

Rio Tinto – exploring the new frontier

Charlie Lenegan, CEO of Rio Tinto Australia, says the mining giant made a commitment in the 1990s to implement a CSR scheme throughout its international operations.

'It's a global program, but it has had real impact in Australia in terms of our engagement with communities,' Mr Lenegan said.

'We made a decision to establish long-term partnerships with the communities in which we worked, based on respect, commitment and working together.

'We decided we would not engage in trying to resolve native title claims through the legal system, because they were getting stuck in the courts. We decided to go through something much more fundamental.

'The way we work is to have a statement of business principles and a set of guidelines that has been cascaded down through all management levels and employees in the group, and is now embedded in the way we do things.'

Mr Lenegan said Rio Tinto had identified a strong business case for adopting CSR, because of the nature of its operations: mining projects may last for decades and can have significant impacts on local communities. Over the past few years, the company has entered into a comprehensive series of agreements with the community at its Argyle diamond mining operation in Western Australia's Kimberley region.

'We need to have healthy communities to have a healthy business,' he said. 'If you have an unhealthy community, the costs, pressures and tensions will impact on the business.

'CSR has actually given us a competitive edge, and not just in terms of our ability to resolve problems and get on with business. Our reputation has made us the developer of choice when we're dealing with governments and communities. Now that we have established our credentials, our focus on finding sustainable solutions is a powerful advantage.'

Mr Lenegan said while there is a very strong business case for CSR and responsible businesses are becoming involved, companies should be free to develop their own programs, without a legislated requirement to do so.

'Frameworks have been developed for reporting and we, and many others, are reporting in accordance with them. Templates are emerging, but it's an evolving process.



Argyle works with the local communities toward sustainable environmental and social outcomes such as the ethno-botany seeding program. Courtesy of Argyle Diamonds

'You need to hire people who can help with the revolution, so you can lead the pack, and then you need something that brings the rest in behind you, such as standards and compliance requirements for companies that may not be pursuing CSR as diligently as they might.

'But if you go down the [mandatory] compliance route, and legislate, regulate and prescribe, you create a whole set of different dynamics. The whole drive in the corporate area is to achieve long-term compliance by developing sustainable solutions, and applying them to specific circumstances in which they will work.

'If it's mandatory, the lawyers come in, and the focus and resources shift from doing the right thing into compliance, and you get perverse outcomes.'

Asked why Australia has been slow to become involved in CSR, Mr Lenegan said, 'I can only speak for the resources sector – the major resource companies that have a strong international focus are almost 100 per cent participants.

'But we don't see such a high level of participation among businesses with a more domestic focus.

'Where businesses operate in healthy communities with strong institutions, and are well served by federal, state and local government, you have a lot of glue to keep them operating in a healthy way.

'Companies [in these communities] can get away with not investing so much in

social responsibility projects – there would be significant costs associated with doing so and the reporting can be quite cumbersome.

'CSR becomes much more significant in developing countries, or in remote communities, which don't have the same strength of institutional support. Even in Australia, we have much more CSR involvement in remote communities.'

On the priority to reduce greenhouse emissions to mitigate global warming, Mr Lenegan said, 'We're doing quite a lot internally to reduce our emissions, but our products go into other processes that also generate emissions, like power stations and metals processing. In these areas we're seeking to work with the relevant levels of government, and through industry forums and associations, to try to find technological solutions to deliver reductions.

'We're looking for initiatives to reduce greenhouse gas emissions through incremental improvements.'

Rio Tinto is investing in new, more energy efficient, reduced-emission smelting technologies like its HiSmelt submerged-combustion process, and the drained-cathode cell for directly reducing alumina to aluminium.

Mr Lenegan said the company's CSR program is also paying off in its recruiting: 'Like other leading companies with CSR programs, we're winning the best graduates.'

Rio Tinto was one of the top performing companies in the 2005 Global CRI.