

SUSTAINABILITY CONSIDERATIONS FOR 2013: THOUGHTS FOR EXECUTIVE MANAGEMENT

EXTRACTIVE INDUSTRIES: MINING, OIL & GAS

If you're still building momentum with your sustainability plans for 2013, not to worry, the rest of us are as well. The gauge for success will not be whether you began on January 1, but rather, whether you are focused on the critical priorities, and to what extent your organization achieves its objectives by year-end. Enclosed are some **SUSTAINABILITY CONSIDERATIONS FOR 2013** that we hope are useful as you assess your plans.

KEY STRATEGIES FOR THE YEAR

Is your organization clear on what the strategic sustainability priorities are for 2013? Now is a good time to raise basic questions, which can help ensure alignment across the team and success. For example:

- Are your priorities aligned with the social, environmental and regulatory issues you have?
- Will your strategies strengthen your social license to operate as well as contribute positively to your financial performance?
- Have the key obstacles you experienced in 2012 been addressed to ensure success this year?
- Have you assessed your risks, including potential security threats?
- Does your organization have the momentum you require or is new impetus needed?

SECURITY

As we have recently seen in Algeria, South Africa and parts of South America, security remains critical for your operations and people with the need for ongoing vigilance. Are the proper safeguards in place to sufficiently protect your assets?

- When were your security procedures last audited and measured for their effectiveness?
- Have early-warning systems been put in place and tested?
- How can you engage the local community to become more of the solution than of the problem?
- Do you have the right ratio of security vs. other program investments?

NEW STANDARDS & REGULATIONS

Standards: Much effort has been put into developing standards that are designed to assist extractive companies develop their internal policies and reporting. In 2012, the IFC released their *Standards on Environmental and Social Sustainability*; The Extractive Industries Transparency Initiative released their *EITI Fact Sheet*; The International Energy Agency released their *Golden Rules for a Golden Age in Gas*.

- For a comprehensive list of available tools, please consult the CR Advisors web site: www.cr-advisors.ch

Regulations: Reporting on the U.S. Dodd-Frank Reform Act comes into play in 2013 requiring public disclosure to the U.S. Securities and Exchange Commission (SEC) of payments made to the U.S. and foreign governments relating to the commercial development of oil, natural gas, and minerals. Those who file with the SEC and use minerals originating in the Democratic Republic of Congo in manufacturing are also required to disclose measures taken to exercise due diligence on the source and chain of custody of the materials and the products manufactured.

RISK

Effective risk management can reduce your exposure to financial, operational, environmental and social risk. As we see too often, the costs of ignoring or mismanaging these risks can be exponentially higher than the costs of mitigation strategies.

- How well does your organization understand its risk exposure?
 - o Are your risks quantified in operational and financial terms?
 - o Is reliable reporting in place?
- Are your mitigation investments being monitored and assessed on a regular basis?
- Is there evidence indicating other [non-risk] program investments reduce risk?

ALLIANCES

'Smart' sustainability programs develop strong alliances and take advantage of resources from government, business, NGOs, community organizations and global institutions where possible. Your sustainability teams most likely provide critical value in assessing impact, identifying key stakeholders, developing governance mechanisms and reporting. Their scope, however, is limited. How can your alliances be strengthened?

- Could your organization benefit from a review of your alliances and the value from each member?
- How could the governance of and by alliance members can be improved?
- Is there a clear [i.e. quarterly] communication to/from all parties on progress of objectives?
- Are local communities engaged to the extent they should be?

INNOVATION

Innovation is a critical success factor of any organization and requires inputs from a wide variety of sources, both internal and external. Are you leveraging the thinking of thought leaders, or is most of your innovation originating in-house? Listed below are a few ideas for consideration, including organizations which can help:

- Use of social media: Recent statistics show that content distributed through social media receives 8 times the attention of traditional means of communication. Specialists such as *We Are Social* or *Hear-say Social* can serve as a viable starting point.
- Employee engagement: Employees are your greatest advocates, especially at the local community level. Are your sustainability programs supported by a small team or widely embraced throughout your entire workforce? *The Medici Group* are experts at building connections across diverse groups to solve innovation challenges.
- Technology: SMS, internet and mapping technologies are being used increasingly to engage with and empower local communities as a way to increase their contribution and loyalty. Can you take better advantage of technology to increase your impact in cost-effective ways?
- Shared Value principals: Management gurus Michael Porter and Mark Kramer have released convincing research on how the integration of social and environmental principles into core business objectives can lead to significant business growth and opportunity. *FSG Impact Advisors* are the authorities on Shared Value.
- Competitive benchmarking: Consider a formal rating of your company to determine where you stand compared to competitors. Specialists such as *B-Company* or *GG Evolution* can help.

ORGANIZATIONAL ALIGNMENT

Achieving sustainability objectives requires the full support of the entire organization. Successful programs take advantage of the energy, creativity and commitment of diverse groups of employees in all geographies and functional areas.

- Do your operational and sustainability objectives align at the executive level?
- Do you have the right talent leading your key initiatives?
- Are the objectives clearly and regularly communicated throughout the organization?
- Are measures & rewards in place for key management around the achievement of objectives?
- Do the headquarters staff and field operations collaborate in a way that '1 + 1 = 5'?

THE 'SOFT SIDE'

Are the convictions of your organization in the right place? Do your operations teams on the ground have the goodwill and intent to leave a positive legacy, or are sustainability investments perceived as a necessary nuisance? Solid 'soft' skills in working with local populations and in addressing environmental issues may actually be the most critical—and cost effective—'hard' skills you need. Could your organization benefit from a check-up in this area?

MANAGEMENT SYSTEMS

We are all pulled in so many directions on a day-to-day basis that we can easily be diverted from key objectives. Solid executive information and decision support data ensures that we are informed of progress or problems in critical areas on a consistent (i.e. quarterly) basis:

- Are your planning and review processes as robust as they need to be?
- Does your Executive Information System provide you with reporting on the effectiveness and impact of your sustainability programs? (Financial, operational, social and environmental etc.)
- Are escalation and corrective action processes in place?
- Is your rewards system structured to reward both operational and sustainability performance?
- Are your internal and external communications as effective as they needs to be?

FINAL THOUGHTS

Success can often mean achieving two, perhaps three key breakthroughs in a year. Are your plans well prioritized and achievable given the limited resources at hand? Overly ambitious plans, which miss their mark can disappoint your alliance partners, key stakeholders and local communities in which you work, as well as discourage critical staff. Keep it simple. Make the difficult trade-offs early so that your organization is positioned to achieve positive, sustainable impact and succeed throughout the year.

Our best wishes to you and yours in 2013,

The team at CR Advisors

CR Advisors partners with oil, gas and mining companies in developing their sustainability capabilities and strategies in order minimize risk and deliver maximum value to impacted communities and shareholders. CR Advisors operates globally with offices in New York and Geneva.