

Edmund Rice Business Ethics Forum

“GLOBALISATION, SUSTAINABLE DEVELOPMENT AND BUSINESS ETHICS”

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GLOBALISATION, SUSTAINABLE DEVELOPMENT AND BUSINESS ETHICS

Over the last couple of years we have had countless opportunities to read articles or to watch television programs that speculated on the trends that will shape the world of the 21st Century. Magazine after magazine published special issues devoted to the ideas, the technologies, and the people, who will help give shape to the new century in its dawning years.

What all this special news coverage had in common was optimism stemming from the potential in societies around the world for future developments of benefit to humanity. What was too infrequently mentioned – even when there was discussion of energy and environmental issues – was the concept of sustainable development.

I don't think anyone here will argue, that the opening up of world markets has led to unprecedented economic growth. But that growth has not been shared equally across the globe, and so the benefits of free and open markets are being questioned by some. The protest at the WTO ministerial meeting in Seattle, and World Economic Forum conferences emphasised the tensions which globalisation has caused.

Earlier in 1999, stressing the need to underpin the free and open market system with stable and just societies, UN Secretary General Kofi Annan challenged business to embrace a set of core principles for human rights, workers' rights and environmental protection. He called this "Globalisation with a Human Face".

I am firmly of the view that business cannot take open global markets for granted. It must demonstrate that the economic growth which globalisation has fuelled confers benefits which all can share. This is part, if you like, of securing business's long-term license to operate.

Globalisation – so what is this dreaded G-word?

The violent demonstrations to which I have referred has ensured, that globalisation has become a household word. Reality, however, is that it is a process that has ebbed and flowed for thousands of years.

This process of globalisation has deepened, and broadened the economic and political connections among the world's communities.

Just so we are all interpreting globalisation from the same page, the fundamental economic mechanisms through which globalisation occurs are trade and investment, economic liberalisation and privatisation. The growth of the internet and increased access to computers has, in my view, been a key unique factor in this development.

Each of us can identify with how globalisation has increased the pace and scope of change.

We have seen:

- ◆ Growth and contraction in industry sectors in both developed and developing countries, and the related impacts on the communities, where these industries are located;
- ◆ Increased competition among and within nations; and
- ◆ Interdependence between nations.

As Jim Wolfensohn said during his 2001 trip to Melbourne, there is no reversing the trend of globalisation. Information technology has simply accelerated the process of information transfer. He also referred to World Bank data indicating that three billion people (half the worlds population) have benefited from globalisation while around one billion have not.

What does all this mean then for business?

The creation of BHP Billiton for example, reflects the globalisation process. We faced two clear options - do a deal or have a deal done to us. We chose the former and through the merger of BHP and Billiton have created an Australian based company that is truly global in its activities. There are many other examples of business adopting a different operating model to enable survival in a globalised world.

The growth of funds under management is a key factor behind the fact that corporations now represent 50 percent of the world's 100 largest economies.

While many people have benefited from globalisation there is still a large body of people who see companies as being the primary beneficiaries of globalisation. The perceived wealth and power of a company's influence on people's lives is now feared by many. The fact that globalisation has meant that economic activity is increasingly subject to rules set internationally, rather than locally, has brought about a feeling of disenfranchisement by some.

In the meantime, the capacity of public institutions to keep up with change has been stretched. This of course has increased community expectations of the private sector and an increasing expectation that Corporates will be accountable to a wider range of stakeholders.

This is fair enough – if we are to move to a sustainable development framework which is defined in terms of social, economic and environmental goals and objectives. It is natural that there be better systems of governance and instruments that allow the goals to be achieved, but we need to be careful that we do not deal with these issues in isolation because they are not mutually exclusive.

What then does it mean for a Global Corporation Model and its approach to Sustainable Development?

Contrary to some, I believe that globalisation has brought higher corporate standards of environmental and social performance. In the past a company's licence to operate was granted by governments and governments alone. In some instances the regulatory frameworks were poorly developed, or, virtually non-existent, resulting in the potential for an unethical company to exploit the situation.

Now we see the communities with which we work, the media, and NGOs playing a role in determining our licence to operate and grow our businesses. I am sure most present here tonight would be aware that multinational corporations are very sensitive to criticism regarding their environmental and social performance. There is no doubt that the Internet world has ensured that poor performance is rapidly and widely broadcast in glorious technicolour for all to see.

That said I take issue with the suggestion from some sectors of the anti-globalisation debate that developing countries should be protected from development. This is fundamentally a decision for governments on behalf of the people in question. Our experience, however, is that developing countries do want to develop their economies and benefit from the improvements in education, and health, that this may bring, and again, there is no doubt in my mind that the natural resources industry has an important role to play in contributing to sustainable development.

I do however, recognise that the minerals industry has had a patchy record of environmental, health and safety performance and all too often leaves little behind for communities once the

resources are exhausted. I could observe that such instances have been due to mismanagement associated with poor governance and regulatory frameworks.

In other cases, companies have failed to work effectively with host governments and communities to maximise the benefits of the resource development. As a company we have learnt a lot from our experiences here in Australia, Southern Africa, PNG and South America and recognise that we have a role to play in helping developing countries, learn from this experience and avoid making the mistakes of others.

As a result of these experiences BHP Billiton and other major minerals houses have lifted their games significantly in terms of how we engage with stakeholders generally. We have moved from a process where we might not have even communicated with communities about the impact of our projects, to a point where we engage them in the dialogue about a project in its design stage and for the life of the project.

Drivers for Business Performance

From a business perspective there are a number of key drivers shaping our commitments and performance with respect to Environment and Social issues and there are many case studies one could quote which highlight the positive and negative aspects of the key business drivers:

- ◆ Liabilities
- ◆ Land access
- ◆ Project security
- ◆ Recruitment
- ◆ Regulatory constraints
- ◆ Reputation
- ◆ Ethical investment funds – small but rapidly growing

On a positive note, in recent years we have seen the emergence of codes of conduct aimed at improving the performance of Corporations. The Global Compact, OECD Guidelines for Multinational enterprises and the Australian Minerals Industry Code for Environmental Management are all aimed at providing benchmarks aligned to the principles of sustainable development.

At BHP Billiton we have reflected the core element of these codes in the development of the Company's Charter, the HSEC Policy which along with our guide to business conduct form the backbone of the "BHP Billiton way" – these are the fundamental principles upon which our business ethics are based.

To my mind the BHP Billiton Charter is one of the most succinct and effective Corporate commitments to the principles of sustainable development that I have seen and experienced working as a living document. The Company's commitments in terms of the economic, social and environmental aspects of sustainable development are clearly addressed in the value statements, and success measures for the Company.

If I can give you a quick truncated version of the Charter.

In terms of economic performance we are fundamentally accountable to shareholders and need to deliver superior returns if we are to remain in business. I know I don't need to convince you of our commitment in this regard so let me focus on environment and more particularly the social aspects of sustainable development.

The Company's commitment in relation to environmental performance is clearly stated in the Charter:

We have an overriding commitment to safety, environmental responsibility and sustainable development.

This commitment is further developed in the Company's HSEC Policy where we have set ourselves a target of zero harm. This is our long-term goal – the bullseye if you like, that guides our aim. We won't get there tomorrow but it is where we ultimately want to be and we will set stretch targets towards this goal and publicly report our progress through our annual environment and community report.

Part of our strategy of course is to pursue eco-efficiency opportunities – essentially producing more with less environmental impact. However, we are also taking advantage of the benefits of new technologies. Developments like the Falcon airborne gravimetric survey technology allow us to undertake exploration activities from the air over extensive and potentially remote areas that in the past would have required extensive exploration tracks.

Eco-efficiency is easy say, but the journey to success is long and arduous. There is no doubt that it is a necessary component of sustainability but it alone is not sufficient to get the right outcomes.

I am a firm believer that contemporary business is part of a highly integrated global system in which supply, demand, government structures, financial markets and society's expectations all combine to influence the outcome. Exciting new developments such as biotechnology, nanotechnology, and e-commerce offer opportunities to improve that system. However these technologies will ultimately be counter productive if they are not developed within a framework of sustainability. The principles and practice of sustainability must pervade the entire global system for this concept to ultimately succeed.

On the social side, one of our core values is that we *"Seek opportunities to share our success by developing partnerships that focus on creating sustainable value for everyone."* We also recognise that we will only *"be successful as a company when our citizenship is valued by the communities with which we work."*

A commitment to one percent of pre-tax profits and commitment to share the benefits of our success through sustainable benefits is already well established. We recognise the need for a participatory approach that involves encouraging communities to determine their own future.

We recognise we do not know what is good for them – they need to determine this for themselves and we will help where we can. This requires extensive consultation through the life of a project and a commitment to develop projects that will be self-funding after the life of an initiative. This is particularly relevant to a mining project.

Again, as Jim Wolfensohn says, this is not charity. In fact, companies cannot be managed simply on philanthropic or "do-good" principles. To win business support for sustainable development, you must be able to demonstrate that it is actually good business and that it has an effect on the bottom line. As the BHP Billiton Charter says, we will not be successful unless the communities with which we work value our citizenship. Corporate social responsibility must be internalised in the Companies business ethics if the company is to survive and prosper.

The Kyoto Protocol

No discussion on environmental issues would of course be complete without mention of the Kyoto Protocol.

When President Bush declared in March 2001 that he was withdrawing the United States from the Kyoto Protocol – which as you know is a 1997 International Treaty intended to curb rising temperatures around the globe – he drew angry attacks from many quarters.

As tempers have cooled, politicians and environmental experts are giving fresh thought to alternatives to Kyoto, from a full throttle assault on greenhouse gases, to strategies on living with a hotter climate – ways to reduce greenhouse emissions through the trading of pollution credits, is also getting a hearing. Technological solutions are drawing attention too.

I don't have the answers, but with so little consensus, I could be cynical and suggest that the options requiring the least effort, I suspect will win by default.

In my short experience in this area, the one thing that has struck me is how nations use data to further their own vested interests.

For example, if you look at a ranking of who pollutes the most; USA, China, Russia, Japan and India make the top five, Australia cannot make the top ten list.

Developed countries use this type of data to say that any agreement on reductions in emissions and improved energy efficiency must include developing countries.

Developing countries say this is wrong because developed countries have already raised living standards with significant emissions in the past and so should now have a higher set of targets for reducing emissions.

Irrespective of this debate what is important for the moment are the most immediate targets that have been negotiated under the Kyoto Protocol, which now looks more than ever like it will come into effect in 2003. These targets, which are based on the level of emissions, are still not very "immediate" – they cover the period 2008-2012. The European Union and Japan have indicated that they will ratify and are putting in place systems to meet their targets. If Russia ratifies, as it is in their interest to do, Kyoto will come into force even though the world's largest producer of greenhouse gases, the US, is going to take action on climate change in its own way.

At BHP Billiton, obviously we cannot influence the political agendas, however we have been following the course of international negotiations closely, as we feel it is an important issue for the company. We are also considering what our overall company policy will be regarding climate change. In recent years a number of our businesses have reduced energy intensity significantly, including in Australia under the Greenhouse Challenge programme. In the 5 years to 2001 we achieved a 10 per cent improvement in the intensity of our emissions in Australia. We are currently working on determining what our internal greenhouse gas emission target will be for the next 3-5 years as part of our overall climate change policy.

As we move forward we are investing capital to ensure that our energy use is as efficient as possible -- for example our new aluminium smelters in Southern Africa are the among the most energy efficient in the world. This behaviour benefits our businesses, reduces the impact of our operations and is consistent with sustainable development principles.

GMI and MMSD

There are of course arguments promoted to suggest that mining and sustainable development is a contradiction in terms.

Industry leaders recognised that the industry has a reputation problem due in part to shortcomings in past performance and increasing community expectations. As I have mentioned however, the industry has not effectively communicated improvements in its performance.

So what are we doing about it?

Supported by the world's major mining companies, the Global Mining Initiative (GMI) through the Mining Minerals and Sustainable Development (MMSD) seeks to present a challenging analysis of how the industry can improve its performance to progress towards a more sustainable future. The MMSD is independent of the industry and has involved extensive engagement with wide array of the industries stakeholders. The other major objective of the GMI is to improve the way industry responds to these challenges and represents its progress to our key stakeholders.

The MMSD and GMI processes are coming to a close and will culminate in the mining industry contributing to the sustainable development debate at the Rio plus 10 conference next August/September in Johannesburg.

We may see the industry move to adopt a sustainable development code – at this point it is too early to tell what the outcome will be but we know that the environmental, economic and social impact of our business is important and we must deliver better outcomes than we have been known for in the past.

We recognise that it is no longer acceptable to say “trust us” to our key stakeholders. We have to enable our stakeholders to track our performance in a transparent way. Our Cannington silver, lead and zinc mine in Queensland has taken a leadership position in this regard by engaging the Queensland Conservation Council to undertake a fully independent audit and public report of their environmental performance. This proved an interesting and challenging project for both parties.

We are also supporting a WWF initiative to establish a type of a certification scheme which would see mining developments and miners to be independently certified on sustainable development grounds. I am sure you will hear a lot more about this into the future.

Conclusion

There are opportunities for positive change and for creating a vision and reality of globalisation, where social inequities and environmental decline are addressed.

For business this means doing things differently:

- ◆ Translating sustainable development into reality – it will be by doing the hard yards in all the locations where we operate to put our words into action.
- ◆ Forging creative partnerships with traditional adversaries – NGOs and civil society groups – and working together for positive change with a focus on the future.
- ◆ Demonstrating leadership and encouraging under-performers to lift their game. Societies assessment of our value will also depend on what our neighbours do.
- ◆ Focusing on societal value, not only shareholder value. They are not mutually exclusive and as we move forward will become increasingly related.

The cynics amongst us may see all this as self-interest. This may be the case.

However, I would put a slightly different spin on this and argue that 'enlightened' self-interest is something business should be unashamedly pursuing, so all sectors of our society can prosper and grow.

Thank you.