

Rewiring social investment

BHP Billiton's JAMES ENSOR talks to Brunswick's JAMES DRAY about how corporations are expanding impact by redesigning giving

MINING ISN'T AN INDUSTRY COMMONLY associated with corporate responsibility, let alone philanthropy. But in recent decades, amid a spate of high-profile and public challenges, miners have recognized that their relationships with host communities and local stakeholders are vital to their social license to operate.

Social engagement today is increasingly regarded as more than just a good idea – it's now a requirement for survival. The most successful companies in the sector are aiming to improve systems for the long term, not merely to treat symptoms of societal ills as they arise with stand-alone programs.

Among these corporations is BHP Billiton. Founded in the 19th century and headquartered in Australia, BHP is the world's largest natural resources company. It is also the creator of one of the world's largest corporate foundations: the US-based BHP Billiton Foundation.

As CEO and President of the Foundation, James Ensor plays an important role in shaping these efforts. An Australian who studied at Cambridge University, Ensor previously held the position of Program Director at Oxfam, a coalition of 18 NGOs working in 90 countries to end extreme poverty.

In addition to his work at the Foundation, Ensor serves an executive role at BHP Billiton itself, in charge of developing sustainability policies. The blended responsibilities are indicative of the integrated model BHP looks to employ toward its social engagement: improving the social performance of its local business while addressing critical global sustainable development challenges through the Foundation and acting as an advocate on key issues.

Ensor recently spoke to Brunswick's James Dray about what he sees as a new trend emerging in corporate philanthropy.

JAMES ENSOR

CEO and President of BHP Billiton Foundation, and Principal Sustainability and Public Policy at BHP Billiton, James Ensor was previously Policy & Program Director at global development agency Oxfam.

BHP Billiton, the world's largest natural resource company, was formed from two miners, both founded in the 19th century: BHP in 1885 and Billiton in 1851.

Why did you shift into the corporate world after more than a decade at Oxfam?

A lot of the debate 10 years ago, on issues to do with human rights, supply chains and transparency, was about the *what*: what companies should do, what they should commit to, what is a responsible way for the company to spend its money. The way I see it, the differences in views on those issues have narrowed considerably.

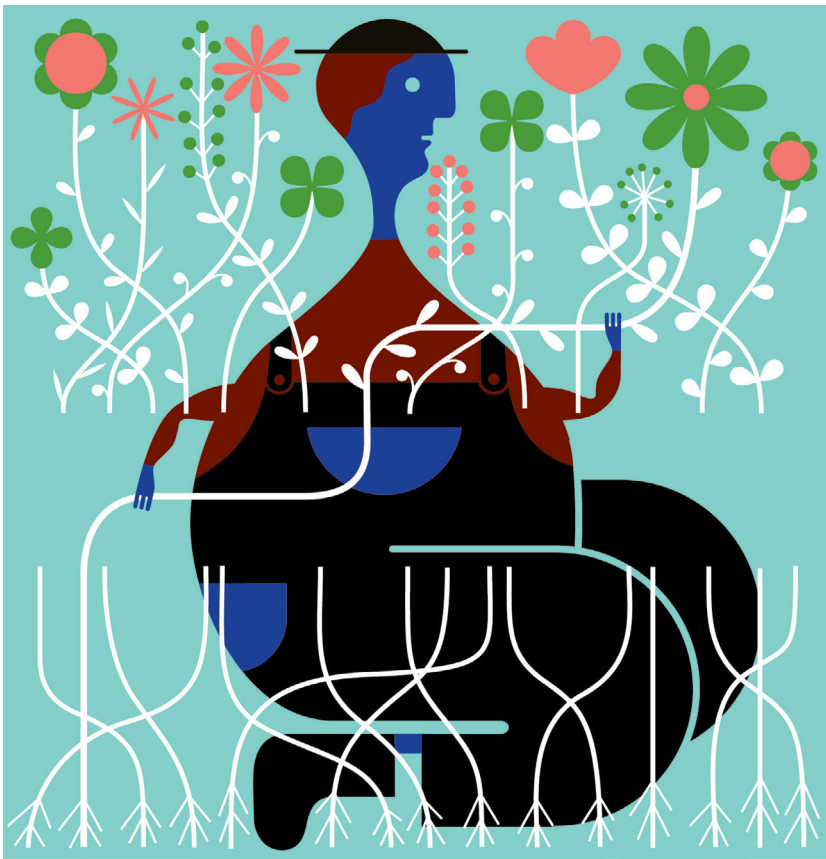
Take the mining sector, where 15 years ago it was governments – as regulator and legislator – that solely determined the industry's license to operate. Since then, the dynamics have changed. With the 24/7 news cycle, and the growing soft power of civil society and organized groups of investors such as pension funds, influence has become more diffuse. Investor and societal pressures have grown and, alongside them, so have the related risks. There's now a constant interplay between companies, governments, institutions, think tanks, NGOs and civil society organizations through which expectations of what is acceptable and responsible corporate behavior ratchet up.

Once the core principles are established – the *what* – the most important area and the biggest challenge for leading companies turns to *how* to implement the commitments the business has made and to get the policy commitments put in place that will be implemented on the ground.

That's where my role comes in. I'm focused on the *how*: working in the company on social policy issues, and through the Foundation to deliver global programs that contribute to the sustainable development challenges affecting the resources sector.

How are you trying to meet the expectations placed on you today?

Our stakeholders' concerns can lead in any number of directions. Engaging with NGOs publicly and privately helps us develop a clearer focus. For example, the Forum on Corporate Responsibility is a group of around eight to 10 global civil society organizations that meets at least twice a year with the company's board, CEO and other management to debate important sustainable development issues. The Forum constructively assists the company with deep dives into particular challenges or issues in certain jurisdictions. It enhances the ability to apply policies on the ground. If policy doesn't translate



into work on the ground, then that policy is meaningful – it won't improve people's lives unless it is applied and implemented.

How is the Foundation thinking about its investment strategy?

Following a strategic planning process, the BHP Billiton Foundation focuses its work in three areas that we have identified as our Global Signature Programs: Environmental Resilience, Natural Resource Governance and Education Equity.

The Foundation has a big aspiration: to raise the bar and play a role in shifting the dial on a limited number of critical sustainable development challenges that are especially relevant to the global resources sector.

The Foundation works independently of the company and the company's interests to set new policy standards in our three strategic areas. Our project investments in these areas are multi-stakeholder by design, because arguably the most critical success factor for raising standards is trying to achieve alignment between governments, civil society and industry.

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And how does the company think about the value of social investment?

In addition to global projects supported by the Foundation, the company also makes local investments to support the needs and aspirations of our host communities. As well as benefiting those host communities, local social investment contributes to our social license to operate and how we're perceived by local communities. And due to the new dynamics of influence I mentioned earlier, if you follow public opinion rather than seek to lead it, you get into situations where governments might change – often unpredictably and radically – the regulatory or legislative environment that you operate in.

At a global level, through the Foundation, it's a bit different. The Foundation must not make investments that benefit the business, and it must work independently. But the three areas it's investing in are arguably the areas in which the global resources sector can maximize its contribution to sustainable development, and are mission critical for the resource sector's future global license to operate. Our company operates on a very long-term investment horizon, so paying attention to that landscape is in our long-term interests.

How do you answer critics who say shaping public policy should be the role of government?

Let's take natural resource governance. Every year around the world, global resource companies are pouring hundreds of billions of dollars into governments through taxes and through royalties.

How those contributions are managed by governments is the single most significant factor regarding their contribution to sustainable development. Does a foundation financed by the world's largest resource company have a responsibility to work with NGOs and governments to shape that conversation? I would say, yes.

This goes beyond traditional thinking in philanthropy; it is the fundamental responsibility of leading responsible global resource companies that want to maximize the societal benefit of the industry in which they operate.

JAMES DRAY is a Partner in Brunswick's London office, with an expertise in Africa, mining and global philanthropic institutions. He focuses on the firm's work with global foundations.

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