

Corporate Social Responsibility in China's Overseas Mining Projects

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Abstract

With the acceleration of the pace of “going global”, Chinese enterprises are investing in more and more non-ferrous metal mining projects abroad, with both successful experience and many lessons. After five years of efforts, Chinalco Toromocho Copper Mine in Peru has been built into a world-class mine project with “social respect, employee pride, excellent benefits and environmental friendliness”, which is widely regarded as a successful example of investment outside China. This paper reviews the successful experience of Chinalco's Toromocho Copper Mine in fulfilling its social responsibilities in terms of relocation of new town, sewage treatment, etc., and the crisis public relations for emergencies such as blocked transmission line construction and pollution discharge crisis in rainy season, in order to provide beneficial experiences and thinking on social responsibility for other local enterprises from “going out” to “staying”, and finally stepping into “integrating in”.

Keywords

Social Responsibility Management, New Town Relocation, Common Development

1. Introduction

In the past decade, with the guidance of relevant national and industry policies, some non-ferrous metal mining enterprises in China have gradually transitioned from trying to “going global” to “staying behind” (Water Grid, 2014; Yin & An, 2014; Meng, 2014). The development of non-ferrous metal mineral resources abroad has gradually become a scale, and a number of influential projects have been built, which has become the focus of promoting the development of the

world's metal mining industry (Yunnan Copper Co., Ltd., 2014; Liu, 2017). Taking strength, through the arduous exploration and practice of overseas project construction and operation, China's non-ferrous metal enterprises have gradually accumulated some experience, which plays a very important reference role in guiding domestic enterprises to accelerate "going global" and expanding new development space (Yin & An, 2014; Liu, 2017; Wei & Li, 2017).

Chinalco's Toromocho Copper Mine, as one of the largest mining projects in Peru, is the only new mine project completed and achieved production in Peru in the past five years. Its copper resources are equivalent to about 19% of China's total domestic copper resources. This project is extremely challenging. It is located at an altitude of 4500 - 4700 meters. The natural conditions in the area are poor, the environment is very difficult, and the overall technical standards for mechanical equipment and engineering construction are extremely high. During the development process, the relocation of towns of about 5000 residents will be completed. Various complex factors are intertwined. The degree of difficulty is conceivable. The project has been approved by the EIA at the end of 2010. After obtaining the construction permit in 2011, the construction officially began. It has a high starting point, high standards and strict requirements. It only took 29 months to complete the construction of the project, and the construction period is at the leading level in the industry. In the process of project construction, Chinalco was not afraid of the challenge and broke through the difficulties and obstacles of environmental impact assessment approval, start-up permit, new town relocation, transmission line construction and other aspects one by one. Finally, it was built into a world-class mine project in Peru, which has a poor industrial foundation. It is not easy to achieve results.

With the continuous development of the Toromocho copper mine project in Peru, Chinalco has been fully integrated into the process of local social and economic development from the community, legal, humanities, environment and other aspects, and has become an indispensable and important part of it. Summarizing its experience, it is on the basis of the win-win concept and cooperation that the Toromochok project has overcome many difficulties, actively fulfilled corporate social responsibilities, successfully made the project from "going out" to "stay", and finally "integrate", and laid a solid foundation for the long-term development of the project.

2. Successful Cases of the Company's Performance of Social Responsibility

1) New Town Relocation Project

For a long time, Peruvian mining projects have solved the relocation of local indigenous people, generally by paying a certain amount of relocation costs only to the local residents' agreement. Chinalco is the first company in South America to solve the relocation of indigenous people in mining areas by building a new city. At the same time, the company did not adopt the traditional practice of other

foreign mining companies, that is, to wait for the mining to make profits before fulfilling social responsibilities, but to carry out mine construction and new city construction projects at the same time.

Throughout the development of the project, Chinalco needs to complete the relocation of more than 1500 Morococha town with a total of about 5000 people before the development of the project, with a total investment of about \$260 million. As the key to determining the success or failure of the project, relocation is particularly important. Due to the extremely complex local community and social environment, there is no precedent to follow in Peru, and it is very difficult to work. Not only was it firmly opposed by Mayor Morococha at the beginning of the project development, refused to accept any permit approval, obstructed the convening of various information consultation meetings, and organized various demonstrations by cronies. At the same time, the real estate acquisition negotiations with more than 1500 residents are also a tug-of-war, which takes a long time and is full of uncertainties and difficulties. In the face of various difficulties such as citizens' unsatiable expectations, the coercion of nail households, and the encouragement and negative guidance of the mayor, the company first set up a special community working group composed of more than 10 people to live in Morococha for a long time, communicate with the citizens door-to-door every day to understand the residents' ideas and convey the correct ones. Information gradually wins support from everyone and every household. At the same time, the company has worked beyond local government and international standards to build a modern house with more than 1000 houses equipped with more than 30 public facilities such as schools, hospitals, churches, municipal buildings, police stations, stadiums, museums, water purification plants and sewage treatment plants, as well as communication facilities such as telephones and networks. Turn into a new city. With a high-standard and high-quality new city, the company has excellently completed the task of building the first city in Peruvian mining history for mining development and relocation. This move has been fundamentally recognized by the local community and praised by all sectors of Peruvian society, which is a solid step towards the successful relocation of the new town. In addition to patiently and meticulously relocating households in accordance with the agreement, Chinalco is also striving to obtain more support at the legal level. Driven by the efforts of the central government, the Peruvian Congress passed two bills in 2012, confirming that the old city of Morococha is no longer suitable for human habitation, and replacing the company's assistance in building the new city with the seat of the state capital. The passage of these two bills laid the legal foundation for companies to solve the relocation problem.

In addition, the company carries out various donation activities such as medical assistance, educational support, vocational training, etc. in the communities around the project every year. For example, the company provides free and nutritious breakfast for more than 900 local schoolchildren for a long time, free medical assistance for the local lonely, sick and disabled elderly, and sends warm condolences to every family on important holidays such as New Year's Christ-

mas. These trivial, solid and perennial community work are the cornerstone of the successful relocation of the project, social recognition, the support of the people of the community, and the inability of various opposition forces to make waves in the project. Finally, before starting the relocation, the company formulated a detailed and complete relocation plan, including departmental division of labor, staffing, logistics, transportation, law, safety, catering, health, medical care, government relations coordination, emergency management and other aspects.

Based on the solid and meticulous preparations carried out by Chinalco, the urban relocation work was successfully launched at the end of 2012 and carried out smoothly, and the whole process did not encounter large-scale opposition. As of June 2013, the relocation of the main residents has been basically completed, and the operation of the new town is stable, and the people live and work in peace and contentment.

Jorge Tafu, Minister of Energy and Mines of Peru, commented on the project that the New Town of Morococha is the first city planned and built entirely by a mining company. It has complete infrastructure and provides better living conditions for local residents, so that they can stay away before mining activities begin. Disturbance in the mining area. The New Town brings a bright vision of the future to the residents who have lived here for decades or even hundreds of years.

2) Kinsmill Sewage Treatment Plant Project

There are countless vivid examples of Chinalco's work in accordance with the laws of global mining development, complying with the requirements of social development, and fully respecting and integrating into the local society. The construction of Kingsmil Sewage Treatment Plant is one of them. The area around Toromocho Copper Mine is a world-famous mining area with a mining history of hundreds of years. Whether it was the early predatory excavation of Western colonists or the subsequent mining of modern technology by some mining companies, it did not create much wealth for the local residents, but produced a large amount of industrial wastewater and accumulated into rivers and lakes, generating multiple sewage sources. Because the sewage source has existed since the beginning of the last century and lasted for 90 years, it has been solved for a long time, which has had a serious impact on the local ecological environment and drinking water safety. After Chinalco took over the project, Chinalco invested more than 70 million US dollars without emitting a drop of mining sewage. In two years, it built a modern and largest sewage treatment plant in South America to treat the wastewater and pollutant rainwater discharged by all mining enterprises in the whole region, solving the problem of nearly 100. In the year, mining sewage pollutes the environmental protection of rivers. The treated water can also be used for the production water of the Toromocho copper mine project, effectively protects the local natural water resources, and truly implements the scientific concept of "recycling, environmental protection development, harmonious nature and common development". This initiative to actively implement corporate social responsibility has also been highly recognized by the Peruvian government, industry counterparts and local residents.

3) Other aspects of actively fulfilling corporate social responsibility

The construction and operation of the Toromocho project in Peru has also made significant contributions to the development of Peruvian economy and labor and employment. The project has adhered to the principle of “localization” since the beginning of operation. At present, there are only 5 Chinese personnel. Even the allocation of housing in the new city is also responsible for a committee composed of eight residents of the local community and a Chinese person. At the peak of the construction period of the project, 13,000 people were employed on site, indirectly driving about 65,000 people to employment; during the operation of the project, 1500 employees were indirectly driving about 7500 people to employment, greatly promoting local labor employment in Peru. As of 2015, the company has paid a total of \$775 million in various taxes to the Peruvian Revenue Service and promised to generate \$1.5 billion in revenue for the next 30 years, while providing various other assistance projects to local industrial and agricultural development, quality of life, etc.

Chinalco has always adhered to the basic qualities of being environmentally friendly, abiding by laws and regulations, and being a citizen of enterprises as a resource-based enterprise. In the process of carrying out the above-mentioned community work, the company fully respects the local culture and implements compliance with the law as an important guarantee to ensure the safety and smooth progress of the project. Carry out relevant work on the basis of the local law, ensure that the red line of law is insurmountable at all times, and constantly improve the image of law-abiding enterprises and responsible corporate citizens.

3. Challenges Encountered by Companies in Fulfilling Their Social Responsibilities

Of course, it is not smooth for Chinese enterprises to fulfill their social responsibilities in the process of overseas investment. As mentioned earlier, Chinalco promised to invest in the construction of sewage treatment plants to benefit the local area and establish a good corporate image. At the same time, the treated sewage can also be used for the operation of the project. However, the construction of the water plant has been troubled by a local mining company, which firmly disagrees with the laying of a section of sewage pipe through its company's land, which seriously affects the construction period. In the case of unsuccessful negotiations, the company, through multi-party coordination and the support of the Peruvian Congress, introduced a bill to force the confiscation of this section of land in the name of environmental protection projects. Finally, the company made a compromise and the construction of the water plant progressed smoothly.

Similarly, the company has encountered many difficulties in negotiating the right of access to high-voltage wires with the Yauli community. The whole negotiation lasted for three years. From complete refusal to willingness to contact, to formal negotiations, the community was capricious, making a number of unreasonable demands on the company, and the delay in signing the Wayleave Agree-

ment. Electricity is a necessary condition for the start of the project. In the case of unsuccessful negotiations, the company coordinates with the central government of Peru to find new solutions for the construction of high-voltage towers by the National Electricity Corporation, which can forcibly expropriate private land in accordance with the law. In the end, the company successfully solved the power supply problem. However, in order to avoid fierce opposition from the people of the community in this way, the company has also not relaxed any communication and negotiation with the community. The company fully recognizes that community work is a cross-project work that is accompanied by the whole mining life of the project, and should not be relaxed at any time.

At the end of March 2014, due to the local rainy season, the excess rainwater generated continued to wash away the mountain body, temporarily bringing out some metal ions into the lake. The Environmental Assessment and Taxation Bureau of the Ministry of Environment of Peru held that the discharge of wastewater from the mining area of Chinalco polluted the lake without sufficient on-site investigation, and informed the company that it was necessary to stop production for rectification immediately. Although the company understands that there is no mining activity in the wastewater discharge area mentioned in the notice, and the Toromocho copper mine adopts the “zero discharge” technology of wastewater. All process water can be recycled and reused after internal circulation treatment, and it is impossible to generate sewage from mining operations, it actively cooperated with the government to suspend access to the waste as soon as possible. Mining activities in outflow areas, investigate the truth, explain problems with facts, and increase the construction of temporary rainwater control facilities. Throughout, the company communicated with the Peruvian government in a frank and effective manner, and finally won the trust of the government. On April 11, two weeks after the notice was issued, the Peruvian Environmental Assessment and Taxation Bureau conducted an on-site inspection, recognized the measures taken by the company and the reasons for the complaint, and revoked the notice requiring the company to stop work. Although there was a lack of basis for law enforcement by the relevant Peruvian agencies and the suspicion of over-enforcement in the incident, it was convinced that the crisis was also an opportunity. Therefore, while investigating the truth of the accident, it also thoroughly and carefully investigated the environmental protection system of the mine and raised the standards for the next stage of environmental protection work. At the same time, in the process of dealing with this incident, Chinalco has established closer channels of communication with relevant agencies of the Peruvian government. In July 2014, the Peruvian Congress made special legislation requiring agencies to strictly follow the relevant procedures to manage the operations of foreign enterprises, and not to recur law enforcement acts such as exceeding authority exposed in this incident.

4. Conclusion

Through the construction and operation of the Toromocho copper mine project

in Peru, Chinalco has gradually explored and practiced a new model of social responsibility management for overseas non-ferrous metal mining projects, that is, to fully respect local culture and customs and abide by the law. It is strictly required in all aspects of management, and the sunshine route is resolutely implemented in Peru's relatively opaque social environment. The red line of law is resolutely insurmountable. Relevant work will be carried out on the basis of the local law at all times, constantly improving the image of law-abiding enterprises, environment-friendly, law-abiding enterprises, and responsible enterprises, and ensuring the orderly progress of the project.

The work done by the Toromocho copper mine project in Peru also allows us to see a new image of overseas non-ferrous metal mining projects for Chinese enterprises: enterprises not only act in accordance with international norms, but also try to "localize". Efforts to protect the environment, improve people's livelihood, and serve the community and other practices also prove that Chinese enterprises are increasingly aware of Peruvian society and culture and are willing to better fulfill their social responsibilities, which is of great significance for Chinese enterprises committed to developing overseas undertakings.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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