

What the *really*

By Jaquelina Jimena

With different approaches, the Corporate Social Responsibility (CSR) agenda is developing in different countries. In some cases, CSR aspects, such as environmental management and health-and-safety management, are already the subject of a number of detailed laws and regulations. Climate-change aspects and emissions reduction are certain to become more prominent in terms of CSR focus in the mining industry in the coming years. The same for carbon foot-printing methodology, which becomes better defined as consumers and advocates are provided with this information about metals and other mined commodities. Experts from USA, Argentina, Chile, Brazil, Mexico, Peru, Spain, Russia, China and Australia offer their views.

The land swallowed 33 miners. We know the story: they were rescued, but nothing will be the same in the mining sector in Chile, as discussions are related to safety and how it can be improved. Other Corporate Social Responsibility (CSR) items in the world are emerging as hot topics in the mining sector, such as: increasing social pressure, the role of the government, and the impact of ISO 26000 Social Responsibility. Concerning these topics, specialists from many countries share their views and envisage how the mining sector will develop their strategies in their countries in the coming years.

United States

The current state of CSR in the US is explained by Tim Buchanan, an expert in Business for Social Responsibility (BSR). “For mining companies, environmental performance remains an obvious key aspect of corporate responsibility; however, the industry is heavily and relatively effectively regulated in that regard by both Federal and State regulatory agencies. With environmental aspects, leading companies are engaged in activities that take them beyond compliance in terms of innovative programs and partnerships for issue areas such as biodiversity protection/enhancement, closure impact mitigation and local economic diversification, beneficial and sustainable post-mining use of mining sites and associated infrastructure, partnerships and benefit sharing with Native American groups, and technical/science education programs for youth in local communities. These initiatives are normally undertaken in consultation with external organizations, government agencies, and community members. Many companies have implemented formal and systematic stakeholder engagement/community relations programs which involve

periodic scheduled meetings with local and regional stakeholders to discuss issues of mutual interest and concern.”

Concerning the ISO 26000 key impact, Buchanan is clear: the US industry is likely to have more widespread adoption of a “management system” approach, with a “plan-do-check-act” philosophy and continual improvement goal. “The evolution is therefore likely to be one of integrating many of the current programs into broader formal management systems with clearly defined procedures, standards, roles, responsibilities, targets, and monitoring and review processes. It is unlikely that any indicator currently used by a mining company to monitor CSR performance would be discarded, as for the most part these have been adopted

over a number of years of engaging with external stakeholders of all types and integrating a Global Report Initiative-type approach to sustainability reporting.”

Regarding the future role of the government, he also commented that it can be expected that local governments will continue to increase their interest and involvement in partnerships and multi-stakeholder initiatives focused on local economic diversification and mitigation of the economic boom-and-bust cycles that the mineral industries have historically experienced.

Latin America: Mexico and Peru

In these cases, both countries are facing similar challenges. According to Andrés Recalde, professor at Humber College, lecturer and consultant in social development and CSR, the mining sector is progressing in actions from environment care to a close relationship with the communities where there are mines. “This means developing a series of initiatives that move beyond philanthropy to approach sustainable development initiatives.

World needs Now



Jaquelina Jimena is *Canadian Mining Journal's* Foreign Correspondent. She is a journalist based in South America who specializes in worldwide economic issues and is also an advisor in Corporate Social Responsibility (CSR) in Mendoza, Argentina. She can be reached at jaquelinajimena@gmail.com

The approach to civil society groups is not so easy. Companies do not have experience and are not staffed with specialists able to dialogue with NGOs, church and other institutions representing civil society. In many cases, they have to hire adequate staff for such activities. In other cases, they seek partnerships with NGOs, but there are still very few cases," points out Recalde.

He adds: "In my opinion, ISO 26000 is a technical standard. On the one hand, governments are tending to legislate in this area in view of community pressures and civil society groups. On the other, local standards of social responsibility will not disappear. ISO 26000 is a platform for governments to legislate minimum standards of social responsibility. This is an important issue requiring a minimum of social investment in sustainable development."

Concerning the role of the government, Recalde explains: "In Peru, the geographic decentralization of government makes the company too complex to fit a single scheme of public policy on social responsibility. More imaginative enterprises design their strategies for trying to reach communities. If they succeed, then it is not possible for political or new laws to interfere in its operations. Communities become allied companies. In this context, NGOs play an important role in educating people on how to achieve sustainable development projects. Companies then have no choice but to agree to share profits in the form of social investment. In Mexico, the central state and state level are still far from being able to influence the direct relationships between community and a mining company. Rural communities have their legal identity, it permits them to negotiate autonomously. I see more awareness within communities about how to talk and negotiate with companies, thanks to access to global communications, such as the internet, satellite TV, and so on."

Chile

After the rescue, there is a strong interest in working conditions of employees. "This is one of the main factors to build CSR practices consistently in both areas: internal and external strategies. I might mention that there is a growing concern for environmental issues, mainly related to energy and extractive projects, that is receiving strong pressure from highly mobilized interest groups," said Nelson Nuñez Vidal,

a senior consultant on CSR and sustainability at Business Sustainability Development –BSD– Consulting.

Vidal thinks a lot of mining companies will significantly adopt ISO 26000, but coordinated with sustainability reports on GRI, an excellent joint guide combining what to do (ISO) and a powerful tool for accountability and communication (GRI). And, while CSR is not now mandatory, there are signs that it will be in many other areas: "Certainly these issues will force companies to consider how to be more responsible."

With regard to the relationship between the government and the mining sector, Vidal envisaged three dimensions in Chile.

- First, strong pressure from the state-owned Codelco will raise their own standards related to CSR, in particular aspects of labour conditions, safety, environment and supply chain.
- Second, the state will strengthen audit practices, including legal requirements connected with the environment, supply chain and strong demands for job security and living conditions of employees.
- Finally, the state will continue its policies involving private partnerships, creating innovative projects that will enable high CSR standards not only in multinational mining companies, but also in medium and small-scale mining firms.

"In the years to come new issues related to CSR will be to measure and manage, such as the carbon footprint as well as water footprint strategy, since mining companies make extensive use of water in their operations, mostly located in desert areas."

Argentina

According to Alicia Rolando de Serra, Director of Research and Development at Instituto Argentino de Responsabilidad Social Empresaria (IARSE), over the past ten years the practice of CSR has also been changing in Argentina. "It started from a strong focus on community and it is moving to cover a wide range of practices connected with corporate governance, the relationship with different audiences (customers, suppliers, employees, etc.), the local community and the environment. An interesting fact that accounts for this trend is the increasing number of companies that are reporting under the GRI (Global Reporting

Initiative) guidelines in the country. Three years ago, the number was not significant. Today, according to IARSE over 40 are reporting under GRI and it is expected 60 companies will report their CSR practices in early 2011.

Rolando adds that ISO 26000 on Social Responsibility is correlated with international initiatives such as Global Compact and Global Report Initiative GRI: "ISO, and GRI indicators are tools now available that serve different instances of the continuous improvement of the management of CSR. In this context, IARSE/ETHOS indicators are diagnostic tools which provide information on the scope and depth of corporate social responsibility practices."

At present, CSR is not mandatory; however, there are signs that it could be a law: "Over time, various aspects that have to do with CSR - but specifically not to take that name - will be included in laws that regulate activities that have high impact on the environment and society. For example, in Argentina the parliament has passed a law limiting glacier opencast mining in the air by imposing restrictions on glaciers so as to protect watersheds. However, members of the government do not know exactly what CSR means. It's complicated the process of stakeholder engagement with the public sector."

In Rolando's view, a number of challenges will be faced to establish CSR practices in business. "First of all, it is necessary to promote a more active role within CEOs, so as to move CSR from periphery to the business strategy. Second, it will be vital to work on transparency in corrupt environments. Third, it will be necessary to improve the dialogue between the public and private sectors, so as to establish an agenda of sustainability which requires long-term policies. Finally, all processes should be communicated actively among members of our society."

Brazil

Having a very diversified economy, Mauricio Turra Ponte, at Ethos Institute, adds there is an increasing interest about the environment among companies in Brazil.

Turra thinks ISO 26000 Social Responsibility is arriving at the right time, since most organizations are aware of the need of performing their role in a sustainable manner, although there was a lack of procedures to be developed for implementation. "Although the ISO cannot be viewed as a diagnostic tool, certainly some companies will adopt it and use it with other tools."

Concerning the legal framework: "In addition, there is an increasing social pressure on the mining sector due to the impact that it generates in its extraction."

"Another crucial point that we still have no answer to is how to make the number of people living with low income and inadequate conditions improve their lives. I imagine that these points will become increasingly important in the development process promoted by companies," said Turra.

The Toronto Stock Exchange says that 1,613 mining projects are located in Latin America. Beyond these impressive numbers, the mining sector is facing a lot of challenges in the region. In the book *"La Responsabilidad Social de las empresas: enfoques ante la crisis"* (The Social Responsibility of enterprises: perspectives in front of crisis) written by Antonio Vives, an international expert in sustainability and current partner at Cumpetere he says, in terms of CSR trends, social leaders working in the private and public sectors will follow these

strategies: public policies improving CSR practices among companies, more education related to responsible consumption, media showing irresponsible practices in some industries, the financial system launching a system with loans with low interest to those responsible firms, and an economic system permitting firms to export their products and services as well as receiving competition from other international companies operating in the region.

Europe

According to Jaime Pérez Martín-Gaitero, director of quality and environment at Electricity Adobe and academic director of an executive MBA program at Escuela de Organización Industrial, there are a number of initiatives related to CSR in Europe. "For instance, members of the government in Germany are creating a group for climate change. In Belgium there is a CSR seal which is promoted by the government. In Denmark there is a stamp for the appropriate use of energy for public and private buildings. In Spain as well as France there is a creation of initiatives that support equal working conditions for female workers. In the Netherlands there are several environmental agencies and programs that promote international cooperation in CSR. In the UK there are local sustainability plans as well as sustainable development indicators. Finally, in Sweden, social leaders have created the Swedish Environmental Management Council, including government, regions and labor unions."

Gaitero adds, "It is necessary to know that ISO is a guide, not a rule. It can be extended easily among firms, especially multinational companies. In any case, the ISO 26000 is a document of a considerable length, containing items of great significance, and comes with a vocation as an umbrella for all activities of CSR in an organization. Concerning regional indicators, it will survive as long as it provides value to organizations." He explains: "In my view, CSR should not be mandatory and should overcome the international law on fundamental rights and environmental protection. In the European Union, CSR is considered a directive or regulation on the format of sustainability reports which is used in a similar way by European companies."

Russia

Among the group of countries known as BRIC (Brazil, Russia, India and China), Russia presents the most problems, along with China, in CSR areas. According to Gaitero, the country has high levels of corruption; for instance, Transparency International ranks Russia in 147 of 180 countries. In addition, the country has serious environmental problems, border disputes with several former Soviet republics and a democracy only in a formal sense. Gaitero points out that of the 899 companies that have registered their GRI reports, only one (Nizhnekamskneftekhim of the Republic of Tatarstan) is from the former USSR. "In my opinion, the reduction of corruption is one of the key points in Russia so as to increase its business community and, as a consequence, its future sustainable development."

China

According to Peter Arkell, managing director at Swann Global Mining, international mining companies that have operations in China are particularly aware of the need for strong performance in the broad CSR area.

“Most will have hired local specialists who are effective at tapping into the local communities as well as the bigger government picture. And of course, where there is actual mining activity taking place, they have as central values the key drivers of safety, community engagement and environmental management. For the wider world there is a perception that China’s mining community is paying lip service, at best, to these important matters, but from my observation the international mining community is extremely conscientious with regard to these matters. I think that this is one great benefit, along with international mining technical standards, that they bring to China and it provides leadership and a benchmark for the industry here.”

Concerning the role of the Chinese government, he points out that there is a drive from the Central Government to improve standards in China, and ISO guidelines would generally be welcomed in this country by the authorities. “The mining industry is huge and more than 70% of it is small or artesian operations. It is in these operations where many of the poor practices are most prevalent. Educating these operators of the benefits will be a challenge, but the Government has a will to make it happen. Recent environmental accidents by large Chinese miners have been severely punished by the authorities, as well as wide coverage of the judgments and subsequent downgrading of share prices on the Shanghai Exchange.” In his view, the State is asserting itself in China’s mining industry, at all levels – local, provincial and central. “They have limited development in sensitive areas and put others on hold where there are questions about the environmental impact. The government does not enjoy the country’s reputation for mine safety and environmental disasters and has made efforts to minimize these by the closing of many of the artesian-style operations, for example. There seems to be an acceptance of international standards here that can be used to regulate operations and I would expect that the State will continue to press hard for better performance of its mining industry. It has the dilemma of balancing the CSR responsibilities while maintaining people’s livelihood, and many of China’s mines are in poorer regions. Social harmony is a very important driver for the Chinese government. So change may be slow.”

Arkell says CSR is taken very seriously by the international business community in China. “Nearly all international companies here will have this as a core value and pay a lot of attention to its performance. Many will not only be good corporate citizens, but also will encourage their staff to engage in CSR activities, even in work time. I find a terrific community spirit here. There are so many people and the competitive pressures are so great, yet there is a wonderful national pride that sits behind all of that. I’m an optimist and the Chinese people care for each other, in spite of the mad rush that all seem to be a part of here.”

Australia

The Australian Centre for Corporate Social Responsibility – ACCSR – conducts an annual survey called “The State of CSR in Australia,” which examines this and other questions. The last survey shows that 31 per cent of Australian companies reduced their environmental impact in 2009, while 28% of enterprises decreased their environmental impact in 2008. Last year, 34 per cent built in the CSR approach, slightly higher than 31 per cent in 2008. However, there were some areas which did not show growth, as in items like

“improving supply chain,” decreasing in 2009 (14 per cent versus 16 per cent in 2008.)

Leeora Black, managing director of ACCSR, said ISO 26000 will be an additional tool used by businesses to calibrate and test their own CSR approaches. “It is a guidance document and describes activity areas rather than indicators, so I do not expect it to supplant indicators currently being used, but perhaps to enable refinement or addition if required. The rate of adoption in Australia will be difficult to know, as it is a guidance document not for certification, so companies may use it in different ways without disclosing.”

Black pointed out that it is very unlikely that CSR will become mandatory in Australia in the near term. “The government has made various inquiries into this question and has consistently decided in favour of voluntary and capacity building approaches. The only area where we are seeing regulation is in the area of greenhouse gases. For the broader agenda, the weathervane of change is more likely to be seen through the Best Practice Guidelines for Corporate Governance issued by the Australian Securities Exchange. These follow an ‘if not, why not’ approach to disclosure and are very effective.” Most recently, the ASX Best Practice Guidelines has recommended companies report on the steps they are taking to ensure gender diversity. “In the past they have also recommended a broad approach to disclosure and management of risk, and have specified social and environmental risks to be examined. These actions have been helpful in guiding companies towards higher level of CSR achievement.”

Concerning the government role, Black explains that the three levels of government in Australia are all involved with mining companies. Further, there are different regulations in each state. “We have a lot of government in Australia, and the compliance burden for many companies has become very large. However, regulation frequently lags behind community expectations and needs in general. The companies I have direct experience with take their relationships with government very seriously, and work hard to maintain effective relations. But even where a given company has a good relationship with government and maintains a spotless record with regulators, they still have a challenge to stay ahead of regulation. The relationships with government and regulators are likely to become even more important in future years.”

Finally, Black says CSR is becoming more tightly linked to strategic objectives of business and will lead to a broad redefinition of the nature and goals of some business. Stakeholder engagement and dialogue will become a better-utilized method for product-service development and innovation, and stakeholders other than customers (who have been consulted in the past) will become more central to product-service development strategies. Value chain perspectives will become even more important and companies will be increasingly required to disclose and account for impacts of their purchases and end-of-life treatment of their products. Mining companies will extend their value chain and take greater control of recycling and reuse options to extend the life of the minerals and metals extracted. “These new and additional sources of value will grow in time to become an important portion of mining industry revenue and help them to prolong their relevance and reduce their relative reliance of finding and exploiting new resources.”