



Afternoon Open Space Interactive Session C - Communities October 20, 2008, 1:45am

Speakers:

Amy Jarek, Senior Policy Strategist, Corporate Responsibility & Government Affairs, Talisman Energy
Gary Merasty, Vice-President, Corporate Social Responsibility, Cameco Corporation
Stephanie Robertson, President of SiMPACT Strategy Group, and Facilitator of LBG Canada
Lloyd Craig, President and Chief Executive Officer, Coast Capital Savings
Marketa Evans, Director, Strategic Partnerships, Plan Canada

Session Speaker: Amy Jarek, Talisman Energy

Presentation: http://www.cbsr.ca/cbsrftp/Summit_Presentations/Summit - Talisman.pdf

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Ms. Jarek spoke about Talisman's experiences regarding corporate responsibility (CR) and partnership with stakeholders.

- **Talisman's history:** In August 1998, Talisman made its first biggest investment in Sudan. This led Talisman to reputation crisis and it has challenged the company around the way it thought about stakeholders.
- **Learning from past mistakes:** At some point, Talisman thought it knew the answers, but it realized that it had a lot to learn. Talisman's investment in Sudan has become a classic CSR case taught in business schools around the world about how to deal with a human rights issue.
- **Lasting impacts:** Talisman formalized CR policies and procedures because the company realized that operating policies and procedures for Canada are not appropriate for operations in other countries.

Environmental changes

- The way people think about CSR is changing tremendously. A lot more companies are issuing CSR reports. CSR is now a strategic part of business.
 - The question is not why CSR, but how to do it well.
 - The more companies are talking about how socially responsible they are, the less people believe that companies are really socially responsible.
 - Public trust is much lower now.
- Stakeholders can voice their concerns through the Internet (e.g. You Tube). Issues that used to stay local become more international.

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- Maturation of CR: Proliferation of international standards since 2000 (e.g. GRI, UN Global Compact, the Voluntary Principles on Security and Human Rights, Millennium Development Goals).
- Three phases of CR:
 1. If companies talk to stakeholders about doing things, the issues will go away.
 2. Talking is not enough; companies have to do something more tangible (e.g. increasing community investment (CI) budget).
 3. Companies have to look at doing things differently (e.g. establish dialogue with stakeholders, change corporate behaviour).

It is no longer enough to simply write cheques. The trend of corporate responsibility moves beyond project management towards an integrated decision making construct.

Clear trends to move forward with CSR

- Signature programs that reinforce corporate brand
- Leveraging corporate technologies and expertise
- Employee volunteerism
- Corporate NGO partnerships

Key issues

- Identification of issues and opportunities that fit the business
- Engaging employees
- Leveraging inputs and impacts
- Measurement and assessment: Things that get measured get managed.
- In claiming to stakeholders that the company is operating in a socially and environmentally responsible manner, it is important to have measurement to support such claim.

Parting thoughts

- Identify opportunities for win-win situations. It is important to put the issue of risk management on the table when investing in projects, but it's not enough. Looking at it as an opportunity is the next step.
- Values trump policies. Companies must walk the talk.
- Be visible, distinctive, responsive and sincere.
- Goal is to establish not only information sharing, but also engagement, loyalty and sustainable benefits.

Break-out Discussion [Amy Jarek]

How did Talisman apply its lessons from Sudan to its investment in Peru?

- Company uses the term CR (corporate responsibility) derived from a deliberate thought process. It's called CR because the concept is broader than just social or environmental issues.

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- As an oil and gas company, there's a limit on margin of error. There are concerns about climate change, working with aboriginal people, and whether the sector is sustainable at all. People don't trust oil companies.
- Reputational stakes for North American companies are very high. When your stock is traded on North American markets, stakeholders' reprimand you when you are out of step.
- Sudan incident: In 1999 people were concerned about oil companies supporting Sudanese government. Canadian government launched investigation into human rights concern.

Ultimately the company was forced to leave Sudan (sold its interests in 2002).

At that time there was a 19% drop in share price.

A legislation was written in the way that if passed, it would withdraw Talisman's listing on the NYSE. Lawsuit filed by Presbyterian Church of Sudan in 2006.

How were the experiences from the Sudan incident applied to Talisman's new international expansion efforts, especially in Peru?

- Talisman engaged stakeholders before it entered Peru. Originally, people had a sentiment that Talisman shouldn't be drilling holes in the Amazon jungle of Peru because of biodiversity concerns.
- Peru had oil operations back in the 1970's and people still remember bad experiences from that period.
- The stakeholder engagement process enhanced Talisman's credibility. We have an open-door policy; any time a local person wants to contact us, there's a phone number they can access.
- Talisman's country manager made efforts to talk to aboriginal leaders (project leader to community leader). There are a lot of practical problems (e.g., language barrier), so before we engaged in a negotiation process, the company's leader discussed with their leader (as determined by the local community).

The process benefitted both community and company.

For the community, it experienced negotiations on an equal power level.

For the company, the process guarantees the community will not change its mind.

- Community programs are mutually designed; Talisman doesn't resolve the community needs a school or hospital. The community takes part in deciding how to spend investment money.
- One distinct challenge Talisman faced in Peru was that local community members were not legally allowed to work in Peru because they did not have a DNI number (equivalent to social insurance number in Canada).

Without the legal papers, the community was also not allowed to vote.

Talisman assisted local people to complete papers and get their DNI numbers. It was a win-win situation – company has the ability to hire locally, and the community is provided with work opportunities.

- Different interests from people in Peru compared to North American people: In Peru, Talisman's main issues are human rights and land claim. In North America, environmental concerns are top of mind.

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Did you look at finding NGOs as partners? Did you look at pros and cons of using NGOs as partners?

- Since we are not the experts, we like to bring in people to help. However, we are working in an area that is very remote. The only way to get there is by helicopter. In the remote area where we are working, there are very few experts. So we are still looking.
- I think at this point our best bet is partnership with academic organizations in Peru. There's a university called EM (Spanish acronym) and they have a number of specific programs that are funded by North American based NGOs.

Given the company's history, did Talisman enter Peru by itself without any partners because the company wants to have control in order to make sure that things are done right this time unlike the backlash received from Sudan last time?

- We knew we didn't have the expertise, but we had big expectations so we had to try to do it ourselves. If we had help from other people, it could have been better. Unfortunately, in Peru's situation, we have not been able to identify the group that can help us.
- There are issues with control, but we have moved through that a little bit. This whole process allows us to understand our strengths and weaknesses. We've learned that providing health service is not one of our core competencies. I think we continue to learn and try to figure out our way forward.

Does Talisman have a list of no-go countries?

- Yes, we go through the process of devising the list based on political risks. For example, Russia is in the no-go list because the government is not stable. Beyond that, for each and every business opportunity we assess CSR risk, political risk, reputational risk, tax risk, leader risk, etc.
- We have a much more thorough and institutionalized approach to perform due diligence in advance prior to entering a country.

Does GRI or the UN Global Compact drive you in any positive way?

- We are already acting in accordance with best practices where possible. In the past, when we signed on to principles of human rights, we were already doing those things. These guidelines are just reinforcing what we are doing.
- Talisman uses third-party consultant that specialize in code development and best practices. The company continues to challenge itself to exhibit best practices.
- However, subcontractors are sometimes a problem. We subcontract our operations; subcontractors further subcontract the operations.

The people who actually work at the site have sometimes never heard of Talisman and sometimes do not act in accordance with Talisman's guidelines.

Do other oil and gas companies learn from you? Are you partnering with them?

We are fairly close to our peer companies and we share our experiences. I find it important to share what we have learned because a rising tide lifts all boats. If one company in the oil industry gets into trouble, the whole industry suffers.

How interested are other companies in CSR?

- There is a continuum of leaders and laggards. We have had recognition from other stakeholders and are considered one of the leaders. Ultimately, you start to understand the situation when you know what you don't know. If we can share what we know with others who don't know, that's a good thing.

Gary Merasty, Cameco Corporation

Five Keys to Successful Community Engagement

1. Go in early:
 - a) Make contact with local leaders
 - b) If you can't get a hold of them, leave a message
 - c) Explain purpose of contact
 - d) It's all about the tone you set at the start – you need to make a good first impression.
 2. Go in repeatedly – it is important to have face to face engagement
 3. Expect to be there for a while.
 4. After you develop a relationship, you can develop an agreement, sometimes called an Impact Benefits Agreement (IBA). These agreements usually cover employment, business development, community investment, community engagement, government/regulation to help address public policy issues (e.g. duty to consult).
 5. Make sure you move to implement your commitments quickly.
- Before working for Cameco, Mr. Merasty was an MP in Saskatchewan, as well as a Chief of Council in his First Nations community, so he has a broad perspective on the issues of industry, government and First Nations communities.
 - Cameco is very proud that 50% of their employees are aboriginal, and they have a goal of 67% of aboriginal employment to achieve.

Engaging First Nations communities with a practical approach

- It is important not to "power in"; expect to go into the community very early in development and repeatedly, and expect to be engaged for a long time.
- Phone an elected person in the community is a good first step, and this could be the chief or a councillor.

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- It is critical to have local leadership on board.
- Corporations can have an important role in positive community development. When gaps are found between what First Nations communities need in socio economic challenges and what the government provides, a corporation can step in and help.

For example, the lack of trades and expertise education for high school students can become a barrier for meaningful employment in Cameco's operations. Cameco is appropriately engaged in education and training initiatives.

What lessons have you learned over the years that could be applied in other industries, for example, the oil sands?

- It is important to embrace the community and the culture, and understand that by engaging the community in your business, you are engaging your business in the community.
- Lesson 1: A company has to say that "we respect that your (Indigenous) rights exist and we recognize all legislation and laws". You need to take a rights based approach, but it is up to the government to define the rights, not the company.
- Lesson 2: Sometimes the government does not provide some services to Aboriginal communities that they provide to the rest of Canada. You need to ask, "What are some of the most pressing issues for the community and what can the company do to help influence the public policy to address those issues?" At times you have to cross the line between corporate and government roles because this is needed to get a social license.

Have you seen a growth in the capacity of these communities to make decisions around land use?

- Yes, many communities now have environmental research centres and we often partner with environmental non-profits to provide land use management training to people in the community.

What is your advice on developing communities' procurement abilities?

- You need to go beyond saying "we will contract you". Before you get access to a community you need to learn about the community (demographics, economic strengths, weaknesses, relationships with surrounding communities and other stakeholder groups) to better understand challenges and opportunities.
- With aboriginal communities you are confronted with a young and small population over a large territory. You need to provide funding for training of land mapping and land use.
- You need to partner with NGOs and government where possible, to work together to help build capacity in communities. Do not assume the same systems exist in First Nations communities that do in other communities. Data is a weakness – it is often inaccurate.

Stephanie Robertson, SiMPACT Strategies Group

- LBG has 25 companies across Canada with company representatives usually being community investment practitioners.

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- LBG is a performance measurement of social investment, to demonstrate that community investment (CI) is a valuable activity.
- It started through a bank manager asking three questions to a community investment practitioner and that catapulted LBG.
- Performance management is not an equation, it is a series of qualitative questions.
- The most important questions to ask are “why am I investing?” “Why now?” “How much?” “How do I measure the impacts of my investment?”
- Companies are comfortable with philanthropy but not motivations for investment.
- You must be clear on motivation and Key Performance Indicators (KPIs) in order for your CI program to be successful.
- LBG is changing the way organizations investigate and set up their CI program.
- LBG is really a standardized business-to-business benchmarking tool.
- Match your strengths with CI. For example, Home Depot builds stuff for people instead of giving money (partnership with Habitat for Humanity).

How do you measure qualitative data and report back on that?

Ask your CEO what they want to know. Compare to past year’s data in order to measure change; improvements, as well as setbacks.

How do you measure and communicate the outputs?

State your goal and measure against that; not what the community organization does – that is not what people are interested in reading. Report to the question “How will MY money help the community organization DO?”