

**Comments on the MMSD Draft Report
Rio Tinto
March 2000**

- **Substance** – The MMSD Project Team should be commended for a most comprehensive and thought provoking draft report. It is a substantial piece of work and a remarkable accomplishment in the short time available. There is much to applaud. It is generally well written and draws together a diverse range of (often conflicting) views and research to make a valuable contribution to addressing the complex challenges of sustainable development. The final report will undoubtedly be a benchmark in helping to establish a solid framework and foundation for sustainable development.

We recognise that in many respects the draft report is a reflection of community views about our industry and its contribution to sustainable development. For this reason it must be taken seriously.

This is not to suggest, however, that the draft cannot be improved, or that Rio Tinto is in full agreement with the report or its recommendations. The following comments are thus presented in the spirit of providing constructive suggestions for improvement.

We do concur with two powerful and unarguable points that emerge in the draft report. The first is that extracting the full development value from mining requires a clear and detailed understanding of the economic, social and environmental effects which mining can have. The second is that the full development potential of mining will not be realised without government integrity and without appropriate legal and fiscal frameworks. As the draft report states in chapter 8, “...whether [minerals] turn out to be a blessing or a curse will depend ultimately on governments – on the quality of their institutions, on their capacity to manage these resources well and use them to catalyse development, and on their interactions with companies, civil society, and other actors.” There is, of course, as the draft report highlights, much that companies can do to assist this process and to support governments in their efforts to extract the full development potential from mining investment.

- **Focus** – The draft report is predominantly focused on issues associated with the metals value chain and takes little account of industrial minerals or other materials, which are an important part of the broader industry. A broader focus would enhance the report.

Also, the draft report is focused on the activities and issues faced by the corporate end of ‘the industry’, with the notable exception of explicit chapters such as Chapter 13, *Artisanal and Small Scale Mining*. It would be useful to more explicitly distinguish three sub-groups within the industry – multi-national corporations, smaller enterprises and artisanal miners – throughout, thus highlighting the complexity and diversity within the industry and the need for different approaches in each case.

- **Mutuality** – The draft report tends to focus predominantly on mining and minerals companies: what they have done, and what they should do now and in the future. In some respects this emphasis is well placed; there is room for improved performance. Few of the issues raised, however, are solely within the province of operating companies to resolve. The report should draw out more explicitly the mutuality of responsibilities, both in terms of the issues and the way forward. For example, in the agenda for change in Chapter 16, there is no suggestion that parties other than the industry should make declarations to address such issues as: the integrity and accuracy of information and assertions; improved transparency of representation and action; and the formulation of codes of conduct.

- **Currency** – The draft report tends to reflect historic views of industry practice, which do not take sufficient account of current good practice in the areas of environmental management, community relations and economic contributions. This is especially true in Chapter 9, *Local Communities and Mines*. For example, there is little reference to the many land use agreements that companies like Rio Tinto have voluntarily entered into with host communities, bringing substantial long term benefits to those communities. Nor is there sufficient acknowledgement of the extent to which some companies go to assess and mitigate the impacts of new projects, or where communities are actively engaged in decision making about new projects - even to the extent where, legal rights notwithstanding, projects are not proceeded with in the absence of host community support.
- **Tone** – In some areas, such as the Executive Summary and parts of Chapter 1, the tone is somewhat tendentious. A more constructive tone would encourage greater engagement by industry players.
- **Balance** – Clearly considerable efforts have been made to strike a balance in areas where there are differing views. It would appear that a reasonable balance has for the most part been achieved for contentious issues. The industry generally, however, comes in for much more robust treatment than do other parties. The important role for governments in addressing many of the issues and the role of other constituents in capacity building is lightly handled. For example: there is little suggestion that complaints may deal with the actions of parties other than companies; there is little acknowledgement that community organisations vary in their capacity and abilities, are not always independent, vary in their legitimacy and have not always acted honestly or constructively; and the Executive Summary focuses mostly on the perceived problems of the industry.
- **Economic analysis** – Two important issues are identified in the draft report. Firstly, the financial performance of the industry (with a few exceptions) is particularly poor and in most cases does not provide a return on capital. This is not fully explored. There is a lack of information about historical performance or likely future trends. Issues going to the heart of viability such as return to shareholders, bankruptcies, the longevity of players (including the turnover of junior miners) and the declining real value of products are not discussed, or are mentioned only in passing.

Secondly, responding to the challenges of sustainable development will require additional resources from an industry that is already under considerable financial pressure. The inevitable implications of these two issues are not adequately addressed. How do we reconcile the low prices paid by consumers for mineral products with increasing expectations of corporate responsibility?

- **Practical dilemmas** – There is room to draw out more explicitly the practical dilemmas inherent in the key issues, particularly with respect to directions forward. For example, even simple observations about the nature of land-use decision making have embedded within them difficult dilemmas about resolving competing priorities and aspirations, who should be involved, how decisions should be made, and various roles and responsibilities. Similarly, the issue of 'prior informed consent' raises issues of by whom, to what extent dissent can be accommodated, who decides, and so on. The challenge in each case is 'how' to implement these simplistic concepts in practice.
- **Limits** - There are limits to what companies can do. Recognition of these limits is not always clear in the draft report. There are clear limits, for example, as to how far companies can and should involve themselves in matters of rent distribution in countries where they operate. These are properly matters for governments, whatever their

shortcomings. There are also limits as to how far companies can or should go in the provision of basic social services in the regions where they mine, such as health and education. A real risk exists that by over-involvement in these matters companies will create a culture of dependency and permit governments to walk away from responsibilities that are properly theirs. We suggest the issue of limits be considered in revising the draft report.

- **Definitions** - Greater clarification would be helpful around who are 'stakeholders' and why, including surfacing the different views around this issue. Not all interested parties have the same 'stake' in the outcomes.

The distinction between the 'industry' and the 'sector' is also an important one to clearly enunciate. Many readers will 'dive into' only selected sections of the report and may not register the distinction. Most chapters could be more explicit about these definitions, thus clarifying which issues have implications for all, or some, of the players involved in the 'sector', and which ones for the companies.

Also, differentiating between legal and illegal activities may be helpful in considering the ways forward in addressing the complex issues related to small-scale and artisanal mining.

- **Technology** – the role of in technology in finding practical solutions, in particular regarding some of the environmental challenges that we face, is only superficially addressed in the report and could be given higher profile. Of course, the application of new technology can, of itself, create new issues to address.
- **Regional input** - It appears that the outcomes from the regional MMSD processes has been confined to one chapter, rather than integrated throughout the draft report.