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## **Case study of the CSR strategy adopted by Rosia Montana Gold Corporation, Romania**

<b>Client:</b> Rosia Montana Gold Corporation (RMGC)	<b>Industry:</b> Mining
<b>Assignment:</b> Stakeholder Engagement	<b>Country:</b> Romania

### **The organization:**

The company was established in 1997, with its registered headquarters in Rosia Montana, Alba County, Romania, under the name of Euro Gold Resources and renamed to Rosia Montana Gold Corporation in 2000. The shareholders are the state mining company Minvest Rosia Montana S.A. with 19.31% and Gabriel Resources, from Canada, with 80.69%

RMGC was created to develop the most modern mine in Rosia Montana, Romania, bringing major benefits to the Romanian economy. Jobs that would be created by the mining project are: 2,300 direct jobs during the construction phase, 800 direct jobs during the operational phase and 3,000 jobs in total during operation. The company holds the exploitation concession license, for the exploitation of gold and silver ores within the Roşia Montana perimeter. The gold production estimated for the future mine is 15 tons/year, on an average for the 16 year mine life.

RMGC investments to date – over USD 400 million

### **Rosia Montana- The site**

Rosia Montana is a community of sixteen villages located in a district known as the Golden Quadrilateral, in the South Apuseni Mountains of Transylvania, Romania. The Golden Quadrilateral has been one of Europe's most prolific mining districts for over 2000 years.

The Rosia Montana concession area, which affects just four of these villages, was subject to open pit mining by the state mining company, Minvest, until 2006 when state funded mining operations were required to close in the lead up to European Union accession. Following the closure of the mine with the loss of thousands of jobs, unemployment is reported to be 80% in the region.

As a result of historical mining activities, abandoned waste dumps and tailings ponds scar the Rosia Montana area leaving an environmental legacy of high levels of metals including zinc, iron, arsenic, lead and cadmium discharged, untreated, into local streams, soils and water. In addition, around 7 km of non-continuous ancient mining works (galleries) have been identified from the 140km of underground workings, most of which date from modern times. The ancient workings were mostly destroyed by mining during the communist regime and those that survived were left abandoned and decaying and have remained so since the cessation of mining in 2006.

Gabriel's new mining plan proposes to preserve the area's cultural heritage wherever possible whilst also treating the harmful effluents as part of its normal operating procedures.

Rosia Montana has more than 17 million ounces of gold resources, including 10.1 million ounces of reserves. The draft law, if approved, would have given Gabriel 75% of the mine, with the state holding the balance. It is the largest gold resource on the continent.

The mine's worth is estimated in 6.000T Silver and 365 T of Gold, distributed in an average of 20 gr of mineral per Ton of rock.

### **Background/situation analysis**

The corporation was not able to gain full authorization for the project. State authorities granted permits which were later annulled by the courts following appeals by environmental groups. The environmental impact assessment procedure started in 2004, but a final approval has still not been received.

The main concerns/issues of the operation are:

**1. Apprehension about the environmental dangers of cyanide leaching of gold (as Romania witnessed the year 2000 Baia Mare cyanide spill).**

Cyanide is a naturally occurring chemical that is found in low concentrations throughout nature including in fruits, nuts, plants, and insects. It has been used by the mining industry to separate gold and silver particles from ore for over 120 years and is considered to be extremely efficient. With proper management, cyanide can be used safely and without harming the environment despite its toxicity, especially in a closed-cycle. Cyanide leaching is considered to be a much safer alternative to extraction with liquid mercury, which was previously the main method of removing gold from ore.

Though controversies were rife about the use of this process, the European Commission rejected a proposal banning it, noting that the existing regulations provide adequate environmental and health protection.

The 2000 cyanide spill was a leak of cyanide near Baia Mare, Romania, into the Someş River by the gold mining company Aurul. The polluted waters eventually reached the Tisza and then the Danube, killing large numbers of fish in Hungary and Serbia. The spill has been called the worst environmental disaster in Europe since the Chernobyl disaster.

In addition to the Baia Mare spill, the use of cyanide brought back horrific memories of the gas chambers used by the Nazis that killed millions of people during the holocaust.

**2. Concern that mining would destroy the ancient Roman sites in Roşia Montana**

The area is home to some of the world's most significant Roman artefacts: 7km of ancient mine galleries weaving through the Apuseni Mountains. Advisory bodies are calling for the area to be granted UNESCO World Heritage status.

**3. Displacement and diversity of population from the mining site**

The project would entail the relocation of families from 3 villages.

Due to the long history of mining in the area, inhabitants exhibit huge diversity, originating from 12 different nations and four different religions represented by their respective churches.

The mining activity has been stopped since 2006, which has resulted in unemployment, migration and no sources of income available to locals. Currently only the elderly and their grandchildren live in the area.

**4. Distrust of the government by the populace of Romania**

There is a prevalent suspicion of fake documentation regarding the mining project. The indifference of authorities and lawmakers to citizen's concerns added to the conviction that the political class is not pursuing national interest. The suspicion of political bribery, government corruption and the uncertainty displayed by the lawmakers over the project added fuel to the fire.

**5. Lack of explicit local government support.**

**6. Opposition from most Romanian NGOs and of neighboring countries especially Hungary.**

**7. Romanian public opinion: idealization of the site as a natural landscape.**

**8. Negative pressure from the national media.**

**9. General lack of trust towards a foreign company.**

There was an impression that the country would be short charged of its resources by a foreign company.

**10. RMGC is a subsidiary company created for this project.** However inadequate information supplied on operations, appeared as a lack of transparency that further aggravated the situation.

**Objectives for CSR strategy of RMGC**

All the above concerns coupled with a troubled social and political environment make the project extremely intricate and complex, requiring an invested and rigorous commitment towards the management of all stakeholders concerned.

The primary objective was to *gain trust and obtain a social license to operate* which would ultimately result in the acquisition of all the legal licenses. It was critical to have a strategy that revolved around a strong stakeholder relationship management that helped alleviate all fears and concerns regarding the environment, health hazards, transparency and the preservation of natural heritage.

**CSR Strategy**

The CSR strategy had to be developed around the 4 main concerns:

- Society and Community
- Environment
- Corporate Governance
- Health and Safety

The broad guidelines that were designed and that covered all strategy were

- Transparency and Communication
- Strong stakeholder relationship management
- Partnership by promoting self-sufficient development



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The following steps were undertaken:

A. Implementation of the ISO 26000

It was important to begin with the implementation of the ISO 26000 in order to be clear of the vision, mission and goals of the organization and chart the path forward to achieve them. It was imperative to define the values of RMGC, under which they would operate and integrate those values into all of their actions and project implementations. This CSR Strategy and its implementation resulted in the company being accredited with the **best audit of a mining company worldwide according to the Equator Principles. (Audit conducted by SLR for Barclays Bank.)**

B. Transparent and continuous communication on all matters. There was no corruption during the process, although several opportunities arose along the way, which were openly communicated to enhance transparency. An organization website was created that answered all questions and updated all stakeholders of the goings-on.

C. Strong engagement with local community

For the population that had to be relocated, three options were offered: the construction of a new village, the construction of a new neighborhood in a town nearby (in both options, each household received a new-built house) or the third option was to receive the equivalent amount in cash. All of these was actually paid by the company to the local population, even before any agreement was reached, in order to show the goodwill of the operation.

Representatives of all opposing NGOs were taken to Rosia Montana to visit the site and witness the real situation firsthand, in order to help them understand and decide for themselves if their concerns were indeed true. 95% of Romanian NGOs changed their opinion in favor of the RMGC project or to keep silent.

Several Romanian pressure groups were also taken to the site, as well as a nation-wide media campaign was set up with information on the real situation. The results were very positive: before the campaign and prior to taking representatives to Rosia Montana, the public opinion was of a 28% in favor of the project, whereas after it, the percentage rose to a 55.

Authorities were taken to different mines world-wide that worked with the cyanide leaching process to extract ores and that were successful, socially, health wise and environmentally. For example: the mines in Waikiki, New Zealand; Erzberg, Austria; to Finland and Colorado. This effort was done to gain trust by a real time demonstration of the soundness of the operations' methodologies and processes.

D. Preservation of the history.

The historical objects and parts of the mine were planned to be transported to a nearby location and museum is to be opened that showcases the historical mining excavations.

Following the **Equator principles**, the banks needed a sound project in environmental and social standards in order to be able to finance it; that is why **this strategy was not only necessary to develop the project itself, but also to secure its financing**

All of these and other actions required an investment of 400 Million USD which was done without any surety of the project receiving the required permits and licenses, but it allowed the gaining of the social license to operate.



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A fact to be highlighted is that the main beneficiary of the whole project would have been the Romanian Government: counting license fees (50%) and taxes the total amount would have been of around 5 Billion USD.

**Unfortunately, and only because of a ongoing changes of governments and internal government powerplays, this project has not taken place yet.**

#### **Learnings:**

**Top Management involvement** of the mining company was absolutely necessary and, actually, the one that allowed the achievement of such a successful stakeholder engagement. The resources needed for this, were never questioned.

**Seeing is believing:** there was no better strategy than taking people to the mine and letting them judge for themselves -free of any media manipulation- the real situation in Rosia Montana.

**Understanding the complex environment:** Operating environment should be very well understood and should be mapped in detail. Many stakeholder (direct or indirect) acts as pressure points which, if missed, could derail the entire process. This, if done correctly, could lead to a strong and honest engagement process.

**Strong management of stakeholder relationships:** Communications with the locals was critical. Listening to their fears and expectations helps designing appropriate project plans and that will ensure their support for the same, creating a win-win situation.

**Establish credibility before PR:** It is not advisable to start a new enterprise with a massive PR campaign before anyone can even see or experience what you are about to do. It will only raise stakeholder's expectations, also the negative ones.