

BUSINESS COMPANIES MINING

# For BHP, 'social value' key to staying competitive in a changing world

By [Nick Toscano](#)

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Australia's biggest miner, BHP, has vowed that "social value" considerations such as climate change and water policies will underpin its future business decisions alongside financial considerations, as the company reinforces its goal to stay sustainable and competitive in a rapidly changing world.

In an address to shareholders in London overnight, Geoff Healy, the mining giant's chief external affairs officer, outlined how BHP had sought to extend its focus from "social licence" to social value.



BHP will brief its investors about the importance of its approach to creating social value. TONY MCDONOUGH

"We are part of a society that expects more of us," Mr Healy said.

"We recognise that our success depends on our ability to earn their trust and confidence. And we know that this means improving the way we do business at all levels, from local to global."

The speech comes after a survey of 150 mining industry chief executives by Ernst & Young identified "maintaining social licence" amid ever-growing societal and community expectations as among the top risks facing their businesses.

Mr Healy said BHP's focus was to go beyond "licence", a term he believed implied a focus on meeting requirements. Demonstrating a commitment to social value, he said, could help win the company access to the "best talent, the best resources, the best markets, and set ourselves up for a sustained competitive advantage".

"While our foundations are strong, we know that change is accelerating, and – so must we – to stay competitive," he said.

Mr Healy pointed to BHP chief Andrew Mackenzie's recent unveiling of a \$500 million package to tackle its own emissions and those of customers that use its products such as steel and iron ore – known as "scope 3" emissions – as one example of its focus on ensuring its "house is in order" and preserving the company's long-term value.

As a mining company, he said, more than 80 per cent of BHP's earnings were derived from products that emitted carbon dioxide in processing or use.

"We operate in regions that may impose, over time, increased carbon costs ... this represents risk to our portfolio," he said.

"We recognise that we must work with our suppliers, customers and others to reduce these emissions across the value chain to protect demand for our products."

In another example, BHP used ground, surface and sea water for everything from processing ore to controlling dust, Mr Healy said, but population growth, climate change and rising societal

expectations were increasing pressure on the world's water resources.

"To achieve 'social licence' we must obtain relevant permits, meet legal requirements and avoid water discharge breaches," he said. "However, we recognise that 'a licence' to use water is not enough – because water is a precious global commodity; the management of which is emerging as one of the world's most pressing long-term issues."

The impact of mining across the world is becoming an increasing cause of concern as companies such as BHP are forced to mine in more remote areas of the globe and drill deeper into minerals deposits to obtain the earth's resources, according to a recent report by corporate consultancy Deloitte.

There was also a heightened focus from the investment community around sustainability, responsibility and climate change, which were becoming mainstream concerns and live topics across the industry.

"In many countries, the true economic contribution of mining is being questioned," Deloitte's risk advisory principal Leeora Black said in the report launched last month.

"Mining companies must find innovative strategies to ensure the continued success of both their economic sustainability as well as their social licence to operate."



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