



# CSR in CHILE: Building social trust



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA

Hugo Lavados  
Minister of Economy

11 June 2008  
Montreal, Canada



## I. CHILE: A COUNTRY OF OPPORTUNITIES

## II. CSR AND THE NEW CONTEXT

## III. CANADIAN INVESTMENT AND CSR IN CHILE

T



# A competitive economy



- Chile began an aggressive process of economic liberalization over 20 years ago.
- Because of this, it currently has a solid and competitive economy with high levels of domestic and foreign investment.
- It has managed to increase wealth in a sustained fashion with a per capita PPP of \$14.673\* and rising.

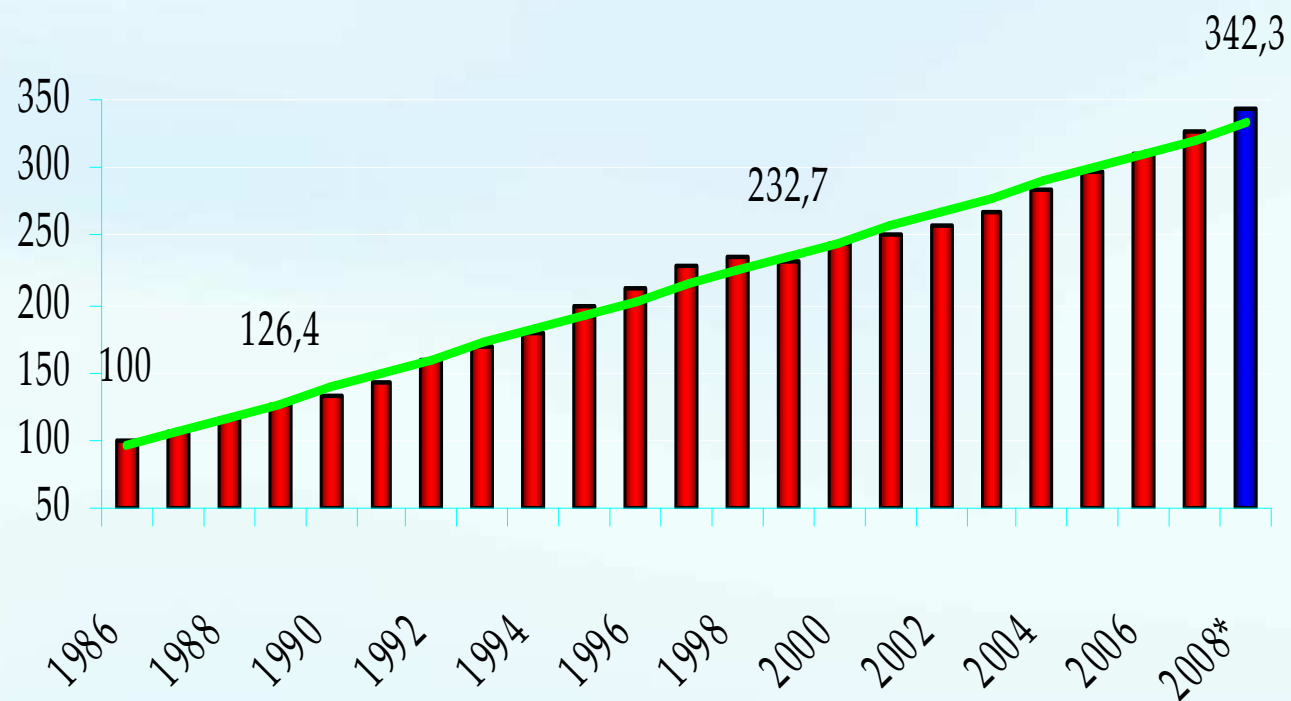
\*Source: International Monetary Fund, April, 2008.



## With sustained GDP growth



- Over 20 years of sustained GDP growth.



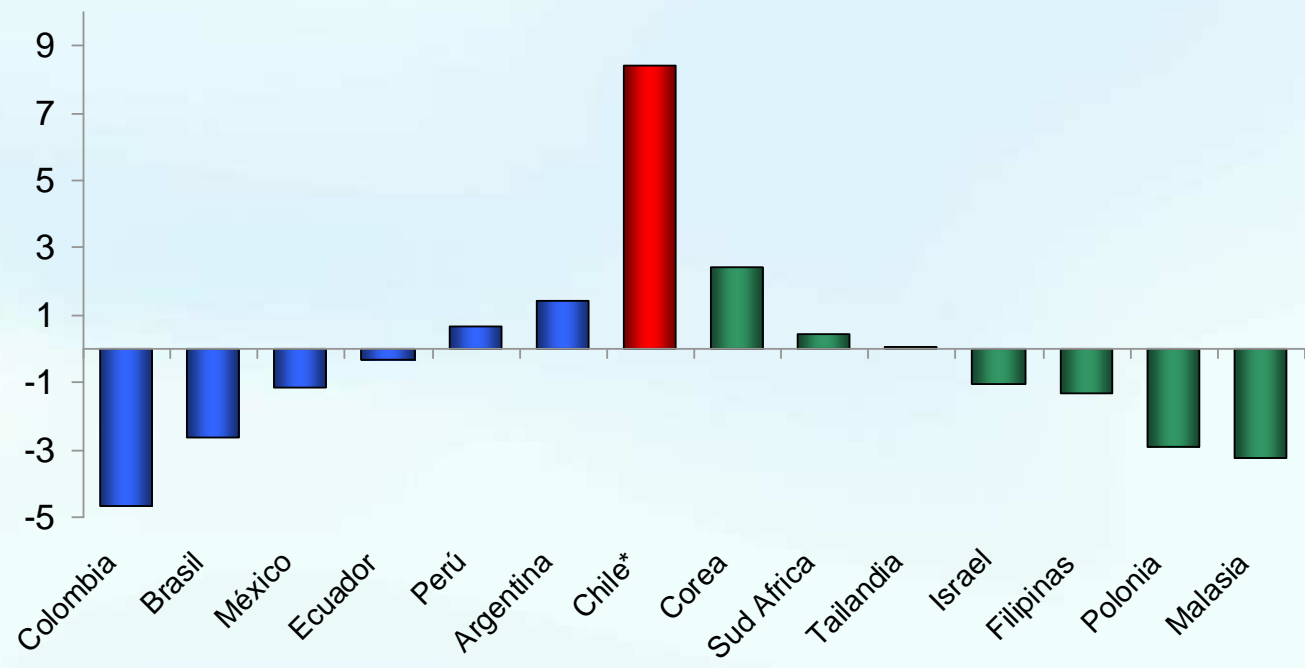
\* 2008 estimate. Source: Chilean Central Bank



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA

# Very strong fiscal balance

(% de GDP, average 2006-2007)



Source: Moody's Statistical Handbook, Moody's (May 2008)

## ...and high international rankings



- Heritage Foundation 2008 Index of Economic Freedom:
  - Chile is in 8<sup>th</sup> place in the world, only one position behind Canada (number 7), and is the leader by far in Latin America.
- International Institute for Management Development 2008 Competitiveness Index:
  - Chile leads Latin America and is in 26<sup>th</sup> in the world.



## I. CHILE: A COUNTRY OF OPPORTUNITIES

## II. CSR AND THE NEW CONTEXT

## III. CANADIAN INVESTMENT AND CSR IN CHILE

T

## A new context

### Chile confronts a new context

1. A modernized state
2. A globalized and more demanding society
3. More socially responsible companies



# 1. A modernized state



- Chile's current level of development has resulted in the increased modernization of the State:
  - More transparent institutions
  - Reduced bureaucracy
  - Swifter project approvals
- Still work to be done, OECD membership will contribute.

*A clear institutional framework directly benefits private investment, both domestic and foreign.*

## 2. Globalization and new standards



- In addition, Chile's global insertion and its new level of development go hand-in-hand with the emergence of new and more demanding investment standards in:
  - Environment
  - Sanitation
  - Community Development
  - Labor
  - Services

*These are requirements that have emerged from a more developed society that is conscious of its rights.*

### 3. CSR: a change in perspective



- Historically, CSR has been considered an act of charity or philanthropy that is complementary to the business itself.
- Today CSR is a core part of companies activities:
  - It is a long-term investment.
  - It is a strategic imperative that contributes to the company's added value.

*Companies cannot be competitive if they operate in a socially and economically broken environment.*

# CSR: the new standard



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA



- The changes that have taken place in the institutional framework, in social requirements and within companies cannot be ignored by those who invest and operate in Chile.
- It is no longer enough to merely comply with the State's minimum required standards for participation, quality and environmental protection.
- For today's companies, CSR is **the standard**:
  - To add value to your social, cultural and environmental context.
  - To improve your competitive advantage.
  - To generate an atmosphere of goodwill among local stakeholders.

# Opportunities in CSR



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA



## COMMUNITIES

- 60% Chileans believe that companies play a predominant role in development. (Latinobarómetro 2008)
- CSR Niches:
  - Education
  - Training
  - Social networks

## ENVIRONMENT

- Chile is 29<sup>th</sup> in the world in environmental performance (Environmental Performance Index, Yale University, 2008)
- CSR Niches:
  - Conservation of biodiversity
  - Carbon emissions bonds

## LABOR

- Labor institutions that improve workers' rights and regulate companies' obligations.
- CSR Niches:
  - Training
  - Professional development of workers



## I. CHILE: A COUNTRY OF OPPORTUNITIES

## II. CSR AND THE NEW CONTEXT

## III. CANADIAN INVESTMENT AND CSR IN CHILE

T



# Canadian investment in Chile



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA

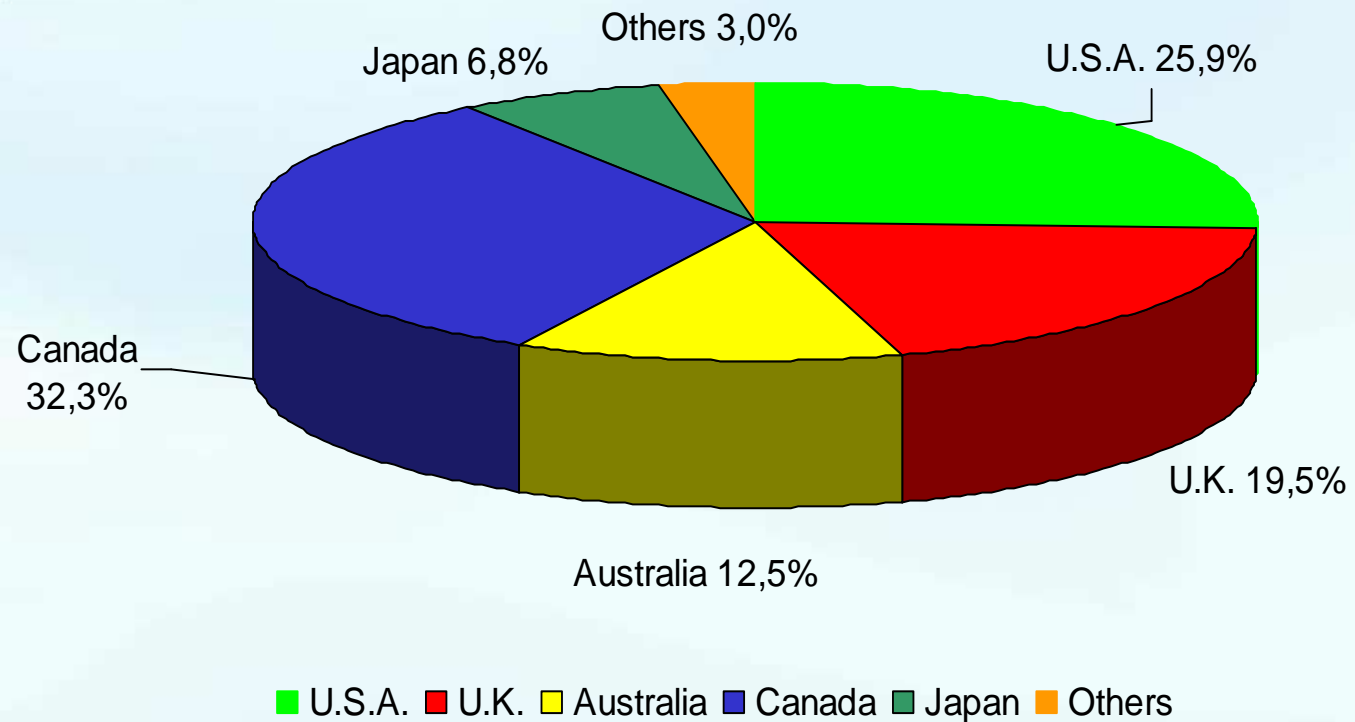
- Investment by Canadian companies in Chile is estimated at almost US\$ 12 billion\*
- Canada was the top foreign investor in 2006 and 2007\*
- Investments are concentrated in the mining, chemical, electricity, and financial services sectors\*:
  - Barrick Gold (US\$ 1.5 billion)
  - Methanex Corp. (US\$ 1.2 billion)
  - Ontario Teacher's Pension Plan (US\$1.2 billion)
  - Brookfield Asset Management (US\$ 1.1 billion)
  - Kinross Gold (US\$ 900 million)
  - Potash Corp of Saskatchewan (US\$ 885 million)
  - Teck Cominco (US\$ 630 million)
  - Finning (US\$ 185 million)
  - TransCanada Pipelines (US\$ 100 million)

\*Source: Chilean Foreign Investment Committee and Canadian Chamber of Commerce, figures from 1973-2007.

# N°1 Foreign Investor in the Mining Sector\*



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA



Source: Foreign Investment Committee, period 1974-2007.



# Barrick in Chile and Argentina





# Two cases of CSR and Canadian companies



## Barrick Gold (Pascua Lama gold mine)

- Agreement for US\$ 60 million for irrigation infrastructure projects.
- Internet training program for teachers.
- Scholarships for 700 students from the Huasco Valley.
- Promotion of the local Diaguita culture.
- Assistance for the victims of the Tocopilla earthquake.

## Methanex (Methanol plant in Magallanes Region)

- 4 full scholarships for students at the University of Magallanes.
- Alliance with the government in a neighborhood improvement program.
- Member of the panel to promote energy efficiency.
- Leñadura Social Club, open to the community.

## CSR: A sign of success

### CSR in Chile:

- Is not something to be used to save company operations from public inquiry.
- Is an expression of the legitimacy and the success that companies have acquired in the environments that they operate in.

*CSR is the **catalyst of the social trust** deposited in companies.*





# CSR in CHILE: Building social trust



GOBIERNO DE CHILE  
MINISTERIO DE ECONOMÍA

Hugo Lavados  
Chilean Economy Minister

11 June 2008  
Montreal, Canada