

>> Peru: Mining and good reputation are compatible

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The first electoral round has left us some reflections that help us understand possible trends in the mining sector in the upcoming years. The analyses show an imminent second round between two candidates who, in theory, are in favor of investments and understand the vital role mining plays in the national economy. However, a more detailed revision of the electoral map shows some contingencies that must be taken into account by the winner as well as the opposition so that mining can continue to be the economic driver of growth, even if it needs a better reputation and less social conflicts.

If we observe the general composition of the first round of votes by region, we see that Keiko Fujimori, candidate of the Popular Force (FP), attained a large victory in 16 of the country's 25 regions. As for Pedro Pablo Kuczynski, leader of Peruvians for Change (PPK) and the other candidate competing in the second round, was only able to win in Arequipa. Lastly, the left-wing, represented by Veronika Mendoza and the Broad Front, obtained the majority in 7 regions, while Gregorio Santos, former regional governor currently in jail on a preventive basis for alleged acts of

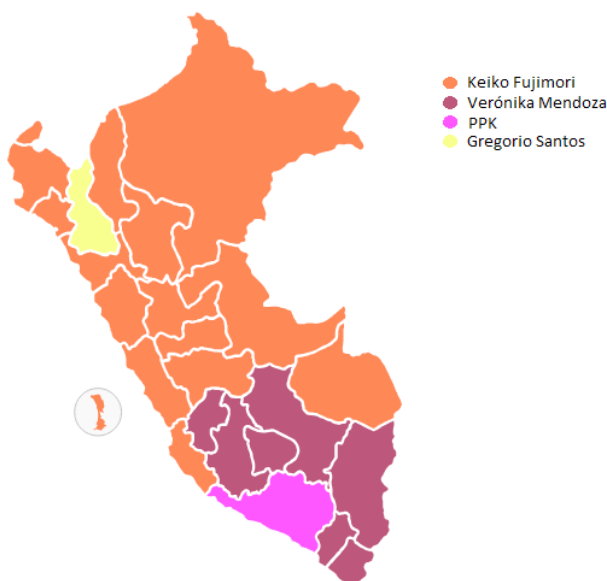
corruption, won in his region, Cajamarca. This data shows that those candidates who question mining (as is the case of Mendoza) or radically oppose it (as is the case of Santos)¹ won in 8 regions in the southern-center part of the country.

If we compare these results with the ranking of the most important investments and mining projects² in Peru, we find that 10 out of the top 20 mining projects are in regions where Veronika Mendoza or Gregorio Santos won. The case of Cajamarca is very particular because this region alone gathers 4 of the most important mining projects (Conga, Galeno, La Granja and Michiquillay) in the country. Recently, mining company Buenventura announced that Conga will no longer be considered a resource, in other words, its exploitation will be momentarily discontinued because "it was not socially viable" at this time.

¹ El Comercio. (2016). Composición del congreso [online]

² Perú: Proyectos Mineros del futuro.

Figure 1.



Source: El Comercio-ONPE

Figure 2.

No.	PROJECT	REGION	INVESTMENT (Mils)
1	La Bambas	Apurímac	4,200
2	Minas Conga	Cajamarca	3,500
3	Pampa de Congo	Arequipa	3,280
4	Quellaveco	Moquegua	3,000
5	Galeno	Cajamarca	2,500
6	Toromocho	Junín	2,200
7	Los Calatos	Moquegua	2,200
8	Cañariaco	Lambayeque	1,565
9	Antapaccay	Cusco	1,500
10	Río Blanco	Piura	1,440
11	Antamina	Ancash	1,000
12	Marcona	Ica	1,000
13	Cerro Verde	Arequipa	1,000
14	La Granja	Cajamarca	1,000
15	Tía María	Arequipa	950
16	Constancia	Cuzco	846
17	Marcobre	Ica	744
18	Michiquillay	Cajamarca	700
19	Chucapaca	Moquegua	700
20	Cajamarquilla	Lima	500

Source: Ministerio de Energía y Minas-Directorio Minero del Perú

We believe that none of the two presidential candidates should overlook this data. The 8 regions that voted for "anti-system" options reveal a way of seeing and understanding mining that can transform into the perfect space for social conflict. Given this, it will be important to see both the policy for the industry that the winning candidate's government team will adopt as well as the position the companies will embrace. Therefore, we ask ourselves whether companies are prepared to handle the country's new political and social cycle, delivering a speech that goes beyond the well-known discourse of mining being the engine behind Peru's growth, representing almost 60% of its exports.

It is highly possible that the next government establishes investment policies so that mining companies -not only the ones that are already operating, but also potential investors- continue to perceive Peru as a country with great investment opportunities; however, as it has happened in the past, companies should not wait to see what the State will do, and, knowing that social conflict is a problem that directly concerns them, since it interferes with the development of projects, they should focus their efforts on developing a good strategy that helps them be better perceived. This is where communication plays a key role.

COMMUNICATION, THE LEVER OF REPUTATION

Nowadays, companies have in their hands the possibility of taking crucial decisions that favor the development of their business. Even though the electoral issue has calmed down, moments of crisis persist and that is precisely when companies must be more strategic and take certain well-calculated risks. That is what experience in business dictates.

Far removed from the large advertising campaigns characteristic of massive consumer companies, mining companies originally chose to keep a passive attitude and maintain a low profile, confined within their own operations. Facts showed that this attitude was not the right one. Constant social conflicts, in many cases with fatal consequences (dozens of annual deaths), reveal the urgency to invest and develop areas of community relations and social management. This has definitely contributed to a better operational development; nevertheless, mining still faces an increasingly urgent need: that of getting known in order to build confidence among the communities as well as their most critical stakeholders.

From our perspective, there are 3 ways in which companies could take the first step towards a better reputation, ultimately establishing a greater level of credibility and confidence. The first step is a change of attitude, leaving behind the old discourse that focuses on the economic potential of mining. Mining is much more than that and, as a result, it is important to highlight how mining has positively changed the lives of people by maximizing the development of their capabilities. This goes beyond doing a good job at the community level and in the areas closest to mining operations because, even if these contribute towards a peaceful coexistence with said actors, they still fall short in reach. Today, equally important as the close circles, are the areas of influence and territories of conversation of critical stakeholders, who do not need to live close to the operation to complain about the mining activity. Social networks blur the borders and impact the positive and negative perceptions towards mining. That is where reputation points towards.

“ From the pre-initiation phase of the operation, the company must be open to make commitments with its environment ”

The second point is the companies' social visibility among the communities, something that continues to be a weakness. Our experience with clients within the sector indicates that showing the synergies that mining has generated with the communities and presenting them from the particular standpoint of each individual involved helps add value to the company and build reputation.

The third way to improve reputation is by taking on commitments and fulfilling them. From the pre-initiation phase of the operation, the company must be open to make commitments with its environment, for that creates an important space for dialogue and it allows us to get to know the interests and expectations of both parties. Once commitments are made, it

is important to fulfill them in the projected timeframe and to get all business units involved, because these are the gestures that help us improve perceptions and have a better relationship with our stakeholders. In the midst of an environmental crisis situation, one of our clients opted for committing to the cleanup and come closer to all of their stakeholders (especially those who were critic). All of this was led by the company's senior management, through meetings with members of the community and civil society. Opening spaces for direct communication with society and taking on commitments was considered a historic gesture that immediately changed the perception of the company.

Reputation plays a differential role at all times, although it is more evident in moments of crisis. That is why it is necessary to not neglect or confine it to a sole activity, but work on building it at all times. Having a good corporate reputation allows us to enjoy better credibility amongst our stakeholders, credibility built on good communication channels, which will make a difference at all times -including in a crisis-.

If we couple it with the dissemination of information focused on each objective public, the enhancement of good practices and the continuous dialogue with stakeholders in order to break the myths surrounding the mining industry, we would have the perfect combination that will allow us to properly manage reputation.

Nowadays, mining -at the business level- is going through a difficult time because of the drop in prices, but this should not be an excuse to not do anything, knowing that the social and communication front is a 'must' for reputation.

On the contrary, the juncture can be a great opportunity for mining companies -and also other extracting industries- to step up and begin to transform uncertainty into good practices and harmonious coexistence. Let us recall that not everything is in the hands of the State. Even though it has a part in the responsibility of providing a suitable climate for investments, it cannot do everything. Being proactive and opening spaces for constant communication should be in the company's genes.

Transforming the sector not only happens through the political decisions made by whoever controls the government next June, it also happens by transforming the idea of mining companies found in the collective imagination.



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