

SOCIAL MANAGEMENT IN
THE EXTRACTIVE SECTOR
“A Common Sense Approach”

Presentation by rePlan Inc
November 2011



Agenda

1. Overview – Presentation and Speaker
2. Key Issues & Challenges to Getting it Right
3. Good Practice Standards and Guidelines
4. Social Management: Assessments and Action Plans
5. Concluding Remarks

1) Overview of Presentation

Objectives

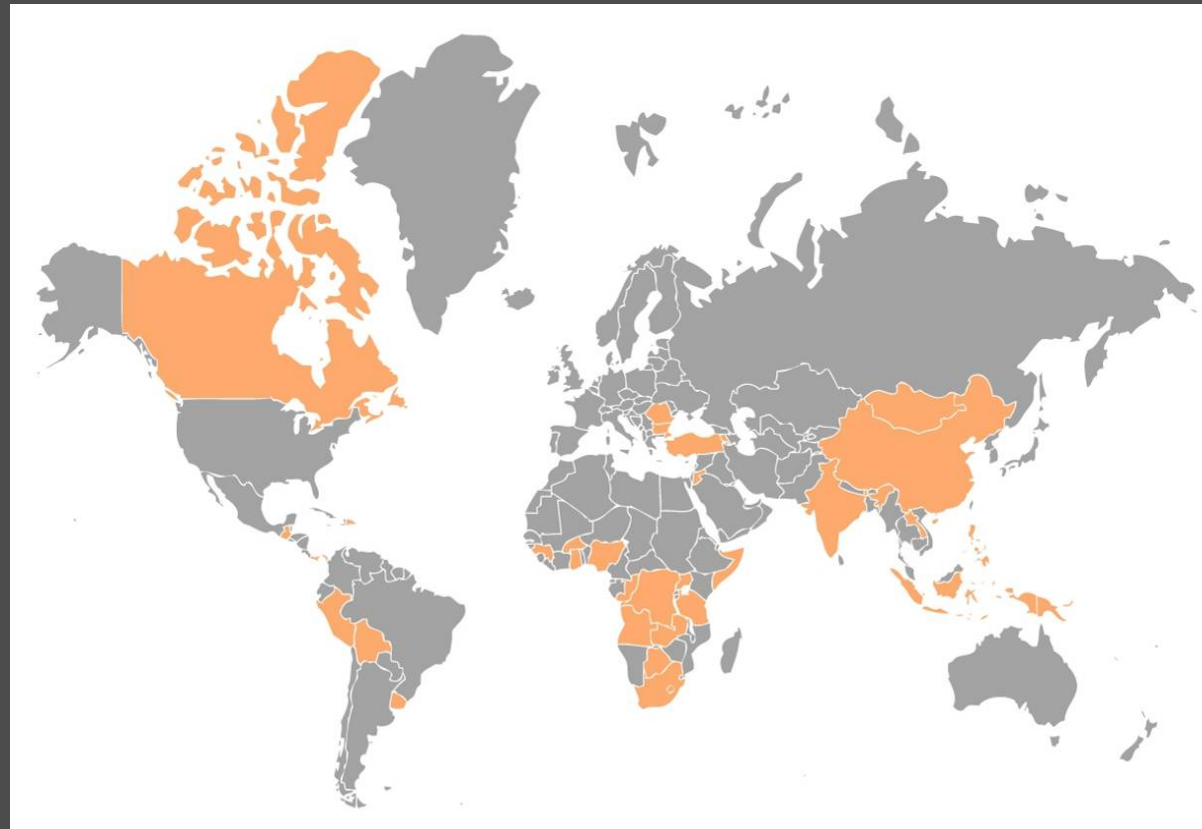
- Identify key social challenges associated with mine development
- Provide a common sense approach to management of these challenges from a practitioners perspective in line with good international practices, with particular reference to:
 - The assessment process
 - Land acquisition and involuntary resettlement
 - Employment and procurement
 - Worker accommodation
 - Influx management

Who we Are

- rePlan is a Toronto-based consulting firm of planners, architects, social scientists, engineers and environmentalists specializing in the social management of natural resource projects
- Consulting services include:
 - a) Social Impact Assessments
 - b) Social Management Plans
 - c) Land Acquisition and Resettlement
 - d) Worker Housing and Community Planning
 - e) Social Due Diligence, Review + Feasibility Studies
 - f) Training / Capacity Building.

- We have worked in more than 40 countries

- Clients include:
 - Newmont
 - Barrick
 - Rio Tinto
 - AngloGold Ashanti
 - IAMGOLD
 - Chevron
 - Shell
 - World Bank/IFC




2) Key Issues and Challenges to Getting Social Management Right

- Extractive industry companies face growing pressure to ensure that their projects are developed in a socially responsible manner
- Projects are heavily scrutinized for their social and environmental impacts by NGOs, politicians, communities AND lenders
- National and international regulatory framework is becoming increasingly developed

- Often a lack of company realism about the effort, time and cost involved in managing social performance properly
- Risks to projects due to improperly managed social performance include:
 - Schedule delays
 - Increased capital and/ or operating costs
 - Negative publicity impacting on corporate reputation
 - Unhappy shareholders and lenders
 - Reduction in share price
 - Failure to secure financing
 - Political pressure
 - Inability to develop or expand a project

3) Good Practice Standards and Guidelines

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- Good practice with regard to social performance is commonly defined in the International Finance Corporation's Performance Standards for Social and Environmental Sustainability
 - The **eight** outcome-based Performance Standards updated existing IFC safeguard policies, strengthening social and environmental policy, and prescribing more comprehensive and integrated impact assessments

Performance Standards move beyond assessment to address performance management throughout implementation

- Performance Standards reviewed in 2010
- Other IFI's have comparable safeguard policies – e.g. ADB's Involuntary Resettlement Policy
- Currently 73 financial institutions have adopted the Equator Principles (which are based on the IFC Performance Standards) in order to ensure that financed projects are developed in a responsible manner

4) Social Management: Assessments and Plans

Social Assessment

Unpredicted/assessed social impacts lead to unpredicted social costs – “do it once, do it right”

- Collect accurate and up-to-date baseline information / identify data gaps / plan for monitoring from the outset
- Use the social assessment process to contribute to best development alternatives / emphasize benefit enhancement
- Use participatory approaches to inform, consult, involve and collaborate with affected communities in the assessment/decision-making process



- Consider alternatives / modify planned interventions to reduce negative and enhance positive impacts
- Provide regular feedback on social impacts to project stakeholders
- Involve operations personnel in assessment / provide training as required
- Do not use lack of certainty about possible social impacts as an excuse not to develop appropriate mitigation measures

Involuntary Resettlement

Treat all resettlements seriously, no matter how easy or simple they may appear at the outset

- Avoid displacement if possible, but do resettlement properly if it is necessary
- Comply with international good practice (i.e. IFC PS5), but in a manner that takes account of a project's particular host country and local conditions
- Bridge gaps between domestic legislation and international good practice
- Negotiated settlements are preferable

- Avoid cash compensation where possible
- Establish and obtain buy-in for cut-off date for eligibility to avoid spurious claims
- Address impacts on host communities
- Ensure standards for compensation are transparent and consistent within a project
- Provide continued access to land for affected households with land-based livelihoods, even in absence of title or legally recognizable claim to land

Local Employment

Local employment can be an enormous source of friction or goodwill

- Address perceptions of fairness in distribution of employment benefits / local and non local, within and among local communities
- Design + implement transparent, locally-oriented skills development, hiring and procurement policies
- Initiate activities to bridge skills gap early in project cycle
- Manage local expectations – engage with relevant stakeholders

Worker Housing

Worker housing should be viewed as a permanent upgradeable long term asset

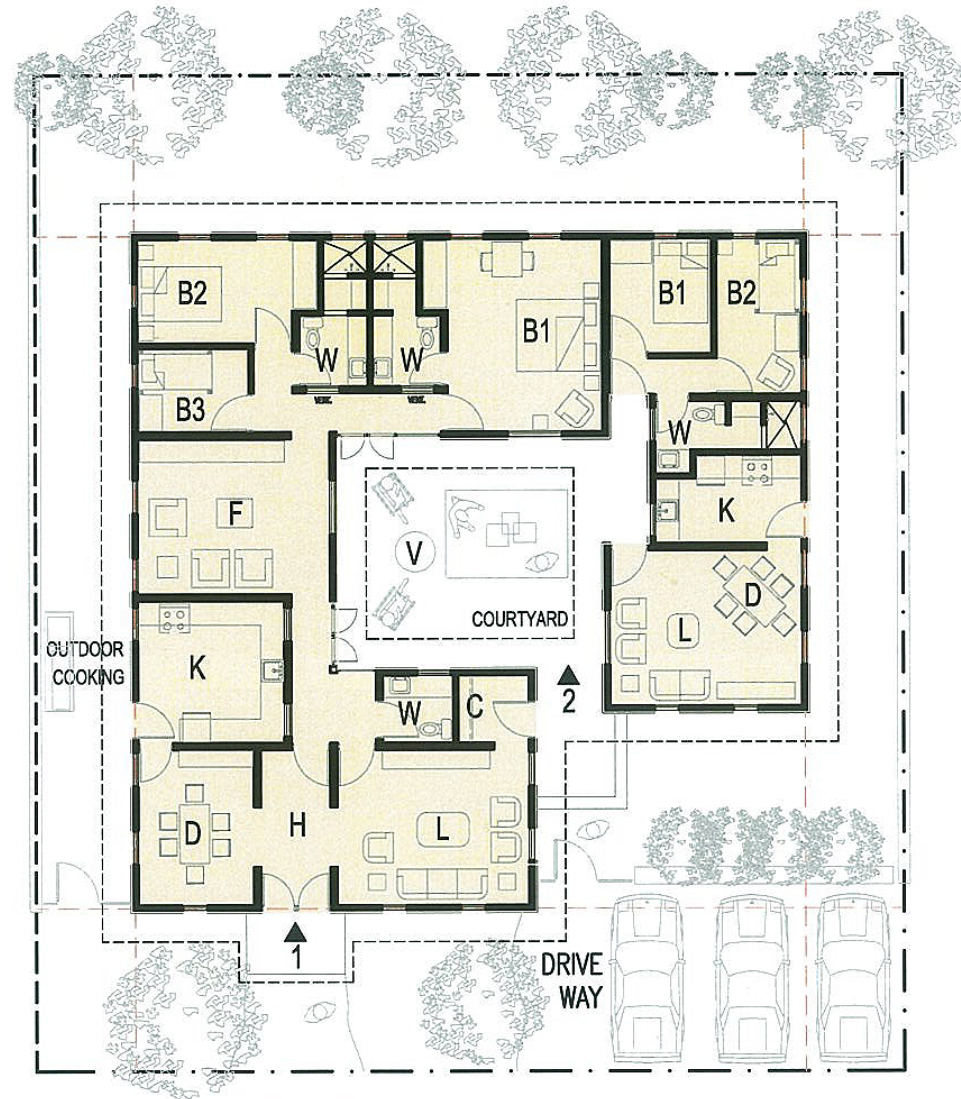
- Mine worker housing is an important aspect of the cost and long term stability of a project and has a major impact on the local community and region
- Consider convertible housing (i.e. from construction worker standard to operations worker standard) housing in a well-planned permanent community



- A well planned and designed permanent worker community using local standards and building materials:
 - can be built by local contractors for the same cost or less than imported trailers
 - avoids perpetuation of the two "solitudes" - mine town and community and associated negative social impacts
 - serve as a common focus for infrastructure and social investment
 - establish a target for regional investment by different companies
 - Provide a planned-for roads, water supply and sewerage



construction worker housing



company staff housing, permanent

Influx Management

Ally with relevant authorities, local leaders and existing communities and align interests to manage in-migration.

- Collect and regularly update baseline information to track population changes
- Incorporate the costs of influx management into pre-feasibility studies in order to ensure the project has a realistic schedule and budget
- Recognize that many influx challenges are related to speculative compensation and/or benefit-seeking activities / speaks to importance of managing project information

5) Concluding Remarks

- Deal with social issues properly from day one (starting with due diligence and exploration phases) as this sets the tone for future community relations
- Solid Social Management Plans are a key success factor in mitigating risk and moving development forward
- Never forget the costs of project delays when considering the cost of doing social management right

- Use partnership approach to manage social risk
 - Opens new channels of communication
 - Helps minimize expectations that project sponsor will assume responsibilities that properly belong in the public sector
- Consult regularly with stakeholders regarding ongoing activities + “what happens next”
- Ensure two-way education / exchange (you need to get to know their problems & they need to get to know yours)
- Manage external stakeholders proactively + prepare for negative attention

- Ensure process to deal with grievances in a fair, transparent and timely manner
- Ensure vulnerable individuals or groups are not disproportionately impacted by project and share equally in project opportunities
- Provide project stakeholders with regular and accessible reports on project implementation