

# **Social Management Practices in the Peruvian Mining Industry: Key Findings from the National Society of Mining, Oil and Energy (SNMPE) Member Company Survey**

**A Project Commissioned and Funded by the SNMPE**

David Brereton  
Alvaro Cano  
Alvaro Paredes



**UNIVERSIDAD  
DEL PACÍFICO**  
CENTRO DE ESTUDIOS SOBRE MINERÍA  
Y SOSTENIBILIDAD

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## Disclaimer

This study was funded by the SNMPE. Under the terms of the contract between SNMPE and Universidad del Pacífico (UP), the authors of the study retained control over the design of the study, the analysis of the data and the content of public reports and presentations. Any misinterpretations, errors or omissions are therefore the sole responsibility of the authors.

## Abbreviations

CEMS	Center for Mining and Sustainability Studies
CMG	Catchment Management Group
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
FPIC	Free Prior Informed Consent
GRI	Global Reporting Initiative
ICMM	International Council for Mining and Metals
IFC	International Finance Corporation
MMSD	Mining and Minerals for Sustainable Development
OECD	Organization for Economic Cooperation and Development
SD	Sustainable Development
SIA	Social Impact Assessment
SMP	Social Management Plan
SNMPE	National Society of Mining, Oil and Energy
UN	United Nations
UP	Universidad del Pacifico

## PART A:

# INTRODUCTION

### **About the study**

This report presents findings from a survey of mining company members of the Peruvian National Society of Mining, Oil and Energy (SNMPE). The survey collected information about the systems, processes and practices that these companies have adopted to manage their social performance (as defined in Text Box 1). The study was funded by the SNMPE and undertaken by the Center for Mining and Sustainability Studies (CEMS) in the Universidad del Pacifico (UP), a leading private university in Peru.

This is the first study of this type undertaken in Peru and is also unique from a global perspective. There are no other mining jurisdictions where similar studies have been conducted and the results publicly reported. Likewise, the research team is not aware of any directly comparable studies being conducted in other industrial sectors in Peru or elsewhere.

### **Text Box 1: Defining ‘social performance’**

In broad terms, ‘social performance’ refers to how mining companies:

- understand and deal with the social impacts (positive and negative) of their activities
- engage with impacted communities and other stakeholders
- seek to contribute to the development of local communities
- manage and respond to social conflicts
- deal with sensitive social issues, such as those relating to human rights, resettlement, rights of indigenous peoples, and gender equity
- address community concerns about environmental impacts
- communicate information about their social performance to external stakeholders.

Key research aims of the study were to: (a) provide a high-level overview of how social performance issues are being addressed in the Peruvian mining industry; (b) identify significant changes which have occurred since the year 2000; and (c) highlight areas for improvement in social management practices within the industry.



## **How the study was conducted**

Information was collected using a standardized questionnaire comprising 112 questions. This methodology allowed comparable information to be collected from a broad range of companies, at a relatively low cost. Use of a standardized format will also enable the study to be repeated in the future.

In designing the questionnaire, the research team consulted a broad range of industry standards, codes, certification schemes and good practice guides that have been developed for the extractive industries sector or are potentially applicable to it. (See Appendix One for a full list of sources). These resources were used to identify topics for inclusion in the survey and to see how good practice is being understood in the sector.

Companies that met the survey selection criteria were sent an email letter in early July 2017, signed by the President of the SNMPE. The email explained why the study was being undertaken and encouraged companies to participate. Each company was asked to nominate a representative with a good knowledge of the organization's social management practices to coordinate completion of the questionnaire. SNMPE staff then followed up with reminders, as needed. Companies were given four weeks to provide responses.

Companies were advised that: (a) the focus of the study was on social management practices across the mining industry; and (b) CEMS would

not be disclosing any details about the practices of individual companies, or ‘scoring’ or ranking companies. Companies were also informed that the information they provided would be de-identified in any public outputs and would not be shared with other parties, including SNMPE management, without the approval of the company concerned. This was done to encourage companies to participate in the study and to be frank in their responses.

As with any study, the research design has some limitations, the most important of which are summarized in Text Box 2 (along with the strengths). Notwithstanding these limitations, the study has generated a unique body of data on social management practices in the Peruvian mining sector, ranging from small to large companies. The study findings will assist the SNMPE and individual member companies to identify priority areas for strengthening their social performance management systems and practices, and will also provide a baseline for tracking future changes in the sector.

## **Text Box 2: Study Strengths and Limitations**

### Strengths

- Use of a standardized format facilitated the analysis and reporting of data.
- It should be relatively easy to repeat the study in the future and compare results.
- There was a good level of participation by SNMPE member companies, so the results are likely to be fairly representative of the full membership.
- The methodology was cost effective: having researchers collect the information directly from each (e.g. by conducting interviews) would have been much more expensive.

### Limitations

- The survey was a self-reporting exercise: responses provided by companies were not checked for accuracy.
- The study did not measure how third parties (e.g. community members, regulators) viewed the social performance of the companies.
- The survey focused on systems and processes. It did not attempt to measure 'company culture', which is another important dimension of social performance.
- The emphasis of the study was on breadth rather than depth; only a limited amount of information was collected about specific areas of social performance.
- The study did not cover the informal sector, or international and local companies that did not belong to SNMPE.
- As this is the first time that the study was conducted, there are no historical or international benchmarks against which to directly compare the findings.

## Who participated?

The target group for the survey was SNMPE member companies that were:

- engaged in mining for metals and/or minerals (copper, gold, silver, lead, iron ore, nickel, iron ore, etc.) in Peru; and/or
- actively engaged in developing mining projects in Peru, including projects at the advanced exploration stage.

The SNMPE provided CEMS with an initial list of 48 companies. After consultation with SNMPE representatives, six companies were removed from this list: either to avoid double counting of firms which had multiple subsidiaries listed as members, or because, on further examination, the company did not meet the criteria for inclusion in the study.

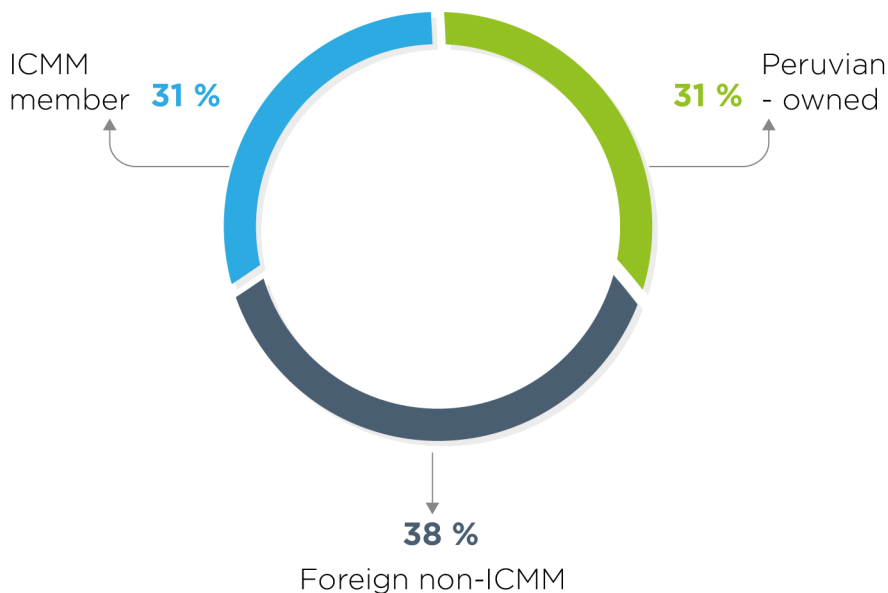
Completed surveys were received from 26 of the 42 eligible companies, representing a response rate of 62%. This was quite a high rate of return, especially given that the questionnaire sought quite detailed information and participation was voluntary. There was also a good spread of responses from different types of companies (Figure 1).

Of the companies that completed the survey:

- eight were large multi-national firms which were members of International Council on Mining and Metals (ICMM);
- ten were foreign firms (of varying size) which did not belong to the ICMM; and
- eight were Peruvian-owned firms.<sup>1</sup>

The companies that did not participate in the study were mainly small, locally-owned, companies and/or were engaged in early stage exploration only.<sup>2</sup>

**Figure 1: Company characteristics (n=26)**



1.- Currently, no Peruvian-owned mining company is a member of the ICMM.

2.- Only one ICMM company with an active mining operation in Peru did not participate in the survey. Two ICMM companies involved in exploration only also did not participate.

ICMM membership is an important differentiator, because membership carries with it various obligations which typically do not apply to other companies (see Text Box 3). The Peruvian/International distinction is also relevant, because foreign companies and local companies can be subject to different drivers and constraints.

### **Text Box 3: About the ICMM**

The ICMM was formed in 2001 by a group of leading mining companies to improve the social and environmental performance of the mining and metals industry. Membership of the Council currently comprises 25 mining companies and 30 national and regional associations (including the SNMPE) as members. Company members of ICMM commit to a set of 10 principles and eight supporting position statements (covering topics such as indigenous peoples and mining, transparency of minerals revenue, water stewardship, mining partnerships for development, and tailings management). Member companies are also required to obtain annual third-party assurance of their sustainability performance and to undertake transparent and accountable reporting in line with the requirements of the Global Reporting Initiative (GRI).

## How the report is organized

Key findings of the study are presented below under 12 broad headings:

1. Social performance policies and standards
2. Reporting, accountability, and transparency
3. Communication and engagement with communities
4. Social impact management
5. Social investment practices
6. Local employment, training, and business development
7. Company involvement in local and regional development
8. Conflict management and prevention
9. Human rights
10. Gender equity
11. Rights of indigenous peoples
12. Resettlement management

For each thematic area the report provides an overview of the responses provided by participating companies, and compares the results with past practices in the sector and current ‘good practice’ benchmarks. The final section of the report provides an overview of changes and trends in the industry since 2000 and highlights areas where current social management practices across the sector can be improved.

## PART B:

# OVERVIEW OF FINDINGS

### **Social performance policies and standards**

Over the last two decades, there have been moves in the mining sector, particularly by larger companies, to adopt a more systematic approach to social performance management. Amongst other things, this has entailed developing internal policy and standards, implementing planning cycles and formalizing internal auditing, monitoring and review processes. Company-specific policies and standards potentially play an important role in these systems, by providing guidance and direction to company personnel on what behaviours are required, and a framework against which performance can be assessed.

Twenty four of the 26 companies surveyed<sup>3</sup> advised that they had developed and documented internal policies and standards of social performance applicable in Peru. In 19 cases (75% of all companies surveyed) the policies and standards were intended to be binding on company personnel; in the other five cases they were for guidance only (Figure 2).

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3.- One company indicated that it was still in the process of developing standards. The other was a very small local company.



The most common areas of social performance addressed by company policies and standards are listed in Text Box 4.

**Text Box 4: Company policies and standards relating to social performance -main focus areas\***

- Community and stakeholder participation
- Local employment
- Community investment and development
- Grievances and complaints management
- Planning and evaluation processes
- Risk management and assessment

\*identified by 75% or more of surveyed companies.

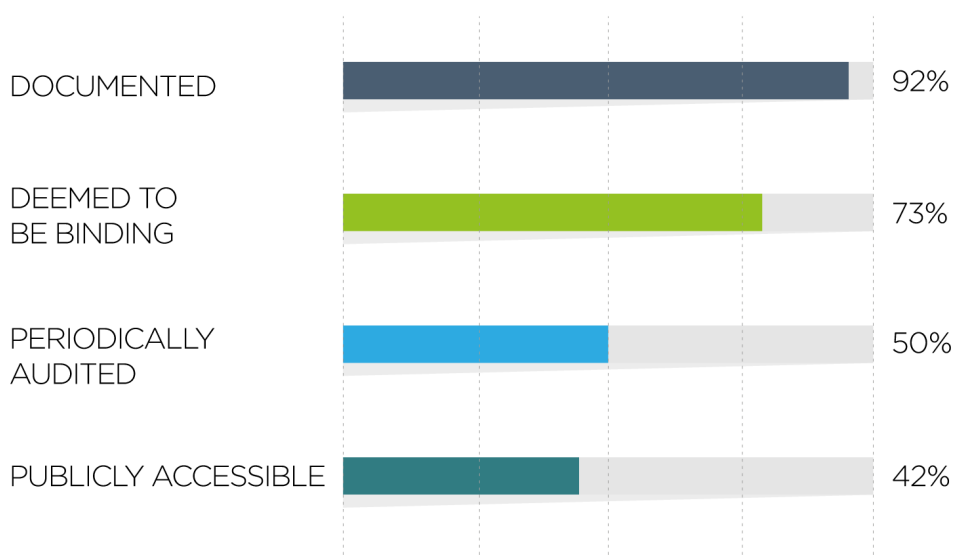
Figure 2 also shows that:

- thirteen companies (50% of all those surveyed) undertook internal or external audits of operational sites to ensure that their policies and standards were being complied with 'on the ground';
- eleven (42%) had made their policies and standards publicly available via the internet or some other means.

It may be that some companies (especially smaller ones) are concerned about the costs involved in conducting regular audits, but the countervailing benefit is improved quality control and early detection of

problems, which can save time and resources in the longer term. Also, by making policies and standards publicly accessible and adopting verification procedures, a company can help build confidence amongst external stakeholders that the organization is committed to improving its social performance.

**Figure 2:**  
**Status of corporate social performance standards and policies**



Note: The figure shows the proportion of all companies (n=26) which reported that they met the specified criteria..

## Reporting, accountability, and transparency

### Sustainability reporting

Another trend in the global mining industry, and the corporate sector more generally, has been a marked increase in recent years in the number of companies publishing sustainability/social responsibility reports.

In line with this trend, 18 companies (69%) that participated in the survey advised that they now reported publicly on their sustainability performance in Peru, either in a stand-alone document or as part of a larger corporate report (Figure 3). This comprised not just ICMM companies (which are required to report as a condition of ICMM membership) but also around half of the non-ICMM companies (which do not have any equivalent obligation).<sup>4</sup>

As Figure 3 shows, eleven companies (42%) had sought to align their reports with the Global Reporting Initiative (GRI), the global standard for sustainability reporting. These were mostly ICMM member companies.

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4.- Peruvian law requires that all title holders of active mining rights submit to the General Directorate of Mining an annual written report on the status of their exploration or exploitation operations, as well as the sustainable development activities carried out the previous year. As established in D.S. 042-2003, modified by D.S. 052-2010, this report is mandatory for all active mining rights, regardless of the phase or cycle of the operation of a company, and is a sworn statement of commitment to sustainable development. This report is presented in a format called Annual Consolidated Declaration (DAC), which is a technical and confidential report that is used for statistical purposes by government institutions. It is not designed to reach a wider audience, and therefore have a different format and purpose than public sustainability reports produced by companies.

Nine companies (35%), seven of which were ICMM members, also had their reports independently assured. External verification involves additional costs, which may be a deterrent to some companies, but where reports have been through this process, they are more likely to have credibility with external audiences.

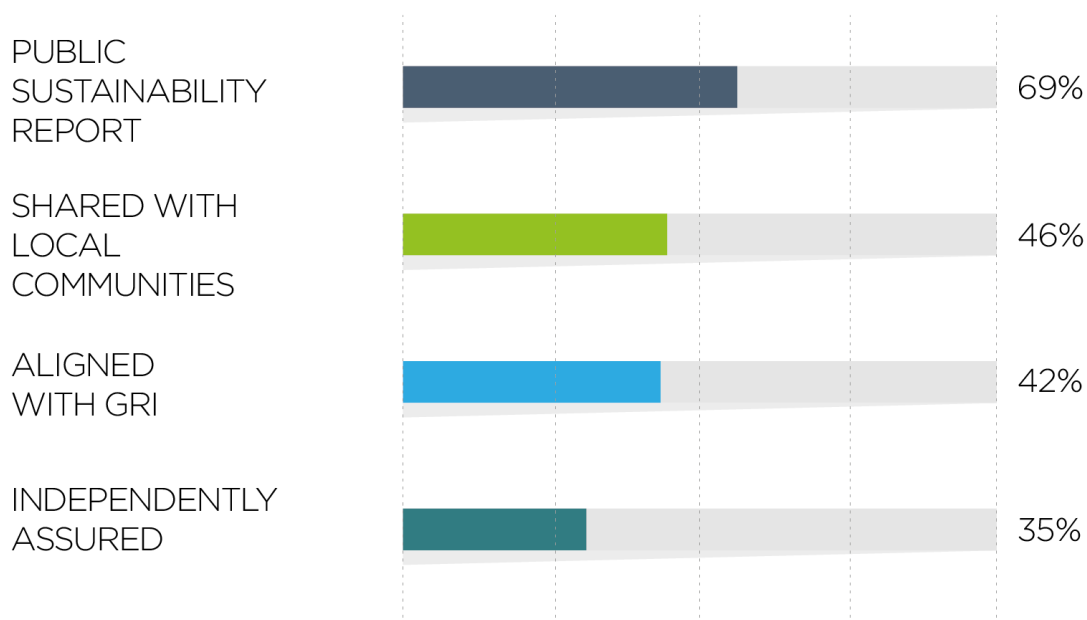
Eight companies (one third of those which published reports) gave responses which indicated that they had not taken proactive measures to share the information in these documents with local communities.<sup>5</sup> Given the time and cost involved in preparing an annual report, it would make sense to use the release of the report as an opportunity for engagement and trust building with local people, rather than only focusing on stakeholders 'beyond the mine'.

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5.- Examples of proactive measures included providing public briefings, placing copies of the report in easily accessed locations, and preparing a 'reader-friendly' summary for local use.

**Figure 3:**

**Prácticas en los informes de sostenibilidad de las empresas**



Note: The figure shows the proportion of companies (n=26) which reported adopting the specified practices.

[Financial transparency](#)

Peru is one of only four countries in South America to have signed on to the Extractive Industries Transparency Initiative (EITI) and the only country in the region to be deemed to have made ‘meaningful progress’ in implementing the standard. Under the EITI, companies commit to publicly report payments to government, information about production and exploration activities, and social expenditure, in line with standards set by EITI. Governments in signatory countries are, in turn, also subject to a range of reporting requirements relating to the receipt and disbursement of mining-related revenue.

Most companies (81%) that completed the survey had participated in the most recent EITI reporting round for Peru. Companies that had not taken part either did not have operating mines at the time of the review, or the value of production was below the threshold level set by EITI.

## **Communicating and engaging with communities**

### General engagement processes

It was not an objective of this study to evaluate the quality of community and stakeholder engagement undertaken by participating companies. However, some useful information was collected about the range of processes that companies use to engage and communicate with local communities and the steps they have taken to improve organizational capability in this area. The main findings are as follows:

- Direct engagement with community leaders and other key stakeholders were the most widely utilized forms of engagement.
- Sixteen companies (65%) reported that they undertook periodic surveys to better understand how operations and projects are viewed by local communities and to identify any community concerns.
- Nineteen companies (73%) had participated in a dialogue and/or development table at one or more of their operations/projects.

- A smaller proportion of companies (23%) made use of consultative committees. It could be that dialogue groups were seen as serving a similar purpose, but these groups are often set up to deal with issues that have given rise to conflict, rather than to provide a forum for more general engagement. Alternatively, or in addition, some companies may simply prefer to rely on informal processes to obtain input from local communities, rather than working through formal structures.
- Most companies with operations in areas where Quechua or Aymara are spoken said that they employed community relations personnel who could speak that language.
- Three-quarters of the companies reported that they provided or enabled training in engagement and dialogue (including appropriate culturally-specific training) for designated personnel.

### [Engaging on water-related issues](#)

Water is a recurring source of tension between mining companies and communities in Peru, as it often is in other mining countries also. One action that companies can take to ease these tensions is to be transparent in sharing data with communities about the impacts of mining activities on water quality and availability.

Most of the companies surveyed (85%) reported that they shared information on water quality with local communities, and most had also established or been involved in participatory water monitoring groups

(Figure 4). However, a smaller proportion (62%) reported sharing information with local communities about the amount of water used by their mines.<sup>6</sup>

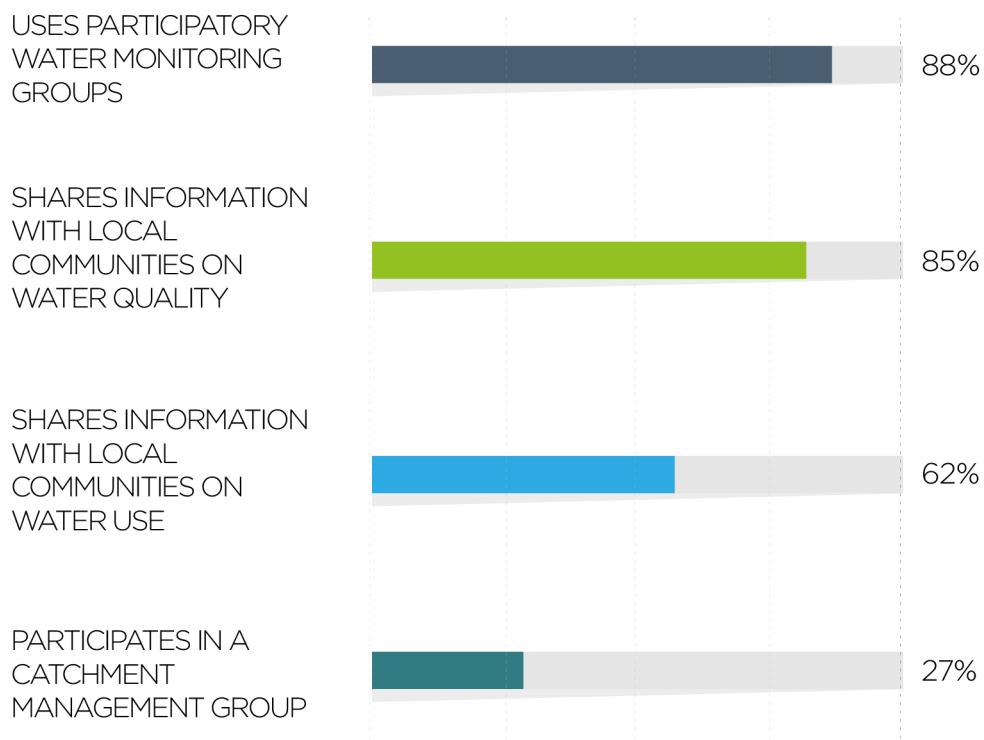
Seven companies (27%) advised that they participated in a catchment-level water management group - a potentially important forum for sharing water-related information. This does not necessarily indicate a reluctance to be involved, as establishment of these bodies is primarily a responsibility of government. Also the focus to date has tended to be more on involving farmers rather than the mining sector, although this may now be starting to change.

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6.- Some information about water use can be obtained directly from the website of ANA, the national water authority, but the data are not easy to access and can be difficult to interpret, especially for local communities.



**Figure 4:**  
**Divulgación de información sobre el agua**



Note:: The figure shows the proportion of all surveyed companies (n=26) which reported undertaking the specified activities.

## Social impact management

### Use of social impact assessments (SIAs)

In Peru and other mining jurisdictions it is now standard for an SIA to be prepared for projects which require an Environmental Impact Assessment (EIA). Leading companies often also undertake SIAs on a voluntary basis, as a means of ensuring that information about impacted communities remains current.

Sixteen companies (62%) advised that a Social Impact Assessment (SIA) had been conducted for the most recent operation/project the company had established in Peru.<sup>7</sup> In 12 of these cases, the SIA had been completed or updated within the last five years (Figure 5.)

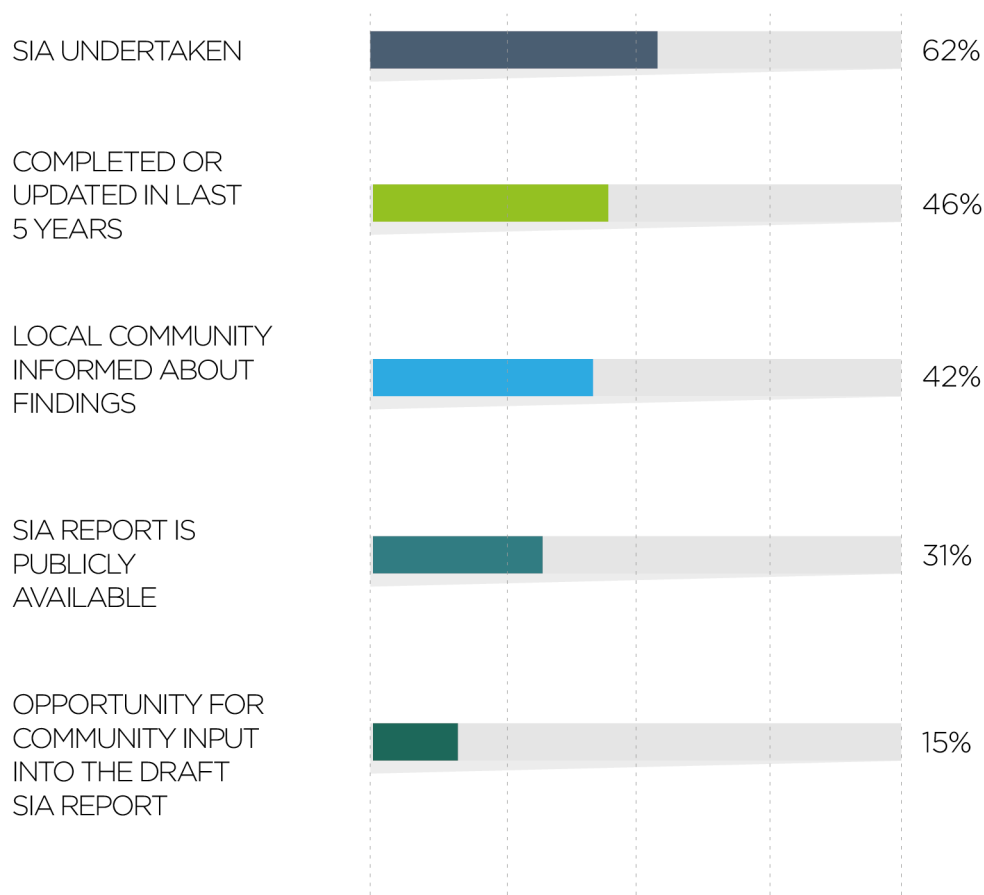
Of the 16 companies that had commissioned an SIA:

- eleven (69%) reported that the findings had been shared with local communities at the time;
- eight (50%) indicated that the study report was publicly available; and
- four (25%) reported that community members or their representatives had been provided with the opportunity to review and comment on a draft of the SIA report.

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7.- The question was phrased in this way because several responding companies owned multiple mines in Peru and it was not practical to ask about all operations.

**Figure 5:  
Use of SIAs: most recently developed mining project**



Note: The figure shows the proportion of all surveyed companies (n=26) which reported adopting the specified measures.

### Social management plans (SMPs)

Most companies (88%) indicated that they had developed a formal documented social management plan (SMP) for their most recently established operation/project in Peru. In all cases where an SIA had been

undertaken, the company reported that the assessment had been one of the sources of information used to prepare the Plan.

Around half of the companies stated that the SMP was updated on an annual basis or more often. On the other hand, several companies indicated that there was no set timetable for updating the plan and this was only done where it was considered necessary. Regular updating of SMPs is a desirable practice, to ensure that they are based on current information and that opportunities to deal with unwanted impacts and improve social performance are not missed.

#### **Text Box 5: Preparing for mine closure**

There appears to be increasing awareness in the industry of the need to address the social as well as environmental challenges associated with closing mines.

Nine of the surveyed companies (35%) indicated that mining would cease at one or more of their operations within the next ten years, with five advising that this would happen in the next five years. All of these companies indicated that they had an up-to-date closure plan and eight said that the potential social impacts of closure were a major focus of this plan.

Six companies reported that there had been a formal process of consultation with local communities and other stakeholders about the plan. Six also reported that an SIA had been undertaken or was proposed as part of the closure planning process.

## Social investment

### Setting social investment priorities

It is now common, in Peru and elsewhere, for mining companies to allocate substantial amounts of funding to support various types of social programs and sustainability initiatives.<sup>8</sup> This is done not simply for philanthropic reasons, but to meet community expectations, build local support, and, in some cases, further broader development objectives.

As an indicator of the importance that companies assign to this aspect of social performance, all but one of the companies surveyed reported that they had a documented strategy to guide social investment decisions. The main priority areas identified were health and education of local populations (nominated by 88% of companies) followed by infrastructure (54%) and local economic development (50%).

The factors that companies reported giving most weight to when making decisions about social investments at the local level were: 'previous experience of what has worked' and 'research based assessments of community needs (e.g. through SIAs).' The least weight was given to 'the priorities of regional and national government'. (See the discussion below on company involvement in local and regional development.)

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8.- According to MINEM, the total value of these investments in Peru in 2015 (the latest year for which data are available) was S/. 477 million.

Fourteen companies (54%) advised that they regularly monitored and evaluated the outcomes and impacts of their social investments; another four (15%) indicated that they did so ‘in some, not all cases’.

#### [Use of trusts and foundations](#)

The study points towards increased utilization of community trusts and foundations in the Peruvian mining industry, with 18 companies (69%) indicating that they had established such structures at one or more of their operations. Thirteen companies advised that the company and the community or municipality jointly managed the funds; in the remaining five cases the company alone was responsible for decisions. Unilateral management is generally not seen as good practice in this area, because of its paternalistic overtones.

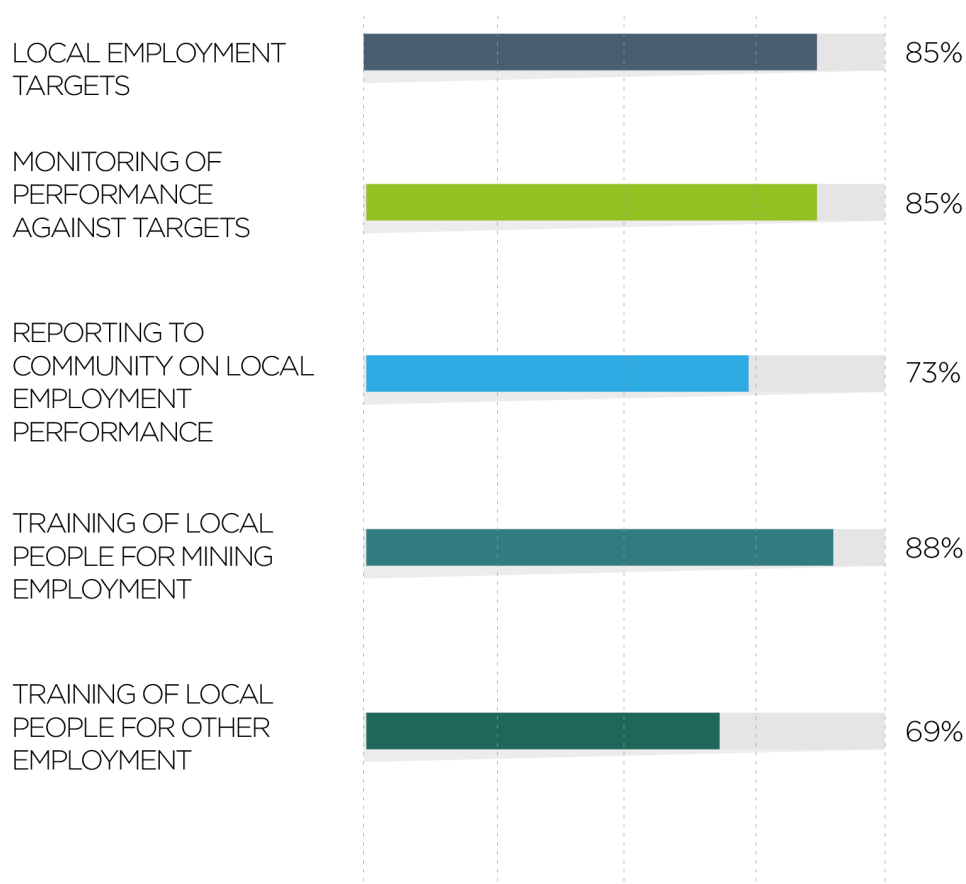
### **Local employment, training and business support**

#### [Employment and training](#)

Access to employment and business opportunities, particularly within the mining sector, is a high priority for most communities in or near mining areas. Community dissatisfaction with company performance in these areas has often been a trigger for disruption and conflict. Conversely, one of the main ways in which mines can demonstrate that they are having a direct economic benefit at the local level is through the provision of employment and business opportunities.

Figure 6 presents data on company uptake of measures to promote local employment.<sup>9</sup> It indicates that most of the surveyed companies were taking multiple actions to promote local employment and to assist local people to access these opportunities. No data were collected on the efficacy of these measures.

**Figure 6:**  
**Initiatives to promote local employment**



Note: The figure shows the proportion of all surveyed companies (n=26) reporting they had taken the specified initiatives..

9.- The survey did not collect data on the number of local people employed by mining companies, but this information can generally be obtained from company sustainability reports and websites.

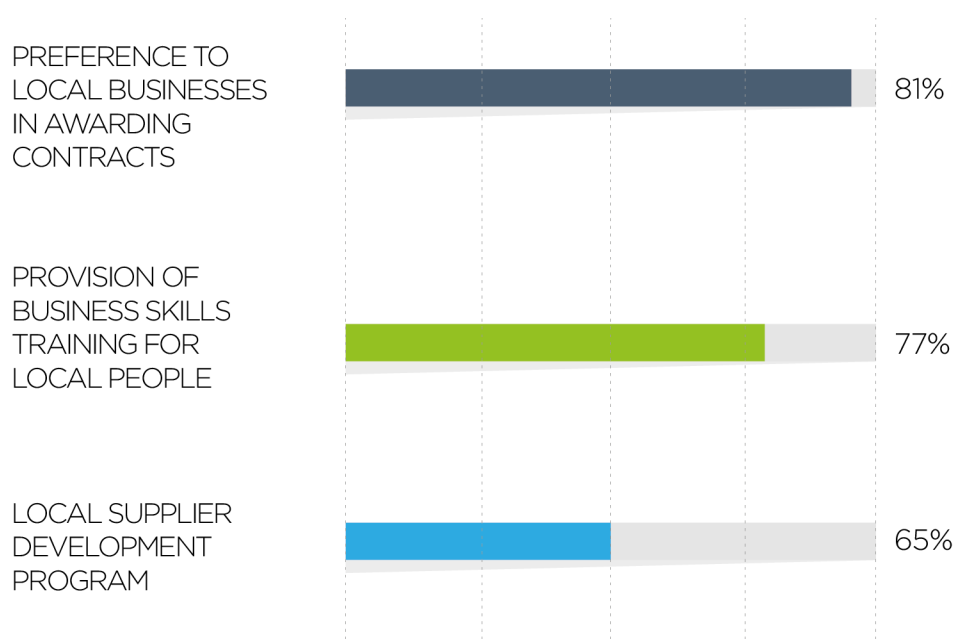
### Support for local business

Figure 7 presents equivalent information regarding local level business support and development. It likewise shows that this has been a focus area for most of the companies that were surveyed.

A finding of interest is that most of the international companies said that they had put in place a local supplier development program, whereas only two Peruvian companies (25%) reported having done so. This warrants further investigation. One possibility could be that that Peruvian companies are naturally more inclined to rely on Peruvian suppliers and so may see less need for a dedicated local supplier program.

**Figure 7:**

#### **Initiatives to support local business development**



Note: The figure shows the proportion of all surveyed companies (n=26) reporting they had taken the specified initiatives.



### Other forms of benefit sharing

In some mining jurisdictions, where agreement making with indigenous people has been institutionalised (e.g. Australia and Canada), it has become relatively common for companies to enter into benefit sharing arrangements of one kind or another with these communities. Such arrangements can include income streams linked to production and/or profitability, or even participation in joint ventures in some cases. The rationale for companies to enter into these arrangements has generally been to ensure that communities: (a) are properly compensated for the loss of land and amenity; and (b) acquire a 'stake' in the success of the project. These types of agreements typically operate independently of any tax revenue sharing arrangements that might apply between central and local governments.

In the case of Peru, it appears that benefit sharing is largely focused on 'guarantees' of employment and contracting opportunities for local people. Only one company in the study (a small foreign operator) had entered into any kind of income or profit sharing arrangement.

### **Company involvement in local and regional development**

There are growing calls in Peru to strengthen territorial planning and management processes, and for mining companies to coordinate their social investments and other activities around development goals that have been agreed to with local communities, and which are in alignment with territorial priorities. The questionnaire included several questions

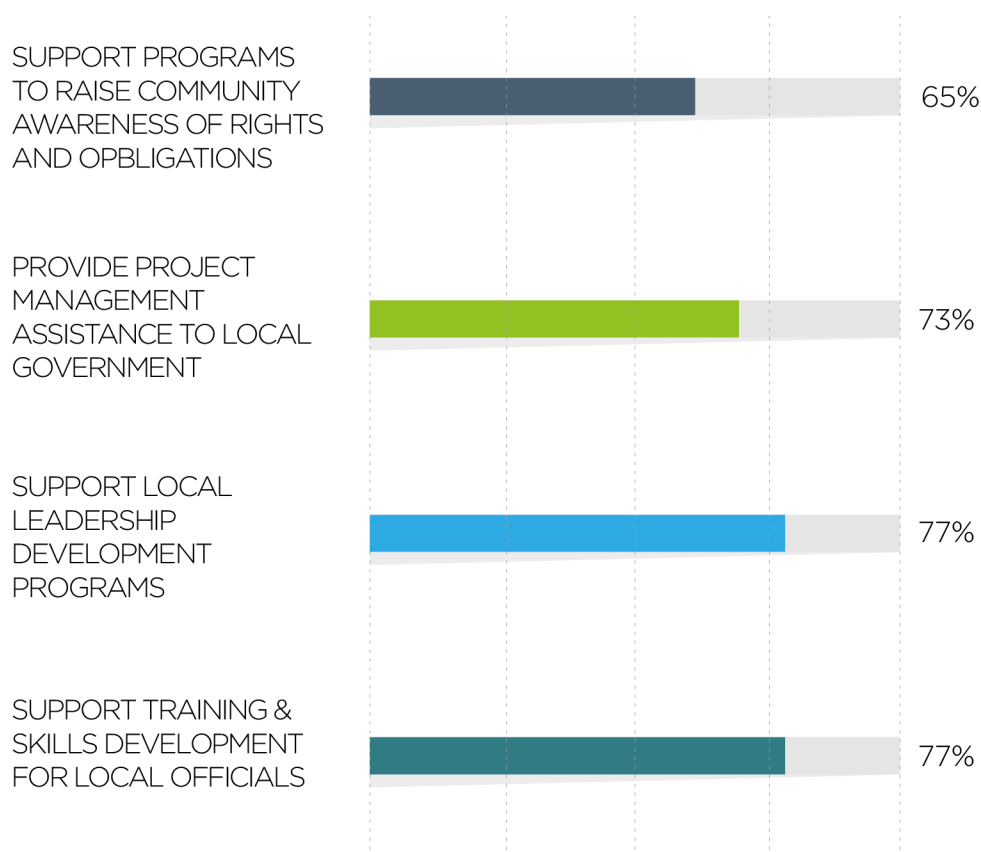
designed to map current practice in this area. Specific topics covered were:

- Support for local level capacity building
- Participation in local and/or regional planning processes
- Collaboration with other companies in the mining and non-mining sectors
- Alignment with government development priorities
- Participation in the Work for Taxes Program

#### [Support for local level capacity building](#)

All responding companies reported that they had taken one or more measures to improve local level governance capacity. Figure 8 shows the most commonly supported initiatives.

**Figure 8:  
Initiatives to support local capacity building**



Note: The figure shows the proportion of companies (n=26) which reported that they had adopted the specified initiatives.

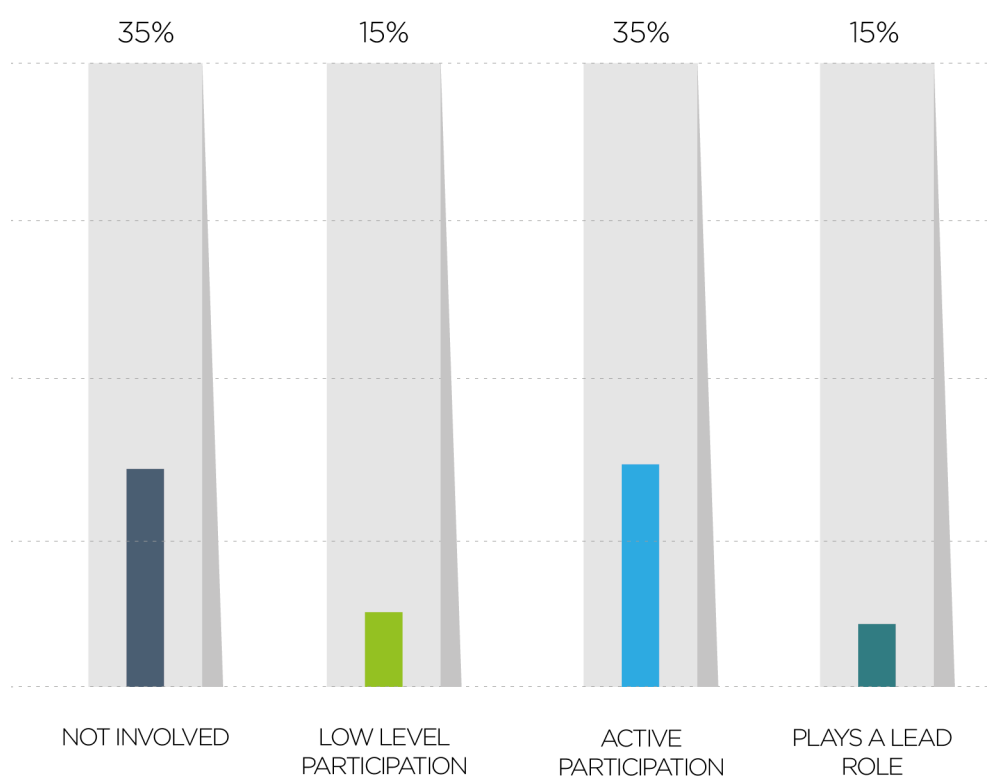
### Participation in local and/or regional planning processes

Figure 9 presents data on the level and type of company participation in local and regional planning processes. It shows that half of the companies reported that they actively participated in these processes or, in some cases, played a leading role. An equivalent number of

companies were not involved at all, or had a low level of involvement only (e.g. attending meetings as observers). Most of the companies that indicated they were 'active participants' or 'played a leading role' were ICMM members. This may be partly because these companies typically operate larger-scale mines, but could also be an indication that ICMM members tend to take a broader view of their role as development actors.

Other factors which could explain why some companies were not actively involved in these processes include: there might not have been a functioning participatory planning process established in the area where the company was operating, the company had not been invited to participate, or company management did not see it as important/appropriate to be involved.

**Figure 9:**  
**Level of company involvement in local/regional planning**



Note: The figure shows the highest level of involvement reported by each company (n=26). Percentages add to 100.

### [Collaboration with other companies](#)

Nine companies (35%) indicated that they had operations or projects in areas where other mining companies were also active. Of these nine companies, seven (78%) advised that they collaborated to at least some extent with other mining companies on development-related issues (e.g. by sharing information or undertaking joint initiatives).

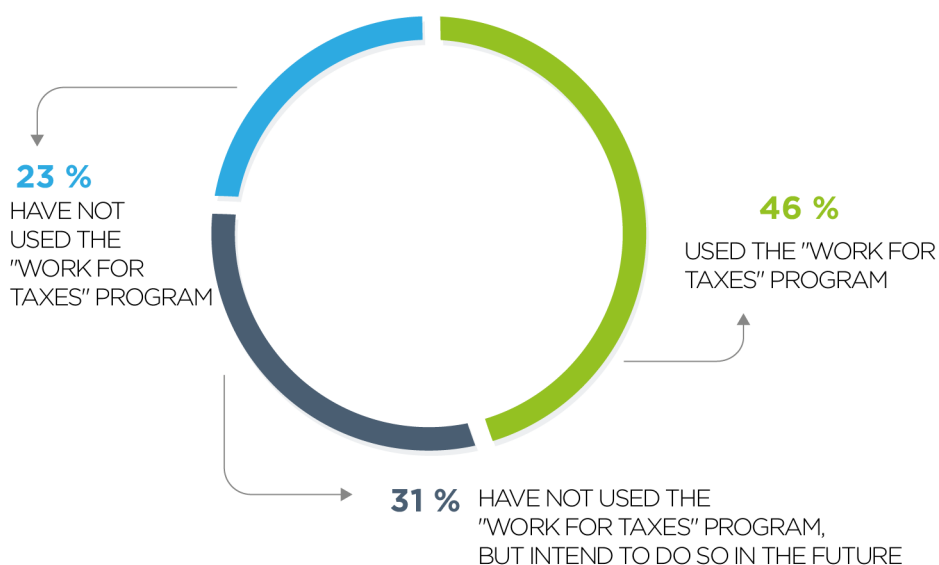
Eleven companies (42%) reported some engagement with non-mining companies operating in the same geographical area (e.g. telecommunications providers, banks, service companies). Examples included: working with an Alpaca fibre marketing company to improve market opportunities for local Alpaca farmers; and, cooperating with a bank on delivery of an entrepreneurship program.

#### Participation in Public Works Through Taxes Program

The Peruvian Government's 'Public Works Through Taxes Program' ("Obras por Impuestos", in Spanish) allows a company to pay up to half of its income tax through contributions to public infrastructure projects.

Twenty (77%) of the companies surveyed indicated that they had either used the program to fund the delivery of local infrastructure, or were planning to do so in the future (Figure 11).

**Figure 10:**  
**Participación en el programa Obras por Impuestos: todas las  
empresas (n=26)**

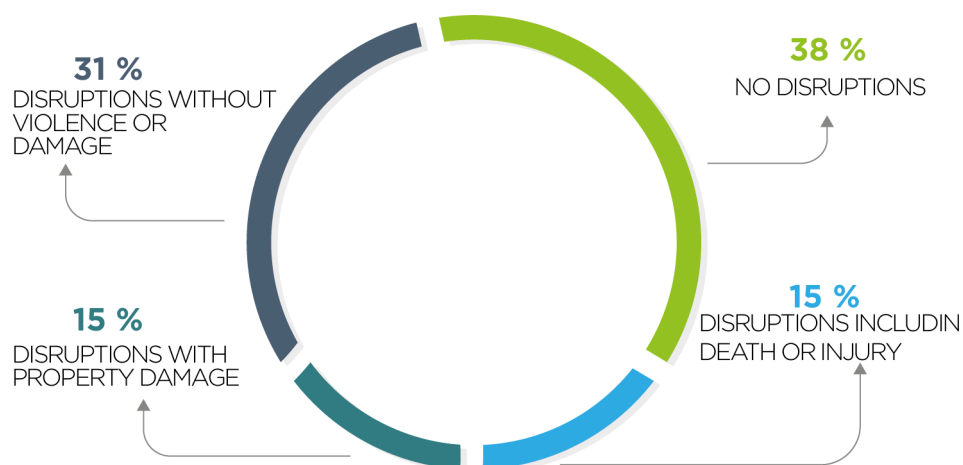


## Conflict management and prevention

### [Setting the context](#)

Sixteen companies (62%) reported that they had experienced disruption by communities at one or more their operations/projects within the last five years. Eight companies (38% of those participating in the survey) had experienced incidents where there had been violence and/or significant property damage (Figure 11).

**Figure 11:**  
**Most severe form of conflict experienced in the last five years: all  
companies (n=26)**



Only one Peruvian-owned company had experienced an incident in the last five years that involved damage to property and none had experienced conflicts that had resulted in death or injury. By contrast, over the same period eight international companies (38% of the total sample) had been exposed to incidents that involved violence and/or property damage. These findings warrant further investigation to ascertain what factors might account for these differences (for example, the size of the operation, the timing of projects, or the level of 'local knowledge' possessed by companies).



### Conflict prevention initiatives

The great majority of companies surveyed reported taking some measures to deal with the risk of conflict proactively, rather than reactively. Specifically:

- Twenty-three companies (88%) reported that they sought to identify sources of potential conflicts before they manifest as disruptive behaviour (for example, through monitoring of complaints, local media, community surveys, etc.);
- all companies indicated that they had either implemented, or were in the process of adopting, a system for keeping track of commitments made by company personnel, to ensure that these were honoured;
- nineteen (73%) had established some form of complaints and grievance management process (see below);
- thirteen (50%) advised that they undertook retrospective analysis of conflicts to assess possible causes and lessons.

### Complaints and grievance management

In recent years there has been an increased focus in the global mining industry (and some other industries also) on setting up formal mechanisms for recording and investigating complaints and grievances from community members.<sup>10</sup> For impacted communities, these mechanisms can provide people with an additional avenue to have their voices heard and concerns addressed. From an industry perspective, a major potential benefit of such mechanisms is that they can help companies identify and respond to community issues early, before they escalate into larger conflicts.

In line with broader trends, a majority of surveyed companies reported that they now had processes in place for receiving and addressing complaints and grievances from community members. However, while this is a positive finding, the study also identified some areas where processes could be improved.

As figure 12 shows, eight companies (31% of the total sample) reported that they had actively taken steps to promote local awareness of the processes that they had in place for receiving and managing complaints and grievances (for example, by distributing posters or brochures in the community, or providing the information on a website). The more common practice was for people to be advised about the procedures after they had made a complaint to, or raised an issue with, a company employee, or visited a company office.

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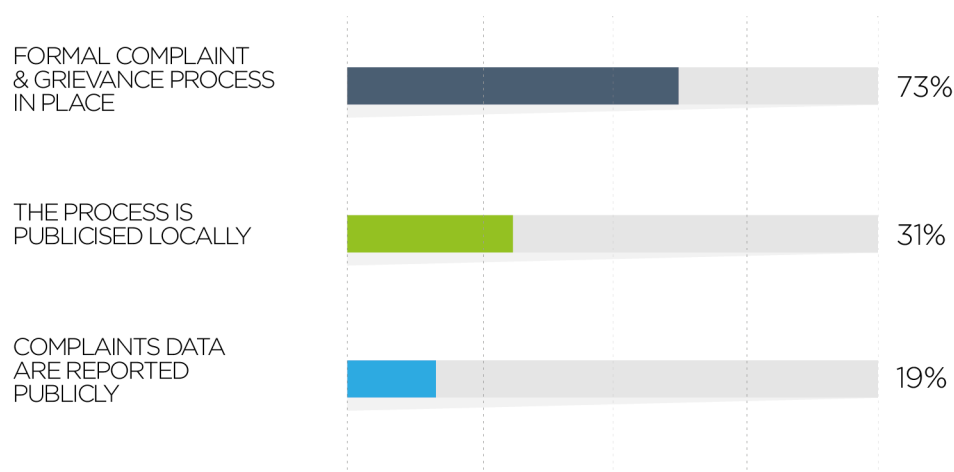
10.- For example, the ICMM has published guidance materials on implementing complaints and grievance processes. The SNMPE has also recently produced a guideline document for member companies: <http://www.snmpe.org.pe/informes-y-publicaciones/guia-para-implementar-un-proceso-de-atencion-a-quejas-y-reclamos-sociales.html>.

If community members know in advance that there is a process for making a complaint (and have confidence in that process), they may be less likely to resort to other, potentially more disruptive, means of voicing their concerns.

Five companies (19% of the total sample) reported publicly on the number of complaints received and how these were resolved. If companies were more open about putting such information into the public domain, this would help demonstrate that there are effective complaints processes in place and that peoples' concerns are taken seriously.

**Figure 12:**

**Use of complaints and grievance management processes**



Note: The figure shows the proportion of all companies (n=26) which reported that they had adopted the specified initiatives.

## Respecting human rights

Another significant recent international development has been the growing focus on the responsibility of companies, including mining companies, to respect human rights. In particular, the United Nations (UN) has become increasingly active in driving a Business and Human Rights agenda, through the UN Global Compact and promulgation of the UN's Guiding Principles on Business and Human Rights, which were adopted in 2011 (see Text Box 6). Predating these initiatives, a group of leading extractive industry companies developed and then adopted the Voluntary Principles on Security and Human Rights in 2001.

### **Text Box 6: The obligation of business to respect human rights**

According to the UN's Guiding Principles on Business and Human Rights, the responsibility to respect human rights is a global standard of expected conduct for all business enterprises wherever they operate. Addressing adverse human rights impacts requires taking adequate measures for their prevention, mitigation and, where appropriate, remediation.

The responsibility of business enterprises to respect human rights refers to internationally recognized human rights - understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

Source:

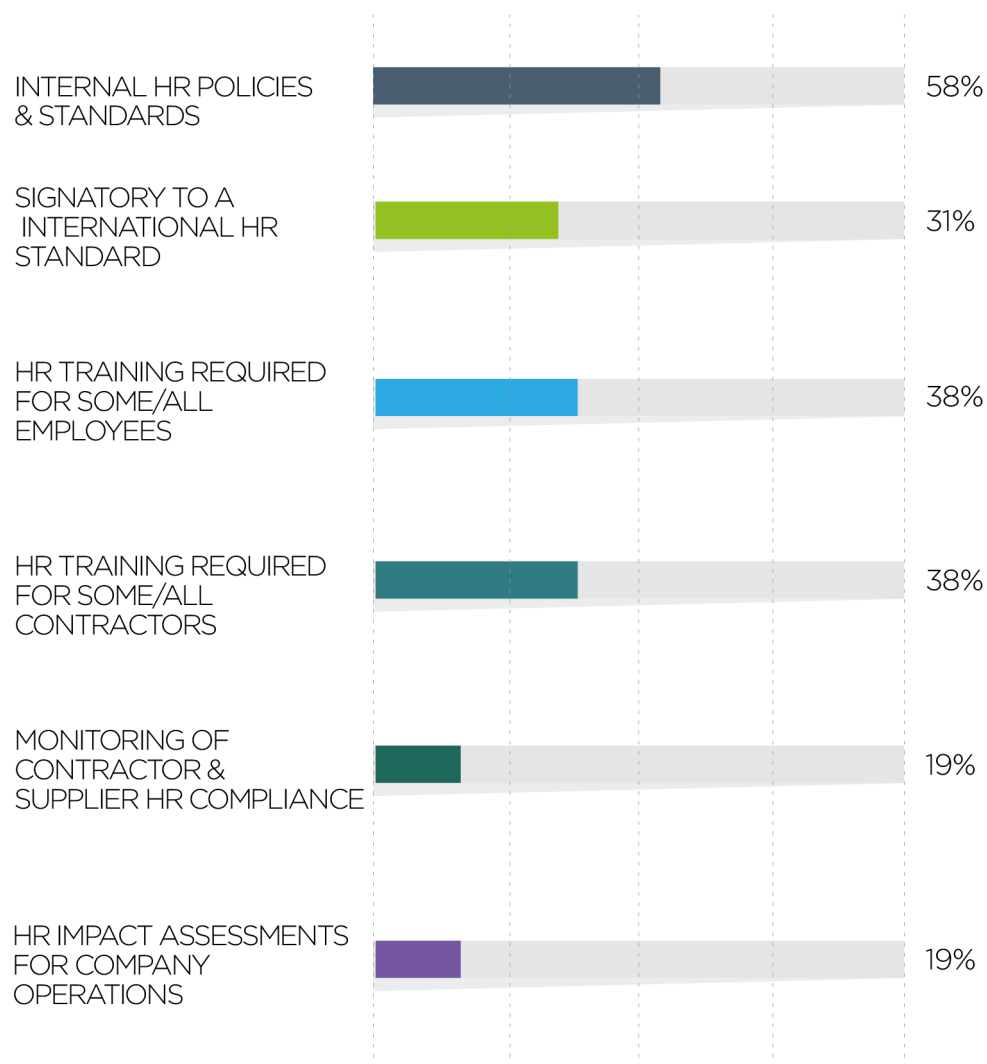
[http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

Figure 13 presents data on the management actions that companies in the survey reported taking to explicitly address human rights issues. It shows that:

- 58% indicated that they had adopted internal policies and standards relating to human rights;
- around one-third were signatories to an established international human rights standard;
- 38% required human rights training for their employees and/or contractors;
- 19% had processes in place to monitor whether their suppliers and contractors are respecting human rights;
- 19% had completed a human rights impact assessment at one or more of their Peruvian operations.

A total of four companies – all ICMM members – met all of the criteria listed in Figure 13. The absence of formal policies and organizational controls does not of itself demonstrate that mining companies operating in Peru are breaching human rights standards or are unaware of these standards. However, a lack of effective controls increases the risk of non-compliance, especially in conflict situations.

**Figure 13:**  
**Company uptake of measures to promote human rights (HR)**



Note: The figure shows the proportion of all companies (n=26) which reported that they had adopted the specified measures.

These issues are not unique to Peru or to the mining sector. A 2017 international benchmarking study of 98 large companies in the global extractives, apparel and agricultural products sectors likewise concluded that many companies were still ‘at a relatively early stage’ in ‘implementing the UN Guiding Principles and other internationally recognised human rights and industry standards’ (Corporate Human Rights Benchmark, Key Findings 2017: p.10).<sup>11</sup>

### Addressing gender equity issues

Historically, gender issues have received relatively little attention in the global mining industry, but this is starting to shift as a result of changes in the broader society, external scrutiny of the industry’s performance and, more recently, the willingness of some companies to take on a leadership role in this area. Importantly, achieving gender equality and empowering women and girls is one of the 17 high-level goals that comprise the UN’s Sustainable Development Goals for 2030. Peru is a signatory to these goals.

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11.- Corporate Human Rights Benchmark Ltd, is a not for profit company created to publish and promote the Corporate Human Rights Benchmark Project (CHRB), launched in 2013 as a multi-stakeholder initiative and draws on investor, business and human rights, and benchmarking expertise from 7 organizations. The full Corporate Human Rights Benchmark Key Findings 2017 report is accessible at: <https://www.corporatebenchmark.org/sites/default/files/styles/thumbnail/public/2017-03/Key%20Findings%20Report/CHRB%20Key%20Findings%20report%20-%20May%202017.pdf>

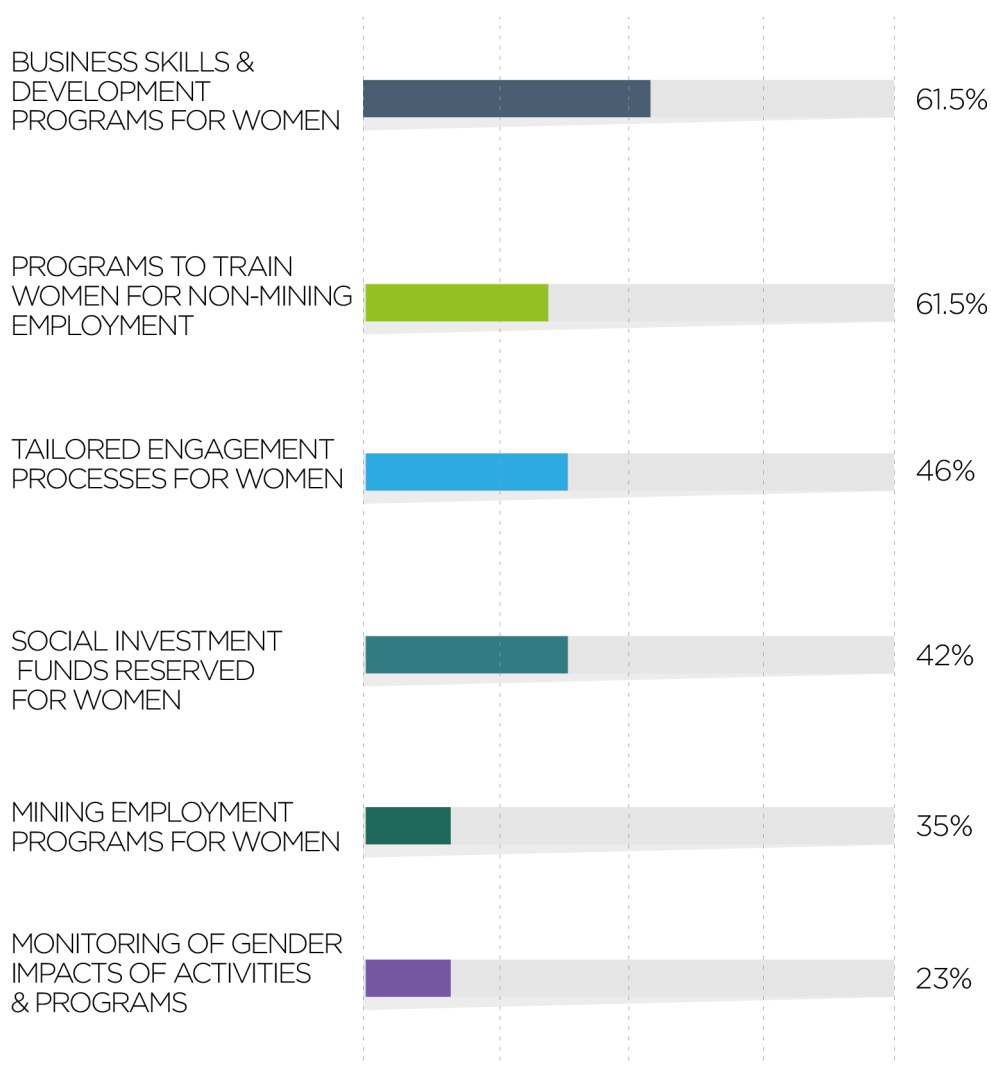
Figure 14 provides an overview of the measures that companies reported having taken to promote greater gender equity. The majority of companies (62%) advised that they had implemented or supported programs to assist women develop and operate businesses, or to find work in sectors not directly related to mining. A smaller number of companies had adopted other measures to directly address gender equity issues:

- twelve (46%) indicated that they had taken steps to promote inclusive engagement of women (such as by reserving places on consultative committees or similar bodies);
- nine (35%) reported that they had implemented or contributed to programs to increase the involvement of women in the mine workforce;
- eleven (42%) had set aside social investment funds for initiatives to address the needs and concerns of women in local communities;
- six (23%) reported that they actively monitored the gender impacts of their activities and programs.

Again, it is not possible to directly compare these findings from the Peruvian mining sector with results for other countries or industries.



**Figure 14:**  
**Company uptake of measures to  
promote greater gender**



Note: The figure shows the proportion of all companies (n=26) which reported that they had adopted the specified measures.

### Rights of indigenous peoples

The rights of Indigenous peoples are also now receiving increased attention globally. A key landmark is the United Nations Declaration of the Rights of Indigenous Peoples, which was adopted in 2007 (and to which Peru is a signatory). In the case of Peru specifically, the passage of the Prior Consultation Law in 2011 has formalized recognition of indigenous rights, particularly as this relates to the opening up of new areas for resource development.

Most of the companies that participated in the survey had not yet engaged formally and publicly with the indigenous rights agenda. Of the 26 companies surveyed, six (15%) indicated that they had adopted internal policies and standards relating to Indigenous rights and three (8%) stated that they had a formal, publicly available, policy in place that gives explicit recognition to indigenous rights. The majority of the companies that had articulated some form of policy position were ICMM members.<sup>12</sup>

It is possible that many of the companies surveyed did not see indigenous rights issues as directly relevant to their operations, as only five reported that they were mining or exploring in areas of Peru where there are indigenous people. On the other hand, 15 companies (56%) indicated that they were mining or exploring in areas where Quechua and/or Aymara were spoken. While speaking Quechua or Aymara as a first language does not necessarily bring these communities within the scope of the Prior Consultation Law, it is one potential marker of indigenous status.

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12.- All ICMM member companies are expected to comply with the commitments made in the ICMM's 2013 (<https://www.icmm.com/en-gb/members/member-commitments/position-statements/indigenous-People-and-mining-position-statement>).

### Managing resettlements

Another area which raises potential human rights issues is the resettlement of people to make land available for mining-related developments. Of the 26 companies that participated in the study, seven (27%) reported that they had needed to resettle people in the course of developing and operating a mine or associated infrastructure. Another six companies (23%) indicated that resettlement might be required in the future.

There is no binding or legally enforceable standard governing the resettlement process in Peru. However, all seven companies that had undertaken a resettlement advised that they had used a recognised external standard for planning and implementing the resettlement. Three companies indicated that they had been externally audited against the standard. Also, three companies acknowledged that they had been only 'partially compliant' with the standard.<sup>13</sup>.

Managing resettlements is likely to become an increasingly significant issue for the Peruvian mining industry in coming years, as the physical footprints of existing projects expand and new mines are developed. Hence, it will be important to promote awareness of good resettlement practice within the industry, especially as several of the companies that may need to undertake future resettlements may not have had previous experience in this area.

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13.- The most widely accepted and used external standard is the International Finance Corporation's 2012 Environmental and Social Performance Standard 5: Land Acquisition and Involuntary Resettlement. This standard advises companies to avoid involuntary resettlement wherever possible and to minimize its impact on those displaced through mitigation measures such as fair compensation and improvements to living conditions. Involuntary resettlement includes negotiated settlements in which the buyer can resort to expropriation or impose legal restrictions on land use if negotiations with the seller fail.

## PART C:

# CONCLUDING OBSERVATIONS

### Changes and trends

As already discussed, this is the first time the survey has been conducted in Peru or elsewhere, so there are no historical benchmarks that can be used to directly measure change over time. However, based on the survey findings it is possible to make some observations about broad trends, using the early part of this century as a reference point (see Appendix 2).

- Overall, companies have become more ‘systematic’ in their approach to managing social performance. For example, most companies that participated in the survey – not just the large ICMM firms - reported that they now have in place:
  - documented social performance policies and standards
  - formal social management plans and social investment strategies
  - administrative processes for managing complaints and grievances, and for recording and tracking commitments made by company personnel to community members.
- There is now more public sharing of information by companies. Evidence of this includes: the large – and growing - number of non-

ICMM companies publishing sustainability reports, the relatively successful implementation of the EITI in Peru, the increased sharing of water data with communities (including the widespread uptake of participatory water monitoring mechanisms); and, indeed, the willingness of companies to participate in this study.

- While there is still scope for improvement, companies mostly appear to be taking a more strategic approach to their social investments and are focusing more on how they can contribute to local and regional development. There is also arguably a greater focus on evaluating the implementation and impact of social investment programs.
- There appears to be increasing awareness amongst companies of the need to strengthen local level governance and a willingness to commit resources towards supporting this objective.
- Most companies that participated in the study were aware of the importance of providing local economic opportunities and most had taken some actions to promote local level employment and business development.
- Overall, companies appear to be doing more to identify sources of potential conflicts before they manifest as disruptive behaviour, and to actively monitor community perceptions and concerns.

- There appears to be a growing level of awareness in the sector of the social challenges that will need to be addressed as mines move towards closure.

### **Areas for improvement**

While there are positive trends to report, the study has also highlighted several areas where practices across the industry – and within companies – are uneven and there is significant scope for improvement. Key aspects of social performance that warrant attention are listed below.

1. A substantial number of surveyed companies, particularly in the non-ICMM sector, had not implemented internal controls (e.g. periodic audits and reviews) to ensure that behavior ‘on the ground’ aligns with the company’s formal social performance policies and standards.
2. Most non-ICMM companies had not undertaken independent assurance of their sustainability reports. Independent verification is one means of strengthening the perceived external legitimacy of these reports.
3. Several companies in the study reported that they had not taken specific measures to share information from their sustainability reports with local communities (a critically important stakeholder group). Arguably, this was a missed opportunity for engagement and trust building.

4. There is an opportunity for companies to be more proactive about sharing information with local communities about the amount of water they are extracting for mining purposes and the potential impact that this may be having on water availability.
5. The quality and usefulness of SIAs could be improved if there was more sharing of SIA findings with local communities and more opportunities provided for community input and feedback.
6. While it has become more common for companies to monitor and evaluate the outcomes and impacts of their social investment programs, this is still not standard practice. More attention to this aspect would help build a stronger evidence base about ‘what works and what doesn’t’ and, in doing so, assist companies (and communities) to derive greater value from these investments.
7. Although progress has been made, there is still considerable scope for companies to be more actively involved in local and regional planning processes and to better coordinate social initiatives with government and other actors (e.g. other companies). Changing practices in this area may present challenges in the short term, but has the potential to deliver better development outcomes in mining regions over the longer term than if each company just ‘goes it alone’.
8. Outside the ICMM group, few companies seemed to be engaging actively with the business and human rights agenda. It is in the

long-term interests of all mining companies operating in Peru to ensure that they have effective organizational controls in place for managing human rights risks. This is particularly so given the level of public scrutiny to which the sector is subject.

9. Gender inequality is a significant issue in Peru, particularly in many of the geographical areas where large-scale mining is conducted. Individual companies, and the industry more broadly, could play a more active role in addressing this social challenge.
10. Outside of the ICMM group, very few of the surveyed companies had adopted internal or public policies and standards relating to indigenous rights. This is a complicated area, particularly in Peru where the definition of who is indigenous is still not fully settled and there are significant practical problems with the application of the Prior Consultation Law. Constructive industry engagement with government and indigenous organizations could help to bring greater clarity to this complex policy domain and improve the efficacy of current processes.
11. Managing resettlement is likely to become an increasingly significant issue for the Peruvian mining industry in coming years. Promoting the necessary legal framework, as well as awareness of good resettlement practice within the industry, will better equip companies and government institutions alike to deal with the challenges that resettlement presents.



## APPENDIX 1:

### RESOURCES CONSULTED

- EITI Principles (2003)
- Global Reporting Initiative: Mining and Metals Sector Disclosures (2010)
- ICMC Sustainable Development Framework (2003)
- International Finance Corporation (IFC) *Performance Standards on Environmental and Social Sustainability* (2012)
- Initiative for Responsible Mining Assurance - IRMA (2016 - ongoing)
- Minerals Council of Australia, *Enduring Value Framework* (2004)
- Mining Association of Canada: *Towards Sustainable Mining Framework* (2004)
- OECD Guidelines for Multinational Enterprises (2011)
- OECD *Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector* (2017)
- Prospectors & Developers Association of Canada (PDAC) and e3 Plus: *A Framework for Responsible Exploration*
- Responsible Jewelry Council, *Responsible Mining Provisions* (2013)

- United Nations, Office of the High Commissioner for Human Rights, *Guiding Principles on Business and Human Rights* (2011)
- United Nations Global Compact (2000)
- Voluntary Principles on Security and Human Rights (2000)

## **APPENDIX 2:**

### **MINING IN PERU IN 2000: A SNAPSHOT**

The 2002 report of the Mining, Minerals and Sustainable Development Project (MMSD) and the supporting background documents provide a convenient reference point for identifying significant changes in mining industry practice that have occurred since the turn of the century. These documents included a detailed country-level report on Peru, prepared by the consulting group GRADE (Glave et al, 2001). Based on these sources, the following generalizations can be put forward:

- The sector in 2000 was considerably smaller than it is now.
- The sector was still dominated by national companies, although large international companies were starting to build a stronger presence, as evidenced by the Yanacocha, Pierina and Antamina projects.
- Overall, levels of conflict in the Peruvian mining sector were below what has been seen over the last decade, although there were signs of increasing social tensions around mining development.
- Outside of a few large international companies, little use was being made of social impact assessments (SIAs) or other social

management tools. For the most part, company social management systems were still rudimentary. (For example, in 2001 very few companies had documented their social performance standards and policies).

- Partly in response to increasing social tensions, some moves were under way to explicitly position mining as a driver of social development. To this end, some companies - mainly in the 'new mining' sector - were developing innovative programs. In many cases, however, there was still a strong tendency to equate social investment with philanthropy.
- Issues such as human rights, gender equality and Indigenous rights were barely on the 'radar' of the mining industry in Peru (or most other parts of the world, for that matter).
- Sustainability reporting was in its infancy and restricted to a few large international companies.
- There were no effective systems in place in Peru, or globally for that matter, to deal with issues around revenue transparency.
- Issues around mine closure were receiving little, if any, attention, as the industry - and government - were very much focused on growth and new project development.