

TITLE SLIDE

Thank you, Mr. Chairman.

Good morning Ladies and Gentlemen,

I would like to take this opportunity to discuss the way my company, Transredes, has approached reporting and communication as a means to ensure our sustainable development in Bolivia. By the way, I would like to make it very clear that Transredes has not been involved in the project to export gas to the USA therefore have nothing whatsoever to do with the recent change of President.

SLIDE 1

Transredes is Bolivia's major pipeline company, operating 4,000 miles of oil and gas pipelines spanning many of the poorest parts of the country. As such the companies assets are literally woven into the fabric of the country. The pipeline passes through 7 of Bolivia's 9 departments, 84 municipalities and almost 500 communities. We are also the major investor in the Bolivian section of the Bolivia to Brazil gas pipeline.

The issue here is that in world terms Transredes may not be as large as many of the other companies represented at this conference but we do face world scale problems in terms of poverty, environmental challenges and community relations.

SLIDE 2

In a world where business is faced with growing expectations from all stakeholders, to survive a company must have a systematic method of operation sufficient to ensure that it not only provides results but it achieves them in accordance with accepted practices.

PRESS

Special interest groups are increasing focus on all areas of a company's operations. Failure to perform is transmitted instantly via the internet and media.

PRESS

Reporting requirements are extending beyond the traditional areas of finance and operations to social and environmental impact.

SLIDE 3

Our approach has been to construct a business architecture that we believe will lead to the sustainable development of our company.

The heart of this structure is the integrated business management system. Guided by our company mission, vision and values the three pillars, financial, quality and environment and social, are the foundation stones upon which our accountability and governance rest.

Financial management, including external audit, has traditionally been the most advanced system within any company. Today, however, finance cannot exist in isolation.

Over the last 20 years development of quality management systems, externally audited to standards such as ISO 9001, have increasingly improved a company's workflows and production capability.

With the increase in concern for the environment and the quality of human life, however, a third and critical pillar is now required to achieve sustainability. A company must measure and manage not only its impact on the environment, but also the health and safety risks to its employees and neighbours, and indeed its impact on society as a whole.

In Transredes we have developed a systematic approach to these new areas which has led us to certification to ISO 14001 for our Environmental management system, OHSAS 18001 for our Health and Safety management system and we are currently documenting our social management system and good neighbour policy. We were the first company in Bolivia to have an integrated management system certified to all three standards.

Delivering value to the communities in which we operate has become of great importance to us. Tremendous goodwill can be created with a very small budget. For example, a recent favorite project involved a local dentist, mayor, 200 families and the time of some of our employees. For just \$200, to purchase toothbrushes, we created a successful dental hygiene programme and a won a thousand new friends.

Since we are now able to measure and analyze all aspects of our business, we are increasingly able to maintain consistency, report accurately and demonstrate the results of our actions to our stakeholders. We have begun to build trust that has led in turn to new partnerships, particularly with NGO's, local communities and suppliers. This has then led to our ability to raise international MLA financing and we believe to long-term sustainability via the maintenance of our license to operate.

Our partnerships with NGO's CARE Bolivia and Fundacion Valles have led to a stream of sustainable projects. These include water and electricity supply, income generation through access to market knowledge, education and health projects, none of which were formerly within our sphere of expertise.

SLIDE 4

There are, however, a number of ever present challenges, not least the problem of communication barriers between stakeholders and company (we employ 5 full time community liaison officers who between them speak Aymara, Ketchua and Guarani), managing expectations and avoiding the trap of being forced to assume government's responsibility. It is very easy in poor remote villages to be misunderstood or to be taken as a willing and easy source of income. Building trust through communicating and working together helps to reduce pressure and create realistic expectations as to what can be achieved. The introduction of other actors adds a new dimension and allows us to move away from the central role.

The final stage of the development of our business architecture will be to find ways to build mutual confidence in our stakeholder group through external auditing of our social management system. This is where we see new standards such as SA 8000, GRI and AA1000 helping to develop common terminology, better communication and thus increased confidence. We feel credibility is truly enhanced when an independent third party verifies the company's own measurements.

SLIDE 5

Many people have questioned the business case for such a structure. In our case we see it as no more than "paying our insurance" to keep our license to operate.

The matrix we developed to justify the business case for Corporate Citizenship to our shareholders compares how we are operating with our relationship to our stakeholders.

As with any company in the 21st century our stakeholders have an increasing say in the sustainability of our business. Failure to invest in the architecture of business management systems leading to dialogue with ones stakeholders is a high-risk strategy. A company which does not operate consistently and is unable to talk to its stakeholders is always at risk of loosing its license to operate as it falls from top right quadrant to the bottom right of the matrix when encountering operational difficulties.

The company which invests in externally audited business management systems, stakeholder communication and the building of trust and partnerships

will be given the benefit of the doubt, time to restore operations to normal and the maintenance of its license to operate.

Some examples of the results we have achieved so far:

a major river crossing and 28 kilometer pipeline expansion were completed with the cooperation of the local communities involved

thefts from our pipes are down from 41 in 2000 to 7 in 2002 and 4 so far this year

no loss of service was experienced during the recent political unrest and change of President

the completion of a major MLA financing deal

the sale of the largest bond issue on the Bolivian bourse

In summary:

Maintenance of a license to operate from all your stakeholders is vital to the survival of your business.

The challenge that 21st century management faces is the balancing of stakeholder demands. This can only be achieved through dialogue, the development of trust, partnerships and the ability to consistently demonstrate added value.

Thank you very much.

Tony Henshaw
28th October 2003