

A tale of two mines — and how it was a far, far better thing that BHP did

OPINION
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BHP Billiton and Anvil Mining have one thing in common: they both own mines where massive protests have led to temporary mine closures. The story of how the mines restarted operations provides insight into how important human rights and stakeholder engagement have become to investors.

Anvil's Dikulushi mine in the Democratic Republic of Congo was restarted after the military commandeered Anvil's trucks and hired planes to remove the protesters. A *Four Corners* expose accused Anvil of helping the military suppress the "rebel insurgency", which the United Nations says led to the deaths of more than 100 people.

Civil and criminal actions have been threatened and would probably be successful were it proved that Anvil knew some people would be killed by the military yet still provided assistance.

Although the copper and silver mine lost only five days of production, the share price has been on a roller-coaster since. The shares closed at 61¢ on October 13, 2004, the day before the mine was shut down. They bounced as high as 78¢ in January, then plunged as low as 33¢. They have recovered to 42.5¢.

In stark contrast, BHP Billiton's approach led to the voluntary withdrawal of 3000 protesters from its Tintaya copper mine in Peru after human rights groups, government and industry joined together to pay for advertising in the Lima newspaper *La Republica*, calling for an end to the protest. From May 25, when the mine was forced to shut, until today — the mine is back in full production — there has been no public criticism of BHP Billiton in relation to the events. The result for BHP Billiton is that, despite losing a month's production, its share price was not hurt, increasing from \$16 to \$18 in the period.

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It could be argued that the share price differences merely reflect the fact that Anvil would feel the pain of a five-day loss of production in its only operating mine more than BHP Billiton would feel the loss of a four-week shutdown in one of its less important mines. But, if the story was only about loss of income and not about human rights, surely some savvy investor would be snapping up the relatively cheap Anvil shares.

But this is not a story about a loss of income or socially responsible investors. It's about what happens when investors lose faith in a company to manage the complex environment in which it operates to the expectations of the developed world. Many investors now understand that this translates to a higher investment risk. One company showed it knew how to manage such complex environments — the other didn't.

Yet both companies offered the local communities benefits. The ethos of Anvil president and chief executive Bill Turner is to give back to the locals so Anvil developed a generous equity arrangement: a 10 per cent equity interest held in trust for the local community. It has funded the refurbishing of the Kilwa hospital in the town just 50 kilometres from the mine, upgraded roads and bridges and provided power lines. It employs 621 Congolese and 27 expatriates.

The ethos of BHP Billiton is also to

give back to local communities; this is listed as one of the top five sustainable development issues for the company. BHP Billiton gave back \$1.9 million (or 3 per cent of pre-tax profit) to the community last year. In addition to the 3 per cent commitment, Tintaya spends \$600,000 on community-related projects. Tintaya has three expatriate employees. The remaining 700 are Peruvians. The protesters, however, believed that BHP Billiton should spend \$26 million a year more on local projects than is required by the signed agreement with the Government. When BHP Billiton said no, it led to the violent protests that shut down the mine.

It seems the differences in outcome do not stem from great differences in the benefits offered. Anvil focused its human rights/risk-management strategy on providing community benefits. However, it did not have an independent umpire (ideally, an international non-government organisation) to verify any efforts to protect the community or whether its community benefits were governed by the local community and allocated fairly.

This is an inadequate strategy. The military and political leaders of the Democratic Republic of Congo have been accused by Amnesty International of "using their position to exploit the country's natural resources through large-scale human rights violations such as the mass killing of civilians, rape and other forms of torture".

In an unpredictable frontier country like this a savvy company should, at the very least, strike a transparent agreement with the Government on what constitutes appropriate military interaction and use of company vehicles. There is, after all, enough evidence from a vast array of companies, from Shell to Freeport, that military interaction can imply company complicity. In an era of NGO scrutiny of human rights, the "see no evil, hear no evil" approach belongs in the past.

Another stark contrast is the way BHP Billiton approached the risk. Badly scarred by the Ok Tedi environmental and human rights controversy that raged in the 1990s, it has learned to take international expectations more seriously.

It has thought through the expectations and engaged with international NGOs and the broader community about how to manage complex sustainable development issues; which means that key people and groups understand the issues and have been involved in helping BHP Billiton seek solutions.

In Peru, with the help of Oxfam, it has been talking for three years with 36 other social organisations and five agricultural communities around the mine site to resolve grievances the company inherited when it bought Magma Copper in 1996. The locals were upset when the Peruvian Government took 2368 hectares to develop the mine 20 years ago.

These talks have identified some solutions. For instance, the company acquired three plots of land to relocate the community members who had lost their land. Locals were also included in programs to boost sustainable development and environmental monitoring. It was this work that put BHP Billiton in a good position when 3000 protesters became violent about wanting more benefits.

These social organisations believed BHP Billiton talked honestly with them and they believed it so passionately they were prepared to stand up and speak out on its behalf.

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