Corporate Social Responsibility at Kinross Maricunga – Preliminary Results for a Collaborative, Multi-perspective Case Study

Presentation for Canadian Embassy CSR Seminar
Corporate Social Responsibility -Governments, Corporations and Non Governmental Organizations: Transparency and Dialogue
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Organization of presentation

• About CSR Case Study Project
• Chilean Public Policy Context
• About Kinross
• About Kinross Approach to CSR
• About Maricunga Operation
• Key challenges
• Key Players
• Perspectives
• Next Steps
Defining social responsibility

[the] responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

– contributes to sustainable development, health and the welfare of society;
– takes into account the expectations of stakeholders;
– is in compliance with applicable law and consistent with international norms of behaviour; and
– is integrated throughout the organization and
CSR Collaborative Multi-perspective Case Study Pilot Project

- Supported by the Canadian Business Ethics Research Network (CBERN), Social Sciences and Humanities Research Council (SSHRC) and Ryerson University
- Teams with academics, business, civil society, government perspectives develop draft case studies
- Draft versions commented on by “concentric circles” of other parties, revisions made by teams
- Final version of case studies published
- Case studies planned for Brazil, Chile, Ghana, Indonesia, Romania
Kinross Maricunga CSR Research Team

- Kernaghan Webb: Director, Ryerson Institute for the Study of CSR
- Fred Bird: Political Science, University of Waterloo
- Hevina Dashwood: Political Science, Brock University
- Jim Cooney: Principal, Jim Cooney and Associates (formerly Placer Dome)
- Joy Kennedy: United Church of Canada Ecological Justice Program Coordinator
- Alison Colwell: CSR Consultant (government and inter-governmental experience)

• Dante Pesce, Executive Director, Vincular, Pontificia Universidad Catolica de Valparaiso
• Beatriz Calderon, School of Business Administration, Alberto Hurtado University
• Pedro Franco, Dean, School of Business Administration, Universidad del Pacifico, Peru
• Regina Massai Cruzat, former Exec Director of the ENGO Fondation Casa de la Paz
• Adrien Lopez, Government of Chile CSR specialist, representative to the ISO 26000
• Supported by: Dr. Gregory Klages
Key research questions

• How are Canadian mining companies addressing the environmental, social and economic (ESE) challenges they face in their overseas operations?
• How are Canadian mining companies meeting legal requirements? What legal challenges are they experiencing?
• What voluntary CSR standards/instruments/initiatives are companies using, and to what effect?
• How do mining companies add or diminish economic, environmental and social value in the communities in which they operate?
• What lessons can be learned from mining company responses to ESE challenges they have faced?
• How well does the collaborative, multi-perspective methodology work?
Public Policy Context

• Chile:
  – 1990s: new environmental protection laws:
    • 1994: Law 19300 – framework environmental legislation
    • 2002: Framework Accord for Clean Production (*Consejo Minero* & govt.)
  – 2005: new mining tax regime introduced
  – 2008: new law governing mine closings under consideration
  – Spring 2008: new policy re: indigenous peoples
  – Fall 2008: ILO 169 ratified re: rights of indigenous peoples

• Canada:
  – Background on CSR Extractive Sector Roundtable process
  – Canada-Chile Free Trade Agreement
    • Investment chapter
  – Canada-Chile Agreement on Environmental Cooperation
  – Canada-Chile Agreement on Labour Cooperation

• International:
  – UN Declaration of Human Rights. ILO Conventions and Treaties. UNEP
About Kinross Gold Corporation

- Gold mining company based in Toronto, Canada
- 1993: Created by amalgamation of two companies
- 2005/6: additional amalgamations
- Operates 7 major sites globally (US, Brazil, Chile, Russia)
  - In Chile: Maricunga and La Coipa (100% owned since 2007)
  - In Russia: Kupol (75% Kinross, 25% state enterprise)
  - In U.S.: Round Mountain (50% Kinross, 50% Barrick, JV) and Buckhorn (100% Kinross)
  - In Brazil: Paracatu (100% Kinross)
- Development projects in Chile (Lobo-Marte and Cerro Casale) and Ecuador (Fruta del Norte)
- Each site is separate business unit
- App. 5,000 employees (w. subsidiaries) globally
- 42% of production comes from South America
The Kinross Approach to CSR

• *The Kinross Way*: “Putting people first, outstanding corporate citizenship, a high performance culture and a rigorous financial discipline are the core elements of *The Kinross Way.*”

• ‘Ten Guiding Principles for CR’ adopted in 2007. Commits to:
  – safety,
  – compliance with the law,
  – ongoing dialogue with stakeholders,
  – environmental protection,
  – respect for human rights,
  – providing rewarding work,
  – maximize local community opportunities,
  – providing lasting benefits to communities,
  – dialogue with global representatives re: CSR

  – This is the first Kinross CR/CSR/sustainability report
  – Describes CSR commitments and activities globally, and at specific
Early results

• Selected as constituent of Jantzi Social Index (leading Canadian index of SR companies)
• received “A-” rating in Maclean’s Magazine CSR survey, as evaluated by Jantzi Research Inc. (highest grade among Canadian mining companies)
• Kinross has concluded that being a good corporate citizen can be a competitive advantage, and feels that they have been positively received by governments because of their good CSR record
Kinross – decision-making

• Key personnel: Tye Burt (President and CEO), Tim Baker (COO), Rick Baker (Senior VP, EHS), James Crossland (Senior VP, Gov’t Relations and Corporate Affairs), Dean Williams (VP, Environment,), Steve Mitchell (VP, Corporate Communications), Pat Maley (Mgr, Envtal Affairs)

• Corporate Responsibility Advisory Board
  – Corporate Responsibility Site Coordinators (included until recently Guillermo Contreras -- Chile)

• Environmental, Health and Safety Committee of Board

• Risk management program that reviews risk of all significant projects and includes quarterly risk sessions for the operations

• Code of Business Conduct and Ethics, Company wide whistle blower policy

• Company-wide Environment, Health and Safety (EHS) Management System, modelled on ISO 14001/OHSAS 18001

• Information on Kinross decision-making (including CSR decision making) in Chile and specifically at Maricunga to
Kinross involved in.....

• Member: Mining Association of Canada (MAC); Consejo Minero and SONAMI (Chilean mining associations)
  – MAC and SONAMI are association members of ICMM
• Signatory to MAC’s Towards Sustainable Mining (TSM) guiding principles
  – Kinross has not operated mines in Canada since 2002, and therefore, has not submitted annual reports to TSM
• International Cyanide Management Code for Manufacture, Transport and Use of Cyanide in the Production of Gold
• Used Global Reporting Initiative for Corporate Responsibility report (2008), independently reviewed
• Carbon Disclosure Project
• Member: Business for Social Responsibility (BSR)
• Environmental, health and safety management systems in line with the ISO 14001 and OHSAS 18001 standards
Kinross Maricunga
About Kinross Maricunga

- An open pit mine located in the Maricunga District in III Region, Chile, approx. 120 kms east of Copiaco
- Situated approx. 4,200 meters above sea level
- Commercial production began: October, 1996.
- In 2001, due to low gold prices and operational difficulties [more details coming], mining activities were suspended.
- In late 2002, a multi-phase exploration program was commenced and in 2003 it was determined that the mine would be recommissioned
- Mine went into commercial production in 4th quarter of 2005 and achieved its average targeted production rate of 40,000 tonnes per day (capacity) in Nov. 2005 (11 million tonnes per year)
- Maricunga mine is 3-stage crushing and heap leach operation
- Facilities include a permanent camp with access from Copiapo provided by road
- Power that was once supplied by on-side diesel powered generators in now taken from the main power grid
Ownership

• Mine originally called Refugio
• 1996: Compania Minera Maricunga (Amax and Bema)
• 1998: Kinross (Canadian) acquired 50% right
• 2007: Kinross becomes 100% owner as part of Bema acquisition
• Project renamed Maricunga
Operations

- Two 12-hr shifts per day, 355 days annually
- Unionized workers
- Pad-type heap leach and an ADR plant are used for gold recovery
- Site accessible by 60 km private dirt road
- Primary launching centre: Copiapó (120 km west of mine, 156 km by road)
Maricunga: Envtal/Social Aspects

- Labour relations: contracts renegotiated to 2010. No history of conflict
- Environmental regulations: reported as being followed, no outstanding fines/penalties/allegations
- Has submitted plans for chemical closure of the heap
- No requirement to post financial assurance to secure site restoration costs
- Monthly meetings with indigenous community reps since 2006
- Indigenous commitment: investing in scholarships, agriculture, wells for local indigenous peoples, community arts program, community health practices
Challenges

- Isolation
- Environment
- Indigenous peoples
- Policy environment
Isolation

• Far from necessities:
  – Workers
  – Energy sources
  – Water
  – Supplies/equipment
• Subject to weather extremes
• Challenges related to altitude
Environment

• Desert: water resources highly valued and efficient water use very important
• Dust control: arid, windy climate and fine crushing creates dust control challenges
• 8 kilometres from national park/nature preserve
Indigenous peoples

- Several communities of Colla people in region
- Communal organization, subsistence agriculture
- New direction in Chilean policy:
  - Rise of *etnogénesis*: revivification of indigenous cultures
  - Spring 2008: new federal policy re: indigenous peoples
  - Fall 2008: ILO 169 ratified re: rights of indigenous peoples
Key Players

- Kinross Gold
- Shareholders
- Workers
- Supply chain partners/customers
- Affected communities (including indigenous peoples)
- Governments
- Civil Society groups
Perspectives - Kinross

- Produce return for shareholders
- Political uncertainty: government policy changing re: taxes, new requirements to submit reclamation and closure plans, rights of indigenous peoples, enforcement of claims rights, etc.
- Increasing costs: energy, mining equipment and machinery, wages (20-30% rise in 2 years)
- Access to energy: shortages, rising costs
- Increased international competition: Chilean resources are hot market
- CSR a competitive advantage -- Reputation: Controversies such as Pascua Lama make mining look bad
- Issues re: sub-contracted workers?
Perspectives – Chilean govt.

• Economic diversification: Revenue from revised tax laws used to diversify from extractive sector
• Foreign relations: China’s bid for portion of state copper company, differences with Argentina over Pascua Lama taxes
• Energy: Becoming dependent on fuel imports
• Water: Looming water shortage
• Environment: Protect population/environment
Next steps in research

- Complete the review of publicly available information
- Complete the interviews with Canadian and Chilean persons
- Complete first draft of case study, circulate to interested persons for comments
- Revise, circulate second draft for comments
- Workshop
- Publication
Your thoughts/comments appreciated

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