

CORPORATE SOCIAL RESPONSIBILITY IN NATURAL RESOURCE EXTRACTION

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Today, corporate social responsibility (CSR) is a critical strategic component within the oil, gas and mining industries. Despite historical perceptions that companies in the extractive industries neglected the environmental and social consequences of their activities, a paradigm shift is now occurring, with companies increasingly recognizing the potential of CSR initiatives to restore degraded land, strengthen relations with neighboring communities, support economic growth and gain social consent. Key areas in this respect include investing in environmental regeneration and carbon offset, protecting biodiversity, building robust social programs, supporting agribusiness and leveraging local procurement. Building on the positive momentum, how can companies in the natural resource sectors further leverage their CSR programs to build truly “shared value” approaches? In this briefing paper, we survey extractive operations in Africa, Latin America, Russia and China, highlighting examples of CSR leadership and future opportunities.

CSR in the extractive industries: a regional overview

The importance of CSR in the natural resource extractive industries cannot be overstated, particularly given the inherent risks of environmental degradation, land loss and potentially negative economic effects on local communities. In this respect, CSR can help mitigate negative social and environmental consequences by fostering sustainable practices, supporting community development, and promoting responsible supply chains. Given the nature of extractive activities in Africa, Latin America, Russia and China, it is clear that robust CSR programs are vital for promoting sustainable development, addressing social and environmental challenges, and fostering positive relationships with local communities.

OUR EXPERIENCE IN CSR

- Expertise in developing robust sustainability strategies for revenue generation and stakeholder engagement
- Guiding organizations in green investment projects and sustainable finance solutions
- Advisory services on regulatory compliance and human rights due diligence
- Promoting sustainable corporate governance and responsible business practices
- Driving supply chain sustainability through ethical sourcing and environmental considerations
- Conducting comprehensive environmental impact assessments for responsible project planning
- CSR project design and implementation through community engagement and social impact initiatives

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In terms of regional specifics, Africa boasts abundant natural resources, including mineral deposits, oil reserves, and fertile land for agriculture. These resources form the backbone of many African economies, fostering economic development and progress. Since the establishment of democracy in South Africa in 1994, the mining industry has emerged as a frontrunner in implementing impactful CSR initiatives, making substantial financial contributions to environmental conservation, community development, education, and skill development programs, thus promoting sustainability and empowering local communities.

Equally, the growing global demand for fossil fuels and minerals has led Latin American governments to recognize the extractive industries as vital for their advancement. In response, CSR efforts in the region focus on environmental protection, indigenous rights, and social inclusion. Companies engage in reforestation, biodiversity conservation, and infrastructure development projects to benefit local communities, while ensuring respect for cultural heritage and human rights.

In China and Russia, extractive sector companies have tended to invest in renewable energy, support local communities through infrastructure development, and address health and safety concerns. Given Russia's role as the world's largest exporter of natural gas and the scope of China's mining activities, both countries are well placed to further prioritize environmental sustainability, poverty alleviation, and social welfare.

What types of initiatives have historically characterized CSR programs in the extractive industries in these regions?

- **Implementation of environmental conservation activities.** For example, the De Beers Group's partnership with National Geographic and local communities in Botswana stands as an example of environmental conservation efforts. The company has established wildlife corridors, protected endangered species, and promoted sustainable tourism, ensuring the coexistence of mining operations and conservation efforts. Equally, Rio Tinto has created a biodiversity offset program to mitigate ecological harm by creating conservation initiatives in their host countries of operation.
- **Investment in renewable energy and carbon capture.** China's state-owned energy giants, including Sinopec, CNOOC, and PetroChina, are investing heavily in renewable energy. They plan to invest over \$14.5 billion in diversifying their portfolios, including fuel cell vehicles, offshore wind power platforms, and carbon capture projects. Sinopec's megaton carbon capture project aims to reduce carbon emissions and promote clean energy development, contributing to China's goal of peak carbon and carbon neutrality.

- **Promoting innovation and entrepreneurship.** In another example, Anglo American's Zimele program in South Africa focuses on social and community development. It provides funding, mentorship, and business support to local entrepreneurs, fostering economic empowerment and job creation. The program serves as a template for public-private partnerships, promoting economic diversification and meaningful socioeconomic development in mining communities.
- **Investing in agribusiness.** Investing in the core economy, including agriculture, food systems and water systems, is a direct, impactful strategy for improving development outcomes in extractive host countries. In this respect, Eni's Seeds for Sustainable Energy bootcamp in Kenya exemplifies how open innovation initiatives can transform the agribusiness chain, boost the local economy, support innovation, and establish synergies with agri-feedstock activities while contributing to Kenya's sustainable growth in the agriculture sector.
- **Training programs to support women.** Teck Resources' investment of \$5 million in the UN Women's Originarias program in northern Chile empowers Indigenous women and youth. Through access to tools, training, and opportunities, over 1,000 indigenous women have received training, leading to greater autonomy and improved quality of life. The program highlights the role of indigenous women as knowledge transmitters and defenders of culture and rights.
- **Providing social and health services.** Gazprom's expanded social investments in the Irkutsk region of Russia have led to the construction of sports and educational facilities for the local community. The new infrastructure projects, such as a sports center and a kindergarten, provide increased access to education, healthcare, recreation, and other services for residents.
- **Use of artificial intelligence (AI) to improve sustainability outcomes.** Precision monitoring equipment like leak detection systems, aerial methane mapping, and real-time environmental sensors help firms minimize impacts. Digital platforms enable tracking of emissions, water use, and waste generation to identify efficiencies, while automation and AI can optimize energy and material consumption.
- **Leveraging local procurement.** Other economically-driven CSR initiatives can involve purchasing from firms, providing skills training, and supporting entrepreneurship. Local procurement requirements in contracts also expand supply chain opportunities. Partnering with schools and governments on STEM education enables workforce development. Investing in rural telecoms, electrification, and transportation infrastructure powers broader growth.

Future directions for CSR in extractive industries

Environmental sustainability and climate change mitigation

Environmental sustainability and climate change mitigation will become increasingly urgent CSR priorities in the extractive industries. Companies must focus on reducing carbon footprints by minimizing flaring and methane leaks, electrifying operations, integrating renewable energy, and investing in offsets. Large-scale clean energy generation through solar, wind, geothermal, and hydrogen projects aligned with net-zero goals can aid the overall transition to cleaner energy sources.

Biodiversity conservation and ecosystem restoration will grow in importance as firms seek to offset the impacts of resource extraction. Initiatives like reforestation, habitat protections, partnerships with environmental groups, and research funding all help preserve threatened species and vulnerable environments. In sensitive areas like frontier deep sea development, Arctic regions, and the Amazon, companies must prioritize conservation and use technologies like directional drilling to minimize surface disturbances.

Climate adaptation and resilience measures will also be necessary as global warming exacerbates physical risks from flooding, droughts, storms, and other impacts. Companies play key roles in elevating climate considerations in decision making and infrastructure design while providing climate-vulnerable nearby communities with early warning systems, emergency response plans, and access to climate adaptation resources.

Social and community development

Advancing social and community development requires enhancing engagement and participatory decision-making. Companies should institute robust consultation processes that enable communities to actively shape CSR initiatives based on local priorities and insights. This empowers them as partners, not just aid recipients. Ongoing dialogues, participatory monitoring, and transparent communications are crucial.

Investments should focus on expanding access to education at all levels and improving healthcare services through facilities, training, equipment, and mobile outreach. Partnering with local governments and NGOs can optimize community benefits. Developing economic infrastructure like roads, power, clean water, and telecoms further enables long-term development beyond a company's operations.

CSR success hinges on respecting community self-determination and embracing participatory models. This collaborative approach requires relinquishing control but leads to CSR that empowers people and fosters sustainable, mutually beneficial relationships.

Responsible supply chains and human rights considerations

Ethical sourcing and responsible mineral supply chain management will be of increasing focus as stakeholders demand traceability and best practices free from abuses. Robust due diligence processes will be necessary to trace the origins of minerals and ensure sourcing from conflict-free areas, without contributing to human rights abuses. Transparent supply chain practices, certifications, and collaboration with stakeholders will play a pivotal role in achieving responsible sourcing goals. Respecting the rights, safety, and dignity of the workforce and communities is paramount. Companies must adhere to international human rights standards and create policies that safeguard the rights and well-being of their workforce. This includes promoting gender equality, fair wages, and safe working conditions while actively combating child labor and forced labor practices. Mechanisms like blockchain and certification schemes can provide greater traceability and improve efficiency and performance across the value chain.

Conclusion

CSR is a critical driver for sustainable development in the extractive industries. Future priorities revolve around community empowerment, climate action, and human rights. To succeed, companies must adopt participatory models, prioritize emissions reductions and supply chain transparency, and respect local rights and consent. A strategic approach to CSR will demonstrate the incredible possibilities of shared purpose and leave a lasting positive impact on both the environment and societies in which they operate. Ultimately, CSR in extractive industries must align business actions with ethical conduct and prioritize "do no harm" principles. Transparency, commitment at the highest levels, and a willingness to adjust course when issues emerge are essential for progress.

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