

Global Alumina's proactive efforts to mitigate conflict-related risks in the Republic of Guinea

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Abstract / Summary

The Republic of Guinea is a developing nation endowed with rich natural resources, especially bauxite. Although the country itself enjoys relative peace, its neighbouring countries, in particular Liberia, Sierra Leone and Ivory Coast, suffer from heavy conflicts. Furthermore, Guinea is among the poorest countries in the world and presents important socio-political risks for investment (e.g. lack of governance, political transition uncertainties, economic inequalities, labour related problems and capabilities, refugees).

In this context, the New York-headquartered company, Global Alumina, is currently constructing a US\$3 billion alumina refinery in Guinea. This represents the largest foreign investment in the country and has a tremendous impact on the country's economy.

From the outset, the company has adopted proactive measures to mitigate socio-political risks associated with the project, in particular conflict-related risks. These risks relate on the one hand to the latent conflict potential in the country (exogenous risks), especially considering the conflicts in neighbouring countries, but on the other hand also to conflicts that may arise in connection with the project itself (endogenous risks). For instance, the resettlement activities associated with the project have been implemented in a rigorous and consultative manner, so as to prevent grievances from arising.

The case study analyzes the company's approach in preventing conflict and considers how these issues have been incorporated in the company's decision-making processes.

Introduction

Company profile

Global Alumina International Ltd. was incorporated in 1999 in the British Virgin Islands. In 2001, it founded Guinea Alumina Corporation Ltd. to develop, finance, construct, own and operate an alumina refinery and related infrastructure in the Republic of Guinea. In 2004, Global Alumina Corporation (Global Alumina or the "Company") was established as a Canadian public company and registered at the Toronto Stock Exchange.

Currently, alumina production worldwide is operating at close to full utilization capacity. In order to meet global needs and counter the current global alumina shortage, which is due particularly to the fast growing demand of emerging countries, Global Alumina will use the vast bauxite resources of the Republic of Guinea to produce alumina for sale to the global aluminium industry.

Global Alumina and its contractors currently employ more than 600 Guineans and overseas staff in Guinea.

The company CBG (Compagnie des Bauxites de Guinée), owned primarily by Alcan and Alcoa together with the Guinean state had to release a part of its concession to Global Alumina. Alcoa can be considered as one of Global Alumina's major competitors as it sells alumina on the world market. Although CBG is still a bauxite exporter and does not yet refine bauxite into alumina, Alcan and Alcoa are currently planning to build an alumina refinery in Guinea. Several other bauxite-related companies, in particular from Russia, are operating in Guinea in the country.

Situation in Guinea

After its independence from France in 1958, Guinea adopted a socialist system under the president, Sékou Touré, who gradually turned the country into a one-party dictatorship. Following Sékou Touré's death in 1984, his successor, Lansana Conté, introduced political and economic reforms, and brought the country out of its isolation. In recent years, Guinea's economy and polity have experienced severe stagnation and decline. President Conte's poor health has contributed to political uncertainty in the country.

Today, Guinea is ranked 156 on the UNDP Human Development Index and can therefore be considered as one of the least developed countries in the world. Life expectancy is 54 years. A high percentage of the population has to survive on a daily income of less than \$1 US. Within the class of the 20 % of poorest Guineans, the infant mortality rate is nearly 12 % and 23 % of the children die before reaching the age of 5.

Corruption and transparency issues in Guinea are major concerns of donor agencies and are felt to undermine efforts to foster development in the country.

The Guinean infrastructure is poorly developed. Electricity cuts are frequent and can sometimes last several days. Water supply is of a very poor quality.

The country's agriculture is mainly subsistence oriented and there are few local industries; even basic processing industries for agricultural products are often lacking. The extreme poverty in Guinea stands in sharp contrast to the country's rich natural resources, especially gold, diamonds, iron ore and bauxite. Bauxite mining and alumina refining contributes more than 80 % of Guinea's foreign exchange.

The Alumina Refinery Project

Guinea possesses more than a third of the world's bauxite reserves. With annual exports of 12 million tonnes, Guinea is the world's leading exporter of bauxite. However, only a small proportion of the mineral, approximately 1.2 million tonnes per year, is transformed into alumina, and there is no production of aluminium metal at all.

Global Alumina will fill this gap by transforming bauxite into alumina in the Sangarédi region, where bauxite is some of the highest quality in the world. The Company will build an alumina refinery with a capacity of 3 million tonnes of alumina per year that will include, within the footprint of the refinery, room for expansion to 4.5 million tonnes per year.

The refinery project (the "Project") includes several large-scale infrastructure projects and consists of two major development zones¹:

- Sangarédi Development zone, which includes:
 - o mining operations;
 - o the alumina refinery itself;
 - o a coal-fired steam and power plant;
 - o a red mud disposal facility;
 - o a retention pond;
 - o a water supply dam;
 - o an employee's village;
 - o a 14 km railway to join the refinery with the existing railroad;
 - o access roads; and
 - o temporary construction facilities (1250 ha).

¹ Global Alumina: Resettlement Action Plan, September 2005

- Port Development zone in Kamsar, which includes:
 - o an alumina terminal,
 - o a marine terminal and new rail facilities at the port.

With total costs of approximately US\$3 billion, the investment in the Global Alumina refinery project is nearly equivalent to the annual GDP of the country, estimated at US\$3.38 billion in 2005. It represents the largest foreign investment in Guinea's history and is one of the largest industrial projects ever undertaken in sub-Saharan Africa.

Methodology

Several methodological elements were used to carry out the present case study:

An analysis of documents submitted by Global Alumina, in particular the Resettlement Action Plan, Environmental Impact Assessment, and partnership agreements, provided project-related information. Additional background information was gathered by internet research.

A field visit in Sangarédi and Conakry allowed the author to meet the local Global Alumina staff, villagers affected by resettlement, local authorities, and representatives of the international development community. In addition, several interviews for instance with Global Alumina's executive management were held by phone. A detailed list of interview partners can be found in annex.

The Global Compact "Business Guide to Conflict Impact Assessment and Risk Management in Zones of Conflict" was used to structure and analyze the potential risks for the Project (exogenous risk factors), but also probable risks resulting from the project itself (endogenous risk factors). As the pre-investment risk assessment is not publicly available, the risks were evaluated on a theoretical basis and by considering the opinions of the different stakeholders.

Finally, the Global Compact Performance Model was used to assess Global Alumina's approach with regards to the Global Compact Principles and to put the information in a structure suitable for the purpose of the Global Compact Learning Forum.

Conflict Impact Assessment, Risk Management and Mitigation Measures

The Global Compact defines in its Business Guide different steps of conflict impact assessment and risk management in zones of conflict²:

"Conflict impact assessment and risk management constitute two different levels of activities of a company's engagement. Conflict impact analysis should be undertaken as part of the project exploration and planning stage in deciding whether to invest in a specific locality/region. These are referred to as pre-investment and pre-operational phases. Conflict impact assessment consists of an analysis of intrinsic characteristics of a proposed investment and the possible impacts (intended and unintended) they may have on existing tensions in a community or region. Understanding how a proposed investment can affect a conflict situation gives businesses a more informed method to make crucial business decisions, in particular whether to invest or not. However, even when the project is in operation, impact assessment should be carried out in the form of monitoring and additional information gathering." "The decision to invest will trigger the commencement of the risk management phase, which continues throughout the lifecycle

² Global Compact: Business Guide to Conflict Impact Assessment and Risk Management in Zones of Conflict, May 2000

of a project. Having identified and understood the potential impacts of a given project, the company is then able to develop a strategy designed to minimize the negative consequences and maximise the positive consequences of doing business in a specific context.”

Conflicts also generate costs for companies. International Alert describes in its publication³ regarding “Conflict-Sensitive Business Practice” for extractive industries:

“Violent conflict imposes a range of costs on companies. A ‘conflict-sensitive’ approach to doing business – one that seeks to avoid these costs by developing informed conflict-management strategies – is therefore a strategic choice for company managers. At both a local level, through improved relationships with stakeholders, and at regional and national levels, companies can benefit from avoiding, or handling conflict more effectively through a joined-up understanding of all conflict risks and impacts.

The range of costs imposed by conflict on companies are direct and indirect. Direct costs most obviously relate to the increased cost of protecting staff and property. Indirect costs are those that impact the operating environment, only to rebound as costs on the company.

Direct and indirect costs imposed by conflict on companies are listed below:

Direct costs	Example
Security	Higher payments to state/private security firms; staff time spent on security management.
Risk management	Insurance, loss of coverage, specialist training for staff, reduced mobility and higher transport costs.
Material	Destruction of property or infrastructure.
Opportunity	Disruption of production, delays on imports.
Capital	Increased cost of raising capital.
Personnel	Kidnapping, killing and injury; stress; recruitment difficulties; higher wages to offset risk; cost of management time spent protecting staff.
Reputation	Consumer campaigns, risk-rating, share price, competitive loss.
Litigation	Expensive and damaging law suits.
Indirect costs	Example
Human	Loss of life, health, intellectual and physical capacity.
Social	Weakening of social capital.
Economic	Damage to financial and physical infrastructure, loss of markets.
Environment	Pollution, degradation, resource depletion.
Political	Weakening of institutions, rule of law, governance.

By investing in an alumina refinery in Guinea, Global Alumina had and still has to face important risks at different levels. The following sections describe these risks as well as the way Global Alumina anticipated possible conflicts and evaluated the corresponding risks. Finally, they show which decisions and mitigation measures were finally taken in order to address the risks adequately.

³ Source: adapted from Nelson, J. (2000) The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution; (International Alert, Conflict-Sensitive Business Practice: Guidance for Extractive Industries).

Exogenous risks

Exogenous risks refer to already existing challenges outside the project that have to be taken into account before investing.

Armed conflicts and refugees

Although Guinea itself enjoys relative peace, its neighbouring countries, in particular Liberia, Sierra Leone and Ivory Coast, suffer from heavy conflicts. As ethnic frontiers are different from national borders, conflicts can cross the borders and spill armed conflicts into Guinea. Refugees fleeing conflicts in neighbouring countries may cause unforeseen humanitarian problems.

Representatives from the international development community in Guinea confirmed that the risk of seeing armed conflicts in neighbouring countries spilling over into Guinea is real and cannot be excluded. The corresponding risk for a company could include⁴:

- Large proportion of youth become militarised and intimidate local staff;
- Populations dislocated by conflict lose access to livelihoods and steal from the company, or try to generate income through kidnapping staff; and
- Actions of the government to 'pacify' an area prior to investment could damage a company's ability to develop good relationships locally, and its reputation internationally.

The location of the Project, however, is far from actual areas of conflict. Spilling over of armed conflicts may be possible for the regions along the borders with Liberia, Sierra Leone and Ivory Coast but is quite unlikely for the Sangarédi region. Moreover, history shows that Guineans are very attached to their peaceful life and have successfully avoided similar situations in their country.

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Political transition uncertainty

The current President of the Republic of Guinea, Lansana Conté, has been in power since 1984 and was re-elected for another seven years in 2003. In view of the poor state of President Conte's health, the succession issue has profound political and economic significance for Guinea. Under the Constitution, the President of the National Assembly, M. Aboubacar Somparé, assumes the duties of the president for a limited period of time with the major responsibility of organizing new elections. This period, sixty days, is seen by many as insufficient for such a task. Moreover, the threat of an extra constitutional avenue, such as a military intervention, is of concern to many observers. Besides some civil society activities trying to organize round tables and a national dialogue about the way this critical transition could be handled, there are no visible efforts in the country to anticipate a possible political crisis.

The uncertainty of the President's succession and the possible resulting political instability represent a significant risk for any foreign investment. The successor might for instance reconsider the country's commitment to prior agreements, including mining concessions.

⁴ International Alert, Conflict-Sensitive Business Practice: Guidance for Extractive Industries; March 2005
case study – Global Alumina, Guinea

However, a reverse set of forces appear to be at play in the country: For more than forty years Guinea has sought to attract investors to create a value-added component to its largest natural resource, bauxite. Under both the Sékou Touré and Conté regimes, successive governments have pressed, without success, for the development of refinery and smelting capacities in the country. Global Alumina's interest in fulfilling this national priority has received broad national support. Moreover, because of the Company's proactive approach in consulting all the country's major stakeholders, including the military, when brought to a vote in the National Assembly in May 2005, the Basic Agreement for the Project was approved unanimously. Moreover, the principal officers of the Company have engaged in a consultative process which included discussions with civil society stakeholders, NGOs, international development agencies and others to assure that as many views as possible were taken into consideration during the Project's development. The generally held view is that because of the Project's importance for Guinea, all of the country's opposing forces consider the Project to be in the national interest and that it must be allowed to succeed.

Economic inequalities

Guinea is among the poorest countries in the world - it ranks 156 on the UNDP Human Development Index - and economic inequalities are tremendous. For instance, a teacher's monthly salary of approximately \$20 US is not enough to buy one sack of rice. Costs of transport to the workplace can be as high as the daily income. These economic inequalities can lead to social unrest and strikes. The corresponding socio-political risks are considerable as observed in February and June 2006, when union-led demonstrations and strikes causing social unrest were violently suppressed by the military killing at least 10 students.

When social unrest and strikes hit the country, the construction and operation activities of Global Alumina may also be affected, leading for instance to partial or total stop of the work.

Global Alumina's refinery project will contribute significantly to the economic growth of the country and will therefore have a strong positive impact on poverty alleviation. The construction of the Project will create approximately 10 000 direct jobs during the construction phase and 1 500 during its operation phase. How many of these jobs will actually be occupied by Guineans, will depend on the competences required and the skills available. While Guineans have proven that they can operate the existing refinery at Fria, it is clear that at least 200-300 of the start-up employees of Global's state-of-the-art refinery will need to be experienced refinery operators. In the near term, project planning foresees that at least 50 % of the construction employment opportunities will be filled by Guineans. Moreover, the economic activity both during construction and operation will trigger the creation of many indirect jobs in particular in the service sector, all of which should be filled by Guineans.

Moreover, Global Alumina has the clear policy to actively foster the creation of small and medium enterprises (SME) and to stimulate entrepreneurship in the project area. The Company has established a partnership with the African Development Foundation, a US Government corporation, to provide SME training and to develop SMEs for both construction and operation of the refinery. Global Alumina also has a requirement in its construction contracts requiring its contractors use local subcontractors whenever they can provide the required services at a competitive price and quality.

Global Alumina has teamed with the Canadian International Development Agency to offer professional training to Guineans in order to enhance their technical skills. In addition, Global Alumina is in the process of bringing other partners into this program to increase the employment of Guineans during all phases of project implementation.

Transparency

Even if Guinea has not yet been ranked by Transparency International, many in the international community, especially donor agencies and Guineans as well, consider corruption to be a major issue in the country. For instance, the Bureau of African Affairs at the U.S. Department of State declares:

"The Guinean Government adopted policies in the 1990s to return commercial activity to the private sector, promote investment, reduce the role of the state in the economy, and improve the administrative and judicial framework. Guinea has the potential to develop, if the government carries out its announced policy reforms, and if the private sector responds appropriately. So far, corruption and favouritism, lack of long-term political stability, and lack of a transparent budgeting process continue to dampen foreign investor interest in major projects in Guinea."⁵

Lack of transparency undermines and clouds the legitimacy of government decisions regarding mining concessions, but may also have a considerable negative impact on the Company itself and its reputation. Local authorities or decision makers may see an opportunity to take illegal advantages of the Project by requesting illicit payments or non-monetary advantages such as employment for family members. Falling into this kind of favouritism may present a loss of credibility for the investing company.

The question how Global Alumina manages the transparency issue is highly interesting as it represents a major dilemma for most internationally operating companies. Haskell Sears Ward, Global Alumina's Senior Vice President for Governmental Relations, observed: "Despite the country's reputation for corruption, I have never been approached in nearly seven years with our project for money or other forms of a payoff as a condition for receiving a favorable decision." Global Alumina's Director General, Mamady Youla explained: "Guineans are very patriotic. So, I showed them that the refinery is of national interest. We have never proposed anything to get the concession."

At the local level, Martine Forget, Director of the Environmental and Social Management Unit in Sangarédi confirmed: "By integrating the population into the decision-making process it is possible to avoid corruption. We have never had any problems here."

Transparency is also integrated into the Company's recruitment policy. Recruitment procedures include basic competency tests that each job candidate must pass. By advertising these requirements and accepting candidates from many sources, preferential treatment can be avoided and Global Alumina gains in credibility.

According to several staff members, this transparency oriented policy has significantly contributed to changing the attitude of the local population towards corruption and bribery.

Endogenous risks:

The installation of a US\$3 billion industrial project in one of the least developed countries in the world will have a tremendous impact on the economy, environment and social structure of the region and the country. The changes resulting from the Project itself may lead to conflicts which the Company must anticipate in order to guarantee the long-term sustainability of its investment. The endogenous project-related risks that Global Alumina has to face are numerous:

⁵ www.state.gov

Resettlement

The Project will result in permanent and temporary impacts on the land and livelihood activities of the local people. The permanent presence of the project infrastructure will involve 2050 ha of land, more than half of which is buffer around project features or land reserved for future village expansion. This land is currently used by the local population for agricultural purposes, cattle grazing, or gathering natural resources. Approximately 500 people (63 families) live within a kilometre of the refinery and will require resettlement. An additional 3100 inhabitants (432 families) live in the 14 villages whose land will be impacted to some degree⁶.

To address the highly important resettlement issue, Global Alumina has developed a Resettlement Action Plan (RAP) in accordance with the Equator Principles and the World Bank Guidelines concerning resettlement and compensation. The RAP states that the "objectives and principles on which this plan is based, not only consist of minimizing the effects of the project on local populations, but also determining how the project can improve their quality of life through a long-term integrated and sustainable socio-economic development plan."

Global Alumina's main activities regarding resettlement were conducted between the months of March 2004 and April 2005 and included, in particular:

- selection of the location of facilities or routes (reservoir, roads and rail lines) in order to minimize the displacement of the local population and to avoid culturally sensitive sites (e.g. cemetery);
- identification of the villages that could potentially be affected;
- participative consultations with the rural communities located inside the footprint of the Project;
- socio-economic, cultural and ecological investigations in 18 villages potentially having land located inside the footprint of the project;
- meetings and consultations with the administrative and governmental authorities and the NGO's in Sangarédi, Boké and Conakry; and
- on-going and continuous discussions and communications between Global Alumina and the local communities since April 2004 (a Global Alumina sociologist has been on-site to assure this on-going dialogue).

Public consultations regarding the Project and the Environmental Impact Assessment started in 2001.

The socio-economic analysis conducted by Global Alumina contains the results of a detailed investigation regarding the administrative organization, the regional environment, the affected population and their homes and services, the land tenure regimes, economic activities (agriculture, animal husbandry) and the social organization.

The Company has furthermore carried out participative consultations with local and national authorities, potentially affected populations, NGO's and the civil society. Young people and women were also consulted separately to get their opinions. The issues raised by these different stakeholders were collected and integrated into the project planning and into the Resettlement Action Plan.

The dialogue with the villagers is a permanent and ongoing process. Marliatou Diallo, responsible for women and vulnerable persons at Global Alumina's office in Sangarédi confirms: "We come here at least once a week. The permanent contact with the villagers

⁶ Global Alumina: Resettlement Action Plan, September 2005

is essential. At the beginning they were sceptical. But as they realized that we were really doing what we had promised, their attitude changed.”

After analysing the project’s impact on land, people and assets and studying alternative sites, a detailed resettlement and compensation plan was elaborated and implemented.

It should be underlined that according to government representatives the “Global Alumina method” of avoiding conflicts by integrating local populations into the project now serves as a model for Guinean authorities who now require the same procedure from other companies aiming at obtaining mining concessions.

Immigration

The Project is expected to have a strong attraction for immigrants looking for work in the project zone or nearby, especially with respect to relatives from nearby villages who will return to the project area. It could be stated during the field visit that in some villages the population has already doubled within two years. People who had left the villages to get an education or look for work in Conakry are now returning to their home villages. This migration causes a major demographic impact on the villages and puts pressure on host families who are now being confronted with the problem of providing for the newcomers/returnees and sharing already scarce food reserves.

Global Alumina considers its ability to influence this immigration quite limited, especially since a good portion of it consists of related people moving into villages. However, the Company is working with the villagers to convince them that it is in their own interest to control immigration into the region and project area.

Environmental Impact⁷

The construction and operation of the alumina refinery and its infrastructure components will have impacts on the physical, biological and human environments that may lead to complaints or even conflicts. The most significant biophysical impacts that could lead to conflicts will be on air quality, the quality and quantity of surface and ground water used by the villages, the disposal of wastes, generation of noise, and changes to land use. From a human environment perspective, the greatest potential for conflicts arises from the changes to land use and corresponding needs for resettlement and adjustments to livelihood activities. The Company has worked to minimize the potential for these conflicts through its consultative efforts and the coordination of mitigation measures with the local villagers and authorities.

Global Alumina has carried out a detailed Environmental Impact Assessment in order to address the environmental impact of its refinery. After analyzing the potential impacts and possible alternatives, the company elaborated the corresponding mitigation measures. The EIA led to an Environmental Action Plan (EAP), composed of different specific action plans that will be implemented by Global Alumina and its contractors during the construction and operation of the Project.

It should be emphasized that besides the classical and obligatory EIA, Global Alumina has seriously taken into account the concerns which the population expressed during the public consultations.

The EIA was accepted by the Guinean Government in May 2005.

⁷ Global Alumina: Environmental Impact Assessment, January 2006

The elaboration of a detailed EIA and its transparent approach also strengthened the relationship with the Guinean Ministry of Environment which now uses Global Alumina's process as best practice and guideline for other companies.

The relationship between the Ministry of Environment and Global Alumina has also led to an improved cooperation, e.g. regarding professional training. The Ministry will send two of its staff members to Global Alumina aiming to learn more about EIA.

HIV

During the construction phase of the refinery and its infrastructure facilities, up to 10 000 workers will be present on the different sites, and approximately 1500 during the operation phase. The workers will come from Guinea, but also from other African, European and Asian countries. Many of them will be single men and represent a high-risk group with regards to infection by HIV. The ongoing construction activities are already attracting "sex workers" into the villages around the construction sites. There is an evident risk of increasing infections by HIV within the project area, but also of spreading HIV outside the region due to the presence of international workers and mobile workers (truck drivers, etc.).

Besides the serious risks for the local population, Global Alumina also has to face the corresponding risks for its own and its contractor's activities that may include, inter alia, decreased productivity, loss of qualified employees, and high costs for health services.

To address this issue, Global Alumina has elaborated an AIDS prevention approach to include measures such as the following:

- data collection
- awareness raising through seminars, posters, etc.
- free and anonymous AIDS tests, monitoring measures
- distribution of free condoms;
- treatment measures.

Global Alumina considers AIDS prevention as one element of a more comprehensive and integrated health policy that should also include other infectious diseases as well as hygiene, birth and sexuality related issues. Within this AIDS-related policy, Global Alumina also requires its contractors to include AIDS-related policies and action programmes for their employees.

Aiming to achieve a better integration of its own activities into already existing initiatives, Global Alumina has entered into a partnership with the Guinean National Committee for the Fight against AIDS. Within this partnership, a listing of joint objectives has recently been elaborated regarding data collection, education and preventive measures, treatment and monitoring.

Governance

In Guinea, the access of rural and urban populations to basic services is very limited. Electricity is only available in larger cities and even then, cuts are frequent and can last several days. Continuous water supply is not guaranteed and the population may be required to collect water from central supply stations. Waste management does not exist except in very limited areas and even then, many public places and streets overflow with uncollected waste.

Lack of governance and government resources in the project area may lead to grievances within the population and increase pressure on Global Alumina to solve these problems. Therefore, there is an obvious risk for Global Alumina from local pressure to take over government responsibilities and to gradually create a state within the state.

In order to cope with the development-expectations of the population without falling into the trap of replacing the local government for provision of services, Global Alumina has decided to not provide free services to anyone. For instance, everyone will be required to pay for electricity, water, trash removal, or other services. Furthermore, the Company does not expect to provide these services directly, but instead to have them provided by the local municipality with organizational assistance from Global Alumina. By creating employment opportunities, the Company aims at enabling households to purchase the services.

Furthermore, Global Alumina has entered into partnerships and built up cooperation with several Guinean institutions aiming to strengthen the local governance capacities.

Analysis of Global Alumina's approach according to the Global Compact Performance Model⁸

The objective of the performance model is to align business performance with the Global Compact principles. It describes a road map to help business to embrace the Global Compact principles and move towards a satisfactory performance without detracting from their other business goals. The typical framework articulates 4 categories of management elements:

- Vision: what organization do we want to become?
- Enablers: Who will get us there and by which means and practices? The enabling elements are leadership, empowerment, policies and strategies, resources, processes and innovation.
- Results: what improvement and impact will we make? The holistic concept of results includes impact on value chain, people satisfaction, and impact on society.
- Reporting: how do we measure and communicate our achievements?

The following chapters intend to show Global Alumina's way of doing business with reference to these different elements.

Vision

Global Alumina has developed a clear and extensive vision of its role as a responsible company regarding social, environmental and political issues. The alumina refinery project in Guinea was started with the firm conviction, that a project of that size with an investment of \$3 billion in one of the poorest regions in the world must integrate a holistic development approach and have visible benefits for the local communities.

According to statements of Global Alumina employees and press articles, this vision originates in Global Alumina's CEO Bruce Wrobel, who since the beginning has been actively looking for people sharing his point of view with regards to corporate social responsibility.

Global Alumina has elaborated a company "Code of Business Conduct and Ethics" that includes, inter alia, the obligation to avoid conflicts of interest and unethical conduct, and to comply with environmental laws.

However, there is not yet an explicit incorporation of the Global Compact Principles into the Code of Conduct. The proactive approach and firm commitment of Global Alumina to

⁸ Global Compact Performance Model, November 2002

social and environmental responsibility should also be highlighted and included within this essential company-wide policy document.

Leadership

The leadership towards respect and implementation of the GC principles is strong throughout the different levels of the Global Alumina management hierarchy. As was confirmed during the field visit by several employees, Global Alumina's executive management has always been open to suggestions, and dialogue seems to be an integrated part of the corporate culture.

Empowerment

As Global Alumina's top management had from the outset a clear vision regarding the development dimension of the Project, employees and managers have been recruited accordingly. The social and environmental commitment and background has been an essential criterion for the selection of the candidates.

In spite of these efforts, the concrete implementation of specific people management elements with regards to the Global Compact principles has not yet been carried out. For instance, individual and team performance targets with a clear reference to corporate social responsibility and a corresponding reward system could be introduced.

Policies and Strategies

Global Alumina has elaborated policies and procedures for different aspects of its activities. For instance, there are clear procedures specifying that recruitment must be transparent, based on competences, and give priority to local populations in order to foster employment opportunities within the region.

Global Alumina is currently also setting up a first draft of its Sustainable Development Policy which will include concepts such as the following:

- only a respectful use of natural resources and a responsible approach together with local communities permits sustainable development;
- it is committed to minimizing pollution;
- it is committed to integrating environmental issues and considerations of the communities into its own and its contractors activities;
- it guarantees that all its activities respect international regulations (Equator Principles) and national laws regarding protection of the environmental and populations;
- its employees, construction directors and contractors will be sensitized to integrate environmental protection and respect for the communities into their activities; and
- its construction directors and the environmental and social management unit UGES play an essential role regarding the application of the policy by the contractors.

Another policy document of Global Alumina refers to health and safety issues on the construction sites. This document specifies also that construction directors will be evaluated annually with regards to their performance on these issues.

It should be highlighted that these policies are also being communicated to Global Alumina's contractors and that their implementation is being monitored.

The above-mentioned policies and procedures exist mostly as drafts and have not yet been finalized. The elaboration of clear objectives, in a written form, as "Magna Charta" or their incorporation into the Code of Conduct could increase their impact. Furthermore, it would certainly be helpful to elaborate another policy document which reflects the adherence of Global Alumina to transparency principles.

Resources

The allocation of extensive resources to manage socially and environmentally sensitive issues resulting from Global Alumina's activities is one of the major assets of the company. Since its creation Global Alumina's top management has been actively recruiting employees with a strong background and commitment regarding environment and development issues.

Mr Haskell Sears Ward, Senior Vice President and responsible for managing Global Alumina's government relations within the company, is a former member of the Peace Corps, and worked for the Ford Foundation and United States State Department as a senior African Policy maker before becoming Deputy Mayor for Human Services of New York City. An African development expert, Mr. Ward is also author of a major study on development policy in Africa.

Global Alumina has been actively recruiting management staff and employees with a clear vision of the development opportunities of the country. For instance, Global Alumina's Director General, Mr Mamady Youla, former advisor of the Minister of Mines and Geology, has been one of Guinea's major proponents of creating a value-added component in the exploitation of the country's bauxite resources by constructing an alumina refinery rather than just exporting bauxite.

Mr Jonathan Lachnit, who is in charge of managing resettlement and compensation issues, has worked for many years for NGO's, in particular the Peace Corps and Africare, in different African countries before finally joining Global Alumina. "We are looking for somebody to ensure we do things the right way.", he was told during his job interview.

Another major point refers to the resources in terms of time and money made available by Global Alumina to implement the Project in a socially and environmentally responsible manner. Two years before starting construction activities or even defining precisely the project components and locations, Global Alumina had started consultations with the local population concerning possible social and environmental impacts. Martine Forget, the director of the social and environmental management unit (UGES) in Sangarédi, confirmed that she was "charged with taking into account all social and environmental considerations of the population".

The UGES-unit, with about 15 employees including three expatriates working full-time on-site, prepares, implements and monitors the Company's activities regarding environmental and social impacts and mitigation measures. .

Innovation and Processes

Three essential points or observations may be highlighted with regards to innovation and processes:

First, Global Alumina has adopted an extensive, holistic approach. The assessment of possible impacts and risks generated by the project included all possible sensitive aspects: economic considerations, social and health issues, environmental impact and governance challenges. Furthermore, the Company's intention was to anticipate any negative impact of the Project as early as possible and consultations took place several years before construction even started. And after the consultations, Global Alumina adapted its plans in coordination with the local communities.

Second, Global Alumina has established partnerships with various local institutions and international development organizations in order to guarantee that the refinery project does not undermine, but instead contributes to the achievement of development targets. The cooperation with USAID, the African Development Foundation and the National

Committee for the Fight against AIDS permitted Global Alumina to take into account the international development community's point of view and to better anticipate conflicts that may arise from the refinery project.

Third, a major asset of Global Alumina seems to be its willingness and ability to communicate with all stakeholders. "We were talking with everybody, even the opposition and the military" said Director General, Mr Mamady Youla. This dialogue-oriented approach may be one reason why the support for the refinery project is strong within the population.

But, is this proceeding really innovative? Jonathan Lachnit's answer was: "It is certainly not an innovative approach for the international development community, but without any doubt it is for the private sector, and it is definitely innovative here in Guinea."

Impact on value chain

The proactive and development-oriented approach of Global Alumina has a considerable impact on the value chain at various levels:

Global Alumina's contractors for the construction or operation phase have to align with the company's social and environmental objectives. For instance, Global Alumina has a clear policy regarding labour rights and recruitment transparency that must be accepted and supported by the contractors. They also have the obligation to organize awareness raising campaigns and information sessions about HIV for their staff. For some of the companies, which come from all around the world (China, France, India) the particular point related to AIDS prevention apparently seems to be quite sensitive.

Another significant impact relates to Global Alumina's competitors. Global Alumina's approach of anticipating social problems and environmental impacts is now being used as reference by local authorities. Companies asking for new mining concessions are being requested by the Ministry of Environment to elaborate an Environmental Impact Assessment similar to the one prepared by Global Alumina. Moreover, the consultation process with the local population serves as a model for the implementation of new companies or concessions.

The construction of an alumina refinery by Global Alumina has apparently been a trigger event for other companies in Guinea that have been exporting bauxite for decades without refining, and encouraged them to finally move up the value chain and study another alumina refinery.

People satisfaction

The commitment of Global Alumina to respect social and environmental considerations apparently has a positive impact on its employees. Several employees confirmed having accepted to work for Global Alumina because they felt a real commitment for social and development issues within the company. In particular Guinean employees were satisfied and even proud "to work for a company that brings so many jobs to the country".

A survey for measuring employee satisfaction has not yet been carried out.

Impact on society

At the beginning, the local population and authorities were quite sceptical, when Global Alumina started its participative consultations. When they realized, however, that their considerations were actually being taken into account, their opinions changed. Today, Global Alumina is highly respected within the project area and even all over the country, as evident in numerous interviews and newspaper articles.

The participative consultations also changed the way people express themselves. According to some interview partners, the villagers are much more vocal today in discussing issues with other companies and local authorities.

Reporting

Within the continuous improvement cycle, reporting is the most essential way of communicating the progress made with respect to the objectives and targets.

Global Alumina has only recently started its construction activities. Its major efforts until now have been concentrated on preparing the Project and anticipating possible conflicts. It is only after the implementation of the corresponding mitigation measures that impacts and improvement of processes and progress can be measured and reported. Nevertheless, a first step to enter into the reporting process could be the publication of the Environmental Impact Assessment and in particular the Resettlement Action Plan. A next step would ideally be the elaboration of a Sustainability Report, for instance by using the Global Reporting Initiative Guidelines.

Initiating a reporting process from the outset would be of benefit to Global Alumina as it could demonstrate to shareholders and stakeholders its efforts to reach social and environmental excellence.

Unanswered questions / Recommendations

One of the major challenges Global Alumina has to face now is to pass rapidly from the impact diagnostic phase and planning of the mitigation measures to the concrete implementation phase. As some of the effects may actually appear faster than initially foreseen, for example the demographic impact due to immigration or the arrival of sex workers near the work camps, the corresponding measures should already be in place in order to mitigate the impacts.

A detailed land use plan which includes all of the mining activities for the near future should be elaborated by the Guinean authorities. However, if they cannot cope with this task, Global Alumina and the other mining companies could assist the authorities in facing this challenge.

The incorporation of the Global Compact principles and the commitment to corporate social responsibility beyond simple compliance on regulations should be part of Global Alumina's "Code of Conduct". Communicating strong ethical values gives clear orientation for employees and is highly motivating.

Interview partners

Global Alumina:

- **Haskell Sears** Ward (Senior Vice President)
- **Michael LaRow** (VP)
- **Mamady Youla** (Director General)
- **Martina Fabri Forget** (Director of Environmental and Health Management Unit)
- **Marliatou Diallo** (Responsible for women and vulnerable persons)
- **Jonathan Lachnit** (Resettlement Specialist)
- **Safiatou Keita Diallo** (Responsible HIV/AIDS Programme)
- **Amara Somparé** (Responsible Subcontractors)

Guinean National Authorities:

- Ministry of Mines and Geology: **Antoine Cissoko** (Director General)
- National Committee of Fight against AIDS: **Mohamed Sano** (Responsible for Local Initiatives)

Guinean Local Authorities:

- Rural Development Committee: **Ahmed Sidy Diallo** (President)

Villagers:

- **M. Souleymane Barry** (Touldé village chief)

NGO's:

- Guinée Ecologie: **Keita Kobelé** (Responsible for Biodiversity)

Development Community:

- Worldbank: **Zié Ibrahima Coulibaly** (Infrastructure Specialist)
- Agence Française de Développement: **Marc Dubernet** (Director)
- USAID: **Jack Winn** (Director)
- GTZ: **Peter Hillen** (Technical Advisor)
- UNDP: **Nicolas Kazadi** (Conseiller Economique)