

# SHAREHOLDER ENGAGEMENT IN THE EXTRACTIVE INDUSTRY

SOCIALLY RESPONSIBLE INVESTMENT AND  
CANADIAN EXTRACTIVE INDUSTRIES,  
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# Introduction

- Part of an extensive investigation of the effectiveness of shareholder engagement
- A single case-study of the Canadian mining company Barrick Gold and NEI
- Paper argues that shareholders have some impact on ESG issues with companies in the extractive sector
- The saliency of the stakeholders stems from the legitimacy and high degree of knowledge they bring to the engagement and a pragmatic approach that recognizes the incremental nature of change in the extractive sector.

# Literature Review

- Building on the work of Mitchell et al (1997) who identified stakeholder saliency to be the intersection of; Power, Legitimacy and Urgency
- Using Gifford's (2010) work on pushing the notion of stakeholder saliency further by the inclusion of moderating factors on the effectiveness of corporate engagements by shareholders as key stakeholders, with the investor as the unit of analysis.
- We extend the work further through an examination of the firm level of impact and perceptions of such engagements
- The unit of analysis is the company subject to engagement

# The Case Study

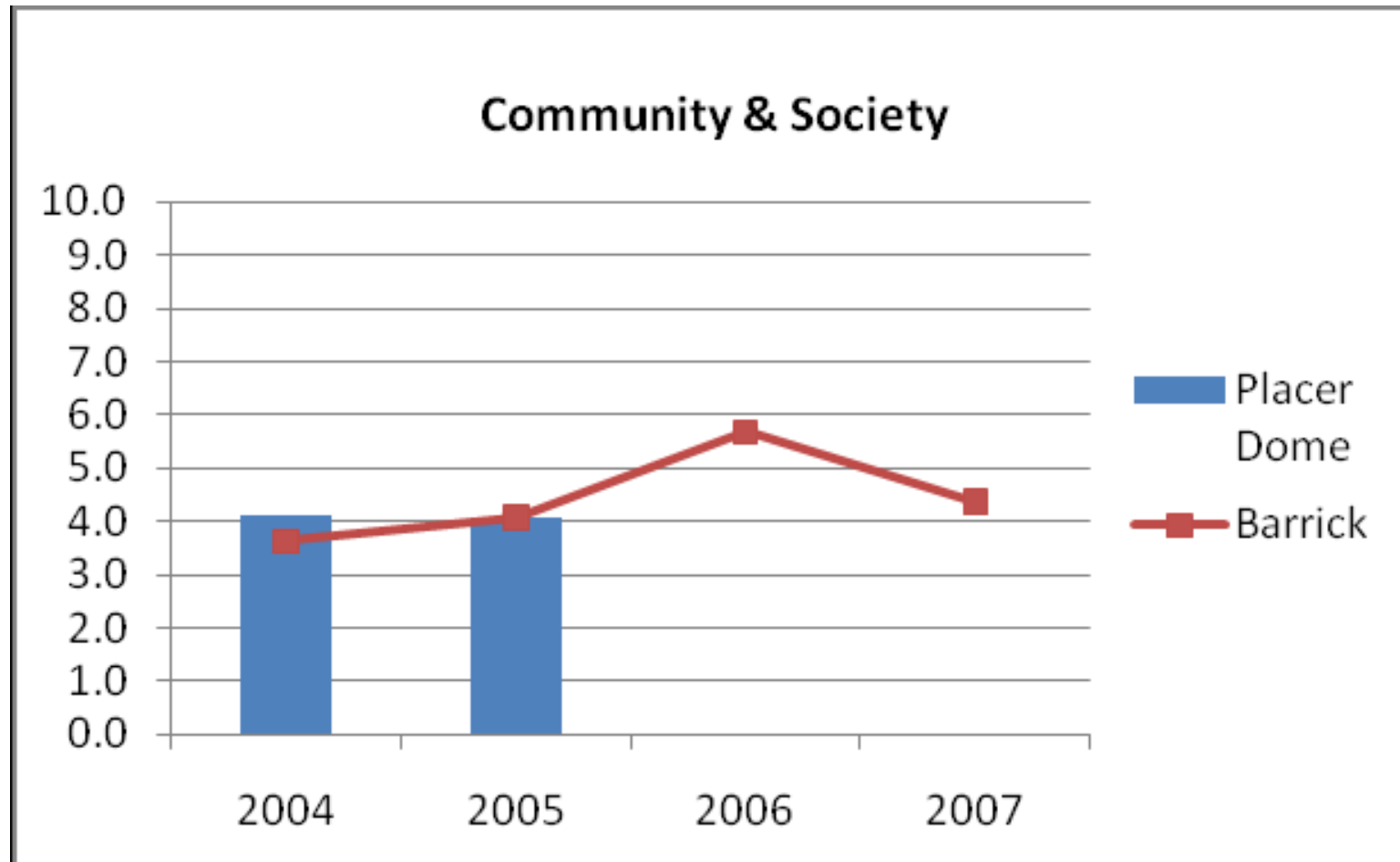
- 2005-2010 Engagement timeline between Barrick Gold and NorthwestEthical
- We focused on human rights and community engagement issues and three geographic areas; Pascua Lima, Chile, Cortez Hills, Nevada, and Porgera, Papua New Guinea
- Despite some poor practises, Barrick has been moving forward on some meaningful steps toward more responsible resource development.

# The Interviews

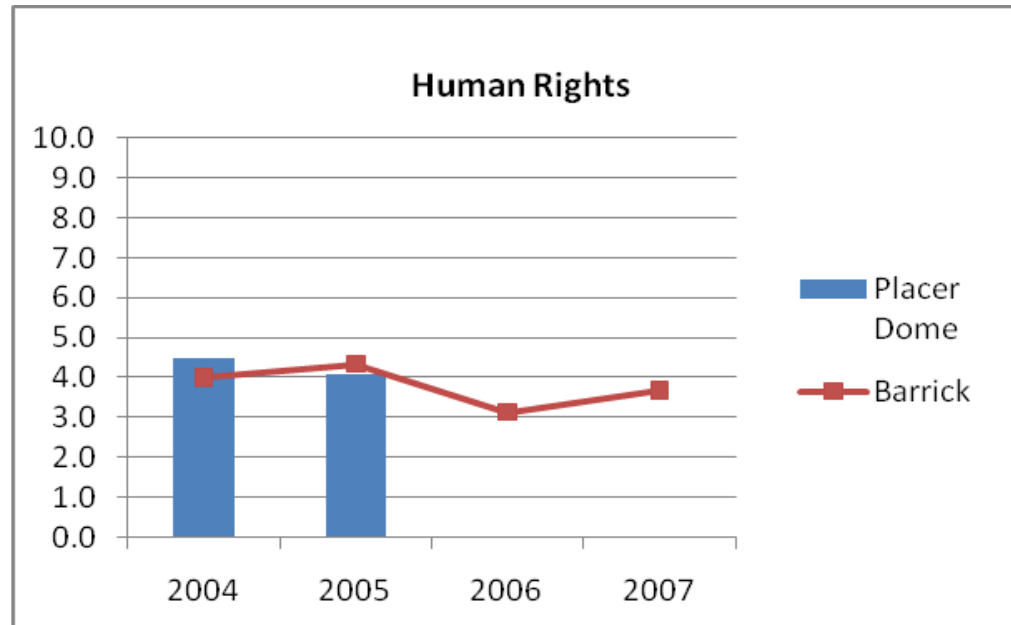
- 20 interviews were conducted with stakeholders familiar with the engagement, environmental and financial experts, along with Barrick Gold and NEI.
- Complete agreement that engagements can have positive impacts, there was significant dissension in the specifics.
- Constructive and knowledgeable dialogue were seen as the most successful method of engagement by both sides.
- Although it was also recognized as important for an investor to have other engagement tools in their arsenal
- Social and environment issues generally harder to engage on, except with the extractive sector.



# External Analysis of Barrick Gold's ESG Performance

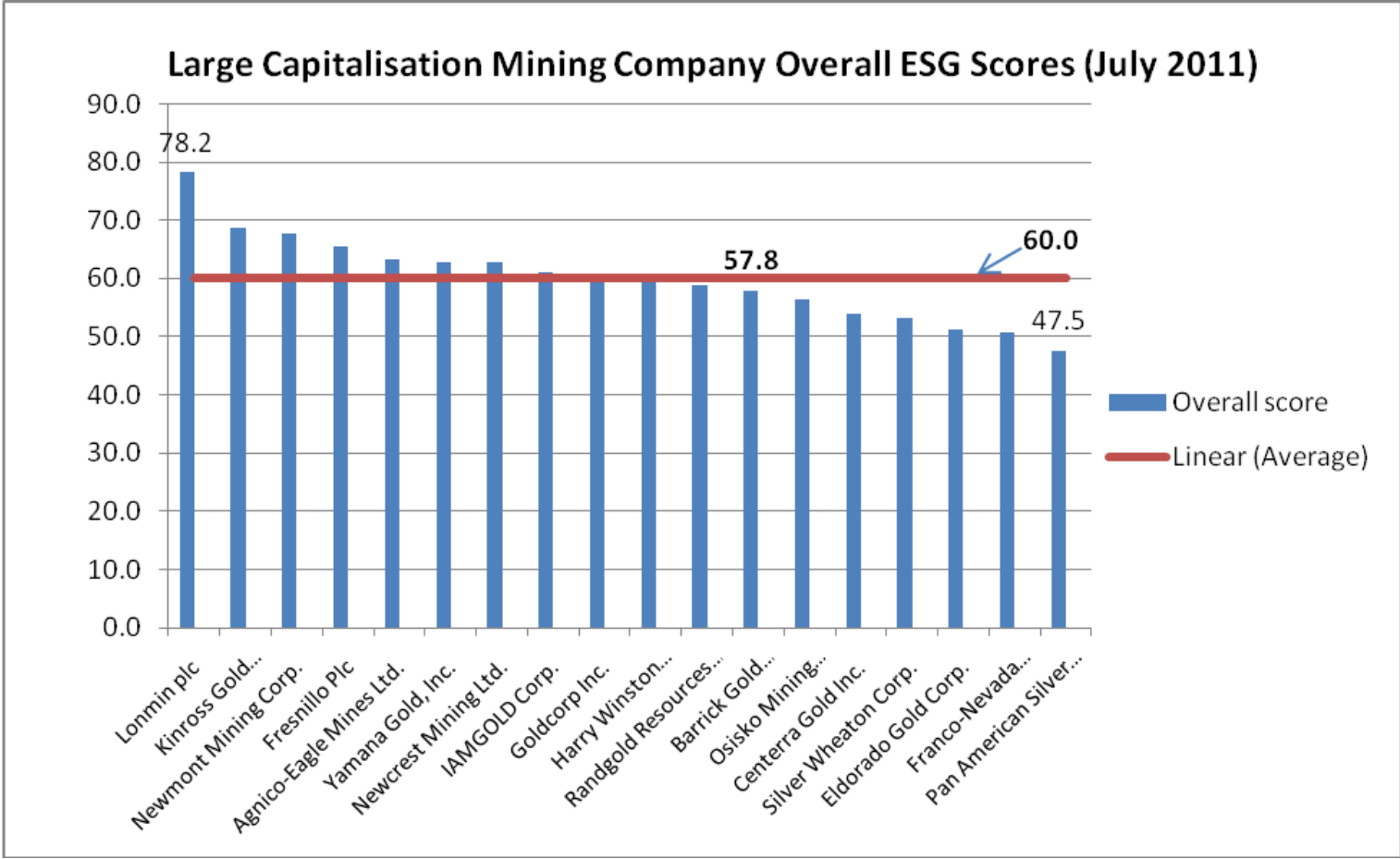


# Barrick Gold's Human Rights Performance 2004 to 2007



Source: Jantzi Research

# Barrick Gold's ESG Ratings 2011



Source: Sustainalytics

# Implications

- Corporate engagement practices are the primary method used in this case to achieve positive impacts, with open and constructive dialogue between the shareholder and the company.
- Credibility in the engagement, particularly a high degree of knowledge about the issues, and situation of the company is the prime attribute for generating shareholder saliency.
- In addition to credibility, a pragmatic approach that takes into account the long time frame needed to make deep ESG improvements was suggested as a necessary attribute of the successful engagement.

# Conclusion

- We examine both the shareholder engager and the company in which the engagement takes place to determine the attributes of shareholder saliency from both perspectives.
- We test the perception of the engagement against the evidence of corporate ESG performance from data collected by a third party rating agency to see if there is evidence of success.
- We find evidence of shareholder engagement success. We also find a strong level of agreement between the engager and the company on the salient attributes that drive success in engagement.

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