



GLOBAL FORUM ON RESPONSIBLE BUSINESS CONDUCT

18-19 JUNE 2015 / OECD CONFERENCE CENTRE / PARIS, FRANCE

Responsible Business Conduct in the Extractive Industries in Face of Resource Constraints

19 June 2015, 14:30 – 16:00
Room CC7, OECD Conference Centre

Over the past months prices of globally traded commodities have been persistently depressed. This has impacted major extractive projects under development and jeopardized the very existence of a significant number of companies, in particular junior extractive companies that are traditionally less well-resourced and shoulder the majority of exploration expenses.

In this context, companies have been pushed to reassess their budgets and prioritise core activities, focusing for instance on operating expenditures instead of developing assets.

In parallel, in recent years corporate social responsibility (CSR), or responsible business conduct, has become an increasingly central aspect of project planning in extractive operations and has been recognized as a necessary means of securing a 'social license to operate'. Responsible business conduct in the context of extractive operations today often includes meaningful stakeholder engagement and public consultation, strong environmental and social management practices and capacity building, both within the communities that companies operate in but also in broader terms, for example with regard to governmental agencies and civil society.

According to a recent report released by Ethical Corp¹, mentalities and corporate strategies seem to have evolved, to a point where *"CSR is becoming more of a core function than an add-on, particularly for major extractive companies."* CSR is now increasingly being embedded at early stages of project planning, and therefore increasingly protected from price fluctuations and short-term approaches to corporate responsibility. As the report clearly states: *"more and more companies see many of these CSR measures as risk mitigation on issues such as worker rights, human rights and the environment."*

Even at the level of junior companies innovative business models are being developed promoting good corporate citizenship as a central component of the value of an asset. This approach aims at de-risking mining prospects at an early stage, with the objective to build long-lasting relationships with local impacted communities. These kind of business models reflect the fact that a social license to operate is now seen as a critical element to the success for any extractive project and that strong RBC can provide a decisive comparative advantage for extractive projects. This is particularly important for junior mining companies whose business model is to identify deposits, develop them and then sell them off to major mining companies.

While it is clear that the role of responsible business conduct is becoming increasingly salient within extractive operations, resource constraints are nevertheless a hard reality that the extractives sector must to respond to. In doing so they will have to make difficult decisions regarding operational priorities and evaluation of activities that promote responsible business conduct.

¹ Sam Phipps, [Commodity prices briefing: building a CSR strategy during an era of low commodity prices](#), Ethical Corporation, January 2015