

9 December 2004

Professor S. Prakash Sethi
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Dear Professor Sethi

I am writing to you regarding your paper entitled "Effectiveness of Industry-Based Codes in Serving Public Interest – The Case of International Council on Mining and Metals (ICMM)", published on the ICCA website in August 2004.

At ICCA's invitation, ICMM participated in the "Voluntary Codes of Conduct for Multinational Corporations: Promises and Challenges" conference held last May in New York, where one of our programme directors, Kathryn McPhail, gave a presentation on the ICMM Sustainable Development Framework. Consequently, we were surprised and disappointed that we were not advised of your intention to prepare and publish this paper. In our experience, academic papers are shared with those directly concerned before they are made public in order to benefit from their feedback. In that spirit, we submit the following set of comments.

Firstly, we believe that your paper could be strengthened by presenting a broader balance of views. In our opinion, your introductory section does not present a fair assessment of the mining industry's contribution to the socio-economic development of poor countries and local communities¹. Revenues from mining are a significant part of the total income of many national and local developing country governments. As raised in the World Bank's Extractive Industries Review, the main concern relates to revenue management and distribution, which is a topic we are closely examining in collaboration with the World Bank and UNCTAD². In addition, your portrayal of the mining and metals industry relies heavily on the views of industry critics and makes virtually no reference to other objective assessments³ and examples of good practice.

Secondly, much of the paper implies that companies alone are responsible for sustainable development in the mining sector. On the contrary, ICMM members believe that sustainable development depends not merely on companies, but also on actions by central and local governments, community organisations, international development agencies and the voluntary sector. This is a key conclusion of the Mining, Minerals and Sustainable Development (MMSD) report,⁴ which has been echoed by world leaders in declarations emerging from the Johannesburg Summit, the Global Compact and the Millennium Development Goals.

¹ See ICMM's comments on the World Bank's Extractive Industries Review final report "Striking a better balance": http://www.icmm.com/uploads/201BETTER_BALANCE_EIR_ICMM_COMMENTS_web_version.pdf

² See <http://www.icmm.com/newsdetail.php?rcd=41>.

³ See "Extractive Industries and Sustainable Development: An Evaluation of World Bank Group Experience"; OED, OEG, OEU, World Bank Group, 2003

⁴ See www.iied.org/mmsd.

Thirdly, your paper includes several factual inaccuracies regarding the ICMM Sustainable Development Framework, which should be corrected. Your paper suggests that the ICMM Framework is ineffective because it lacks a mechanism for ensuring the principles are followed. Similarly, your characterisation of "voluntary compliance" is inaccurate. The paper presented by ICMM at the May ICCA conference⁵ explains that ICMM's sustainable development principles are in fact only one component of the overall framework. We believe that improving the performance of our industry requires a commitment to an integrated package consisting of principles, reporting and verification systems and the dissemination of good practice.

Specifically, the framework comprises:

- ten Principles against which ICMM members have committed to measure their sustainable development performance – this is mandatory to all ICMM corporate members;
- public reporting – to facilitate this, ICMM worked with the Global Reporting Initiative (GRI) to develop a Mining and Metals Sector Supplement to accompany the GRI 2002 Sustainability Reporting Guidelines. A multi-stakeholder working group comprising of 20 representatives of industry, investors, labour, indigenous peoples' organisations, the World Bank Group, and environmental and social development NGOs ensured that the process was professional and legitimate;
- a verification system (to be developed in 2005); and
- an online library of good practice which was developed in collaboration with UNCTAD, DFID and UNEP (www.goodpracticemining.org).

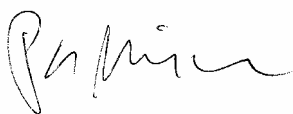
In addition, ICMM members are required to comply with Council resolutions. Should they not comply they would not be allowed to continue as members.

Fourth, your paper points to ICMM's status as an industry association as a 'disqualifying' factor for facilitating performance improvements. ICMM does not purport to be independent. It is a CEO-led industry association dedicated to improving the industry's performance and contribution to sustainable development. In our opinion, ICMM does "respond to society's needs". The independent MMSD project, which nurtured ICMM's gestation and the establishment of its mandate, vision and principles involved extensive consultations with over 5,000 participants from over 50 countries and parallel regional processes in Australia, North America, South America and Southern Africa⁶. Similarly, the elaboration of the ICMM Principles was based in a consultation process and thorough analyses of the MMSD report and other key sustainable development initiatives relevant to our sector.

We recognise that the ICMM framework does not hold all the answers. One of its key elements, the verification mechanism, is yet to be developed and this will be a key focus area during 2005. However, we believe the framework represents a serious and concerted commitment to improve our industry's performance and contribution to sustainable development. We gladly welcome any feedback on how to improve it and plan to hold a formal review process in early 2006.

I would be happy to elaborate on any of these points or on any part of ICMM's work programme should you find it useful in your research activities. Finally, we would greatly appreciate your posting this letter on the ICCA website.

With best wishes,



Paul Mitchell
Secretary General

⁵ The paper may be downloaded from www.icmm.com/news_events.

⁶ See www.iied.org/mmsd