

► ISSUE REPORT

CBIS' African Journey: Touching Lives with Active Ownership

In July, 2015, CBIS had the opportunity to join with other faith organizations from around the world and assess the sites of two of the largest mining companies in the world — Newmont Mining's Ahafo gold mine in Ghana and Anglo American's De Beers Venetia diamond mine in South Africa.

These site visits allowed CBIS to see how corporate guidelines and programs are implemented at the local level and provided an opportunity to view the impacts on communities. Through our participation, we were also able to gain a better understanding of the positive and negative impacts of mining in the community, region and country more broadly and how the companies have been responding to these issues.

At both sites we are able to raise corporate awareness of issues of importance to Catholic investors, like the protection of human rights and defense of the environment. Thanks to our trip, we are more informed and in a position to encourage the development of comprehensive and impactful programs that provide long-term benefits to the communities that host the mines and are a critical part of their success.

Raising critical issues with an aim towards influencing the strategies, policies and practices of corporations in our portfolios defines the Active Ownership component of Catholic Responsible InvestingSM (CRI). As responsible shareholders, we believe that we are called upon to be active owners. By staying engaged, we are able to fulfill our fundamental responsibility as stewards of our client assets.



CBIS SITE VISIT:

- Newmont Ahafo Gold Mine, Ghana:
July 20–24, 2015
- Anglo American's De Beer Venetia Diamond Mine, South Africa:
July 27–31, 2015



Group photo of faith group participants and De Beers staff, including CBIS, at Venetia Mine, South Africa

MINING AND THE PONTIFICAL COUNCIL FOR JUSTICE AND PEACE

The trips to Ghana and South Africa were one component of an initiative that began in 2013 at the request of leaders in the mining sector with the Pontifical Council for Justice and Peace. Its aim was to build relationships between the industry and faith organizations and provide on-the-ground mining experiences. The site visits were designed with the mining companies, recognizing the need for the industry to become a partner for long-term sustainable development with host communities and governments.

Participating companies, like Newmont Mining and Anglo American, recognize the need for change in the way they view themselves and their operations, and that transformation can only happen with communities taking an active role in the process. A leader in this movement is Mark Cutifani, CEO of Anglo American. He recently remarked, *“Our aspiration is to fundamentally change the extractive business model of the mining industry from insular and reactive, to an integrated and proactive development partner, delivering on economic, environmental and social shared purpose.”*

Pope Francis has agreed. In the encyclical, *“On Care for Our Common Home,”* Francis has said, *“The entire mining sector is undoubtedly required to effect a radical paradigm change to improve the situation in many countries.”*

Many companies today realize that to maintain their social license to operate, they must consider the human rights impacts of their operations in addition to environmental considerations. *Laudato Si’* reminds us, *“We are faced not with two separate crises, but rather with one complex crisis which is both social and environmental.”*

THE TRIP

The first stop for the group of faith investors, academics and clergy, was Ghana, at the Ahafo gold mine of Newmont Mining, one of the largest gold companies in the world. As of 2014, the operation consisted of approximately 5,000 employees and contractors. Gold mining is among the most significant economic activities in the country and generates the most taxes for the local government. We toured the open pit mine and

visited projects funded through Newmont Ahafo Development Foundation (NADeF), including facilities designed to assist farmers dry ginger and pepper to sell post-harvest season and a college to train nurses, recognizing the need in the community for improved healthcare.

The Foundation, established in 2008, has funded more than 60 infrastructure and social projects including libraries, classrooms, vocational training, microloans, and technology centers. Newmont has contributed over \$23 million dollars to NADeF, providing \$1 per ounce of gold produced and 1% of net profit from the Ahafo Mine annually. It is a unique agreement between Newmont and 10 mine communities, local and regional governments.

Next we traveled to De Beers open-pit Venetia mine in Limpopo, South Africa’s largest diamond mine. Anglo American owns 85% of De Beers, the world’s leading diamond company. As of 2014, the mine supports more than 8,000 jobs directly and 5,000 through the supply chain. Last year, the company began constructing a new underground mine under Venetia. The investment is expected to extend the life of Venetia beyond 2040.

De Beers also supports projects that empower communities near the mine, ranging from hospitals, schools and microfinance initiatives to wildlife reserves.

During our trip, we visited an impressive project — the Ratanang Special School for students with mental impairments in the Blouberg municipality, one of the few special schools in the area. De Beers Venetia Mine employees have a longstanding relationship with the school since the company partnered with the government to build the school and has since contributed over \$2 million dollars. The visit highlighted the vast needs in the area and the challenges associated with operating in a primarily rural region.



Students perform a dance at the Ratanang Special School

THE POSITIVES AND NEGATIVES OF MINING

During the trip, we observed many positive aspects of mining. Both sites provided jobs, brought income to local communities, and supplied governments with revenue from royalties and taxes. We were also impressed by Newmont Mining's and Anglo/De Beers' dedicated and knowledgeable staff and their commitment to the communities that live near the mines. Both companies' experts on community engagement, human rights and environment shared their respective policies and programs and many of them traveled with us over the course of our visit.

Despite impressive, impactful local programs, there are still many challenges. The mines are located in poor regions and many communities, despite living in a resource-rich region in close proximity to gold and diamond mines, are struggling to get basic needs met.

Concerns raised by local communities and faith organizations at both mines were the high levels of unemployment, high expectations for a limited number of mining jobs, the lack of sufficient healthcare, and the poor condition of roads. For example, while large company trucks can easily pass on dirt roads when it rains, muddy conditions make commuting on foot, bikes and small cars difficult. Recognizing each company's use of and impacts on the roads, communities looked to them to pave the roads and to integrate those costs into initial or expansion plans.

In addition, many community members recognized that the mines will eventually close and looked to the companies to develop job training and skills programs and partnerships so that benefits would continue post-closure.

Due to the many needs of communities, there was an expectation or hope by some that the companies could fill some roles traditionally filled by government, which was conspicuously absent in some areas.

There are also key differences, and each mine presents unique challenges.

For example, Venetia mine is near the Mapungubwe National Park, a [World Heritage site](#). Elephant, giraffe, white rhino, and numerous antelope species occur naturally in the area. The area also contains a river basin that serves South Africa, Botswana, Zimbabwe



Giraffe and other wildlife can be found in close proximity to Venetia mine

and Mozambique. It is a source of water for millions of people and impacts to water present a major risk to all users. While biodiversity conservation is a critical issue in the region, it is also a source of pressure as productive land is taken out of the hands of farmers and set aside for tourism or preservation.

Ahafo, a farming region 200 miles northwest of Accra, the nation's capital, was Newmont's first mine in Ghana. Construction of the mine in 2006 caused the resettlement of 10,000 people. A completion audit of the resettlement (published in 2015) revealed mixed results. Economically displaced households have been able to achieve significant improvements in their quality of housing and access to social services using their compensation and their own resources. However, some re-settlers still lack sufficient farmland or have to travel long distances to reach it, and some of the most vulnerable populations are at risk of impoverishment. Newmont will need to address these findings, implement effective programs and conduct intensive engagement that will allow resettled communities to thrive over the long-term.

MOVING FORWARD

More and more, mining companies will be challenged to demonstrate that their operations supply lasting benefits to communities and have positive long-term impact. We look forward to ongoing engagement with Anglo American and Newmont Mining and learning about their progress towards environmental protection, wildlife preservation, and poverty alleviation. In addition, we will raise issues that came up as a part of our meetings with local stakeholders, including:

- ▶ Communication throughout the life of the mine: Engaging local communities in mine closure and sustainability planning so there is an understanding of the life cycle of the mine and that project plans are developed to sustain the livelihoods of mining-impacted communities.
- ▶ Creating durable partnerships: Designing robust partnerships with government, communities, civil society organizations, faith organizations and other development partners to help ensure that local economies remain vibrant long after mine closure.
- ▶ Developing business opportunities: Intensifying internal programs and those of contractors that work with and build capacity of local suppliers in a way that allows them to become more competitive and profitable.

CONCLUSION

It is rare for companies to open their doors and provide stakeholders with a view of the challenges faced by their operations. We believe that Anglo American, De Beers and Newmont Mining have taken important steps towards collaboration with faith organizations like CBIS and towards meaningful partnerships with communities.

While company projects are providing benefits to communities, ensuring that these benefits are lasting even after the mine has closed will be an important test. In the short-term, CBIS will provide feedback on the trip to the companies, including a set of recommendations that will serve as the basis for follow-up discussions.

The site visits and traveling to remote locations to gain on-the-ground perspectives allow us to better understand the complex situations confronting the mining sector and to gain insight from a variety of stakeholders. They also help us to compare and contrast community engagement approaches, risk management procedures and sustainability practices. In the past, we visited other sites including Newmont mines in Peru, following community protests about water supply impacts, and Royal Dutch Shell in Louisiana, related to concerns about hydraulic fracturing operations.

Active Ownership is a critical element in CBIS' CRI approach. With this trip to Africa, we believe we have taken an important step towards influencing the strategies, policies and practices of these two mining corporations in our portfolios. At the same time, we have expanded our understanding of corporate and community challenges and potential ways that they can be addressed.

As Pope Francis has implored us in *"Laudato Si"*, we all must work together toward "countering the dramatic consequences of environmental degradation in the life of the poorest and the excluded."

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