

MINING IN THE PHILIPPINES



Standard Chartered interests, further issues, May 2008

1. Standard Chartered is a signatory to the Equator Principles, and this framework is essentially sound. However, Standard Chartered was part of the bank consortium that was investing in Lafayette Mining's Rapu Rapu Project. And from the start there have been many arguments put forward that the project has violated the Equator Principles.

A letter to the bank consortium dated 28 September 2007, signed by the local Catholic Bishop and over 40 local and national organisation, noted the following ways in which it had contravened the Equator Principles (many of these are also alluded to in the 2007 report *Mining in the Philippines: Concerns and Conflicts*, which considers tailings (mine waste) spillages at the mine):

- Poor protection of human rights and community health, safety and security (including risks, impacts and management of project's use of security personnel)
- Poor protection and conservation of biodiversity, including endangered species and sensitive ecosystems in modified, natural and critical habitats
- Inadequate approach to sustainable management and use of renewable natural resources (including sustainable resource management through appropriate independent certification systems)
- Use and management of dangerous substances
- Major hazards assessment and management
- Impacts on affected communities, and disadvantaged or vulnerable groups
- Impacts on indigenous peoples, and their unique cultural systems and values
- Cumulative impacts of existing projects, the proposed project, and anticipated future project
- Poor consultation with and participation of affected parties in the design, review and implementation of the project
- Poor pollution prevention and waste minimisation, pollution controls (liquid effluents and air emissions) and solid and chemical waste management

This is one case that calls into question the effectiveness of the Equator Principles if a project with so many question-marks over it can still be funded by institutions that are signatories of the Principles.

The Australian company Lafayette Mining went into administration in December 2007 and the local firm filed for corporate rehabilitation in February 2008.

On 16 April 2008, LG and Kores announced a takeover of the Lafayette share in the Rapu Rapu mine. It appears that the bank consortium, which already claimed to be in a weak position to influence the outcome, has exerted no pressure on how the new owners will deal with the above concerns, especially with regard to the local community.

The only information released by the new owners seems to display ignorance of what "the locals" (wording in document) might think of the recent financial deal. In short, the situation appears to be very poor, both in terms of bank losses, as well as reputation damage and the serious consequences for the local environment and communities. This was a disaster waiting to happen, which would not have happened if the

recommendations in the 2007 report *Mining in the Philippines: Concerns and Conflicts* had been implemented.

2. Given all of the above, one could ask Standard Chartered what due diligence was done to ensure that the Rapu Rapu project complied with the Equator Principles? One could also ask what records it has of groups subsequently contacting it with information indicating that the project did not comply with the Equator Principles, and what action it then took. Standard Chartered could be requested to state what it considers the implications are for the Equator Principles when a project that was started under the Principles is then sold to another investor that is not a signatory.

3. Standard Chartered is proud to state that it has been operating in the Philippines since 1872, which means the company must have been investing in the country during the years of the Marcos dictatorship. It would be interesting to know what projects were being invested in at that time (1972-86). Also, Considering the corruption of the Marcos years, and subsequent regimes up to and including that of President Gloria Macapagal Arroyo, what precautions were being taken to ensure against rent-seeking behaviour from officials and politicians in the country?

Source: PIPLinks (www.piplinks.org). ECCR and PIPLinks are members of the Working Group on Mining in the Philippines.