

Listed mining sector and communication on sustainable development: Must try harder!

Paris 6 December 2011- Novethic, in collaboration with Be-linked, a strategy and management consulting firm that is dedicated to NGO-corporate relations, has released a study analysing the main listed mining companies' communication on sustainable development and the nature of their relations with NGOs. The study focuses on 23 mining companies listed on European markets (17 on the London Stock Exchange and 6 on the Paris Bourse); of which 10 have their headquarters in London or Jersey. It highlights the inadequacy of the information available to stakeholders by companies whose activity critically exposes them to ESG risks. Within this group, 12 companies are considered to provide partial communication, while 5 companies are deemed to offer only opaque reporting, amongst them Glencore, one of the mining giants. In light of the fact that mining companies made up 70% of the new entries on the London Stock Exchange (Initial Public Offering) in the first half of 2011, this study serves as an important warning to institutional investors of the eventual risks that the conflicts between mining companies and NGOs represent as well as the gaps in their reporting.

Pressure from NGOs proportional to the issues at stake

The large mining groups generate a colossal turnover worldwide (the panel surveyed totalled more than 386 billion euros in 2010). They extract their raw materials in many countries and more than other sectors they are exposed to significant Environmental, Social and Governance (ESG) risks. They are regularly targeted on a local and international level by civil society organisations that denounce environmental damages, the siphoning of wealth and violations of rights of local populations. At first glance, this context does not jeopardize the exceptional economic performance of the sector, but the pressure that NGOs exert on the companies could in time threaten their financial results. They constitute a powerful media force that can at the very least damage mining companies' reputation but can also come to represent a much greater operational risk. NGOs can threaten the local activity of mining companies and these conflicts can turn into court battles ending with a compensation bill that can reach several hundred million dollars.

Communication of companies : limited information and rare partnerships with NGOs

For stakeholders and chiefly investors to be in a position to evaluate the ability of businesses to identify the ESG risks associated with mining extraction and to provide convincing responses on these issues, they need to have quality information on the social and environmental aspects involved in the mining process. Consequently the room for improvement amongst the companies studied is very important. More than half of the panel has not voluntarily undertaken any commitments concerning the sector's problems. Only 10 out of the 23 companies are signatories of the EITI, an initiative launched in 2003 targeted at the extractive industry that encourages adhering businesses to publish their revenues obtained from mining and signatory states to communicate the total sum of material revenue received from mining. Only 6 out of 23 companies have a published policy of respecting the rights of indigenous populations. Finally, hardly a quarter of the studied companies have pledged to respect the Voluntary Principles on security and human rights that aim to limit the abuses committed by private security companies and national armies employed by mining companies to protect operating sites. Even if the relationship of the 23 companies with NGOs is largely of a contentious nature, despite this partnerships are starting to be developed. 9

companies in the panel have established collaborative partnerships with 25 NGOs. They are often focused on protecting biodiversity, but they can also be about the fight against HIV/AIDS or the evaluation of social and environmental impacts of a project.

NGO-investor alliance for an improvement of sector practices?

This report should encourage responsible investors to play an important role with listed mining companies in order to obtain greater transparency and improve the management of the impacts of their activities in the countries where they operate. NGOs call on investors to mobilise themselves for an important cause. They try to make them aware of the environmental, social, legal and financial risks that have an influence on a sector whose room for improvement in the area of sustainable development reporting is an extremely important issue.

[Download the full study](#)

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A subsidiary of the Caisse des Depots, Novethic is a research centre on Socially Responsible Investment (SRI) and Corporate Social Responsibility (CSR) as well as being a leading media resource on sustainable development.

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Be-linked Business & Community Intelligence is a strategy and management consulting firm whose activity is entirely dedicated to NGO-company relations.

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