



UN Sustainable Development Solutions Network's Thematic Network on Good Governance of Extractive and Land Resources

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Columbia Center on Sustainable Investment  
GIZ

International Council on Mining and Metals  
Responsible Mining Index

Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development

Prospectors & Developers Association of Canada University of Cape Town

# Operationalizing the SDGs in Extractive Industries: Private Sector Experiences and Opportunities

September 21, 2017

What challenges impede the development of sector wide solutions to operationalize the SDGs? How can companies better integrate SDG thinking into corporate strategy? How should companies engage relevant stakeholders to ensure the achievement of the SDGs? And how can companies and civil society leverage the SDGs to measure and monitor progress in a uniform way across projects?

These were some of the questions addressed at the September 21 event on Operationalizing the SDGs in Extractive Industries: Private Sector Experiences and Opportunities, hosted by the UN Sustainable Development Solutions Network's Thematic Network on Good Governance of Extractive and Land Resources ('SDSN Thematic Network'), the Columbia Center on Sustainable Investment (CCSI), GIZ, the International Council on Mining and Metals (ICMM), the Responsible Mining Index (RMI), the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), the Prospectors & Developers Association of Canada (PDAC), and the University of Cape Town. The event began with a series of presentations, including by Andres Moran of Antofagasta Minerals and Marakit Soliman, the winners of a Minerals and Energy for Development Alliance (MEfDA) and CCSI competition on novel initiatives to help mining companies contribute to the SDGs. Participants then moved into table discussions about the main factors that determine the success of efforts to operationalize the SDGs in extractive industries and next steps to guide future efforts to achieve the SDGs.

This document summarizes the main conclusions from the event.



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## ACKNOWLEDGMENTS

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# INNOVATIVE APPROACHES TO OPERATIONALIZING OF THE SDGS IN EXTRACTING INDUSTRIES – WINNING IDEAS FOR FUTURE ACTION

The Minerals and Energy for Development Alliance (MEFDA) in partnership with CCSI invited submissions of novel initiatives to help mining companies contribute to the SDGs. The authors of the winning submissions presented at the meeting.

*“Companies must work with specific communities to build trust and agreement that transparency over royalty utilization is to their mutual benefit”.*

## INDIGENOUS PEOPLE ROYALTY MANAGEMENT – **MARIKIT SOLIMAN**

Adopting a simple budgeting tool to help indigenous communities manage royalties can also help to measure company contributions to the SDGs.

In cases of direct royalty payment to indigenous communities, indigenous knowledge can be applied to financial management. Proposed indicators could include the purchasing power of Indigenous Peoples and the quality of their expenditure to welfare and outcomes. A results framework could relate the indicators to the SDGs.

This tool will also provide companies greater information with which to document the impact of their contributions on local communities.

Full implementation of this program would require consent from local communities for their budgeting decisions to be monitored by outside groups. Companies must work with specific communities to build trust and agreement that transparency over royalty utilization is to their mutual benefit.

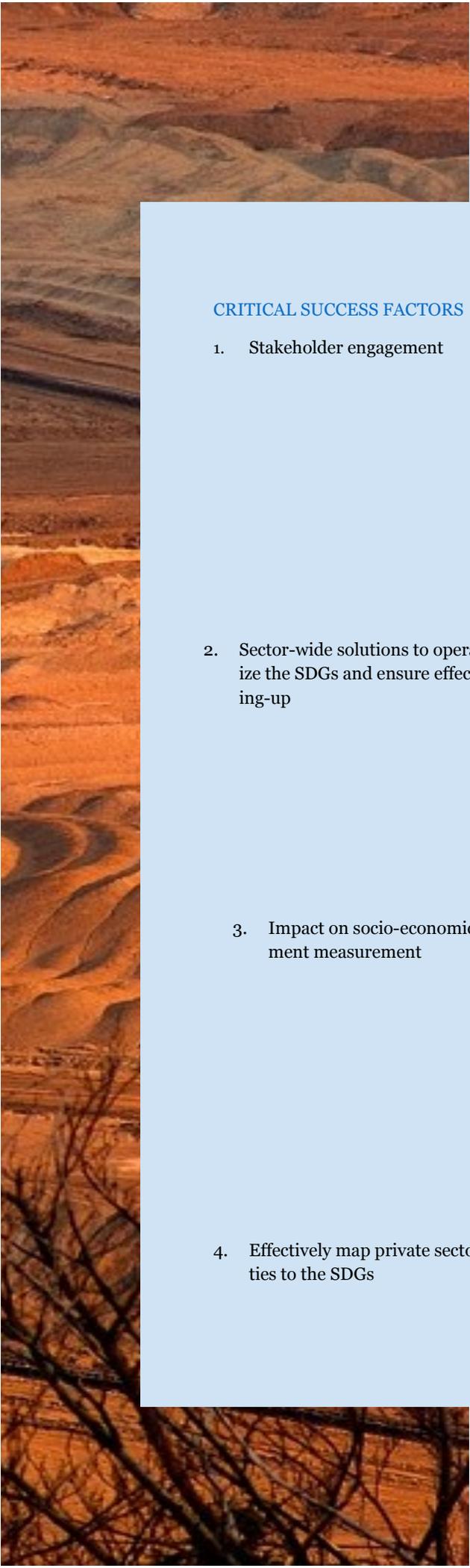
*“Programs designed with the community, for the community”.*

## SOMOS CHOAPA: A PARTICIPATIVE ENGAGEMENT PROCESS FOR SUSTAINABLE DEVELOPMENT IN THE CHOAPA PROVINCE – **ANDRES MORAN**

Somos Choapa is a program designed for the community, with the community. Its purpose is to build a shared vision for development, through constant dialogue and participation of local stakeholders throughout the stages of the project. With the SDGs in mind, Somos Choapa allows local stakeholders to make decisions collectively, thereby offering social legitimacy to the company's work in the area.

Somos Choapa is an integrated portfolio. All of the initiatives consider alliances between the private and public sector.

At the very beginning of the design process, the company contacted stakeholders with whom they would work. Vitality, the company built relationships with strategic partners and defined responsibilities and roles at the very beginning of the process. Antofagasta Minerals also prioritized maintaining constant, good faith communication throughout the project.



## MAIN CONCLUSIONS

### CRITICAL SUCCESS FACTORS

1. Stakeholder engagement
2. Sector-wide solutions to operationalize the SDGs and ensure effective scaling-up
3. Impact on socio-economic development measurement
4. Effectively map private sector activities to the SDGs

### ACTIONS

Design tools to effectively engage all stakeholders, including communities, in all stages of the project, including before the project is approved. Build consensus on shared conception of development grounded in SDGs. Discuss closure plans to ensure the communities will be better off at the end of the project life.

Leverage SDGs to reorient corporate thinking away from CSR as charity and toward a conception of integrated corporate responsibility in all areas of the firm.

Motivate joint efforts from companies and governments to integrate SDG operationalization and reporting in extractive projects: Draw from lessons learned from GIZ initiative in China (see page 7) and communicate specific process and outputs from this experience.

Improve access to data, align metrics being used by groups on the ground with SDG metrics used at the country level, and prioritize data-driven initiatives.

Harmonize reporting and measurement for private-sector projects with SDG indicators, taking into account country level SDG target integration into national vision. Integrate bottom-up data-collection into national data sets. Create incentives for organizations to share data.

Companies measure business success in terms of production and costs, but less often in terms of sustainability performance. Sustainability metrics must be integrated into companies' core business models with clear incentives to improve performance.

Joint efforts from UN and SDSN to coordinate political priorities and building capabilities.

Design processes to effectively advocate for a shared common vision of how to operationalize and integrate the SDGs into different stakeholders' agenda.

## THEMATIC TABLE DISCUSSIONS: FULL NOTES

*How can extractive companies and their stakeholders, including governments, academia and civil society, meaningfully map private sector activities to the SDGs? What are the challenges and opportunities of mapping company activities to the SDGs?*

*Table leads: AngloGold Ashanti; Minerals to Metals Initiative, University of Cape Town*

CHALLENGES	RECOMMENDATIONS
<u>Translating sustainability coherently into the core business strategy and cascading it to operational levels</u>	<ul style="list-style-type: none"> <li>• Primary business metrics are often production-based and cost-focused, failing to reflect a clear imperative for integration of sustainability into core business model. Embedding the SDGs into the business strategy will ensure that the goals become part of the company metrics and objectives rather than just philanthropy or charitable contribution by the business.</li> <li>• Inspiring confidence that the goals will be achieved will entail a change in business conduct to drive greater levels of contribution. Looking at existing business activities and mapping them to the SDGs risks translating into a transactional rather</li> </ul>
<u>Full translation of the shared vision framed by the SDGs into action is complicated by different and conflicting priorities and global and regional political dynamics</u>	<ul style="list-style-type: none"> <li>• Stronger governments and institutions, establishing supportive conditions and monitoring and evaluation frameworks, are a critical prerequisite.</li> <li>• The private sector could significantly support the overcoming of this obstacle by declaring and demonstrating a real commitment to contribute to the</li> </ul>
<u>Barriers to sharing and learning</u>	<ul style="list-style-type: none"> <li>• Fostering partnerships is essential to maximize impact.</li> </ul>
<u>Implementing the SDGs is often seen as a cost and funding challenge</u>	<ul style="list-style-type: none"> <li>• Raise awareness of the fact that SDG initiatives contribute to the strength of companies' business rather than distract them from it.</li> <li>• The improved application of technology and innovation can enhance the SDGs contributions to the companies' businesses. Innovative investors and funding models are proven means to help this transition.</li> </ul>

### If we were in this perfect world what it would look like?

- SDGs used as a broad-based approach, shaping higher order aspirations around the greater good – where business success AND accelerating societal development are congruent.
- This requires a clear understanding of accountabilities across the different stakeholders, clarifying who does what in the implementation.
- Incentives at the company level should meaningfully consider broader societal needs regarding contribution and impacts on government and economy.
- We have to move to integrated thinking AND integrated doing AND integrated reporting within companies and with stakeholders. This must consider an understanding of the complex system linkages dependences as well as trade-offs that flow from the decisions and the choices that we make, based on principles of around each value and did know how.
- We connect the internal and process metrics to the outcome and impact metrics and enable alignment to national and regional aspirations and contributions.

## THEMATIC TABLE DISCUSSIONS: FULL NOTES

*Should mining company reporting mechanisms and frameworks be aligned with the global SDG indicators? If so why/why not? How might reporting on the global SDG indicators be effectively harmonized with one another?*

*Table leads: Responsible mining index*

CHALLENGES	RECOMMENDATIONS
<u>Overlapping of sustainability indicators reporting</u>	<ul style="list-style-type: none"> <li>• Mining companies can overcome these challenges by encouraging existing reporting mechanisms and frameworks to align with the global SDG framework/indicators, and to align company reporting systems.</li> <li>• Frameworks for joint reporting between mining companies and local partners could build trust and collaborative monitoring and reporting.</li> </ul>
<u>Perception of top-down reporting systems that make it difficult to report from a local level</u>	
<u>Lack of clarity and alignment with respect to the responsibilities and mechanisms of different sectors and groups to report on the SDGs</u>	

*How can extractives companies more effectively engage indigenous communities to achieve the SDGs? What innovative tools and solutions are needed to support these efforts?*

*Table leads: PDAC; Marikit Soliman, Consultant at the Resource Economics Environment Centre for Studies*

CHALLENGES	RECOMMENDATIONS
<u>Building accountability and trust within the community and between the community and other government entities.</u>	<ul style="list-style-type: none"> <li>• Capacity building programs and transparency/clarity around project benefits, risks and plans, can help to build trust among stakeholders.</li> </ul>
<u>Weak and incomplete legislation around royalty payments to indigenous communities</u>	<ul style="list-style-type: none"> <li>• Discretionary payment of royalties on an as-you-go basis creates few lasting benefits. On the other hand, depositing royalties into an account on a semi-annual or annual basis, that could accrue over the life of the project, can provide annual returns for the long term.</li> <li>• Creating transferable skills that can provide for lasting employment after the mine closes (accounting, operations, etc.) can also strengthen local benefits as well as benefit the company over the course of operations.</li> </ul>

## THEMATIC TABLE DISCUSSIONS: NOTES

*At an operational level, how can companies engage all stakeholders, including local governments and communities, to maximize socio-economic development and the achievement of the SDGs? How can companies and other partners effectively measure their contribution to socio-economic development in the communities and countries where they operate?*

*Table leads: ICMM, Antofagasta Minerals*

CHALLENGES	RECOMMENDATIONS
<u>Community engagement</u>	<ul style="list-style-type: none"> <li>• Rather than engaging with communities only when companies are ready to break ground, companies can initiate an open dialogue with stakeholders at the earliest planning stages, including communities and government, to work towards a consensus conception of development and project impacts and contributions.</li> <li>• Collaborative processes can also contribute to cutting down on corruption risk by alleviating some</li> </ul>
<u>Shared language used in collaborative processes and engagement</u>	<ul style="list-style-type: none"> <li>• This dialogue should draw out what all partners want out of the relationship, drawing, as useful, on the SDGs.</li> <li>• While national governments are familiar with SDGs, local governments and communities may not be. But, stakeholders are interested in the principles behind the goals. To better engage stakeholders, companies can discuss the SDGs in a language that stakeholders recognize. Creating partnerships with government, NGOs or research institutions can help bridge the existing gap.</li> </ul>
<u>Aligning companies' development plans and ideas with existing efforts</u>	<ul style="list-style-type: none"> <li>• Many communities may already have their own development plans or ideas, but some may not. Working with communities allows companies to align their efforts and activities with existing development initiatives, and support the development of local planning processes where they do not exist.</li> </ul>
<u>Continuous engagement</u>	<ul style="list-style-type: none"> <li>• Initiating dialogue at the beginning of the planning process should not come at the expense of engagement at other stages. Continuous engagement may be attained by assuring that communication is constant throughout the project's tenure and by including closure plans in conversations.</li> <li>• Engagement plans can have SDG aspirations, and the SDG framework can then provide the metrics for key performance indicators (KPIs) and targets, allowing companies and communities to monitor progress.</li> </ul>
<u>Integrating the SDGs in community-based agreements</u>	<ul style="list-style-type: none"> <li>• Community Development Agreements and Impact Benefit Agreements can integrate the SDGs and corresponding targets; the agreements should allow relationships to evolve over time.</li> </ul>
<u>Harmonizing and sharing data and reporting</u>	<ul style="list-style-type: none"> <li>• Metrics should be flexible and adjust to changes over time, including to changes of communities' concerns. This is particularly true for mines that span several generations.</li> <li>• Close cooperation with the government, whose different ministries collect relevant data could help to create more robust baselines and measurement frameworks. Government data sources can be combined with data that companies collect for their own purposes to give a better picture of how the sector is contributing to the SDGs.</li> <li>• Harmonization of data (and reporting) could also support companies' contribution to governments' integrated SDG reporting processes.</li> </ul>

## THEMATIC TABLE DISCUSSIONS: FULL NOTES

*What are the challenges of developing sector-wide solutions to operationalize the SDGs? How can these solutions be effectively replicated and translated across borders?*

*Table leads: GIZ*

CHALLENGES	RECOMMENDATIONS
<p><u>Holistic integration of the SDGs in companies' plans</u></p>	<ul style="list-style-type: none"> <li>• Example: GIZ collaboration with the Chinese Chamber of Commerce to develop <a href="#">Chinese Investment Guidelines</a>:               <ul style="list-style-type: none"> <li>* Chinese Investment Guidelines further develop and disseminate OECD due diligence and CSR guidelines, and help companies evaluate how they are performing on the SDGs;</li> <li>* 30 years of trust-building within bilateral development cooperation preceded fruitful collaboration between GIZ and the Chinese Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters;</li> <li>* Guidelines are voluntary to facilitate company buy-in, but the financial case is being made: more projects will get approved if socio-environmental concerns are addressed, and increased access to funding for projects that qualify for green bonds;</li> <li>* More outreach and communication is planned to increase guidelines' adoption by Chinese companies (so far, 100 of 6,200 Chamber of Commerce members are familiar with the guidelines);</li> <li>* Operationalizing guidelines with tools such as Online Performance Assessment.</li> </ul> </li> </ul>