviews, household surveys, and community meetings, and focussed predominantly on community perceptions and attitudes. The quantitative data was gathered from household surveys, and numerous secondary sources such as internal MBP SA Mkhondo reports, consultants’ reports, municipal reports and recent census data, and focussed largely on population data and availability of services. All secondary data was corroborated through triangulation of responses from the identified stakeholders.
3 OVERVIEW OF THE OPERATION AND SOCIAL MANAGEMENT SYSTEMS

3.1 BASIC INFORMATION ON THE OPERATION

Mondi Business Paper South Africa (MBP SA) is part of Mondi Business Paper (MBP), an international producer of high quality paper that contributed 38% in headline earnings for Anglo American ply in 1992. MBP SA accounts for one fifth of the earnings of MBP.

MBP SA has an annual turnover of R284.7 million (US$43.8 million) and accounts for the direct employment of over 4,000 people, directly and indirectly supporting 18,000 people in the district. This business unit controls 74,441.6 hectares of land in the south-eastern Mpumalanga District, South Africa, 91% of which is owned by MBP SA Mkhondo. Of the sixty-nine farms in the area, 72% is under commercial forestation. There is no plantable virgin land remaining in this business unit area. The location of MBP SA Mkhondo is shown in Figure 3.1.

MBP SA Mkhondo supplies pulp wood (see Table 3.1) directly to the Mondi Packaging mills at Piet Retief and Richards Bay and the Mining Timber Mill in Piet Retief. There are five Working Plan Units in the study area, namely:

- Amsterdam
- The Bends
- Zoar
- BVM (Vrede and Mooihoek)
- TD (Tower forest and Derby)

The wood products and associated tonnes per year at Mondi are presented in Table 3.1.

Table 3.1 Wood products and associated output

<table>
<thead>
<tr>
<th>Product</th>
<th>Output (tonnes per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wattle Pulp</td>
<td>100,000</td>
</tr>
<tr>
<td>Mining timber</td>
<td>60,000</td>
</tr>
<tr>
<td>Gum Pulpwood</td>
<td>768,000</td>
</tr>
<tr>
<td>Pine Pulpwood</td>
<td>151,000</td>
</tr>
</tbody>
</table>

The annual turnover of R284.7 million (US$43.8 million) is expected to increase by 10% by 2010, and by an additional 5% by 2015. MBP SA Mkhondo and contractor employees are not expected to increase over this same time period.

3.2 EXISTING SOCIAL MANAGEMENT SYSTEMS

MBP Corporate has committed to a number of key social responsibility objectives. These objectives, listed in Box 3.1, provide the context for MBP SA Mkhondo’s efforts with regards to the management of social issues associated with their operation.

Box 3.1 MBP SA Corporate Social Responsibility Objectives

- Recognition as a good corporate citizen.
- Effective engagement of communities in identifying their needs and any impacts that MBP may have on them.
- Improving quality of life of communities through sustainable livelihood development.
- Capacity building of communities by training, support and mobilising resources.
- Encouraging employees and contractors to be involved in community development programmes.
- Promoting active participation of disabled, women and youth in various activities.
- Forming strategic partnerships with relevant stakeholders in community development programmes.
- Effective communication with stakeholders about initiatives and employing relevant methods and structures.

In response to MBP's Corporate Social Responsibility (CSR) objectives, MBP SA Mkhondo (hereafter referred to as Mondi) has established a social management system for their operation. This management system is underpinned by a number of objectives and associated actions specific to the context within which they operate.
The objectives of the social management system are as follows:

- To establish community involvement and communication at all levels;
- To promote community ownership with regard to fire prevention, cattle grazing matters, and timber theft;
- To develop strategic partnerships with stakeholders in order to address and facilitate the social engagement process;
- To investigate, establish and maintain a community based health program insuring improved health for the total community;
- To facilitate a community owned process of local economic development;
- To facilitate a process of identifying and addressing educational needs in the communities;
- To identify recreational needs in the communities and facilitate a process of addressing those needs; and
- To address concerns relating to ‘contractorisation’.

The key activities which underpin Mondi’s social management system, and which give expression to the above objectives, are as follows:

**Appointment of a community engagement facilitator**

The role of the Community Engagement Facilitator (CEF) is to coordinate and implement the management of social issues relating to the business unit, to maintain on-going communication with relevant stakeholders, and to play a role in identifying and implementing social investment projects in Mondi’s neighbouring communities. This appointment has resulted in marked improvement in relations with local stakeholders.

**Establishment of a working plan forum**

The Working Plan Unit (WPU) Forum allows for local stakeholder complaints and issues to be raised and feedback provided. There are five WPU Forums, one for each of the official WPUs on Mondi property. The WPU Forums are attended by representatives from the 80 villages, ward councillors, foresters, contractors, and the Mondi CEF. The WPUs are combined into three groups, namely: BVM and TD; Zoar and The Bends; and Amsterdam. One meeting is held in each of these groups per month.

**FSC certification**

Mondi has Forestry Stewardship Council (FSC) certification. FSC requires a comprehensive approach to managing environmental and social issues, and therefore serves as a key driver in the management of social issues relating to Mondi’s operations.

**Multiple resource use**

Mondi recognises their role as custodians of the land on which surrounding communities and other stakeholders have legal and customary rights. It is their stated aim to ensure that these rights are upheld safely and on a sustainable basis. In this regard, a number of Multiple Resource Use (MRU) activities are carried out by local residents within the plantations. The concept behind MRU is that land being used for one purpose (e.g. forestry) can also provide a wide range of other economically and socially beneficial purposes. This includes cattle grazing, firewood collection, and use of non-saleable timber for building.

**3.3 EXISTING COMMUNITY SOCIAL INVESTMENT ACTIVITIES**

Mondi is involved in a wide range of community social investment (CSI) activities. The activities for 2004/2005 are listed in Box 3.1 on page 10.
### Table 3.1 Mondi CSI Activities: 2004/2005

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>Description</th>
</tr>
</thead>
</table>
| Education and Sport              | Career exhibition: a joint project between Mpumalanga Department of Education, Mondi Business Paper, Mondi Packaging, local government and various companies in Piet Retief. Thirty-five high schools and 11,000 pupils were targeted. A 3-day exhibition was held with 32 exhibitors, aptitude testing facilities, and workshops on life skills and subject choices. The benefits of the career exhibition included improved matric results and improved relationship with local schools and the Department of Education.  
   Educational centre: with the success of the Career Exhibition, Mondi and the Department of Education decided to focus on establishing a permanent Educational Centre. This centre will focus on science, career guidance, computer literacy and a resource centre.  
   Early childhood development: this joint project between the Department of Education, Mondi and other stakeholders focuses on the establishment of 23 pre-schools in remote rural areas as well as the training of 50 rural Grade R teachers and child minders.  
   Rural sport development: SAFA and the Department of Sport, Arts and Recreation are partnering with Mondi in the training of soccer coaches, referees and upgrading of soccer fields. Development of netball and competitions with indigenous games is also due to begin.  
   General: other smaller projects include the provision of trees to 15 schools on Arbor Day; promoting forestry to school girls; awarding of a bursary; and linking up a school in Piet Retief with village schools as part of the school's community outreach programme. |
| Sustainable Livelihoods Projects | Mondi has facilitated the development of a number of local projects, including:  
   A poultry project in the Piet Retief area: Mondi’s assistance included putting project members in touch with a volunteer trainer from Mondi’s Black Gold charcoal project.  
   Iswepe sewing project: a group of ladies received sewing training from the Department of Labour. A business plan has now been written to increase the number of ladies, and to add candle making and the production of floor polish to the project scope.  
   Vegetable garden project: five projects have been established, and are currently awaiting recommendations for improvement from the Department of Labour.  
   Business training: 40 people have been trained in basic business skills to assist them in the establishment of local projects (e.g. vegetable projects and a possible piggery).  
   BEE: Mondi’s CEF has been providing assistance to BEE candidates in the development and submission of tender proposals. |
3.4 ECONOMIC BENEFITS OFFERED BY MONDI

Historically, the study area has been economically marginalised and as a result, is relatively underdeveloped and economically impoverished. Mondi, however, is one of the major contributors to the economic upliftment of the study area. This is seen in terms of total employment and associated remuneration, contributions to Gross Domestic Product (GDP), taxes and royalties paid, value added, and procurement of local supplies. Several of these different facets of Mondi’s economic contribution are discussed in more detail below.

3.4.1 Total employment and remuneration

A major impact of Mondi is the creation of employment. Employment is generated in three ways:
- direct employment at Mondi;
- indirect employment created through Mondi suppliers and contractors; and
- induced employment through the spending of direct and indirect employees on local goods and services, and through the public sector jobs supported by taxes paid by Mondi. Induced employment should be assumed to be 10 to 20% of the sum of direct and indirect employment.

Total employment generated by the three categories is presented in Table 3.3.

<table>
<thead>
<tr>
<th>Employment</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct employment (full time equivalent)</td>
<td>41</td>
</tr>
<tr>
<td>Indirect employment (full time equivalent)</td>
<td>4,000</td>
</tr>
<tr>
<td>Induced employment (10%)</td>
<td>404</td>
</tr>
<tr>
<td>Total employment</td>
<td>4,445</td>
</tr>
</tbody>
</table>

The total number of people dependent upon Mondi and associated contractors for their livelihoods is estimated at 18,000 – this includes unemployed dependents (e.g. family members) who rely on Mondi wages for their livelihoods.

Mondi employs a total of eight contractors, of which five are historically disadvantaged South Africans (HDSA’s). The company’s total expenditure for contractors is R81.9 million (US$12.6 million). Of this amount, R15.6 million (US$2.4 million) represent supplies and services that are sourced from HDSA-owned local companies.

Total wages paid by Mondi to their permanent staff is R2.5 million (US$380,000). Total pension payments (to public or private schemes) are R214,500 (US$33,000).

3.4.2 Procurement of local supplies

<table>
<thead>
<tr>
<th>Supply</th>
<th>Approximate Value (Rands/year)</th>
<th>Where Purchased From?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity and water</td>
<td>650 000</td>
<td>Municipality</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>1.6 mill</td>
<td>Local Garages</td>
</tr>
<tr>
<td>Harvesting equipment</td>
<td>130 000</td>
<td>Local suppliers</td>
</tr>
<tr>
<td>Silviculture materials</td>
<td>130 000</td>
<td>Local suppliers</td>
</tr>
<tr>
<td>Reticulation maintenance</td>
<td>117 000</td>
<td>Local suppliers</td>
</tr>
<tr>
<td>Total</td>
<td>2.6 mill</td>
<td>398 000</td>
</tr>
</tbody>
</table>
AS HIGHLIGHTED in Section 3.1, the Mondi business unit covers a total of nearly 75,000 hectares of land. Within this area, there are approximately 80 villages (including home-steads), with 18,000 people residing in the area.

This region is unusual in that there is a predominance of workers residing on the properties owned by Mondi. These communities are almost exclusively black, and can be considered to be largely impoverished. They are characterised by the following:

- **Low-income**: the largest category of income earners earn less than R400 (US$61.5) per month.
- **Low levels of education**: a large percentage of the population has no schooling. This indicates a need for improved educational facilities. There are a total of 19 schools on Mondi property, although these are the responsibility of the Department of Education. There are a further seven schools on neighbouring farms.
- **A high rate of unemployment**: in 1997 approximately 2,000 jobs were lost when Mondi outsourced its silviculture and harvesting operations to external contractors. The after-effects of this decision are still felt by the local communities, and unemployment remains high in the area. Old people are particularly vulnerable as they are not able to do the physical work required in the plantation. Existing unemployment is also exacerbated by the increased mechanisation of plantation activities (850 jobs were lost in 2004 due to mechanisation).
- **Lack of access to basic infrastructure**: the majority of households do not have toilets or pit latrines, and therefore use the bush for their ablutions (with associated health risks). Among the existing pit latrines, most do not have ventilation. Piped water is more than 200m away from most dwellings. Houses are generally self-built, from wattle and mud.
Limited basic health care, and high levels of HIV/AIDS infection and orphans.

Most of the villages are dependent on Mondi for transport routes and access to water, and also rely on Mondi for collection of firewood, grazing rights and agricultural resources.

The neighbouring farmers generally all produce output from commercial plantations. The main urban centre in the region is the town of Piet Retief, which is supported mainly by the timber and farming industries. Examples of industries in the area include:

- Mondi Packaging: paper mill;
- PG Bison: chip board manufacturing;
- Tafibra: chip board manufacturing;
- ACM WoodChem: formaldehyde glue manufacturers; and
- Kangra Mining (Pty) Ltd.: coal mining.
5 ISSUES IDENTIFIED BY STAKEHOLDERS

5.1 INTRODUCTION
Consultation is an essential component of the SEAT study as it allows for the identification of stakeholder issues and concerns relating to Mondi activities. By identifying these issues, management is then in a position to prioritise and address the concerns raised. It should be noted that in some instances the issues raised by stakeholders are not linked to Mondi activities, but instead the responsibility of other parties. However, these issues have been flagged for attention by management where they may still have an impact on relations between Mondi and its stakeholders.

The issues raised have been divided according to stakeholder group: affected parties, interested parties, and authorities.

5.2 POSITIVE ISSUES RAISED BY AFFECTED PARTIES
The positive issues raised by affected parties are grouped as follows:
- Benefits associated with the Social Management System;
- Community Social Investment activities; and
- Employment of local residents.

These are discussed in more detail below.

5.2.1 Benefits associated with the social management system
Community representatives identified the following to be some of the benefits associated with Mondi’s Social Management System in 2004:
- The appointment of a Community Engagement Facilitator (CEF), which has resulted in marked improvement in relations between Mondi and local stakeholders.
- The establishment of the Working Plan Unit (WPU) Forum has allowed for stakeholder issues to be raised and for attention to be given to their resolution.
- As a result of improved communication, the poor relations between Mondi, the contractors, local government and the communities has been exposed, which in turn is slowly resulting in an improved relationship between these stakeholders.

5.2.2 Community social investment activities
Local stakeholders have acknowledged the benefits of Mondi’s CSI activities, and the impact this is having on addressing some key issues in the local villages (see Table 3.1 for a list of these projects).

5.2.3 Employment opportunities
Mondi is one of the major contributors to local employment, providing direct, indirect and induced employment in the study area and beyond. The employment opportunities and associated benefits are discussed in detail in Section 3.4.1.

5.3 CONCERNS RAISED BY AFFECTED PARTIES
The concerns raised by affected parties can be grouped as follows:
- Poor communication between management and local communities, including employees
- Economic empowerment and employment opportunities
- Working conditions
- Tension over implementation of Nodal System and associated relocation
- Basic needs
- Safety issues
- Conflict over resources

Please note that, where relevant, description of the stakeholder issue is supplemented by additional comment from Mondi in order to provide context for the issue raised. These additional comments are highlighted in italics.
5.3.1 Poor communication between management and local communities

Local communities reported inadequate communication between themselves and Mondi management. Specific requests were made for transparency, increased and open communication, and involvement in decisions that impact on their lives.

Complaints about the lack of communication are heightened by the following factors:

- The appointment of contractors is perceived to be creating a distance between Mondi and local communities; and
- Ward councillors reportedly do not visit communities frequently, thus intensifying feelings of isolation.

There also appears to be uncertainty regarding who to contact in the event of water problems and other issues related to basic needs.

Inadequate communication between Mondi and the local communities can result in ignorance regarding the positive role that the company is playing in their local area (e.g. through social projects and preferential use of locally based contractors). This ignorance can result in mistrust and negativity towards Mondi, rather than the positive relations that social projects and preferential local labour can generate. It should however be noted that regular, meaningful consultation with local stakeholders only began in earnest in September 2004, thus accounting for a historic perception that Mondi do not put effort into communication.

5.3.2 Economic Empowerment and Employment Opportunities

- Employment of non-local employees: contractors are perceived to be employing non-local workers (i.e. from outside the villages on Mondi property), resulting in increased numbers of foreign residents within the local, resource-stressed communities.

This perception is likely to have been created by the previous employment of illegal immigrants from Swaziland. Although this has been discontinued (all workers are required to produce their South African identity documents), the perception remains. This is a very sensitive and emotional issue, and is perceived to be adding to local unemployment and poverty, strained community relations, and conflict among community members, particularly the unemployed.

- Use of locally-based contractors: the use of locally-based contractors via clear procurement and tendering procedures leads to a number of benefits, namely: (a) improved job security for local communities; (b) the confirmation of Mondi’s reputation for preferential sourcing of local and empowered HDSA individuals; and (c) improved standards for production, safety and fires.

In spite of the above benefits, stakeholder feedback indicates a lack of adequate knowledge as to the fact that no foreign contractors are employed by Mondi. This results in strained community relations, conflict, hostility, and distrust.

- Improved opportunities for black contractors: the impact of the historic prevalence of white contractors is being mitigated by employed white contractors coaching and empowering BEE candidates, and thus increasing the number of black contractors. New contracts are only awarded if the contractor is aligned with all relevant Mondi policies. This mitigation measure is resulting in a growing number of opportunities for black contractors.

Frustrations about this residual disparity do however remain, although there are indications of the policy achieving success. Downstream benefits of this policy include improving contractor and employee relations, and direct management of the issues of concern in contrast to working through the unions.

- Employment equity and career development programme: concerns were raised among Mondi employees regarding employment equity targets and the career development of HDSA staff members. Although there is a Talent Management and Career Development Programme in place, employees expressed dissatisfaction about this process, particularly around the lack of clarity regarding who and how candidates are selected.

- Increased mechanisation and associated unemployment: the use of mechanical harvesters has increased productivity and safety, but has also exacerbated the unemployment of local labour.

- Contractor, community and Mondi relationship: the outsourcing to external contractors has meant that the well being of workers on the plantations is now the responsibility of the contractors. There have been numerous reports from employees regarding poor work conditions and minimal employee benefits from contractors, thus
causing tensions between the contractors, communities and Mondi – with Mondi being perceived as having deserted its employees.

5.3.3 Working conditions

A number of issues were raised by contractor employees regarding working conditions within Mondi’s operation. These issues are largely negative and, whether perceived or actual, point to high levels of dissatisfaction among workers employed by the existing contractors.

- **Personal protective equipment (PPE):** there is currently disagreement around who is responsible for the cost of the PPE (i.e. contractor or employee). Contractors also reported that employees often lose or do not wear their PPE, and often leave their jobs taking their PPE with them, thus causing a loss to the contractor.

- **Transport:** Employees are transported in open trucks, which are unsafe and are not good in poor weather.

- **Unemployment Insurance Fund (UIF):** some subcontractors have reportedly not registered their employees with UIF, whilst others expect employees to be registered with UIF before they start working for them. Procedures are therefore unclear. Unemployed workers are also unclear about how to claim UIF.

- **Working hours:** concerns were raised regarding contractor expectations that employees work overtime – although with insufficient overtime pay. Other concerns relate to time off being structured in such a way that employees can spend time with family that live far away. Contractors also raised concerns about: employees taking time off to get their social grants, and then not returning to work; high absenteeism rates; and the poor productivity of tree-fellers.

- **Labour Practice:** employees have submitted a request that Mondi investigate compliance with Basic Conditions of Employment. Reports of employee intimidation due to disclosure about contractor behaviour and individuals responsible for arson were also submitted.

- **Accident Fund:** employees reported that contractors are hiding injuries on duty and not reporting them to Mondi, and that employees injured on duty are not being paid.

- **Remuneration:** employee complaints relate to: employees not being paid on time, for overtime or for full number of hours worked; operators being required to pay for maintenance of their machines; and complaints submitted regarding transport costs being deducted from salaries.

- **Leave:** employee complaints relate primarily to lack of paid leave or sick leave.

Although the above issues are the responsibility of the contractors, the concerns raised pose significant reputational risks to Mondi (as the ultimate employer) and could result in significantly strained community relations if not addressed.

5.3.4 Tension over implementation of nodal system and associated relocation

In 2000, Mondi assigned town and regional planners to do a survey on all villages on Mondi property. The aim was to consolidate five nodal villages from amongst the poorly planned and equipped homesteads and villages on Mondi property. This programme aimed to provide basic services and acceptable infrastructure development.

Mondi presented this plan to the local municipality in 2001 for input, and the plan was accepted in principle. The land was then sold to the Mkhondo Municipality for development. The following are the five growth points identified for the Rural Development Node:

- Nkonjaneni
- Rustplaas
- Maphepheni
- Driepan
- Hartebeesfontein.

The development of the Nodal System has, however, been slow due to inadequate community involvement in the development of the nodes, and resultant low levels of support. Mondi and Mkhondo Municipality have joined hands in trying to resolve this challenge.

It should, however, be noted that development of these centralised towns is unlikely to be completed in the short term. Given this timeframe, Mondi and the municipality therefore need to come to a workable agreement on basic needs provision, in order to avoid further impoverishment in these villages, and the strain on community relations that this causes.
5.3.5 Basic needs provision

Basic Needs

Stakeholder consultation revealed a poor level of basic need provision within the villages located on Mondi property. In particular, there is a lack of:

- **Easily accessible, good quality drinking water:** piped water is more than 200m away from most dwellings, and some villages reported having to drink the same water as their livestock.
- **Insufficient housing available:** permits for rebuilding of houses will be granted, but no new houses are allowed to be built.
- **Sanitation and electricity:** no toilets or electricity is available in the villages on Mondi property (with the exception of one village that has electricity). The lack of toilet facilities (i.e. people having to ablute in the bush) is an environmental and health hazard.
- **Schooling and education:** inadequate pre-school facilities, and poor maintenance of existing schools in the area. This is a very sensitive issue, as education is recognised as the means by which people can pull themselves out of poverty, and improve their current conditions.
- **Agriculture:** there is reportedly limited place to plough or to graze livestock. Vegetable gardens need water/boreholes.

As discussed in Section 5.2.4, this poor level of basic needs provision needs to be understood within the context of the proposed Nodal System and associated delays.
5.3.6 Safety issues

Neighbouring communities indicated that they do not feel safe where they live, and that they aspire to improve their current situation. Specific comments were made around:

- Poorly maintained plantations adjacent to public thoroughfares cause unsafe situations (e.g. rape incidents) for women and children;
- Crime in the local villages;
- The safety risks associated with arson in the plantations; and
- A calf having fallen into a ‘big crack’ in Groenfontein, thus also posing a risk to people in the area.

Local community members suggested the development of an action plan for community policing, as this would improve the effectiveness of existing security measures. In this regard, a request was made that Mondi look at the option of community policing training, and assistance with communication, transport and remuneration during such activities. See Section 7 for more details on measures to address these issues.

5.3.7 Tension Over Resources

- **Tension between Mondi and local residents over grazing of cattle**: the uncontrolled access of cattle to plantations results in extensive damage to young plantations, and associated costs to Mondi. This situation, combined with Mondi’s practice of burning extensive tracts of grasslands during the dry winter to prevent fires, is causing tension and conflict between Mondi and local livestock owners.

- **Firewood**: permits are required for the gathering of firewood on Mondi property. These have been issued to people living on Mondi property. Non-compliance with the conditions of the permits have however resulted in some arrests, specifically: (a) violating length restrictions on the wood that can and cannot be collected; and (b) collection of firewood in areas outside of Mondi’s designated firewood collection areas i.e. felled areas only. However, these areas are often very far away from the communities that need the wood, thus encouraging non-compliance. These two issues within the policy have caused on-going
sensitivities with local stakeholders. Mondi has also refused the collection of long poles for house-building purposes. This has caused tension with local communities.

Fires: as already mentioned, there have been incidents of arson on Mondi property. Other issues concerning fires relate to the inadequate number of firebreaks, and firebreaks not being kept clean. Mondi’s inadequate fire control practices places local villages and neighbouring farmers at risk, as do the acts of arson.

5.4 ISSUES RAISED BY INTERESTED PARTIES

5.4.1 Positive issues raised

Mondi was acknowledged for its positive contribution to employment and economic development, workplace practices, and community involvement and consultation.

Employment and economic issues
Mondi was recognised for its on-going support and contribution to BEE, and for its role in contributing positively to financial growth in Piet Retief and within the local communities.

Workplace practices
Mondi was acknowledged for its fair and non-discriminatory treatment of employees, and for the high safety standards it maintains in its operations. Mondi’s environmentally friendly practices were also noted.

Community involvement and consultation
Mondi was acknowledged for its improved efforts in listening to the grievances of local communities, and for its involvement in community projects, particularly the employment generation and partnering aspect of these initiatives.

5.4.2 Concerns raised

Negative issues raised pertain to safety, community involvement and consultation, work practices, and environmental issues.

Safety
Specific issues were raised concerning unsafe conditions in the plantations (specifically for women and children), and the safety hazards associated with the high number of heavy trucks on local roads and logs falling off the trucks onto the road.

Community involvement and consultation
Mondi was criticised for not consulting often enough with local communities, for not being sufficiently transparent, and for having a poor relationship with local residents and neighbours. Concerns were also raised about Mondi not always delivering on promises made.

Two main points were made regarding community projects – the first was that Mondi needs to invest in additional projects, and secondly, that Mondi should attend to the water supply problems and other basic services within the local communities.

Work practices
Concerns around work practices pertain to the following key issues:

- Large size of the Mondi plantation and the negative impact this has on effective staff management;
- Shortage of skilled local labour, thus requiring the employment of staff from outside the local area;
- Negative impact of outsourcing on local communities, including high level of retrenchments and current working conditions;
- Inadequate opportunities made available to the youth, women or the disabled;
- Insufficient contracts given to HDSA’s in the local villages; and
- Mondi roads are very bad (due to the heavy trucks), and as a result they are using those of the neighbouring farmers.

Environmental Issues
The key environmental issues raised include the following:

- Mondi plantations are full of weeds and their silviculture is not up to standard;
- Mondi has FSC certification, but some parties feel that their paperwork is not well implemented; and
- Mondi needs to improve its fire control – it is currently perceived to be a fire risk due to poor practices. This impacts on the ability of neighbouring farmers to get insurance for their own properties.
5.5 ISSUES RAISED BY AUTHORITIES

5.5.1 Positive Issues

Mondi was acknowledged for its positive contribution to community involvement and consultation; employment and economic issues; and work practices. These are discussed in more detail below.

Community involvement and consultation

Authorities recognised Mondi’s improved communication with local communities, specifically through the monthly WPU Forums. Acknowledgement was also made of Mondi’s support and participation in local community projects, specifically education and community policing.

Employment and economic issues

Mondi was recognised for its dynamic response to the changes that have/are taking place in South Africa, for example, the support it has given to BEE. Mondi also makes a significant contribution to job creation in the local area, and has provided job opportunities to emerging HDSA entrepreneurs.

Work practices

Mondi is recognised as a world leader in sustainable forestry and does excellent research in this regard.

5.5.2 Concerns raised

The negative issues raised by authorities pertain to community involvement and consultation, employment and economic issues, work practices and safety. These are described in more detail below:

Community involvement and consultation

Various authorities criticised Mondi for its inadequate levels of community consultation, and for not always delivering on promises made. This is perceived to result in mistrust and a breakdown in relations with local communities.

Concerns were also raised regarding the high number of critical basic needs that exist within the villages on Mondi property, specifically:

- High level of child neglect;
- Children not attending school;
- High level of HIV/AIDS;
- Poor housing conditions;
- Inadequate health care;
- No electricity and inadequate water supply;
- High number of orphans with inadequate care; and
- Bad conditions within the schools.

By way of addressing the above needs, the Nodal System was identified as an issue that requires urgent resolution. The outsourcing of key services to contractors was also identified as having impacted on the well-being of communities on Mondi property.

Employment and economic issues

Perceptions exist among some authorities that Mondi is employing labourers from outside the local area (e.g. from KwaZulu-Natal and Swaziland). Other concerns include: inadequate incentives given to retrenched personnel to start projects; contractor payment dissatisfaction; and the need for upcoming black contractors to be trained in order to win Mondi contracts.

Work practices

The main concern raised with regards to work practices concerns the perceived need for improved first aid training among Mondi and contractor staff.

Safety

The main safety concerns that were raised pertain to slow and sometimes invisible trucks at night, and accidents being caused by logs that fall off the trucks and onto the roads.

5.6 OTHER ISSUES IDENTIFIED BY MONDI

- Impact of HIV/AIDS on labour force: The loss of skilled operators and manual labourers through HIV/AIDS.
- Environmental impacts of commercial plantations: The production of commercial plantations is Mondi’s core business. Commercial plantations have negative environmental impacts, including a significant loss of biodiversity, and compromised hydrological processes of the catchments. This is mitigated by avoiding plantations in wetland and riparian zones. The frequent forest fires also result in reduced sustainability of the business unit.
MONDI HAS IDENTIFIED what they understand to be the most significant of the issues raised by the stakeholders during the SEAT consultation process. For the purposes of this study, an issue is considered to be significant if: (a) the issue contributes to any of the risks or benefits identified in Box 6.1; and/or (b) a stakeholder perceives the issue to have the potential to cause one or more of the effects identified in Box 6.2.

Based on these criteria for significance, there are a number of issues and impacts that are considered significant, and thus require priority management intervention. Of the issues raised, the most urgent of these are described below.

- **Inadequate communication between Mondi management and local communities**: inadequate communication is considered a priority issue as it undermines the potential for good relations between Mondi and its stakeholders. The knock-on effects of not communicating include: misunderstanding and mistrust; stakeholder ignorance of positive efforts that Mondi is making in the local communities; limited understanding of stakeholder issues, and thus an inability to address concerns before they escalate (e.g. objections to the Nodal System and associated poor process). Effective consultation is considered essential to sustainable social management systems. Given that all stakeholders involved in the SEAT process raised poor communication as an issue, it therefore needs to be prioritised for improvement.

- **The impact of the proposed Nodal System on basic needs provision and relations between Mondi and local stakeholders**: with the potential delays in implementation of the Nodal System, responsibility for basic needs provision and assistance in the local villages needs to be addressed. This issue, if unresolved, has the potential to further impact on relations between Mondi and its stakeholders.

- **Working conditions associated with the appointed contractors**: complaints were submitted regarding poor working conditions associated with the appointed contractors. This situation poses a reputational risk to Mondi due to the fact that Mondi is the ultimate employer. Members of the public are also unlikely to distinguish between Mondi and its contractors, and any negative reports that are publicised are likely to link Mondi to potential incidences.

- **The impact of HIV/AIDS on the labour force**: with a high percentage of the labour force...
reportedly being HIV positive, Mondi and the contractors stand to lose a large proportion of their skilled and unskilled labour force. This includes both their existing labour force, as well as their potential local labour pool. Efforts to address this situation need to be fast-tracked.

Other issues that also require immediate attention are as follows:

- **Poor credibility/reputation of Mondi.** A number of stakeholders are of the opinion that Mondi does not always fulfil on its commitments. These perceptions undermine trust and prevent the development of long-term relationships and cooperative partnerships.

  Linked to the issue of poor communication, there are perceptions among local stakeholders that Mondi uses non-local contractors and that contractors hire non-local employees. Given the highly emotive nature of this issue, it is essential that these allegations are investigated and addressed, and any false perceptions rectified.

- **Tension between Mondi and local residents over grazing of cattle and collection of firewood.** In impoverished circumstances, access to resources is essential for people’s livelihoods. Hindered access can therefore become a highly volatile issue. Given the high levels of conflict that have developed around this issue in other Mondi business units, it is critical that Mondi address this issue.

- **Safety issues** relating to: (a) overgrown conditions in the plantations, resulting in unsafe conditions for women and children (e.g. crime and rape); (b) incidents of arson and crime; and (c) logs from the trucks falling off onto the road, causing safety hazards. These safety issues pose life-threatening risks to Mondi employees and their families, and to Mondi neighbours, and need to be addressed urgently.
7 MANAGEMENT RESPONSES TO ISSUES RAISED

THIS SECTION provides an outline of management responses to the key issues identified during the SEAT process. For the most part, these measures have been developed in consultation with local stakeholders. Due to the high priority of many of the identified issues, a number of the associated management measures were implemented soon after the SEAT process was initiated. Where measures still have to be implemented, the target date for their completion is included in the relevant sections.

7.1 POOR COMMUNICATION BETWEEN MONDI MANAGEMENT AND LOCAL COMMUNITIES

By way of improving the poor communication between Mondi and its local communities, Mondi has embarked on the following:

- Establishment of Working Plan Unit (WPU) Forums: these allow for complaints and issues of concern to be raised and feedback provided.
- Communication between ward councillor and Mondi Community Engagement Facilitator (CEF): in instances when the CEF is not available, local community members contact the local ward councillor who then passes on issues raised to the Mondi CEF. This collaboration is evidence of improved relations with local authorities.
- Meeting with farmers: the Mondi CEF has started to attend meetings held by the farmers unions and farmer associations. Participating in these meetings enables Mondi to identify, discuss and address issues of concern that neighbouring farmers may have.

7.2 THE IMPACT OF THE PROPOSED NODAL SYSTEM ON BASIC NEEDS PROVISION AND RELATIONS BETWEEN MONDI AND LOCAL STAKEHOLDERS

Mondi has initiated some key activities pertaining to the proposed Nodal System. These are listed below, as well as the subsequent obstacles that have arisen.

Meeting between Mondi and local government: a meeting was held in February 2005 to discuss the feasibility of the Nodal System and to find ways through the current deadlock. Two key actions arose from this meeting, namely: (a) the establishment of a Technical and a Strategic Committee responsible for developing a practical way forward; and (b) the appointment of a technical specialist to assist in resolving complex issues associated with the Nodal System. Half of the technical specialist’s time is devoted to the Nodal System and associated issues.

Consultation with key stakeholders: the intention is that the committees and specialist will engage with key stakeholders regarding the Nodal System. This includes: Mondi management, local government, ward councillors, Department of Health and Social Services, Department of Education, local communities and other relevant stakeholders that may be identified.

Key weaknesses of planned initiatives: the implementation of the above commitments is currently being slowed down by a number of internal issues, including a lack of clear lines of communication within the identified committees, and the need for clearer leadership. Furthermore, no external consultation around the Nodal System has yet been implemented.

Table 7.1 Target Dates for Outstanding Measures

<table>
<thead>
<tr>
<th>Management Measure</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lines of communication within the identified committees to be clarified</td>
<td>December 2005</td>
</tr>
<tr>
<td>External consultation with all key stakeholders to be initiated regarding the proposed Nodal System</td>
<td>December 2005</td>
</tr>
<tr>
<td>Technical specialist appointed to assist in resolving the Nodal System to be actively involved in this task</td>
<td>December 2005</td>
</tr>
</tbody>
</table>
7.3 WORKING CONDITIONS ASSOCIATED WITH THE APPOINTED CONTRACTORS

In response to the high number of complaints about contractor working conditions, Mondi has requested a human resource and labour specialist to check contractor compliance with the Basic Conditions of Employment Act (1997). This audit was agreed upon during a meeting held between Mondi management and its contractors in March 2005. As agreed, all contractors are to participate in this audit, and are required to cover the costs thereof. To date, little progress has been made on the issue. Mondi’s area manager will therefore need to intervene and ensure that the audit proceeds as planned.

In the event that there is non-compliance, Mondi will implement appropriate measures to ensure compliance with the Basic Conditions of Employment Act.

<table>
<thead>
<tr>
<th>Management Measure</th>
<th>Target Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resource and labour specialist to audit compliance of all contractors with the Basic Conditions of Employment Act (1997).</td>
<td>December 2005</td>
</tr>
</tbody>
</table>

7.4 THE IMPACT OF HIV/AIDS ON THE LABOUR FORCE

By way of addressing the impact of HIV/AIDS on the labour force and their dependents, Mondi has embarked on a number of initiatives.

- **Health coordinator**: a health coordinator has been appointed for two days per week to train and monitor the 30 peer educators in the Mondi Mkhondo area. The role of the peer educators is to educate their peers (in the workplace and at home) on HIV/AIDS issues. The peer educators also get support from loveLife (the latter is an...
NGO focussed on youth, including issues around HIV/AIDS awareness).

Iswepe HIV Treatment and Counselling: this is a joint project between Mondi and Anglo American. Anglo played a key role in securing funding for the project, while Mondi has made facilities available for the clinic and counselling rooms. This project focuses on workers and their families in the Iswepe area.

Survey of orphans: a survey was carried out to identify the number of orphans in the local villages. The results showed a very high number of orphans in the villages on Mondi property. Discussions are currently being held with the Department of Health and Social Services in order to jointly appoint a person that can start orphan care groups in identified villages and facilitate the process of care by the various departments (e.g. access to grants).

Children at risk: this project entails the training of school teachers on how to identify and deal with traumatised children. This would include children that have lost their parents and care-givers to HIV/AIDS.

7.5 POOR CREDIBILITY/REPUTATION OF MONDI

On-going consultation is seen to be the key to addressing issues around poor credibility and failure to deliver on promises. This works in four ways:

- By consulting regularly with a broad range of stakeholders (e.g. through the WPU Forums, farmers unions, local government etc), Mondi is able to communicate about the social projects and other efforts that they are involved in, thus challenging the perception that they do not care about local communities.
- The format of the WPU Forums is such that the CEF is required to report back on issues raised in the previous meeting, and if not addressed, then the reasons for this. This approach holds Mondi to account in terms of delivering on promises made.
- Regular communication with stakeholders will assist in early identification and resolution of concerns raised by stakeholders.
- The SEAT study and associated findings will assist in bringing the key issues to the attention of Mondi management and other parties responsible for the issues raised (e.g. local government and contractors).

7.6 PERCEPTIONS REGARDING EMPLOYMENT OF NON-LOCAL LABOUR AND CONTRACTORS

Perceptions exist that Mondi and its contractors employ non-local contractors and workers respectively. As explained in Section 5, this perception is fuelled by past practices which no longer occur.

In response to this issue, Mondi held five meetings with their contractors between September 2004 and March 2005 during which these concerns were raised and agreements enforced regarding preferential employment of local employees (i.e. from the local villages on Mondi property). However, feedback from stakeholders indicates that some contractors may be continuing to employ workers from outside the local area (where an equivalent worker is available locally).

Contractors have also reported reluctance among local residents to work in the forestry industry, due to the hard labour associated with this work, particularly harvesting. Workers, however, ascribe their reluctance to the poor working conditions associated with the contractors.

Given the sensitive and emotionally charged nature of this issue, Mondi management will investigate this and ensure compliance with local labour sourcing. Furthermore, Mondi will communicate clearly on this issue, specifically providing local communities with the facts and figures necessary to assure them that Mondi and their contractors are committed to local procurement and employment. Where this is not the case, this will be clearly communicated.
7.7 EMPLOYMENT EQUITY AND CAREER DEVELOPMENT PROGRAMME

Mondi to ensure implementation of Employment Equity targets within the Mondi workforce. This will be accomplished through the establishment of a Transformation Committee.

Mondi has also committed to full implementation of the company’s Talent Management and Career Development Programme, including effective awareness raising, and active assessment and development of career development plans for all Mondi employees.

7.8 TENSION OVER GRAZING OF CATTLE AND COLLECTION OF FIREWOOD

A number of key activities have taken place in connection with the grazing of cattle on Mondi property. These activities cover both livestock management and access to grazing.

- **Consultation with livestock owners**: the Mondi CEF met with livestock owners in each of the five WPU Forum areas. The objective of these meetings was to listen to their complaints and ensure a good understanding of the issues at hand.

- **Training**: Mondi, in partnership with the Department of Agriculture, organised two days of training in each of the five WPU Forum areas. The focus of this training was on livestock management.

- **Dipping programme**: Mondi, with assistance from the State veterinary and local communities, will be helping to restore the old dip tanks in the area. Once completed, a comprehensive dipping programme will be implemented.

- **Identification of grazing areas**: the risk of fires is greatest during the dry winter months. In response to this risk, Mondi would normally burn grasslands on their property. This perceived destruction of a vital resource (i.e. grazing) caused tension between Mondi and local livestock owners. The approach taken in 2005 has instead been to identify suitable areas for defined fire-breaks, and leaving the remaining grasslands for grazing. This was done in consultation with local residents, and with assistance from the foresters.

- **Branding of cattle**: in order to better manage grazing on Mondi property, Mondi has initiated discussions about the possible branding of livestock to show ownership. A survey of the number of cattle in the area and identification of ownership is currently underway.

- **Collection of firewood**: Mondi has committed to consulting on the current sensitivities within their existing firewood policy, and to ensure that a workable solution is developed. This pertains in particular to length restrictions on the wood that can and cannot be collected, and collection of firewood in designated areas only. With regards to the prohibition on cutting down trees for house-building purposes, Mondi is currently investigating the possibility of allowing people to use alternative trees for building purposes.
7.9 SAFETY ISSUES

The safety issues raised during the SEAT study are in the process of being addressed. These are discussed in more detail below.

- **Safety of women and children**: In response to the unsafe conditions within the plantations, Mondi has requested that local communities identify those areas where they feel most vulnerable. Mondi will then arrange for these areas to be cleaned of over-grown vegetation, thus decreasing the potential for women and children to be attacked in these locations.

- **Incidents of arson and crime**: In late 2004, the Mondi CEF met with the Derby community to discuss the high incidences of fires/arson and crime. In response, Mondi agreed to train three local volunteers as part of a community policing initiative. Mondi also provided bicycles and radios for each ‘community policing officer’. Since establishing this initiative, the community policing team has recovered stolen wood and identified some arsonists. Crime and arson in the area has also decreased. Local community members also come to the team with issues of concern, which are then forwarded to the Mondi CEF. Based on the success of this initiative, Mondi will be paying the community policing team a monthly contribution, and will be expanding the team to 20 people to cover the whole Mkhondo business unit. Incidents of arson are also expected to decrease as Mondi continues to engage with the local communities and address their issues of concern.

- **Logs on road**: In response to the safety hazard associated with logs falling off the trucks, Mondi will increase pressure on their contractors and transporting companies to adhere to the safety measures concerning transportation of logs. Specifically, Mondi will carry out spot checks to identify those contractors and transporters that are not adhering to the required safety measures. In instances of non-compliance, the trucks will not be allowed to proceed or the timber off-loaded until the required measures are in place.

- **‘Big crack’ in Groenfontein**: Mondi will alert the relevant forester about this issue, and ensure that it is followed up and addressed.

### Table 7.5 Target Dates for Outstanding Measures

<table>
<thead>
<tr>
<th>Management Measures</th>
<th>Target Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mondi to resolve current sensitivities within the firewood policy, such that all parties involved are satisfied with the contents and implementation of the policy</td>
<td>December 2005</td>
</tr>
<tr>
<td>Mondi to identify alternative trees for house building purposes</td>
<td>December 2005</td>
</tr>
</tbody>
</table>

### Table 7.6 Target Dates for Outstanding Measures

<table>
<thead>
<tr>
<th>Management Measures</th>
<th>Target Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mondi to clear all overgrown areas within the plantations (as identified by local residents)</td>
<td>December 2005</td>
</tr>
<tr>
<td>Mondi to increase the community policing team to 20 people, and to pay the community policing team a monthly contribution</td>
<td>December 2005</td>
</tr>
<tr>
<td>Mondi to carry out spot checks to identify those contractors and transporters that are not adhering to required safety measures for transportation of logs</td>
<td>December 2005</td>
</tr>
<tr>
<td>Relevant forester to attend to ‘big crack’ in Groenfontein and ensure that it is no longer a safety hazard</td>
<td>December 2005</td>
</tr>
</tbody>
</table>
8  INDICATORS AND MONITORING

8.1 LOCAL KEY PERFORMANCE INDICATORS

The SEAT process allows for local key performance indicators to be developed to monitor and measure the success of the identified management measures and the performance of the business unit. Several potential indicators were identified during the SEAT assessment at MBP SA Mkhondo. These include:

- Number of incidents of arson in the Mondi plantations;
- Number of incidents of theft of Mondi timber;
- Number of incidents of crime in the local villages;
- Number of villages that have access to drinkable water;
- Number of incidences of contractor non-compliance with Basic Employment Act;
- Number of incidents of damage of young plantations by local livestock;
- Extent of local employment and use of local contractors (a decrease in this number will indicate the potential for increased community discontent);
- Number of incidents of illegal collection of firewood (i.e. outside of the firewood policy);
- Levels of basic needs provision in local villages.

As part of the management and monitoring plan, additional key performance indicators need to be developed to help measure the success of the management measures suggested in this report, and which are currently being implemented. The key performance indicators should be developed in consultation with local stakeholders to ensure that they provide meaningful feedback on the relevant issues of concern.

9  ADDITIONAL ACTIVITIES TO BE CONDUCTED BY MONDI

THREE ADDITIONAL actions need to be carried out as part of the overall SEAT study. These are:

- Completion of a detailed management and monitoring plan for the key issues that have been identified. Guidance on the requirements for this plan is provided in Tool E of the SEAT document.
- Additional key performance indicators need to be developed to help measure the success of the management measures suggested in this report.
- Mondi to carry out a self-assessment of their performance in relation to social and economic aspects within key Anglo policies and principles.

ENQUIRIES

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GLOSSARY

CEF  Community Engagement Facilitator
CSI  Corporate Social Investment
CSR  Corporate Social Responsibility
FSC  Forest Stewardship Certification
GDP  Gross Domestic Product
HDSA Historically Disadvantaged South Africans
MRU  Multiple Resource Use
PPE  Personal Protective Equipment
WPU (forum)  Working Plan Unit
UIF  Unemployment Insurance Fund