



The Corporate Responsibility Rating of the Metals & Mining Sector

SDIMI 2007
Milos, June 18th, 2007

Overview:

1. **Socially responsible investment (SRI) – motivation, concept and market**
2. **oekom research's Corporate Responsibility Rating**
3. **The metals & mining industry - challenges and criteria**
4. **Performance of the industry and selected results of the CRR**

socially responsible investment



Basic idea:

Supplement conventional financial research with environmental and social criteria

Motivation:

Added value through sustainability



Ethics

Incorporation of individual ethical values in investment decisions

Risk Management

Identification and minimisation of ESG (environmental, social, government) risks

socially responsible investment



SRI strategies:

– Negative screening

Exclusion of companies involved in controversial business areas or practices, such as human rights violations, weapons, corruption, environmentally controversial projects (**exclusionary criteria**)

– Positive screening

Selection of companies on the basis of positive criteria, such as good governance, environmental management, climate protection, stakeholder dialogue, community awareness and outreach („**best-in-class**” approach)

– Shareholder Activism / Engagement

Control by the fund management on the company's management by dialogue or voting on the AGM

SRI market



European SRI market

FIGURE 4: CORE SRI AND ITS COMPONENTS, DECEMBER 31ST, 2005

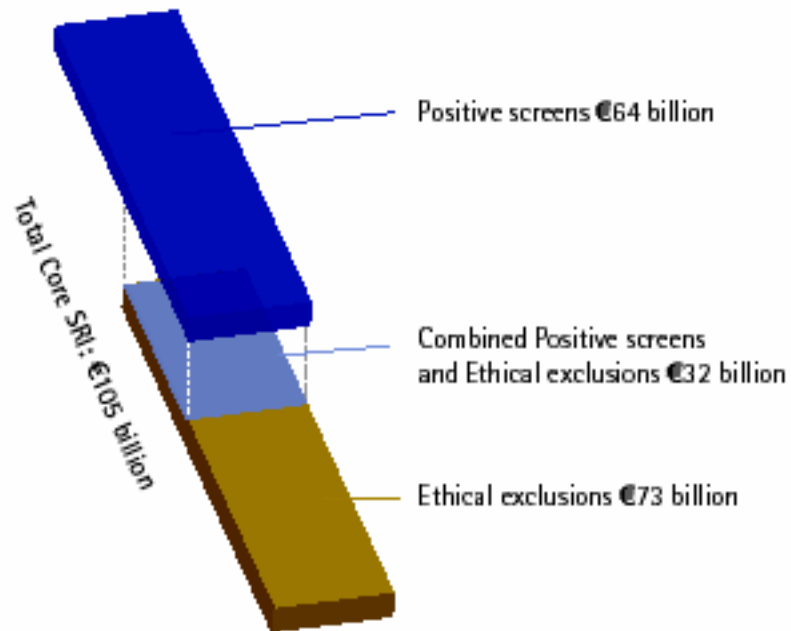


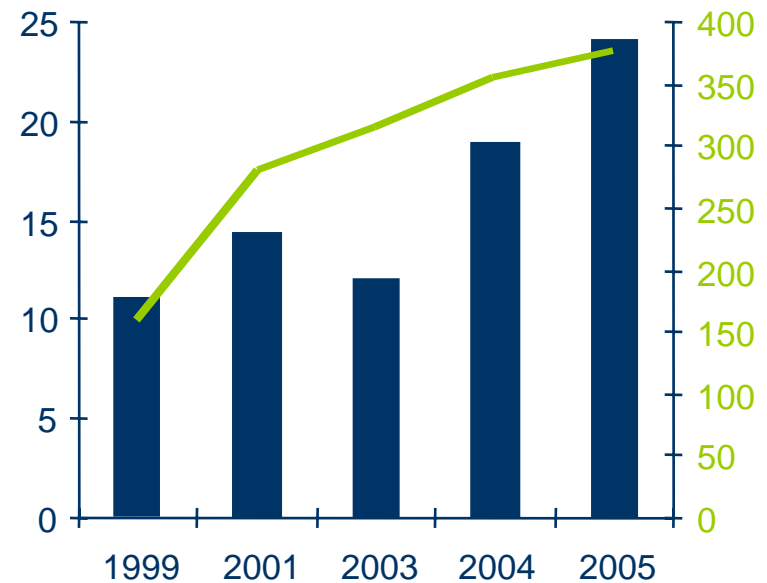
FIGURE 2: SRI IN EUROPE, DECEMBER 31ST 2005

CORE SRI: €105 billion

BROAD SRI: €1.033 trillion

Source: Eurosif

Number and volume (bn Euro) of sustainability mutual funds in Europe





Research services for investors since 1993:

- Customer base: financial services companies and institutional investors in Europe and Japan
- Research applied to funds and mandates with a total volume of EUR 85 bn (05.2007)

Independence:

- Rated companies are not offered consultancy services
- Clients do not have any shareholding in oekom research and cannot influence rating results
- No engagement in financial research/asset management

Quality standards:

- Principles of Sustainability Rating and Code of Conduct
- Certification to Quality Standard CSRR-QS 2.0
- Scientific Advisory Board



Independence

Experience

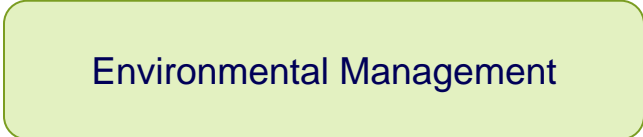
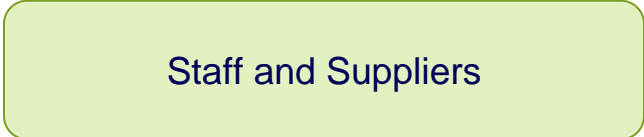
Expertise

Quality Standard

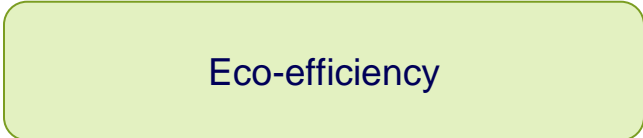
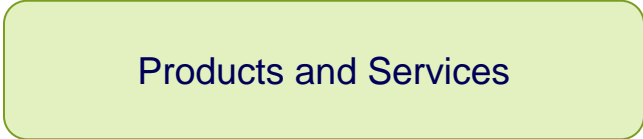
corporate responsibility rating



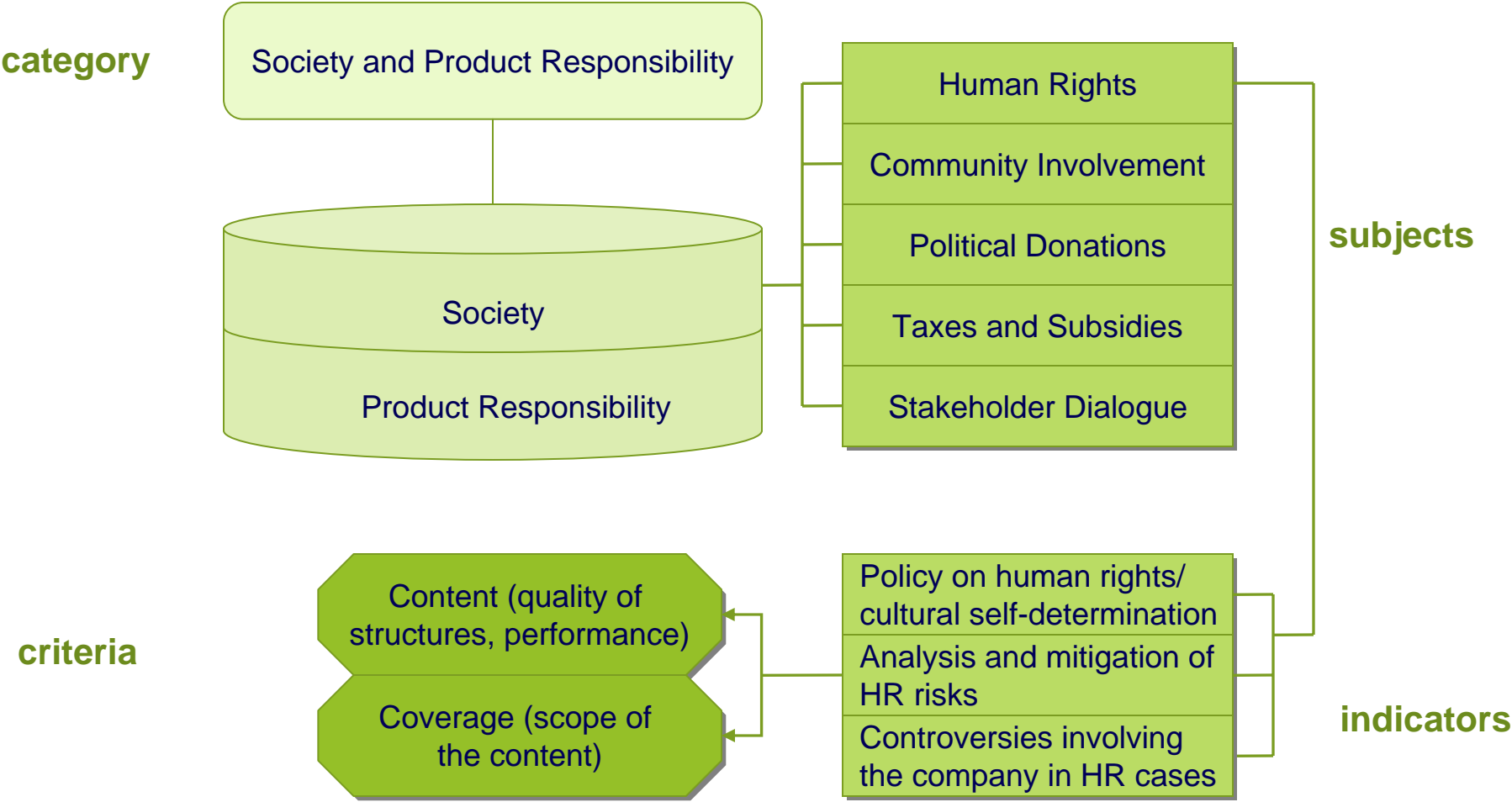
2 dimensions



6 categories



corporate responsibility rating



corporate responsibility rating



Client-specific exclusionary criteria

**Controversial
business areas**

- Abortion
- Alcohol
- Biocides
- Chlororganic mass products
- Embryonic research
- Gambling
- Genetically modified organisms
- Military
- Nuclear power
- Pornography
- Tobacco

**Controversial
business practices**

- Animal testing
- Business malpractice (Corruption etc.)
- Child labour
- Controversial environmental practices
- Human rights violations
- Labour rights violations

metals & mining



Key sustainability issues and development of industry-specific indicators

1. Conflicts over land use and protection of human rights

Indicators

- land use planning (consideration of risks and hazards)
- analysis and mitigation of potential negative social impacts
- controversies involving the company in human rights cases

2. Prevention of excessive damage to the environment

Indicators

- tailings storage and disposal facilities management
- low-impact operations, biodiversity management
- mine closure standards, rehabilitation and monitoring
- controversial environmental practices and projects

metals & mining



3. Occupational Safety

Indicators

- health and safety conditions and management systems
- development of the accident rate and occurrence of fatalities
- controversies related to health and safety

4. Community development

Indicators

- community involvement
- stakeholder dialogue - community awareness and outreach

5. Climate protection and energy-efficient process design

Indicators

- strategy on climate change; use of renewable energy sources
- secondary raw material use and promotion of recycling
- reduction of energy consumption of processes

CRR – selected results



CRR of the metals & mining industry

20 large listed companies assessed in December 2006, including major players Anglo American, Arcelor Mittal, Alcan, Alcoa, Barrick Gold, BHP Billiton, Newmont Mining, Rio Tinto, Xstrata

Best-in-Class results

- Results ranged from B+ to C- on a scale from A+ (excellent) and D- (poor)
- 6 out of 20 scored above pre-defined minimum grade for investment (B-)
- Top performers BHP Billiton (B+), Alcoa (B), Corus (B-)

Exclusionary criteria (business practices)

14 companies involved in single or several major controversies, thereof

- business malpractice (6)
- controversial environmental practices (7)
- human rights violations (7)
- labour rights violations (2)

CRR – selected results



Conflicts over land use and protection of human rights

- + compensation payments for resettled communities and rules and training for security staff to prevent violence
- safeguard for livelihood and maintenance of traditional lifestyle of affected population to be improved

Prevention of excessive damage to the environment

- + precautionary measures applied in new projects
- environmental threats posed by abandoned sites
- practices such as riverine or submarine tailings disposal still applied
- activities in protected areas and areas prone to earthquakes and flooding

Occupational Safety

- + preventive measures taken and generally falling accident rates
- fatal accidents occurred at 19 out of 20 companies assessed

CRR – selected results



Community development

- + initiatives and programmes to ensure stakeholder dialogue
- lack of transparency on social impact analysis and payments to governments
- reconciliation of community and project development interests to be improved

Climate protection and energy-efficient process design

- + awareness and commitment; energy-efficiency measures
- reluctant use of renewable power sources except large hydropower
- lack of commitment to increase secondary raw material use

conclusions



- high awareness of sustainability issues and comprehensive mitigation measures
- major environmental controversies and social conflicts prevail
- six out of 20 companies assessed reached the minimum ‚best-in-class‘-score for recommendation for socially responsible investment
- yet only one of these six stayed clear of controversial business practices which are exclusionary criteria for most socially responsible investors
- updates of the industry rating will show whether the companies‘ sustainability initiatives will lead to improved performance in the future

contact



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