



SPECIAL REPORT

Mining and reputation in Peru: a liability that needs to be solved

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1. INTRODUCTION
2. CANADA: A SHOWCASE FOR MINING INVESTMENTS IN PERU
3. THE OPPORTUNITY TO MANAGE THE REPUTATIONAL LIABILITY

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“We must change the history of mining and achieve recognition that, well managed, does contribute to the growth and quality of life of the surrounding communities”

*Ollanta Humala
Perumin 2013*

1. INTRODUCTION

Nowadays, mining companies are implementing new technologies to better control the environmental quality of their activities in the zones they operate in and also investing a lot of resources in social programs. This is a substantial contribution to improving the quality of life of surrounding communities. However, this phenomenon is not widely spread and communicated in a sustained manner. The President of Peru himself, Ollanta Humala, aware of the situation, proposed a key concept at Perumin 2013: new mining, a management approach that many mining companies are already implementing but whose coverage needs to be improved.

Despite all efforts made so far, mining still has a liability: its reputation. Further investments in social responsibility programs, works for taxes, technology and new equipment will not help improve the reputation of this new mining unless the latter invests in corporate reputation.

And the current context is proper to achieve it. The Peruvian State considers that one of the cornerstones of the economic boom is the mining activity. This is a rather important statement which reflects a mature relationship with the private sector. But, above everything, this is an excellent chance that mining entrepreneurs –as well as international investors who seek to penetrate the Peruvian market– must optimize in a timely and intelligent manner.

“Peruvian mining will feature a showcase for maintaining a growing dynamics of investments and has a portfolio of over 50 mining projects confirmed through 2018, amounting to US \$ 57 billion”



2. CANADA: A SHOWCASE FOR MINING INVESTMENTS IN PERU

The global investment in mining exploration in Peru dropped by 29% in 2013, from USD 21.5 billion to USD 15.2 billion, according to the global ranking of mining exploration carried out by SNL-Metals Economic Group (MEG), dropping from the sixth to the seventh place during the 2012-2013 period.¹

“In the past 30 years mining investments amounted to USD 57 billion. Our goal should be to double the project portfolio by the national Bicentennial”, said Jaime Bellido, President of the Organization Committee, PDAC 2014 Peru. His words clearly show the plans for the mining sector in the country: to strengthen its role as an engine of growth of the emerging Peruvian economy.

This optimistic statement of intent is illustrative. But more importantly, the aforementioned statement added to the fact that the Peruvian State is increasingly supporting a sector with whom relations had been traditionally colder shows the great opportunities that mining investors willing to explore and invest in Peru will be able to seize.

This was evidenced by an unusual and rewarding fact for the Andean country. For the first time in the 81-year history of the most important mining convention in the world, the “Prospectors and Developers Association of Canada” (PDAC), Peru has been exclusively designated as a “MINING COUNTRY SPONSOR”, which enabled the country to participate in a privileged forum and certainly contributes to the promotion of the country as an attractive investment recipient in one of the most important financial centers around the world.

In this year’s convention, the Peruvian delegation is comprised of about 500 people from the public and private sectors, including the Vice President of Peru and the brand-new Minister of Energy and Mines –Eleodoro Mayorga– with the aim of promoting mining investments in the country through an unprecedented joint effort in Peru. The goal is to put the country back among the top



¹ Source: Newspaper El Comercio 27.02.14. Perú cae del sexto al séptimo lugar en ranking global de exploración minera (“Peru drops from the sixth to the seventh place in the global ranking of mining exploration”).

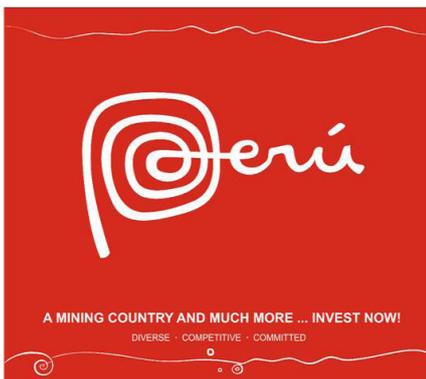
three countries with the largest investment in mining exploration around the world and, why not, double the portfolio in the coming years.

3. THE OPPORTUNITY TO MANAGE THE REPUTATIONAL LIABILITY

In this context, and from a communicational point of view, one of the pending subjects for mining companies is to enhance their corporate reputation. We are convinced that the opportunities to position the new mining –responsible, technologically advanced and environmentally committed– is in our grasp; we merely need to make a decision.

Therefore, there are certain aspects that require thorough reflection:

- **Recognizing the value of the mining activity.** In Peru, many mining companies do things right, yet few people are aware of it. It is not known and therefore not recognized. Who better than the mining investors themselves to take a step forward and defend the work they carry out throughout the country? There is no reason not to communicate to the stakeholders all the good things that the new mining has been doing so far.
- **Providing information in a timely and adequate manner.** Experience shows that all mining companies have positive issues or results that should be communicated, but they hardly ever do it, even among the communities surrounding their area of influence. There are communication tools that might contribute to making long-term, sustainable and regular (and above everything, strategic) communications.
- **Socializing mining.** There is no doubt that information and dialogue with communities substantially contribute to eradicating myths about mining and mitigates potential conflicts with miners. Social networks, for example, are very efficient tools for companies when used correctly; we have witnessed cases of corporations that have done a great job, although they are a minority.



- **A sound relationship and dialogue with stakeholders.** Relationships depend on many factors, the main one being respecting and meeting agreed commitments. And if the company fails to do it, it should at least recognize it. Denying the aforementioned failure is the worst possible strategy.
- **Demystifying mining.** This is a task which primarily involves regional mining associations and mining groups. A new responsible mining implies communicating and informing the communities

—and stakeholders— about the benefits that this new approach will entail for them.

Certain mining companies are already implementing the above actions as part of the new mining management. However, others—in an effort to prevent any potential conflict or confrontation or simply because they do not consider this to be a priority— end up becoming silent groups. With this modus operandi mining, companies themselves become the biggest obstacle to manage a liability that, for years, has been waiting to be solved.

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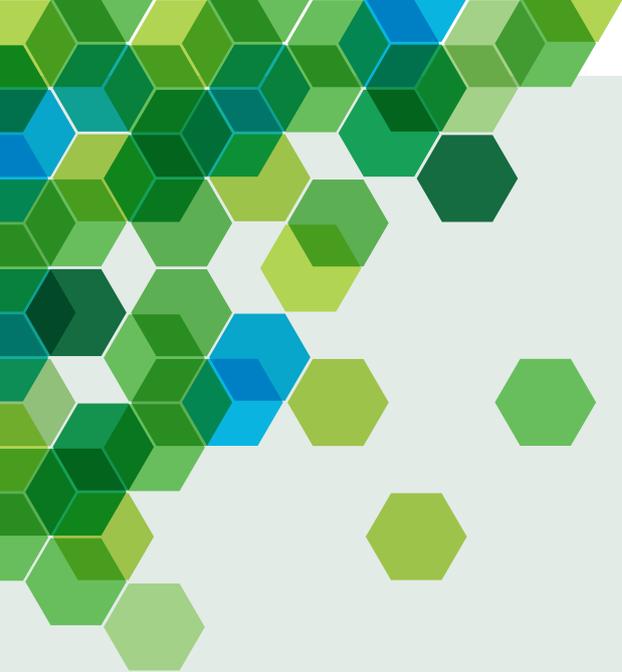
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