



# Workshop Report

## Environmental Security and Company Responsibilities

Business Humanitarian Forum

Geneva, Switzerland

September 30, 2009

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## *Introduction*

On September 30th 2009, the Foundation for Environmental Security and Sustainability (FESS) and the Business Humanitarian Forum (BHF) hosted their first joint event on “Environmental Security and Company Responsibilities” in Geneva.

The BHF-FESS workshop discussed how environmental security assessments and projects



can inform company operations and CSR strategies as well as contribute to improved company-community relations and a more secure and stable investment climate.

The evolving field of environmental security provided a framework for understanding and integrating these issues into the corporate planning process.

The workshop was held under Chatham House Rules and attended by representatives from various international companies and academic institutions and was moderated by the Deputy Director of the Business Humanitarian Forum.

## *Workshop Description*

As nations in the developing world face growing problems of food insecurity, energy shortages, water scarcity, land and timber disputes, and conflicts over the benefits from mineral wealth, it has become clear that the management of natural resources and a country’s stability are connected in powerful ways. Sustainable utilization of natural resources and sound management of the environment are critical to political, social and economic stability. The underestimation of this linkage has resulted in negative consequences in numerous countries from Africa and Latin America to Central and Southeast Asia.

Although addressing these environmental security risks is primarily the responsibility of governments, the private sector and other relevant actors can play an influential and positive role by implementing effective and responsible strategies.

Many companies, however, are often ill-prepared to understand and respond to environmental security challenges, including the design and implementation of corporate social responsibility

(CSR) policies and plans appropriate to site-specific circumstances. The evolving field of environmental security analysis and assessments can inform companies' strategies as well as contribute to improved company-community relations and a more secure and stable investment climate.

The workshop included background presentations on the emergence of the environmental security paradigm and how it relates to CSR, a presentation on the importance of assessing environmental and related risks for financial institutions as well as in-depth environmental security assessment case studies on the mining sector in the Philippines along with select cross-country comparisons and a short video on a project in the diamond mining areas of Sierra Leone. The workshop ended with an innovative environmental security scenario simulation on a project in the tourism industry in Latin America.

## *Workshop Partners*

### **About the BHF**

The Business Humanitarian Forum (BHF), established in 1999, encourages better understanding and cooperation between the public and private sectors, and works with partners to address humanitarian problems and promote sustainable economic development. The BHF does this by arranging for direct private sector involvement and investment in areas where it is needed, and by providing training and facilitating dialogue between organizations and private companies. The BHF builds awareness that business has a strong, long-term economic, political and social interest in supporting the work of the humanitarian community, and that private sector investment is the key element for economic development and overcoming long-term humanitarian problems. Both sectors are essential for the stabilization and social progress of developing and post-conflict societies. The BHF has initiated and carried out several reconstruction projects in post-conflict areas and helped create partnerships between businesses, humanitarian agencies and local governments. The BHF has also sponsored contact groups, workshops and conferences to heighten awareness of the important role business can play in alleviating humanitarian problems. The BHF is a non-profit association based in Geneva and was founded with the encouragement of former UN Secretary General Kofi Annan.

For additional information visit [www.bhforum.org](http://www.bhforum.org)

### **About FESS**

The Foundation for Environmental Security and Sustainability (FESS) is a non-profit organization established to advance knowledge and implement practical solutions for key environmental security concerns around the world. FESS combines empirical analysis with field research to construct policy-relevant recommendations for the public and private sectors to address

environmental conditions and natural resource issues that pose risks to national, regional, and local security and stability. FESS does this by:

- Developing recommendations aimed at decision makers in the public and private sectors
- Promoting improved company-community relations to mitigate destabilizing environmental security conditions and natural resource issues
- Working with communities to develop initiatives to increase food production and employment, promote development, and foster conditions for security and stability
- Providing educational opportunities for a new generation of environmental security professionals through courses and collaboration with the UN University for Peace in Costa Rica
- Advancing knowledge of the environmental security field by disseminating publications and convening workshops and conferences

For additional information visit <http://www.fess-global.org/>

## *Workshop Presentations*

The morning section of the workshop comprised four in-depth presentations by senior representatives from international companies and the organizers, which highlighted different aspects of the environmental security and company responsibilities nexus.

### **1) The Emergence of Environmental Security: Overview of Environmental Security Issues and Emerging Challenges**

The speaker initiated the presentation by defining environmental security as “a condition in which a nation or region, through sound governance, capable management, and sustainable utilization of its natural resources and environment, takes effective steps toward creating social, economic, and political stability and ensuring the welfare of its population.”

According to the speaker, resource scarcity or the misuse of natural resources can increase the potential for instability and conflict. In combination with other factors such as poverty, ethnic tensions, lack of participatory political structures, and social cleavages, an environmental resource crisis can escalate to general instability and spark violent conflict. More generally, environmentally linked instability often impedes economic and human development. It was therefore stressed that if left unrecognized or unresolved, environmental instability can serve as a negative catalyst leading to economic hardship, social unrest, and, ultimately, conflict.

The presentation went on to explain the role the speaker's organization plays in promoting policies that will help prevent conflict before it begins and mitigate problems that have already occurred. It was emphasized that preventative measures are much more cost effective than addressing a problem that has already occurred. Having its foot in three worlds—government, business, and academic/NGO communities—the organization has come to the conclusion that multistakeholder systems of self-regulation can produce better results than attempts to impose regulations. Incorporating a pragmatic approach that identifies solutions benefitting local communities, the government, and businesses will reap better outcomes for human and traditional security concerns as well as the natural resources upon which these stakeholders depend.

Another point raised in the presentation noted that environmental security is a multidisciplinary field and encompasses security concerns from the individual level to the state level. In particular, environmental security should be viewed through the perspective of individuals and communities, allowing them a voice in identifying threats to their own security. It also is essential to better understand how the environment affects local populations in developing countries and vice-versa. Consequently, environmental security not only includes resource management but also issues such as development, the economy, and governance. The “resource curse” was given as an example of how poor governance and poor resource management can devastate both the natural and human capital of a country.

Finally, the presentation addressed how the environmental security paradigm, including food security and climate change concerns, is more important than ever given the current global economic climate. While private and non-profit actors face economic challenges, accountability concerns have not abated and are growing. Moreover, CSR projects have a key role to play in supporting these calls for greater accountability. This is due to the fact that in many areas, social needs intersect with investment stability. The speaker concluded that, when CSR practices become so embedded that they no longer need a special name, the underlying goals can be considered truly sustainable.

During the question and answer session several important points were made. Many of the participants were interested in the challenges of working with corporations in the field of environmental security. The main challenges that were discussed were two misconceptions that corporations often hold. The first is the fact that corporations often do not realize the “ripple effect” that their actions have on local communities. Secondly, when companies are supporting a humanitarian or development project, they are often looking for a “quick fix”. There is often a misconception that serious problems linked to the environment can be resolved within a few months. It was stated that when working with corporations it is counterproductive to get entangled in absolutist moral arguments. The way to move forward is through taking action in a cooperative, pragmatic, and results-oriented manner. The discussion continued to address the

ways in which corporations can support environmental security in the areas they operate. It was agreed that local communities should always be involved in decision-making processes as the



consequences of a lack of engagement can be destructive to the company's business objectives. Another option is to work with communities to identify local resources that can sustainably contribute to niche or boutique products as part of the company's core line sold in developed countries. The other relevant point mentioned was that local government institutions can play a key role in ensuring that

responsible investment projects can make a positive contribution to the community.

## 2) The Intersection of Environmental Security and Corporate Social Responsibility

The second presentation of the morning session was given by a former senior manager of a precious stones company. The speaker started by providing a general definition of the company's goal: "earn profits, but also make a real and permanent contribution to the society in which the activities are carried out." The stewardship of environmental resources as well as the intrinsic link between sustainable performance and long term business viability is also part of the company's credo.

More generally and because of the stated problematic of the "resource curse" in developing countries, the company is reflecting on and implementing positive lessons learned in countries like Botswana. The company for instance acknowledged improving relations with host and partner governments to ensure that its activities contribute positively to the quality of life in areas where they operate. As an example, the speaker mentioned HIV/AIDS projects and the commitment to eradicate conflict diamonds from precious stones flows.

Additionally, the speaker stated that one of the most important factors in ensuring the effectiveness of a corporation's impact is the quality of senior management within a company.

The presenter continued with a brief overview of the case for sustainable development yielding long term benefits for his company, including better returns for shareholders, improved management of risk, attracting and retaining high caliber employees and improving the value and quality of products with less impact on the environment.

The presentation described improvements within the past ten to twenty years in terms of social responsibility at major extraction companies. Multinationals increasingly understand that it is also their responsibility and in their interest to ensure the well-being of the people that inhabit the areas in which extraction occurs. The speaker stated that because an extraction company usually operates in an area for forty to fifty years, it has a vested interest in ensuring that the standard of living of the local community improves over the long term. The speaker hence stressed the importance of building good relationships between corporations, NGOs, and governments in producing beneficial long term results.

The next point concerned artisanal small scale mining (ASM). ASM encompasses small scale mining which usually takes place in regions of weak governance or even conflict. Negative effects of ASM on environmental security include the difficulty to manage and oversee operations due to lack of proper organization or management and illegal operations or crime, thus potentially fueling corruption and financing of armed conflict, social tensions and environmental degradation. When conflicts occur, corporations are often forced to move away from a region leaving other, much less transparent groups, to take advantage of the resources. In contrast, the presentation highlighted the benefits of corporate mining as it is significantly more manageable and can contribute to long term economic development.



The final section of the presentation focused on how a company can positively contribute to local communities. The speaker described the role of private sector cooperation with NGOs and governments in the area of environmental security, highlighting potential impacts on employees, suppliers, corporate and individual clients as well as local communities. These impacts should be managed not only by reference to the company's own CSR strategy which has become embedded in most multinationals, but also through commitments to external instruments such as the UN Global Compact, the Equator Principles, Extractive Industries Transparency Initiative, and the Kimberley Process. It was also observed that amongst small and medium size enterprises the general regard to developing CSR is, in general terms, still considered an expense that might not create the required return on investment. Good governance is key to ensuring the effectiveness of any CSR program. In the short term, good governance provides security. In the long term, good governance provides the basic social infrastructure that allows for company operations and CSR programs to contribute to national economic growth and development. Importantly, the speaker noted that decisions regarding a corporation's CSR policy and contribution can be driven by both the need to drive shareholder value and by the desire of employees to fulfill a

moral obligation to communities. Last but not least, the speaker stated that issues of governance in resource countries can hinder the most well intentioned initiatives and projects.

The question and answer session continued the theme of good governance. The Kimberley process was discussed as an initiative which has successfully fought the sale of conflict diamonds. This success is due to the broad based backing of the process by governments, industry and civil society, extensive certification requirements, and good governance exhibited by the participating actors. One participant asked how a corporation establishes cooperation with a local community. The speaker stated that visible benefits along with good cooperation with the government were the key to establishing any effective cooperation with a CSR project. The speaker added that CSR projects should first be local in scope, then national, and lastly international.

### **3) CSR or Risk Management? Environmental and Reputational Risk Assessment from the Perspective of Financial Institutions**

The third presentation started by outlining the various environmental and social risks to which banks can be exposed, especially when operating in developing countries. Banks therefore ought to include environmental risk assessments in their due diligence practices ahead of committing themselves to investing in a given project or company.

Companies' activities have effects on three levels: the economy, society, and the environment. The company, and therefore the bank that is providing it with credit and services, can leave a positive or negative impact on each of these levels. The impact a company leaves can have financial and reputational consequences to the company and thus also to involved financial institutions.

The speaker went on to assert that environmental issues have become increasingly important in the public eye. Companies and the banks that cooperate with them face positive or negative reputational consequences depending on the environmental impact that the companies create. In order for a bank to maintain its reputation, it must ensure that it invests in companies that follow ethical and other guidelines.

The presentation then informed the audience about a web-based tool for financial institutions which provides insights on environmental and social issues that present financial and reputational risks for companies or investment portfolios.

In addition to environmental considerations, financial institutions must also look at the risks a company may present to a local population. If a client company is behaving irresponsibly toward local populations the bank faces liability and therefore financial risks. It was the speaker's opinion that banks will increasingly support international guidelines and standards as

the latter provide support in favor of a more secure investment environment. At this point, the speaker discussed a number of international standards such as the UN Global Compact and the Equator Principles, OECD Guidelines for Multinational Enterprises and IFC's Environmental and Social Standards. These systems provide clear and simple guidelines which companies can use to answer basic questions regarding their responsibilities.

Continuing the topic of international standards, the question and answer session began with a



discussion on precautions concerning risk. The speaker explained that in many situations it is not financially viable for a few companies to independently invest in precautionary measures against specific risks. However, if all companies set up precautions against these risks, everyone is provided with greater security at an affordable price. It also was expressed that the reason many

companies engage in supporting local communities is not only due to ethical considerations but bottom line economics. Therefore, NGOs that do not take a hard line approach to interacting with corporations have a chance to help develop effective CSR projects with them. One participant stated that if NGOs only act in opposition to companies, there will be no room for compromise and cooperation to advance issues. Finally, one participant observed that it is becoming an increasing challenge for multinationals to comply effectively with a growing number of international standards and regulations.

#### **4) Case Studies on Environmental Security: Philippines and Sierra Leone**

The speaker began the presentation by noting that even in unstable or conflict-ridden areas of developing countries there are many international businesses operating. Doing business in these places makes effective decision making more challenging and complex, as the security context, relations with the local community, and the legal environment can be difficult and can change quickly and unexpectedly. The speaker went on to present a case study of a troubled mining project in the Philippines and a land reclamation project in Sierra Leone that is supported by a major retail jewelry company's corporate philanthropy.

The Philippines is a country with abundant mineral resources, but also with a large massive national debt and a significant need for foreign direct investment (FDI). The mining industry has been the most attractive investment sector. Mining, however, is associated with a negative historical legacy due to numerous accidents, the fouling of rivers and farm lands, and strikes

and social protest. The most infamous accident occurred on the island of Marinduque in 1996 and involved the spillage of millions of tons of mining tailings and the evacuation of five nearby villages.

By 2005, the government made a decision to promote and revitalize the mining sector as a key element in a larger strategy for economic growth, debt reduction, job growth, and enhanced tax revenues. The government also championed a “new era of responsible mining” in which all mining regulations would be enforced, the environment would be protected, and the well-being of surrounding communities would improve. The first major mine opening to a foreign company became the test case for responsible mining. However, after several accidental tailings pond spills, contradictory findings from water tests, a fish market panic, an investigative commission led by the Catholic Bishops Conference, and local protests, the first test case cast serious doubts about the credibility of the stated responsible mining goals.

A second example of mining in the Philippines highlighted the challenges of working in a conflictive environment. A mining company began establishing its operations in an indigenous area of Mindanao. The local indigenous population was split between those who had access to small-scale extraction plants and those who believed they could find employment with the new mine. This split eventually led to dissension and violence. At the same time, two guerilla movements were already active in the area. Tensions continued to mount within the community and were further exacerbated by the mine’s security force, which was ostensibly supervised by the Philippines army but poorly trained and blamed for the harassment of indigenous residents. While the company did make good faith efforts to engage the local population and provide needed social services, problems remained. Despite the company’s community outreach efforts, the situation raises questions about the viability of operating in conflictive environments.

The final section of the presentation focused on a land reclamation project in Sierra Leone. The project, in part, was developed in response to the 75 years of devastation that diamond mining has brought to the country, in addition to the 10-year civil war that took place in the 1990s. While reconstruction efforts have taken place in the country, the precarious position of more than 20,000 artisanal diamond miners without livelihood alternatives has persisted. To help address this gap, the speaker’s organization, with significant financial support from a well-known jewelry company in the United States, developed an initiative to help communities reclaim land destroyed by diamond mining. Based on extensive consultations with interested communities, three project sites were selected and severely degraded land was returned to productive farming of rice, cassava, and vegetables. The presentation ended with a short five minute video that narrated the success of this land reclamation project. In this instance, the company’s corporate social responsibility strategy made a tangible contribution that was recognized by both the local community and the national government.

## 5) Environmental Security Scenario Simulation

Environmental Security and Company Responsibilities: The Environmental and Social Challenges of a Tourism Project in the Dominican Republic.

The basic framework of the scenario simulation, always a favorite among participants of BHF workshops, was a meeting among stakeholders to develop a mutually beneficial and peaceful resolution to the controversies surrounding the development of proposed hotel facilities by a foreign investment company. The investment was to be located in close proximity to a national park in the Dominican Republic near the border with Haiti. The workshop broke into two simulation negotiation groups. Within each simulation group, the interests represented included an environmental organization working on sustainable management of the national park's resources, the Dominican Republic's Ministry of Environment and Natural Resources, the Dominican Republic's Ministry of Tourism, the foreign investment company, an NGO that works on cross-border development, and a local community association concerned with land compensation issues. The purpose of this exercise was to allow participants to play roles other than those in their professional lives and to put them in a situation where they had to walk a fine line between following the goals and perspectives of their respective simulation characters and the need to find a workable compromise with other stakeholders in the simulation.

A debriefing session after this exercise allowed all participants to discuss the various outcomes of the simulation. The participants discussed which issues they were willing or not willing to compromise on when carrying out their roles in the negotiations. It was widely agreed that the negotiators did not have equal bargaining leverage. Some argued that it was easier for those with less leverage to fight an inevitable outcome because they would not be held accountable for terminating the project. The general conclusion was that the needs of the local population, including the immigrant population, were not sufficiently addressed in the negotiations. This aspect highlighted a key problem. Local populations have the potential to play destabilizing roles in the investment initiative if they lack support and are not consulted on the potential impacts on their communities. Moreover, they can experience some of the most significant negative consequences if the natural resources upon which they depend are degraded or harmed as a result of the company's actions. Without maintaining continuous engagement with the local population, corporations and governments may fail to establish the foundations needed for long-term stability. This is particularly the case when commitments are made to a local population but are never delivered or are perceived to have been unmet.

## *Concluding remarks*

The workshop on environmental security and company responsibility was characterized by a constructive and dynamic interaction among participants from different sectors on a topic of joint interest. The various theoretical presentations and case studies were very well received by the audience and the simulation exercise allowed for some practical and entertaining implementation of discussed strategies. The organizers hope to have advanced the understanding of this topic as well as the discussion among different sectors to find common ground for needed solutions.

## *Next Steps*

It was the general desire of the organizers and of some participants that this workshop would be the first in a series of events focusing on business and environmental issues. By bringing leaders from different sectors together, the organizers intend to help devise strategies for the benefit of all.

## *Annex I: List of Attendees and their Organisations*

Ms. Anna Aseeva  
Project Assistant  
BHF

Ms. Christine Batruch  
VP Corporate Responsibility  
Lundin Petroleum

Mr. Carl-Gustav Bjertnes  
Director General  
Orah Cooperative

Dr. Patrizia Carlevaro  
Head of International Aid Unit  
Eli Lilly Export SA

Prof. Eric Dannenmaier  
Associate Professor of Law and Dean's Fellow  
Indiana University – Indianapolis

Dr. Nickolai Denisov  
Senior Associate  
Zoï Environment Network

Mr. Roberto Dotta  
Deputy Director  
BHF

Mr. Christian Frutiger  
Public Affairs Manager  
Nestlé S.A.

Mr. Simon Gilbert  
Former Manager of External and  
Corporate Affairs  
DeBeers

Ms. Darci Glass-Royal  
Executive Director  
FESS

Mr. Sergio Guillen  
Coordinator – Environmental  
Management Training Program  
Costa Rican Environmental Law Center  
(CEDARENA)

Mr. Olivier Jaeggi  
Managing Partner and Chairman  
Ecofact AG

Mr. Yann Kermodé  
Director, Group Environment Policy -  
Group Risk Control  
UBS AG

Mr. John H. King  
Director  
BHF

Ms. Jennifer Marcotte  
Permanent Mission of Canada to the  
United Nations

Ms. Christine J. Mataya  
Senior Research Associate  
FESS

Mr. Jack Newman  
Webster University

Mr. Daniel Rufenacht  
Vice President, Sustainability  
SGS

Amb. Mohamed Sahnoun  
Vice President  
UPEACE Council

Mr. Ray Simmons  
President  
FESS

Ms. Célia Solari  
Program Officer  
UPEACE

Mr. Jeffrey Stark  
Director for Research and Studies  
FESS

## Annex II: Workshop Agenda

Environmental Security and Company Responsibilities  
BHF-FESS Workshop  
September 30, 2009  
Geneva, Switzerland

- 08:30 Registration and Coffee
- 09:00 Welcome and Introduction  
*John King, Director, BHF*  
*Ray Simmons, President, FESS*
- 09:15 The Emergence of Environmental Security: Overview of Environmental Security Issues and Emerging Challenges  
*Darci Glass-Royal, Executive Director, FESS*
- 09:45 Questions and Discussion
- 10:00 The Intersection of Environmental Security and Corporate Social Responsibility  
*Simon Gilbert, Manager & External Affairs, DeBeers (TBC)*
- 10:30 Questions and Discussion
- 10:45 Coffee and Tea Break
- 11:00 CSR or Risk Management? Environmental and Reputational Risk Assessment from the Perspective of Financial Institutions  
*Olivier Jaeggi, Managing Partner & Chairman, ECOFACT AG*
- 11:30 Questions and Discussion
- 11:45 Case Studies in Environmental Security: Philippines and Sierra Leone  
*Jeffrey Stark, Director of Research and Studies, FESS*  
*Daniel Gbondo, Field Representative, Sierra Leone, FESS (TBC)*

12:15	Questions and Discussions
12:30	Luncheon
13:45	Environmental Security Scenario Simulation: Development, Benefits, and Rights – How to equitably resolve a tourism sector project in Latin America, with stakeholders from 1) National government; 2) Local government; 3) Affected community; 4) Foreign company; 5) NGOs <i>Simulation Facilitator: Prof. Eric Dannenmaier, Associate Professor of Law and Dean's Fellow, Indiana University – Indianapolis, (TBC)</i>
15:45	Coffee and Tea Break
16:00	Environmental Security Simulation, Debrief and Discussion Simulation Facilitators, FESS
17:00	Concluding Remarks <i>Roberto Dotta, Deputy Director, BHF</i> <i>Ray Simmons, President, FESS</i>
17:15	End of Workshop

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