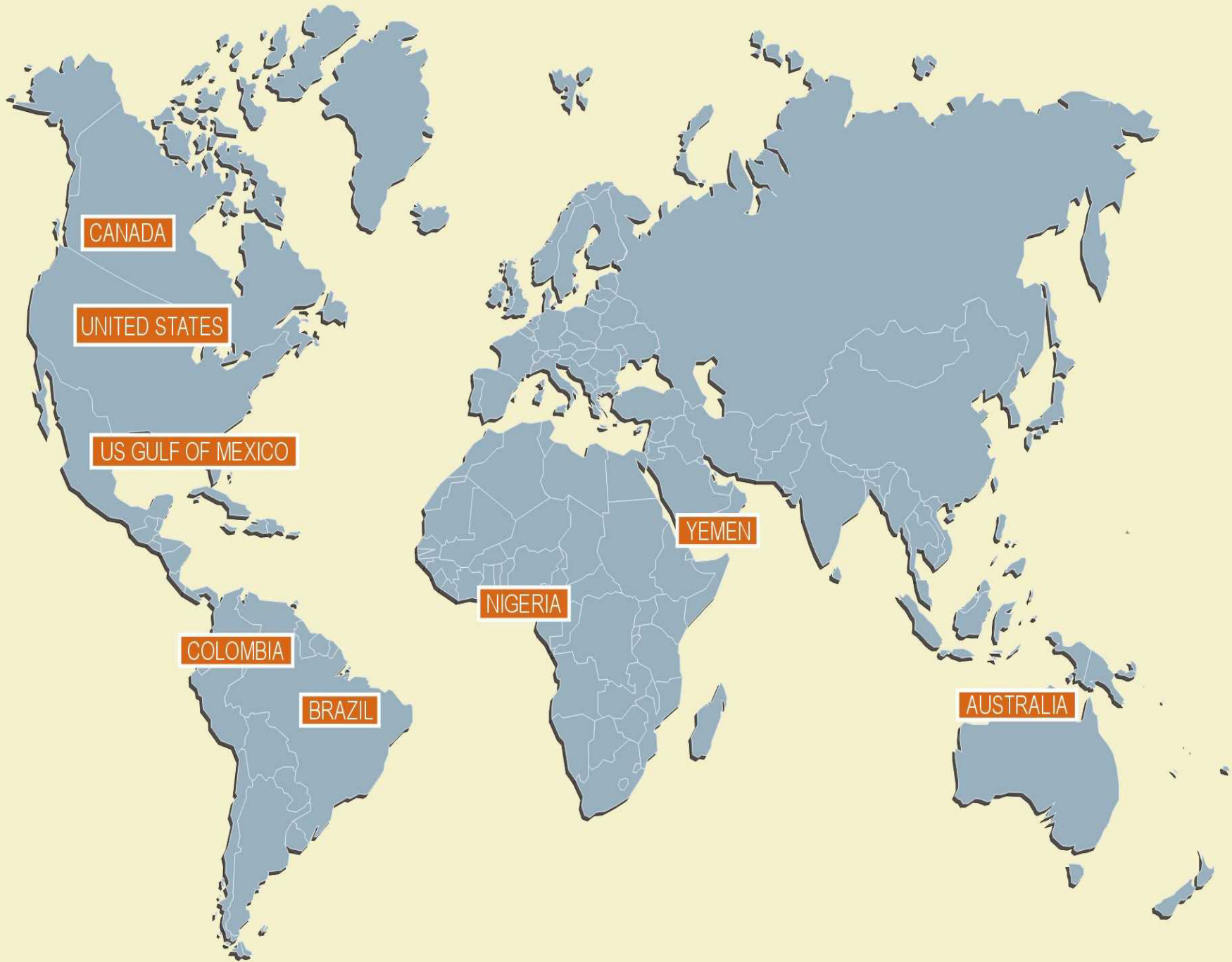


ASSESSING AND MANAGING RISK IN ZONES OF CONFLICT

Presentation to
Global Compact Policy Dialogue -
Africa Workshop

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CANADA

UNITED STATES

US GULF OF MEXICO

COLOMBIA

BRAZIL

NIGERIA

YEMEN

AUSTRALIA

Nexen Approach

- Security program is aligned with corporate values
- International Code of Ethics for Canadian Business describes what we stand for
- “Walking the talk” imperative
- Major risk exposure is above-ground”
- Community affairs programs provide the outer ring of security
- Understand community issues and make a positive contribution

Examples of “Walking the Talk”

- Canada - urban sour gas operations
- Yemen - oil production
- Colombia - oil exploration

Corporate Social Responsibility

- Broad view of CSR
- Key drivers: security, human rights, community affairs

Global Compact Business Guide for Conflict Impact Assessment and Management

- Multi-Stakeholder Task Force

University of Ottawa, Prof. Errol Mendes (Co-chair)

Nexen Inc., Dr. Randy Gossen (Co-chair)

Control Risks, John Bray

Corporate Council on Africa, Stephen Hayes

Gerling Group, Aiko Bode

Harvard University, Elizabeth Langdon

ICC Lebanon, Robert MacGregor

ICEM, Fred Higgs

ILO, Janine Rodgers

ILO, Loretta DeLuca

International Alert, Damian Lilly

International Alert, Eugenia Piza-Lopez

International Committee of the Red Cross, Gilles Carbonnier

IUCN/IISD, Jason Switzer

OHCHR, Scott Jerbi

Quaker UN Office, Lori Heninger

Statoil, Geir Westgaard & Christine Neset

UN DESA, Gay Rosenblum-Kumar

UN DPA, Karin Hammar

UNEP, Cornis van der Lugt

INICZEF, Silvia Danailov

United Network International, James Sauber

Goal

- Aid companies in assessing the potential impact of investing in areas of conflict
- Provide guidance in developing strategies to minimize the negative effects and maximize the positive effects of such investments

Guide Components

- Background/introductory material
- Matrix of Key Conflict Factors
- Annexes:
 - Stakeholder analysis
 - Human rights impact assessment and management
 - International humanitarian law impact assessment and management
 - Labour impact assessment and management
 - Environmental impact assessment and management

Key Conflict Factors

- Governance
- Economics
- Labour
- Human rights
- International humanitarian law
- Security
- Environment and community

Matrix

- Risk assessment considerations
 - analysis of risk factors that contribute to conflict
 - linkages between risk factors and conflict
 - identification of company activities that can impact risk factors
- Risk management strategies to avoid exacerbation or implication in conflict

	<i>Risk Assessment Considerations</i>			Risk management strategies to avoid exacerbation or implication in conflict
	Analysis of risk factors that contribute to conflict	Linkages between risk factors and conflict	Identification of company activities that can impact risk factors	
Governance	<p>Is the government accountable, responsive transparent?</p> <p>Level of protection or violation of human rights?</p> <p>Are officials corrupt?</p> <p>Is there a functioning regulatory/legal framework?</p> <p>Is there an independent and neutral judiciary or other forms of redress of grievances?</p> <p>Does government provide basic services?</p>	<p>In democracies, grievances are moderate and there are multiple channels through which to express them. When regulatory and judicial structures do not function, violence becomes the predominant means to express grievance and secure control over wealth and key economic goods.</p> <p>Corruption and repression contribute to undermining of regime legitimacy and promote violence, widespread human rights violations and breakdown of law and order.</p>	<p>Will company investment in the country be perceived as providing key support to governments with historical involvement in repression, human rights abuses, and on going conflict?</p> <p>Does the company have clear policies to guide employees so they do not themselves contribute to corruption?</p> <p>Are social investment programs developed with the objective of increasing government capacity or providing a substitute for government?</p>	<p>Can the company identify honest officials and other allies who can help it resist corruption and promote transparency?</p> <p>Does the Risk Management component of the project include the development of strategic planning for fair settlement of disputes arising out of company's operations? Through alternative dispute settlement mechanisms?</p> <p>Can the company set up a dispute settlement mechanism for stakeholders in the project that is seen to be neutral and fair?</p> <p>Can the corporation work with legitimate groups who encourage democratic accountability, monitor human rights and help strengthen civil society?</p>

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Economics	<p>Are there gross inequalities in wealth distribution/ social exclusion? Are there competing claims to land rights & natural resources?</p> <p>Are their disputes among central, regional and local governments over the use of revenue?</p> <p>Are there illegitimate markets/networks that provide funding for arms/supplies to belligerent groups?</p>	<p>Centralized control of resources and revenues can be a major source of violent conflict by local communities / indigenous peoples.</p> <p>Illegitimate markets can fuel criminal activities or insurgencies and lead to macroeconomic instability.</p>	<p>Are current or future revenues derived from company operations the object of dispute between local communities and central authorities?</p> <p>Is/can the company be transparent on the taxes and bonuses it makes to the various levels of government?</p> <p>Does company have policies in place so that managers verify if suppliers or contractors are not key-providers of financing and resources to belligerent groups?</p>	<p>Does the Risk Management component of the project include the development of local sustainable community development strategic planning for fair sharing of benefits in an open/transparent fashion?</p> <p>Can the company influence central authorities for local benefits/royalty sharing with local communities?</p> <p>Can company facilitate the development of revenue sharing regimes with stakeholder participation?</p>

Risk Assessment Considerations

Analysis of risk factors that contribute to conflict

Linkages between risk factors and conflict

Identification of company activities that can impact risk factors

Risk management strategies to avoid exacerbation or implication in conflict

Labour

What is the level of unemployment/underemployment by age & sex?

What is the structure, education & skill level of the work force?
What is the extent & nature of violations of core labour rights?

The labour force structure can contribute to the conflict, e.g. unemployed youth become easy recruits for extremist groups. Lack of independent unions/ respect for core labour rights can fuel conflict.

Can the company, within its sphere of influence and operations ameliorate the unemployment situation in local communities and respect core labour rights within its operations even if they are violated within the conflict zone?

Does the Risk Management component of the project include the development of strategic planning for recruitment, diversity & respect for core labour rights within its sphere of influence and operations, even if this is not the normal business practice in the conflict zone?

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Human Rights	<p>What are the degree, the conditions, and type of human rights abuses in the country?</p> <p>Focus should include abuses of minorities, land treaty rights, displacement etc.</p>	<p>Frustration in view of repeated violations of human rights can lead to individual or group violence.</p>	<p>Have company operations led to protests that were then repressed by police or military?</p> <p>Have company operations led to the displacement of large numbers of people?</p>	<p>Does the Risk Management component of the project include HRI assessments, continuous monitoring and emergency response protocols?</p> <p>Has the company established a dialogue with relevant organizations (ICRC, UN humanitarian agencies, human rights and humanitarian NGOs), to address concrete issues and explore possibilities for promoting respect for human rights?</p> <p>Has the company considered supporting contingency plans by relief organizations to help cope with the humanitarian consequences of conflict?</p>

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Int'l Humanitarian Law (IHL)	<p>Has conflict led to humanitarian crisis in the region?</p> <p>Are there violations of International Humanitarian Law?</p>	<p>In an armed conflict, IHL violations can be committed both by state and non-state actors.</p> <p>As a basic rule, persons not taking part in hostilities should be protected.</p>	<p>Has the company identified the most important humanitarian principles and adopted commitments to uphold them?</p> <p>If so, are the principles operationalized?</p>	<p>Has the company established a dialogue with relevant humanitarian organizations? (see stakeholder analysis annex)</p>

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Security	<p>Does the region have a history of armed resistance against the government? Is there a history of insurgency?</p> <p>Is there a history of violent crime?</p> <p>Is there widespread use of private security firms or unaccountable security forces?</p>	<p>Insurgency, crimes and unaccountable security forces perpetrate and escalate violence.</p>	<p>Does company employ private security forces?</p> <p>Is violence at such levels that company must rely heavily on government police and army for security of its property and personnel?</p> <p>Do criminal or paramilitary groups frequently attack company operations?</p>	<p>Does the company assess and manage risks regarding security matters? Has the company adopted best practices in developing relations with public and private security forces?</p> <p>Can the company develop security protocols based on best practices and voluntary principles such as the U.S.-U.K Voluntary Principles on Security and Human Rights, which incorporate applicable international law enforcement norms?</p> <p>Is it possible for the company to adopt security policies, practices and personnel that will not undermine human rights?</p>

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Environment and Community	<p>Does environmental degradation in the area affect the traditional livelihood of the community?</p> <p>What has been the community's past experience with environmental damage attributed to private sector activities?</p>	<p>Environmental damage caused by companies is increasingly a major source of conflict –esp. in the extractive sector.</p> <p>Lack of community consultation in project planning can lead to community confusion, opposition & violence.</p> <p>Companies may pay for the sins of others who preceded them.</p>	<p>Have company operations led to environmental problems that affect livelihoods of community?</p> <p>Will operations drastically change the local environmental system in ways that affect the well-being of communities?</p>	<p>Do the company's Risk Assessments and management include impacts of company projects on local communities, wildlife and biodiversity based on effective stakeholder consultations?</p> <p>Are communities involved in the decision-making process for the issues that affect them?</p> <p>Has the company developed an effective environmental management system for its operations? Are international standards such as ISO 14000 applicable and helpful?</p>

Important Considerations

- Quality input
- Respect Global Compact principles
- Partner agreement for Joint Ventures
- Company identify direct-control factors