



Anglo American

*Community engagement workshop with the Comunidad Campesina de la Encañada – a small village near the site of Anglo Base Metals' Michiquillay copper project in Peru*

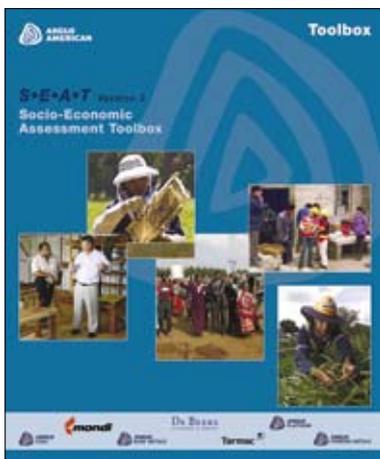
# TOWARDS A DIALOGUE OF EQUALS?

**EMERGING LESSONS FROM ANGLO AMERICAN'S SOCIO-ECONOMIC ASSESSMENT TOOLBOX**

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OW CAN A RELATIONSHIP between one of the world's largest mining companies and an impoverished rural community reasonably be described as a "dialogue of equals"? Ambitious as it may sound, Anglo American's Socio-Economic Assessment Toolbox (SEAT) is designed to create precisely this kind of relationship, according to Edward Bickham, the company's Group head of external relations.



SEAT is a hands-on community-engagement and development manual that helps operations to understand and improve their social and economic impacts on the surrounding area. Before exploring how it works in practice, and whether or not it is indeed contributing to a "dialogue of equals", it is useful to explore some of the current trends affecting large-scale mines and surrounding communities.

Prices of metals and minerals have, until very recently, been rising for some time, driven in particular by the demands of urbanisation and industrialisation from China and India. Companies have been profiting from robust prices, but they have struggled to keep up with demand.

As well as driving companies to extend the life of existing facilities, demand has led to exploration in increasingly remote and sometimes weakly-governed and environmentally sensitive areas. When a multinational mining company begins to develop a mine in such fragile communities, the impact is significant. For example, the need for part-time labour during the construction phase can prompt large economic in-migration. The community of Barro Alto in Brazil, near one of Anglo Base Metals' nickel projects, almost doubled in size from 6,000 to 10,000 people during construction. The presence of these incoming work-seekers has a huge impact on host communities and can often lead to increased crime, disease transmission, competition over jobs and strain on already-weak local services and infrastructure.

Another impact of mining in a developing country relates to the sudden and large contribution to the national exchequer from mining concessions. Under pressure to transparently redistribute the wealth to a local level, central governments may assign money to sub-national agencies which are unable to absorb and manage these major revenue streams. In turn, large firms may be blamed for the lack of clear local benefits emerging from their presence.

A number of other drivers are obliging companies to rethink both the nature of their relations with communities and how the developmental benefits of their operations can be maximised. First, while mining companies can, in theory, operate in a metaphorical bunker in a failed or failing state, it is far easier for them as long-term investors to conduct business in well-governed and stable societies where the rule of law operates. Time and money spent on improving the stability of host countries is therefore seen as a sound investment.

Second, whether communities are demanding more benefits from mining, or protesting against the very existence of a planned mining operation, one theme is recurring: communities are becoming more vocal in their views and demands. Often they are supported by campaign groups, and the media can very quickly spread David-and-Goliath stories without reference to the contextual factors.



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*South America – An Anglo American drill rig operating at an exploration site in the Cerro de Pasco area in Peru. New mining developments are often viewed with suspicion by rural communities. SEAT tools pave the way for transparent two-way dialogue in which contentious issues are addressed*

A large company can no longer dictate the terms of debate about its activities and impacts. A company either can respond to this defensively or, as in Anglo American's case, with proactive engagement.

These reasons help to explain Bickham's use of the phrase a "dialogue of equals", at least in theory – but what happens in practice? How does the company's 268-page community development manual create a more equitable basis for discussion between a mine and a local community? Or, perhaps, how does such a manual help Anglo American's operations respond to the changed balance of power between a company and a community?

### **Community consultation is key**

Initially, the toolbox establishes a basic socio-economic profile of the operation and the communities associated with it – because of their proximity or because significant sections of the workforce may be drawn from them. SEAT then provides guidance on community consultation – including identification of stakeholders and their inter-relationships and culturally appropriate

methods of engagement. Such consultation is often undertaken in collaboration with a trusted independent facilitator and a lot of emphasis is placed on including traditionally marginalised groups such as women and young people.

Once the assessment and engagement phases are completed, each operation is then expected to develop its 'management responses'. These detail how the business intends to address the issues that have arisen and, in particular, how it intends to maximise beneficial development impacts.

As noted, this is not a one-size-fits-all process, but one where responses are tailored to the needs, priorities and concerns of local people. To help operations achieve this, a suite of 11 'community development' tools is available upon which to draw. These tools cluster around the different themes: employment creation; capacity building; access to capital; and infrastructure. Thus, if the process of engagement reveals that water is the major constraint on development, then the SEAT tool on water and sanitation projects can be referred to. Similarly, there are tools on sustainable energy;

community health; institutional capacity building; measuring human capital; and alternative livelihoods, among others.

The toolbox helps to ensure that communities feel a sense of ownership of the projects, rather than seeing them as externally imposed.

Finally, a plan is drawn up and published in a report of around 30 to 40 pages, which is distributed to the local community. Such reports are usually launched at a meeting of stakeholders and publicised in the media. They outline the mine's commitments to improving its local impacts over the following three years either through substantive change in its practices or through greater communication and transparency, and improving capacity-building initiatives. The report ensures a degree of rigour and accountability; it includes a summary of feedback from stakeholders, firm commitments and Key Performance Indicators.

### **Focusing on local needs**

A point which Bickham stresses about the SEAT process is that it is not predominantly about philanthropy and traditional social investment, but rather about looking at the direct and indirect impacts and opportunities created by the core business. Use of the toolbox often leads to extensions or adaptations of current programmes. For example, in several locations the procurement policy has been modified following SEAT to include a greater commitment to sourcing goods and services from the local area, strengthening the company's contribution to local employment and giving a boost to the host economy.

In other cases, new community projects are implemented or updated as a result of SEAT. One of Anglo Base Metals' copper mines is based in Chile's Atacama desert – the world's driest. 'Mist traps' had been used in the local area for some time to 'harvest' water for agricultural use. The traps consist of vertical mesh curtains which catch and store droplets of water from the morning mist. Following a SEAT assessment at the company's Mantoverde operation, managers persuaded a local government body to match company funding to enable more mist traps to be constructed and repair existing ones. Members of the local community were



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*Isibonelo colliery in South Africa. A SEAT assessment revealed that local wetland habitats could be damaged by mining activities. Locals were employed to dig up wetland plants which were replanted in nurseries for later rehabilitation of affected areas*

*At Anglo Coal Australia:  
Below: Marin Olthof and  
Robyn Duffy study the  
community-engagement  
plan of Capcoal*

*Bottom: Middlemount's  
dentist Damian Lavery,  
receptionist Tanya Jackson,  
dental nurses Melina Eagle  
and Justine Di Salvo,  
operations manager Jessica  
Vidler and Capcoal patient  
Julian Vella at the dental  
business established in the  
town following co-funding  
by Anglo Coal*

employed for the construction and maintenance jobs and more water was made available for farmers.

Another type of positive outcome is illustrated by the example of the Hippo Valley sugar estate in Zimbabwe, which was one of the first sites to implement SEAT. Although Anglo American no longer owns the estate, the community is still benefiting from its implementation, which led to the construction of a 600-metre causeway to provide access to the local town for people from neighbouring communities, eliminating a round trip of more than 100 kilometres.

Moreover, a SEAT process was undertaken at Isibonelo colliery in South Africa before coal production commenced. The assessment revealed that the mine's activities would destroy some local wetland habitats. In response, a group of local women were employed to dig up wetland plants in areas that would be affected by mining activities and replant them in plots where they could be protected. A plan was drawn up to use the plants to replenish wetland areas nearby, as well as rehabilitating the Isibonelo site, over the 20-year life of the mine.

Although SEAT is perhaps most effective in poor areas of the developing world, it can also be applied in established markets, especially where geographic isolation means that a community is at the limits of government or federal services.

A SEAT assessment undertaken at the central Queensland mining town of Middlemount by Anglo Coal's Capcoal operation has led to a set of commitments for which Anglo Coal has promised AUS\$100 million (c.US\$65 million) over the next five years. Among the issues raised during Middlemount's SEAT process was the need for improved health services, specifically, a dentist, a GP and a chemist. The dentist has been identified in a recruitment effort undertaken jointly with another local mining company. The successful candidate was given AUS\$300,000 in financial and in-kind support by the companies to help get established. "The dentist is now a stand-alone business," says Lisa Caffery, Anglo Coal's community manager in Middlemount. A similar process is being undertaken to recruit a GP and a chemist.

This model of community development is very specific to Middlemount, but the anecdote illustrates a general strength of SEAT, namely its ability to respond to clear local needs. Rather than deciding on an overarching theme, such as health development or education, and then inflexibly applying projects under this banner across worldwide operations – which remains the model used by some large firms and their corporate foundations – SEAT allows operations to target their social and economic contributions with precision and efficiency.

As well as leading to adaptations in policy and new community projects, SEAT helps to clear up



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misconceptions about Anglo American's environmental impacts. In fact, environment-related health issues, such as dust and noise, are among the issues most frequently cited during SEAT consultations, as well as fears over contamination of local water supplies. The toolbox encourages operations to openly and objectively address these issues in the published SEAT reports, providing scientific evidence where necessary, even if the issues are based upon misconceptions. The guidance on this subject in the toolbox states: "Complaints that may seem unjustified to the operation may seem very real to the complainant, and therefore still need to be addressed."

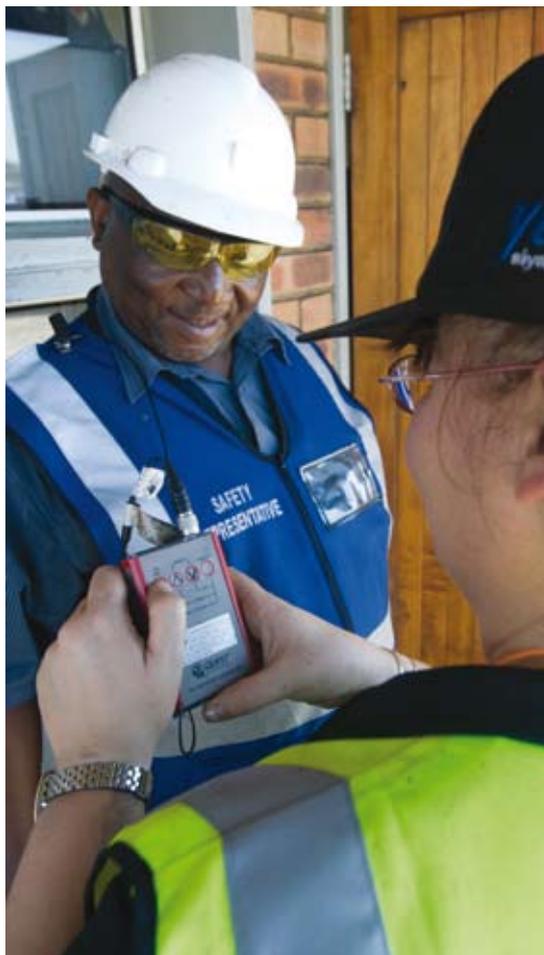
When asked whether responding to illusory problems creates expectations or even liabilities for the company, Bickham suggests that, in the long run, open and patient engagement is a better approach than retreating behind closed doors: "We are trying to convince our managers that this isn't about distributing golden elephants at the mine gate, but about showing proper respect and seeing how more benefits from the company's presence can be delivered locally." A second argument relates to risk management: "If our managers don't understand the impact that our operations are having in an area, it can backfire very badly for the company."

This is no understatement; community resentment about a company's presence can damage corporate reputations, disrupt production, and, in some extreme cases, even lead to harassment or intimidation of employees. As well as costing the company money, these issues can impact recruitment. At a time when demand is leading to skills shortages, it is more important than ever to project a positive corporate image.

The process of talking to communities is rarely straightforward, however. Once the company has taken the step of consulting with the community, managers may find themselves caught in the middle of long-standing rivalries between local groups and families – especially if the company chooses to support one project over another. In this case the company may inadvertently find itself accused of favouritism. "It can be very hard to get to the bottom of these rivalries," acknowledges



Anglo Coal/Philip Mostert



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*"Environment-related health issues, such as dust and noise, are among the issues most frequently cited during SEAT consultations."*

*Top: At Greenside colliery, South Africa, shift overseer Sitsie Thabede and continuous miner operator Thomas Ngomane, observing a continuous miner. Water sprayed on to the cutting head minimises coal dust in the working environment*

*Left: Safety representative Lucas Matshika being fitted with personal noise monitoring equipment at Kleinkopje colliery, South Africa*

Bickham. "But it helps if our managers can be aware of them and avoid making things worse."

SEAT is designed to help in these situations by providing a number of 'relationship management' tools in such areas as handling grievances and the long-term planning of mine closure. A tool on 'conflict assessment and management' was developed in conjunction with the conflict-prevention NGO, International Alert. There is also guidance in this section on resettlement and on engaging communities in emergency planning, so that the community knows what to do in the event of an industrial accident or a natural disaster.

Clear guidance is helpful, but the usefulness of tools depends largely upon the abilities of the user. It is for this reason that SEAT has in some cases helped to validate the role of the community manager. Rather than being seen as, for example, someone who writes cheques for local good causes according to the proverbial whim of the mine manager's wife, an effective community manager is increasingly seen as an important link between the company and the local area, managing institutional relationships and possessing market knowledge with clear value across several business functions,

including risk management, human resources, procurement, and health and safety.

## Tougher targets set for SEAT

The toolbox has also helped to improve the company's relationship with international NGOs, a real fillip in the context of a difficult history between campaign groups and the mining sector. This is a point made by Anglo American's social and community development manager, Jonathan Samuel, who is overseeing the current roll-out of SEAT 2 and has been involved since the early days. He suggests that use of SEAT helped to demonstrate to one of the world's biggest aid agencies, CARE International, that the company was serious in its approach to development issues. At the end of last year, Anglo American and Care International UK's chief executive Geoffrey Dennis signed a Memorandum of Agreement to work together on improving the development outcomes from Anglo American's businesses.

Originally, use of the toolbox was voluntary, though once early adopters had found SEAT to be valuable, word of mouth and peer pressure between operations encouraged widespread uptake. More

*All Anglo American Group's business units have undertaken an assessment of their risks and responsibilities in order to comply with recently-introduced European chemicals legislation. Featured is Anglo Base Metals' copper smelter at Chagres in Chile*



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than 60 assessments have now been carried out in 16 countries across mine sites, smelters, forestry operations and other business holdings. Commitment to the toolbox varied according to the level of awareness of corporate accountability issues, combined with the nature of expectations of business from local communities. In Chile, for example, the development of SEAT coincided with a period of debate in the country about the benefits of large-scale mining activity. Suspicion was high among communities, and companies were under pressure to demonstrate that their presence was a positive one.

Anglo American's Chilean operations were among the first to apply SEAT, and to help with implementation they worked with Casa de la Paz, an NGO focusing on environmental education and conflict resolution. Ximena Abogabir, president of Casa de la Paz, referring to the implementation of SEAT at the Chagres smelter, notes that the relationship between the smelter and the community has improved significantly as a result of using the toolbox. "For communities in Chile, Anglo American is now seen to be trying to do its best," says Ximena. "The current focus of anti-business activism has moved elsewhere."

Among the initiatives to arise from the process in Chile is an ambitious enterprise development and micro-finance initiative which is helping around 1,000 small businesses to become established.

Ximena Abogabir notes a weakness in the initial round of implementation: "Despite a lot of discipline in applying the toolbox during the first round, it was seen as something of an academic exercise and not enough attention was paid to outcomes." Competing internal priorities, personnel changes or a lack of senior leadership support can all hijack a SEAT process during its most important phase – implementing commitments. This shortcoming was identified during the company-wide review of the toolbox last year. At an international gathering of the company's managers in Johannesburg at the end of 2007, Anglo American chief executive Cynthia Carroll challenged all managers to improve this aspect of SEAT implementation by including "hard and quantifiable targets for improvement in the reports that we publish".



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*Top: Anglo Coal Australia's Dawson mine hosting indigenous trainees and providing them with practical and theoretical mining experience*

*Left: With the help of the mine's social development programme, members of the local community at Kleinkopje colliery, South Africa, have established a silk-screen printing shop which caters for all the mine's signage requirements*



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*Photographs (anti-clockwise from top left): Pamela Altamirano, whose flower business near Anglo Chile's El Soldado copper mine forms part of the company's Emerge programme, an initiative aimed at supporting the development of small- and medium-sized businesses*

*Anglo Chile turns the spotlight on energy efficiency – distributing low-energy lightbulbs to the community*

*In Brazil, this orchestra, supported by ferroniobium operation Catalão and phosphate producer Copebrás, provides an uplifting outlet for underprivileged children*

*In Australia, the Woorabinda indigenous people have received an economic boost and commercial contracts following a SEAT exercise. Anglo Coal Australia won the 2007 Queensland Multicultural Award for Large Business for its development work with the Woorabinda community, training programmes for indigenous people and efforts to eradicate racism*



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In 2007 it became mandatory for all significant Anglo American operations to use an enhanced version of the toolbox at least every three years. SEAT-related objectives are being built into senior management performance contracts. In some cases, general managers may only receive bonuses if they can demonstrate that they have either instigated a robust SEAT process, or that they have overseen delivery of the commitments set out in the reports. These measures will help to improve the effectiveness of the toolbox, although much will

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continue to depend on the courage, sensitivity and diplomatic skills of local managers as they navigate these complex issues.

Bringing Anglo American's project management skills to bear on urgent social problems is to be welcomed – so long as the intervention is locally appropriate, undertaken with due respect and humility, and implemented with a focus on increasing community self-sufficiency. SEAT seems to provide these qualifying factors. An independent public evaluation of the toolbox by US-based corporate responsibility NGO, Business for Social Responsibility (BSR), found that while Anglo American's peer companies have systems in place for engagement with communities and to respond to local concerns, SEAT "appears to offer a more comprehensive level of detail and guidance for identifying and addressing socio-economic impacts".

Jane Nelson, director of the CSR Initiative at Harvard University's Kennedy School and a director at the International Business Leaders Forum, echoes the broadly positive findings of the BSR evaluation. "SEAT represents a useful benchmark for companies in any sector, especially those with a large footprint," she notes. "Understanding and optimising a company's socio-economic development impact has been an area that has received insufficient attention by the corporate responsibility and sustainability fields, despite this being one of the greatest contributions responsible companies can make to host countries and communities." Anglo American's decision to make the original version of the toolbox publicly available should encourage other large firms to follow the company's lead and adapt the approach to their own industry and business model.

Perhaps Edward Bickham's claim that SEAT is helping to move the company towards a dialogue of equals is not as unrealistic as it sounds. SEAT is not motivated by lofty idealism, but by the need to address some real business risks, and because of that there is growing recognition of the practical value of the toolbox. As more of Anglo American's operations implement SEAT, and refinements follow, these pragmatic considerations are leading to some thoughtful debates within the company. Tangible benefits to communities seem likely to increase as a result. ♦