
WHY HAVE A CSR PROGRAM?

Community challenges have in some instances acted as a deterrent to risk-averse investors, and have limited the ability of mining companies to raise both debt and equity finance. Having a program in place can:

- Deter project delays and even mine closure. Significant delays may cost up to two-thirds of the mine project's initial value. Even at the exploration stage, costs can accrue. In the case of a serious exploration project for a new mine; around US\$10000 will be lost every day of delay in terms of wages, idle machinery and so on.
- Provides a way of responding to increasing consumer concern about how the products they buy are produced, combined with the fact that the internet allows consumers to scrutinize mining companies' operations
- Mine-impacted communities are expected to be treated fairly and more than 60 financial institutions have adopted the Equator Principles, which stipulate this before granting loans.
- Some mining companies are also engaged in dealing with legacies of poor past performance. Recent mergers and acquisitions have put various companies at risk by taking on social legacies. It has highlighted the need for effective social due diligence.
- When, finally, the big challenge is for mining companies to ensure that they do not have any social liability on their books for closure, with planning beginning right from the beginning of the project.

"Firms with social citizenship records and a real commitment to corporate responsibility are arguably more sustainable, better managed and, therefore, better long-term investments." As Tony Fell, Chair of RBC Capital Markets, has stated, "the ongoing vitality of our communities is both in our long-term business interest and in the interests of a healthy, vibrant country. No enterprise operates in a vacuum."

Economic Development is seen as a way of not only encouraging sustainable development, but also mitigating social risks that have profound impact on a project's bankability (acceptance for funding) and its rate of return. (Bede Nwete)

WHY SEF

Mining companies are aware of issues that CSR can create dependency. They now have a program to respond this, SEF Entrepreneurial Development Program; an investment in the community in a sustainable manner that generates real and tangible social benefits.

Getting and keeping a "social licence to operate" is no longer an option in today's world.

This is key from reputational, bankability and stock market perspectives, and to attract high-quality partners; in addition, they are increasingly seen by most of our clients as fundamental to the development of long-term partnerships, and to secure support from local populations.