

COMMUNITY RELATIONS

digging deep

Mining group Xstrata is trying to take an enlightened approach in its dealings with people living near a planned copper mine in Peru. This involves establishing meaningful relationships from the outset – and making sure that the operation will benefit locals both economically and socially

When Xstrata Copper won a concession to develop the Apurímac region of Peru, it secured what could turn out to be one of the country's most important mining deposits. It also inherited what could be one of the country's most problematic social dilemmas.

Xstrata's Las Bambas concession is situated in one of Peru's poorest and least developed provinces. Located at over 4400 metres, this impoverished Andean district lacks basic infrastructure and services. As for the local population, more than 70 per cent are illiterate and depend on subsistence farming to keep body and soul together.

This was Xstrata's first project in Peru, but the Switzerland-based company did not need to look far to see the combustible social situation it could be facing. The problems that have beset Newmont Mining, for example, provide a case in point. The North American company's hugely profitable Yanacocha mine in northern Peru triggered community opposition and violence from its inception.

To avoid a similar outcome, Xstrata has begun a comprehensive community relations programme. Immediately after signing the concession in August 2004, it sent a team of experienced community professionals straight to the Las Bambas site.

By the time the first exploration specialists began arriving, therefore, the community team had already had six months to liaise with local inhabitants, to inform them about the upcoming project and to draw up a strategy to manage its social impacts.

Early consultation played a central role in establishing the company's community strategy, explains Claire Divver, group manager of corporate affairs at Xstrata. In 2004 Xstrata began an extensive consultation process involving local communities, local, regional and national authorities, members of regional and national NGOs such as Jallpa Willka and Proyecto in Situ, and the local university, Universidad de Apurímac. 'Speaking to our key stakeholders and identifying their concerns and needs was important in terms of establishing a level of credibility and trust,' says Divver.

More important still, she concedes, was delivering on the initial consultation with concrete actions. To ensure this, Xstrata set out a clear community action plan, agreed with local representatives, that focuses on three areas: health, education and economic self-sufficiency. Xstrata is now, for example, addressing acute and chronic malnutrition in the area by helping to improve livestock management and agribusiness, not least through the creation of a trout farm.

the company

Xstrata is a mining group listed on the London and Swiss Stock Exchanges, with its headquarters in Zug, Switzerland. Operating in 18 countries, it employs around 43,000 people, including contractors, and is involved in the extraction and trading of copper, nickel, coal, zinc and alloys. It:

- launched a three-year, A\$2.48million (£1m) Community Partnership Programme in Queensland, Australia in 2006 to support health, education, and social and community projects throughout the state, where it extracts copper, coal and zinc
- has a Biodiversity and Land Management Standard that requires all its operations to 'progressively rehabilitate disturbed and contaminated land'
- was short-listed in the latest UK Sustainability Reporting Awards
- won an Award for Business Excellence from the Global Business Coalition on HIV/Aids in 2006 for an Xstrata Coal South Africa programme of voluntary workplace testing, counselling and treatment for employees and their families

■ Xstrata-led work to expand the community's agricultural activities includes a project to raise guinea pigs, regarded as a delicacy in Peru



On education, it is providing teacher training together with specialist partners and improving the infrastructure of local schools, running literacy courses, and setting up training programmes to equip local people with skills related to the mining industry.

However, improving income generation in the region is a much more complex challenge. If Xstrata is to avoid a situation of dependency on the mine, then providing alternative sources of economic development is essential. Working in conjunction with the community and local partner organizations, the company has focused its efforts on improving and expanding the community's existing agricultural activities. Projects include raising guinea pigs (a popular local food source), working with communities to improve livestock management and pasture irrigation, and growing 'hydroponic' pasture in a solution of water and minerals rather than in soil.

'These projects aim to improve nutrition for the local population and, eventually, to provide a means of income through barter or trade and the establishment of small businesses,' explains Raúl Farfan, Xstrata's community relations manager in Peru.

Any future mine at the site will become an important market for the community's food products and other services. To encourage this, Xstrata has a policy of using local suppliers and service providers whenever it can.

For the region to be sustainable in the long-term, particularly after the mine stops operating, new markets will also need to be found. In the case of a group of local women, who have begun to sell handicrafts in the capital, Lima, this is starting to happen.

Xstrata is keen to stress its development strategy is at an early stage. It still has three years to go on its exploration contract, and while the company clearly hopes to go ahead with construction and production of the mine, a final decision has yet to be made.

In the meantime, an important aspect of its community programme will be managing expectations. Despite extensive training, many in Las Bambas remain unskilled. While the mine is still in its exploration phase, business opportunities also remain limited.

Assuming the mine goes ahead, the company's community strategy should, however, guarantee that benefits quickly begin flowing to the local community. Xstrata points to the example of its Alumbrera mine in Argentina, where every job in the mine has created more than eight external jobs.

In the future, Xstrata hopes it will benefit from the strong relationships it has created with the local population. This will be vital if and when the mine begins to operate, as its production activities will inevitably result in substantial community impacts, including resettlement and land transformation.

to avoid dependency on the mine, Xstrata provides other types of economic support

One way of developing these relationships is through an independent advisory group established by Xstrata to provide external advice to the company. Made up of specialists with experience of community, social, environmental, ethical and economic issues encountered by companies working in developing countries, it has been set up to be 'completely independent' of Xstrata's management structure.

It's important to note that community development programmes, however extensive, are no guarantee against future social conflict – as Rory Sullivan, head of investor responsibility at Insight Investment and a member of the independent advisory group, points out. 'Comprehensive, well-designed programmes, developed in dialogue with local communities should, however, reduce the likelihood of disputes,' he concedes. 'And, in the event of disputes, they should provide well-established channels of communication that allow solutions to be found.'

To ensure ongoing dialogue, Xstrata continues to monitor community opinion on a monthly basis and to regularly consult with community representatives about its development plan. It has also set up a 'participatory environmental monitoring group' with members of local communities to assess the company's environmental impacts with a view to maintaining trust.

In this vein, Xstrata has also committed to issue an annual statement describing the recommendations of its international advisory group and the activities it has taken as a result. Sullivan says that such external oversight is 'unusual' in the extractive industry and describes the annual statement as 'an important accountability mechanism' for the company's stakeholders in Peru and internationally.

The history of mining in Peru is chequered with community conflict and discontent. But by establishing a transparent and participatory

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The challenges around corporate responsibility faced by the mining sector have been well documented, and for some companies their 'license to operate' has been questioned. Xstrata Copper's approach to exploration in Peru demonstrates a different picture. It suggests that Xstrata recognizes that a sustainable business is one that balances the drive for profit with the economic and social development needs of the communities in which it operates and on which it depends.

Features of particular note include:

- the example of ethical due diligence – an early appreciation of the ethical and operational risks to the company posed by this new venture/opportunity
- a commitment to stakeholder engagement at the outset that has established channels of communication
- the emphasis on accountability and trust

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