



# Mitigating social risk

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## Mines & Money 2009

London, 2<sup>nd</sup> December



## Managing Social Risks: The changing landscape

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# Synergy helps organisations understand and manage their interactions with society

We provide on-the-ground social risk management solutions to the extractive industries operating in challenging contexts

We have a specialist team with offices in Oxford, Johannesburg & Abu Dhabi

## **Clients** e.g. during 2009:

- AngloGold Ashanti
- Barrick
- BG
- Citibank
- DFID
- EBRD
- EITI
- ICMC
- IFC
- Kumba
- Lihir Gold
- Moto Gold
- Rio Tinto

## **Countries** e.g. during 2009:

- Bolivia
- DRC
- Republic of Congo
- Cote D'Ivoire
- Ghana
- Guinea
- Hungary
- Mozambique
- South Africa
- Zambia

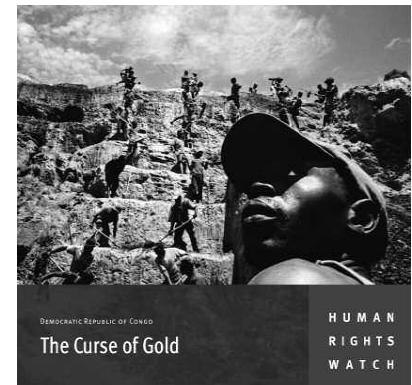
## **Services** e.g. during 2009:

- Social due diligence
- Stakeholder analysis
- Social baselines
- Social & human rights impact assessment
- Resettlement planning
- Social risk training
- Good practice guides
- Audits and assessments



# Mining & social issues in the headlines

- **Company pulls out of exploration**
  - Community protests about employment
- **Community member shot** by government security
  - During community demonstration about company
- **Staff lives threatened** and **property vandalised**
  - Protest at company acquiring land without consent
- **Mine production halted**
  - Community protests at unmet commitments
- Lengthy **\$5m+ legal case** ending in not guilty verdict
  - Lack of baseline social data to prove case
- **Delays to development** and **untimely sale of project**
  - Inadequate resettlement stakeholder engagement



# Mining & social issues in the headlines

- Company operating with **no lost time** due to protests
  - Proactive community engagement
- Agreement costing \$ms seen as **value for money**
  - Agreement provides long-term licence to operate
- **Reduced security risks** and **value addition to project**
  - Community engagement in post-conflict zone
- Due diligence **avoids investment in high risk project**
  - Underestimated resettlement costs and liabilities
- **Staff time and legal risks reduced**
  - Investment in grievance management system
- Company offered **new project opportunities on more favourable terms**
  - Reputation for good community relations management on other projects



## What is happening in the downturn?

- **Budgets are being cut ...** which may be a good thing
  - Social investment and PR budgets being cut
  - More work being done in-house
- **Clearer focus on the business value**
  - Work continuing business critical – e.g. high conflict areas
  - Focus on core business – employment, procurement, etc
  - Social assessments continuing where adding value
- **Challenges of mothballing, closure and acquisitions**
  - Changing corporate cultures, changing staff, etc
  - Risks and impacts may take time to emerge



## Business as usual?

- **Considering social issues is only for majors?**
  - Good practices are still patchy
  - Many companies are operating ‘below the radar’
  - But ... some juniors are moving faster and creatively
- **Managing social issues is too risky and costly?**
  - May require some up-front investments
  - Social risks are complex & can be unpredictable
  - But ... returns on investment can be significant
- **Only social responsibility of mining is jobs & taxes?**
  - Real benefits from this under increasing scrutiny
  - Broadening demands from communities & government
  - Mine-community links are more broad and complex



**“Technically this is a straightforward [\$6bn] project. The real challenges are the social issues”**

**“What keeps me awake at night? ... Not what is under the ground; I’m most worried about what is above the ground”**

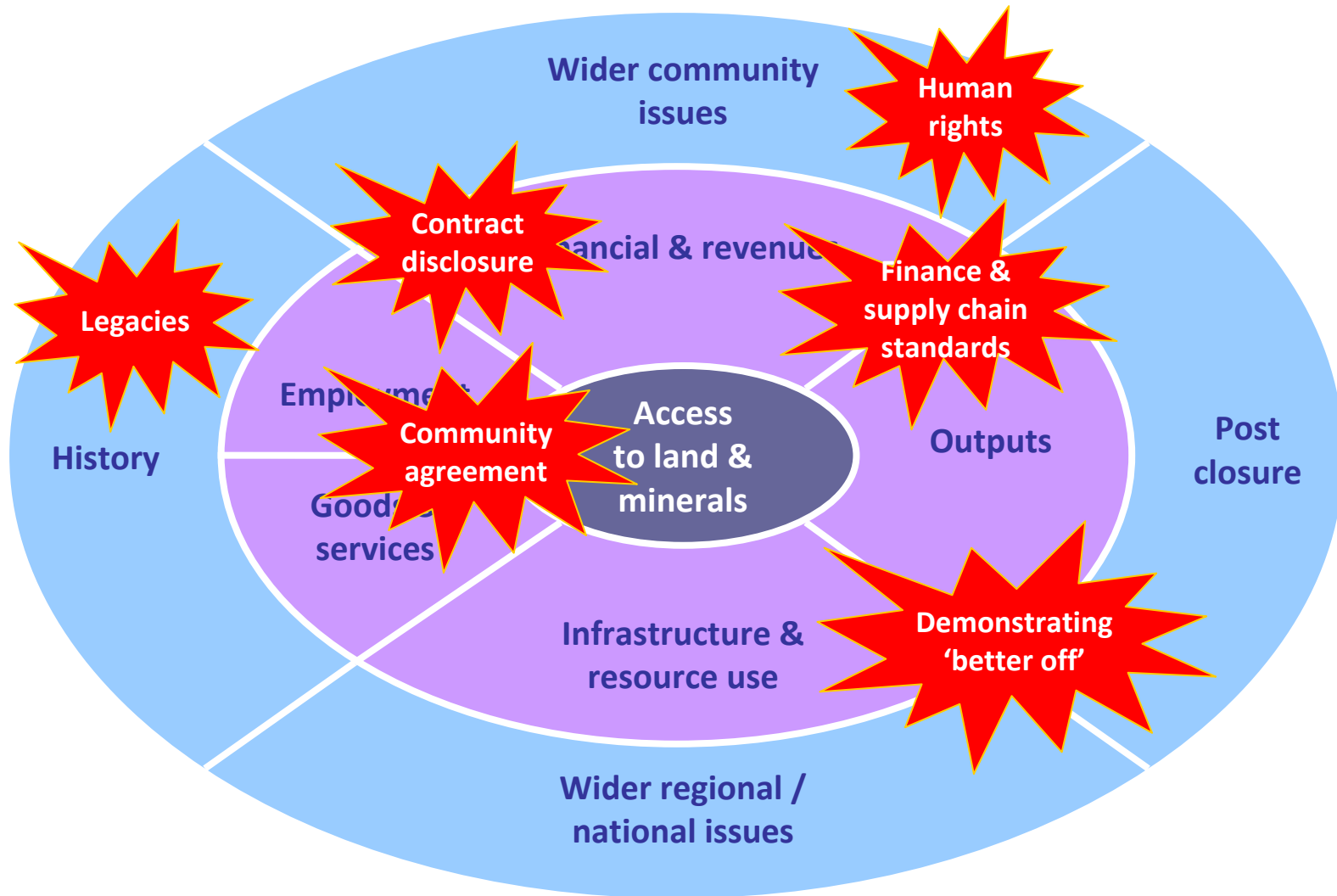
**“We viewed the social and community development program as fundamental to the successful execution of the project”**

**“We should have done more on the social issues earlier”**

**“The exploration team are great geologists. But it is not chance that they also great on the community issues. That’s why we chose them”**

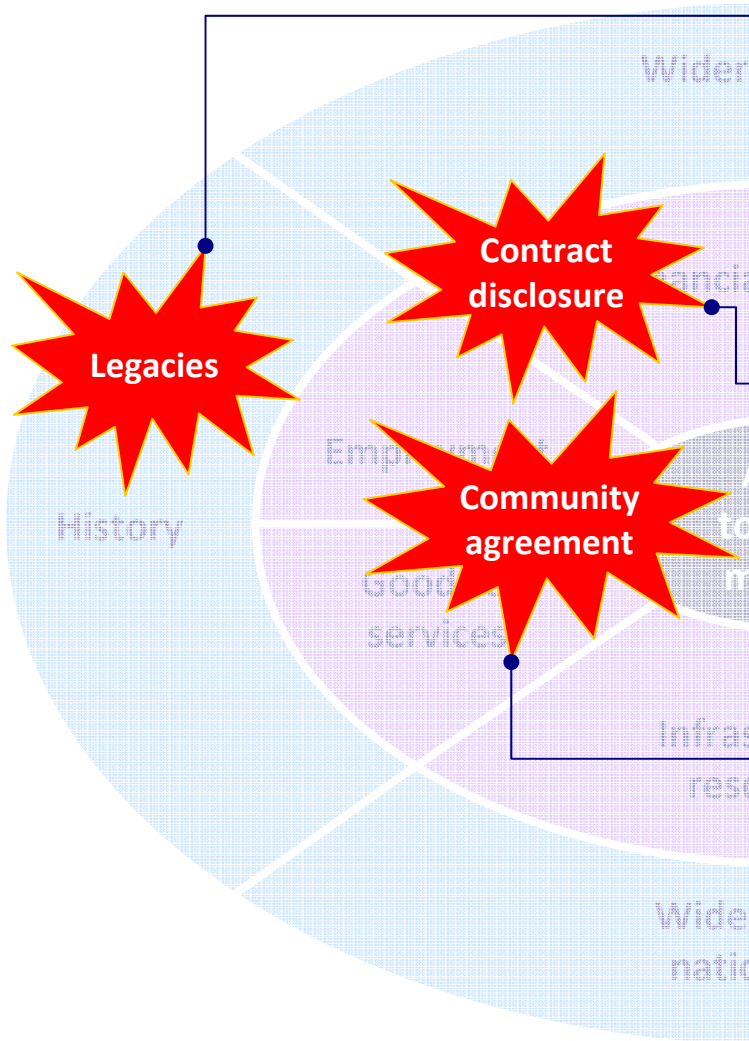
**“The future? ... When looking at the viability of a project, companies will value social issues as seriously as the technical aspects of the resource. I’m not talking in a few years time, I’m talking days or weeks away”**

# Emerging risk areas



*Companies managing social issues strategically will gain advantage*

# Emerging risk areas



## Legal liability for legacies

- By home & host governments and NGOs
- Increased due diligence & disclosure
- Alternative approaches to reduce risks

## Contract & agreements disclosure

- Continuing contract review & revision
- Scrutiny of stability clauses
- Inclusion of more social requirements

## Community agreements

- Lengthy & broad negotiation processes
- Processes used to leverage equity
- Legally binding agreements



# Emerging risk areas

## 'Protect Respect Remedy' in practice

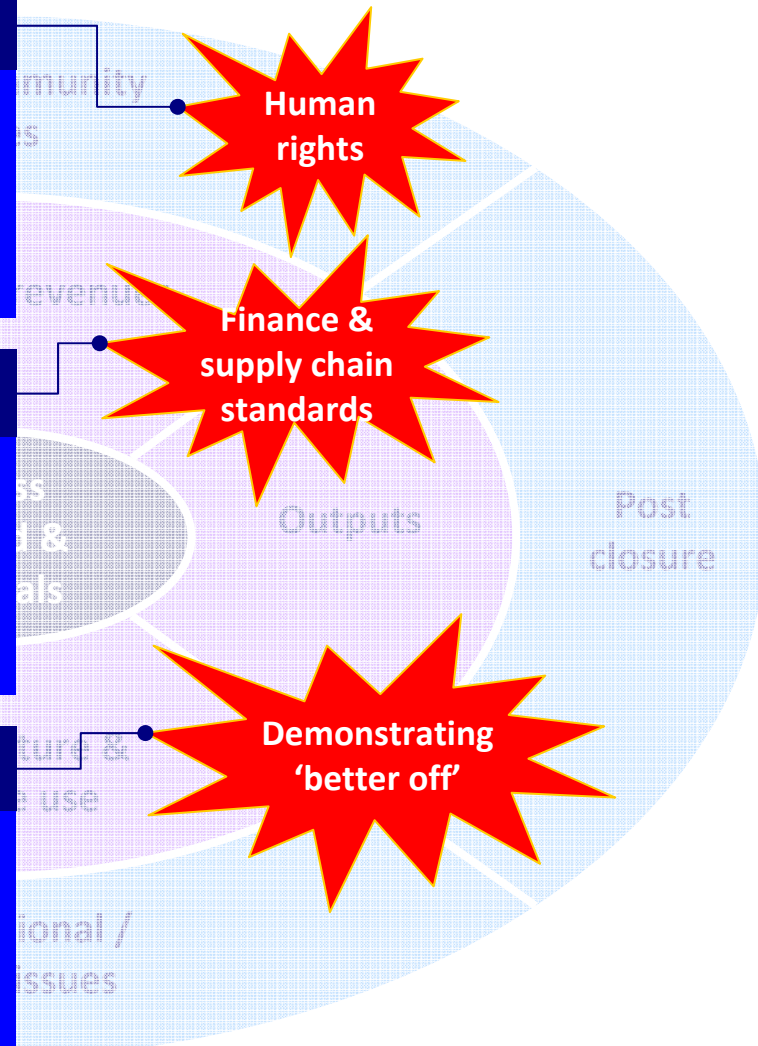
- Human rights due diligence
- Issues reframed in terms of human rights
- Focus on corporate culture

## New & improved standards

- IFC PSs include HR, climate change
- OECD Guidelines have more force
- New standards - RJC, ICMM, IRMA, FLO...

## Proving communities benefit

- Post-mine, post-conflict, & resettlement
- Regional development planning
- Required for legal & community consent



# Emerging lessons

- **Learning from experience**
  - Learning from where things have gone wrong & right elsewhere
  - Using the tools, guidelines, standards etc which already exist
- **Engaging early**
  - Small investments early on paying big dividends in long term
  - Due diligence, build local capacity, establishing relationships
- **Focusing on integration as part of core business**
  - Recruiting and training staff with appropriate competencies
  - Management systems in line with e.g. safety and environment
  - Documenting everything – meetings, commitments, baseline data
- **Thinking long-term**
  - Consider long-term value of up-front investments
  - Supporting communities & government to meet responsibilities
  - Will communities be better off when the project has gone?





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