

COLUMNISTA



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## **A PURPOSE MINING IS POSSIBLE IN PERU**

**It will be feasible if we put territorial development at the center and promote shared value initiatives**

Having a crisis of confidence among the main actors in this activity, especially after the serious social conflicts that have occurred in recent months in Peru, we could ask ourselves if it is possible to build a different mining, a mining that redefines its purpose.



I believe that it is possible, although many might think that it is something impossible, that it is a utopia, some might say, but thanks to the dreams that come true, some countries have managed to develop and, citing the world leader, Nelson Mandela, "It always seems impossible until it is done", I believe that all actors must work to build and build a mining with a purpose in Peru.

The purpose of any organization should be what drives all its members to work and makes the work that is done meaningful, and done with emotion. When an organization has a well-defined purpose, it is reflected in its workers, its shareholders and especially its stakeholders. It can't just be a pretty slogan. An organization cannot have its purpose defined and behave differently in front of its stakeholders or suppliers. That, sooner or later, will be discovered, and if the company does not change its behavior and focus on the purpose it has announced, it will lose its reputation and its value.

**IN THE CASE OF MINING COMPANIES, BECAUSE THEY ARE EXPOSED TO THE CONSTANT EVALUATION OF THEIR STAKEHOLDERS, THEIR PURPOSE IS CONSTANTLY IN QUESTIONED**

The purpose is so important that now the large corporations in the world are redefining it and, in the case of mining companies, because they are exposed to the constant evaluation of their stakeholders, their purpose is constantly being questioned.

The purpose has to answer the question of why a company exists, the answer can no longer be that it exists to achieve maximum profit for its shareholders. Staying in that answer will cause us to continue making the same mistake. If you continue to think that way, you will continue to demand that other actors do their part and the company will only remain focused on doing its job in the best way. That's not bad, but now the world is different, now we have to think about the other, we have to be more empathetic, we have to put ourselves in the shoes of the other. Companies cannot continue to think that they are an island and that they do not care what happens around them. In a society where basic needs are not met, it is difficult for companies to develop optimally and grow.



On the contrary, it has been shown that if companies collaborate so that society solves their needs and, with this, improves their quality of life, companies have the potential to grow and generate greater profits for all the actors related to their activity. When companies see the needs that exist around them not as a problem but as an opportunity, they are having a high purpose, and that definitely occurs when the economic benefit is no longer the main objective of the company but is a consequence of the realization of its purpose.

What seems like a progressive discourse is also being promoted by the great investment funds in the world. For example, the investment fund BlackRock, which has investments of more than 9 trillion dollars in the world, every year, its CEO, Mr. Larry Fink, sues the companies where said fund has its investments (a group of these belong to the mining sector) to better define their purpose and not only redefine it, but also lead the execution of that purpose.

**THE PURPOSE HAS TO ANSWER THE QUESTION WHY A COMPANY EXISTS, THE ANSWER CAN NO LONGER BE THAT IT EXISTS TO ACHIEVE THE MAXIMUM PROFIT FOR ITS SHAREHOLDERS. STAYING IN THAT ANSWER WILL GIVE US TO CONTINUE MAKING THE SAME MISTAKE.**

The big question is how mining companies in Peru can lead that purpose that they could define after conducting an assessment of their strengths and the needs that exist around mining projects and operations. A business strategy that has had positive results in Peru and in the world, definitely, is the shared value strategy. Indeed, it is necessary to emphasize that it is a business strategy and not an improved version of corporate social responsibility. When companies see the needs that exist around them not as a problem, not as a responsibility that does not correspond to them, but as an opportunity to generate value for companies and also for other actors, or will they only be solving those needs but that will generate tangible and intangible values that will help improve the quality of life of the communities and will provide companies with a better social environment and will be more competitive.

Two examples that they are giving at this time: the first is the reference to local entrepreneurs close to several mining companies, these entrepreneurs, when they receive important technical assistance, manage not only to provide good services, but also to compete with companies in Lima and the world because they have done a shared job (they and the mining companies), and as a result, truly competitive services are obtained. The second is the one regarding water management; There are companies that have not only been concerned with obtaining water for the mine, but also, seeing that communities and cities do not have water of sufficient quality and quantity, they have worked on projects to obtain water for human consumption, for agriculture and mine.



These initiatives should not be isolated examples and that are not within the main purpose of the mine. Therefore, assuming a shared value strategy would achieve that the company fulfills the lofty purpose and at the same time manages to generate value for all parties, including the company. Shared value does not mean that the company stops obtaining value or that some part reduces the value obtained from the activity of the company. It is quite the opposite: with the shared value strategy, the revenue cake grows for all stakeholders.

Faced with the current situation of suffering an economic crisis as a result of the pandemic that we are suffering, an example of shared value that could be applied in Peru and that would necessarily have to be led by mining companies is the reference to the efficient use of taxes that collects said activity.

**A BUSINESS STRATEGY THAT HAS YEARS POSITIVE RESULTS IN PERU AND IN THE WORLD, DEFINITELY IS THE SHARED VALUE STRATEGY. EFFECTIVELY, IT IS NECESSARY TO HIGHLIGHT THAT IT IS A BUSINESS STRATEGY AND NOT AN IMPROVED VERSION OF CORPORATE SOCIAL RESPONSIBILITY.**

As we know, during 2011 to 2020 the national government has transferred to the regions and municipalities the sum of 40 billion soles and, as has been reported, the average execution of these funds between 2015 and 2019 has been 60% . The

40% that unfortunately is not executed could be invested after a participatory dialogue process, where territorial development is put at the center and, with technical assistance (for as long as necessary), it is possible to transform that income into development sustainable but with the sense of urgency that great needs warrant.

In my opinion, this is the great challenge that must be achieved after regaining trust among the main actors related to mining activity, as well as when the dialogue process began to build the Vision of Mining for 2030, in the Center for Convergence and Good Mining and Energy Practices (Rimay), and that the actors had their fears and objections that it could be possible to build a vision between representatives of civil society, academia, leaders of mining companies and authorities and, after six months, it was concluded with a document that has been recognized by various actors and that the new government will continue. I propose and invoke that in this space (Rimay) initiatives be worked on that will close the social gaps that exist and promote sustainable mining and mining with a purpose.