SOCIAL RESPONSIBILITY
IN THE MINING AND METALS SECTOR IN
DEVELOPING COUNTRIES

DISCLAIMER

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Cover image: Church opening at Kuelan Mahur, PNG. Source: Newcrest Mining Ltd

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ACKNOWLEDGEMENTS

Ian Wood and Rebecca Gunn
BHP Billiton Limited

Brendan O'Hara and Ian Loftus
Paladin Energy Ltd

Australian Agency for International Development (AusAID)

Melanie Stutsel and Therese Postma
Minerals Council of Australia

Secretariat
Chris Stamford
Jenny Scougall and Tim Fletcher
Minerals Branch
Department of Resources, Energy and Tourism

MINISTERIAL FOREWORD

Australia has a mature resources industry built on the back of over 100 years of experience in attracting foreign investment. The strength of our resource sector has fuelled much of our economic development and helped underpin social development.

Once again our resources and energy sectors are in the midst of a period of sustained expansion underpinned by investments from leading international mining and petroleum companies.

Expertise from both Australian and international companies have combined to make Australia home to some of the most efficient and advanced mining operations, services, technology, infrastructure and transport supply chains in the world.

The Australian mining industry is at the forefront of the global pursuit of sustainable mining recognising that environmental accountability, social responsibility and commercial success are now inseparable concepts.
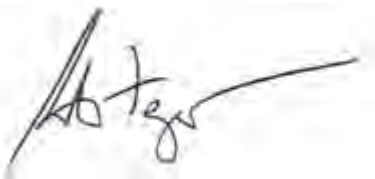
Australia's domestic success is coupled with the active presence of Australian mining and resource companies overseas, and the positive reputation they have for being sensitive to local conditions and ambitions, fair dealing, efficiency, advanced technology and good corporate responsibility.

Australia is committed to sharing its mining experience with other countries – in Africa, in Asia and the Pacific, and in Latin America – so that all can share the lessons we have learned, and so better harness their natural resource wealth, attract investment and ensure that this investment delivers social and economic benefits to their people and governments as it does in Australia.

This handbook is a product of that commitment. It has been developed in partnership between the Australian Agency for International Development (AusAID) and the Australian Department of Resources, Energy and Tourism (RET) under the auspices of RET's Leading Practice Sustainable Development Program for the Mining Industry.

This handbook outlines the key considerations for socially responsible mining development. In doing so, it draws upon leading practice examples from Australian companies operating both domestically and internationally. It is a thoughtful, practical and valuable resource for companies, governments and communities alike, based on evidence and experience.

In the same way Australia has learnt from the experience of others we want others to benefit from ours. This handbook will help realise that ambition and the attainment of increased living standards through economic development – a goal common to us all.

The Hon Martin Ferguson AM MP
Minister for Resources and Energy
Minister for Tourism

The Hon Kevin Rudd MP
Minister for Foreign Affairs

PART A: POLICY AND CONTEXT

1.1 BACKGROUND

The Australian Department of Resources, Energy and Tourism (RET) and the Australian Agency for International Development (AusAID) have partnered to develop a handbook on Social Responsibility in the Mining and Metals Sector in Developing Countries. This handbook primarily draws on examples of Australian leading practice and has been developed as a guide for a range of audiences: mining and mineral processing company managers, especially small and medium-sized companies, who plan to operate in developing countries; developing country governments; non-government organisations (NGOs); and communities.

The handbook provides both broad policy guidance and details about what is appropriate according to the social context, the scale of investment and the stage of mining and mineral processing operations, i.e., exploration, construction, operations and closure. The handbook outlines what it means for a project and company to obtain a 'social licence to operate' and how best to maintain that licence, for the benefit both of shareholders and external stakeholders, particularly host communities.

In many places this handbook draws on and references existing detailed handbooks under RET's Leading Practice Sustainable Development Program (LPSDP) for the Mining Industry, seeking to take advantage of that substantial and useful body of work.[1] It does not seek to 'reinvent the wheel' but rather to present a synopsis on how mining and minerals processing companies can operate responsibly in the developing world, with a particular Australian flavour where possible. The Australian mining industry has developed operations in many frontier Australian locations, among sensitive social and environmental conditions, with a high level of success. The skills that have evolved during this process are extremely adaptive and transferable and provide valuable lessons for frontier situations anywhere. Australians have a reputation for being innovative, practical, down-to-earth and egalitarian, all qualities that can be harnessed for good community relationships and socially responsible programs. This handbook discusses how to deploy culturally, economically and politically appropriate approaches to complement the technical expertise of mining and minerals processing companies.

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1 See LPSDP Handbooks. Available from; http://www.ret.gov.au/resources/resources_programs/lpsdpmining/handbooks/Pages/default.aspx

1.1.1 INTENT OF THIS DOCUMENT

Investment in exploration and mining activities in developing countries has increased exponentially in recent years. For example, it is estimated that there were more than 230 Australian resources companies active in Africa in mid-2011, with more than 650 projects in 42 countries (more than around 40 per cent of all Australian overseas mining projects). These projects are estimated to be worth USD $24 billion with another USD $17 billion at feasibility stage (Gray 2011). Similarly, Australian companies, along with their Canadian, American, European and other counterparts, are increasingly becoming involved in minerals projects in Asia, Latin America and the Pacific. This significant expansion of mineral sector investment in the developing world has coincided with a period of increasing international focus on Corporate Social Responsibility (CSR), particularly in the resources sector. In part, this has been inspired by the highly visible nature of mining companies' activities and the well-documented associated local impacts. It has been intensified by the increasing interest of minerals companies in establishing projects in conflict or former conflict zones, as there are fewer remaining unexploited resources to develop.

At the same time, many developing country governments are becoming more exacting in their approach to permitting resource extraction projects and use of the associated revenue, as well as in their understanding of the social and environmental impacts of mining and mineral processing and their expectation that companies mitigate these impacts and invest in host communities. Local communities, too, are becoming more vocal in their demands to participate in the benefits of minerals projects in their neighbourhoods, increasing the importance of companies establishing and maintaining their social licence to operate.

Kunaiye Singsing Group 2009. Photo courtesy of Newcrest Mining Ltd

There is a wealth of information available for minerals sector companies on how to incorporate social responsibility into their operations. The aim of this handbook is to draw this information together and provide references and links to useful sources, to enable readers to explore the topics discussed. This handbook is not intended to be a prescriptive manual for companies, governments or communities to follow, but rather a guide to assist them in obtaining the relevant expertise, skills and resources needed to design and implement socially responsible mining developments and projects.

1.1.2 STRUCTURE

This handbook is divided into two parts: Part A provides the policy outline and context for social responsibility for minerals companies engaging in developing countries; and Part B provides a summary and key references on how to integrate socially responsible business practices into the daily work of a mining or mineral processing operation in a developing country.

Case studies have been included to illustrate a variety of ways in which companies can run their international operations in a socially responsible way. These examples show that many Australian companies, both large and small, have managed to operate in countries all over the world in a way that would not only be acceptable if they were operating at home, but will also help them to be welcomed into other countries and communities for future projects.

1.2 DEFINING SOCIAL RESPONSIBILITY IN MINING

The term Corporate Social Responsibility has been in use since the 1950s, but has really come to the fore in the past decade, along with terms such as the 'Triple Bottom Line' and 'People, Planet, Profits' (i.e. social, environmental, economic). Although CSR is frequently discussed, it is not always clearly defined.

The publication in October 2010 of the International Organization for Standardization (ISO) *Guidance on Social Responsibility* (ISO 26000), furnished an internationally acknowledged definition. The working group that developed ISO 26000 comprised a broad base of stakeholders across industry, government, labour, consumers, and NGOs, with 450 participating experts and 210 observers from 99 ISO member countries and 42 liaison organisations. This inclusive and extensive approach lends credibility to the ISO interpretation of social responsibility:

Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- contributes to sustainable development, including health and the welfare of society;
- takes into account the expectations of stakeholders;
- is in compliance with applicable law and consistent with international norms of behaviour; and
- is integrated throughout the organisation and practised in its relationships (ISO, 2010).

The ISO 26000 Social Responsibility Standard is not a management standard, which means that it cannot be used for certification purposes. Nonetheless, it is an important set of guidelines that can help companies, not least minerals companies, achieve their CSR goals. The business case of this 'beyond compliance' approach forms a major theme of this handbook.

1.2.1 SUSTAINABLE DEVELOPMENT

Before moving on to more practical aspects of socially responsible approaches for minerals companies, however, we should discuss the key term of 'sustainable development'. There is a difference between 'sustainable development' and 'social responsibility' (ISO, 2010), although the terms are related.

> **Sustainable development** is a widely accepted concept and guiding objective that gained international recognition following the publication in 1987 of the *Report of the United Nations World Commission on Environment and Development: Our Common Future*. Sustainable development is about meeting the needs of society while living within the planet's ecological limits and without affecting the ability of future generations to meet their needs. Sustainable development has three dimensions – economic, social and environmental – which are interdependent; for instance, the elimination of poverty requires the promotion of social justice and economic development and the protection of the environment. The importance of these objectives has been reiterated over the years since 1987 in numerous international forums, such as the United Nations Conference on Environment and Development in 1992 and the World Summit on Sustainable Development in 2002.

> **Social responsibility** has the organisation as its focus and concerns an organisation's responsibilities to society and the environment. Social responsibility is closely linked to sustainable development. Because sustainable development is about the economic, social and environmental goals common to all people, it can be used as a way of summing up the broader expectations of society that need to be taken into account by organisations seeking to act responsibly. Therefore, an overarching objective of an organisation's social responsibility should be to contribute to sustainable development.

Drawing on these definitions, a socially responsible minerals company will therefore seek to contribute to sustainable development by enhancing social and economic opportunities while taking care to protect the environment. The minerals sector has some particular challenges in achieving these goals, as it cannot function without the initial environmental impact caused by ore extraction and it uses a non-renewable resource, as no ore body lasts for ever.

For these reasons, socially responsible minerals companies will strive to convert exhaustible mineral resources into sustainable social and economic endowments for the communities and countries whose minerals they develop. This could take the form of supporting the growth of businesses independent of the mine and able to survive mine closure, and helping to build healthy communities, able to grow in the long-term.

Socially responsible companies will also seek to establish environmental benefits that go beyond rehabilitation and enhance the environmental values of the places in which they operate. This might entail working with local partners to improve soil and water quality in surrounding areas, eventually leading to increased productivity of natural resources, or it might involve biodiversity or vegetation offsets elsewhere in the country. There is no one exact formula for contributing to sustainable development but there are many opportunities for doing so.

1.2.2 TRANSPARENT AND ETHICAL BEHAVIOUR

Social responsibility is premised on fair operating practices, meaning ethical conduct in an organisation's dealings with others, including government agencies, partners, suppliers, contractors, competitors and the associations in which they are members. A key issue in fair operating practices is anti-corruption. Corruption can result in the violation of human rights, the erosion of political processes, impoverishment of political processes, impoverishment of societies and damage to the environment. It can also distort competition, distribution of wealth and economic growth. Socially responsible companies will consequently have in place robust anti-corruption policies and practices, backed up by senior management buy-in, staff training, reporting and accountability arrangements.

1.3 GLOBAL STANDARDS AND NORMS AROUND MINING

At a global level, there is an increasing number of international organisations, standards and accountability frameworks that have been established to provide guidance to resource companies on how to incorporate leading practice into all aspects of their operations.

International social and environmental standards have been created that aim to minimise impacts on the environment and affected communities (e.g., the International Finance Corporation (IFC)'s Performance Standards on Social and Environmental Sustainability) (IFC, 2006). The European Bank for Reconstruction and Development (EBRD) is also active in lending to mining projects in the developing world and has its own set of exacting performance requirements (EBRD, 2008). Another example is the Equator Principles that provide a framework by which commercial banks can manage environmental and social issues in project financing, in line with the IFC standards (Equator Principles, 2006)[2]. The effect of this trend in corporate financing standards is that it is increasingly difficult for companies to obtain funding for projects unless they adhere to international standards of good practice. Guidance is also available to governments and companies working with governments on how to ensure that developing countries' mineral wealth is transformed into sustainable economic growth. The Natural Resource Charter is one example, which provides 12 economic precepts or principles on how best to manage the development opportunities created by minerals resources throughout the life-cycle of a mine (Natural Resource Charter, 2010).

Frameworks have been developed to guide governments and companies on how to ensure that minerals projects conform to global norms of human rights and provide enduring economic value to host nations. For example, the UN Human Rights Council recently endorsed the "Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework" proposed by UN Special Representative John Ruggie. The Principles are designed to provide high-level guidance to businesses on how to ensure they respect human rights in partnership with States' duty to protect them (UNHRC, 2011).

International peak industry bodies are also becoming increasingly active in supporting their members to act responsibly. In the minerals sector, the leading international organisation is the London-based International Council on Mining and Metals (ICMM). In the Australian context, the principal industry body for the minerals sector is the Minerals Council of Australia (MCA) whose Enduring Value framework states the following:

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2 The Asian and African Development Banks are also active in providing project finance but as they lend to governments, they are not part of the Framework's focus.

To harness the industry's commitment within a strategic framework, the International Council on Mining and Metals (ICMM) adopted a set of sustainable development principles in May 2003. This is the global industry's commitment to manage social, health, safety, environmental and economic issues in order to deliver sustainable shareholder value; and to both improve its performance in managing these issues and to publicly report industry's progress in doing so.[…]

The key role of Enduring Value is to translate the [ICMM] Principles of Sustainable Development into practices that ensure that industry operates in a manner which is attuned to the expectations of the community, and which seeks to maximise the long-term benefits to society that can be achieved through the effective management of Australia's natural resources (MCA, 2005).

Although the MCA's Enduring Value framework was aimed at mining and metals operations in Australia, the principles involved are just as applicable to socially responsible companies working overseas. In accordance with the MCA's acknowledgement of the ICMM Sustainable Development Principles as the central tenets of socially responsible mining, this handbook will refer readers to many useful documents produced by the ICMM.

1.4 BUSINESS CASE FOR CORPORATE SOCIAL RESPONSIBILITY

It may seem difficult to demonstrate the financial value to a company of behaving in a socially responsible manner, especially in a context where regulations may be less demanding than they are in developed countries, and where investments in community programs may seem expensive, unnecessary and someone else's responsibility. Successful companies have learned that there are business advantages in integrating social responsibility into their activities, particularly in terms of labour, financial and reputational capital, especially if they do so from the early stages of a project.

1.4.1 QUANTIFYING THE VALUE OF SOCIAL RESPONSIBILITY

Companies can quantify the potential benefits that can accrue from investing in socially responsible programs through a tool the IFC has developed called Financial Valuation (FV). The FV tool incorporates value creation as well as value protection aspects of social responsibility investment. The tool tests a thousand probable outcomes of risk scenarios to arrive at an estimation of potential impacts on a project's net present value. In the examples used by the IFC to demonstrate the value of the FV process, it showed that in a modelled US$2 billion Rio Tinto Alcan project, a US$50 million investment in sustainability projects returned US$500 million (CommDev). The IFC also cites the Newmont Ahafo project in Ghana that was able to start construction six months earlier than anticipated because it invested in building community trust early in the land access negotiation

process by embedding community specialists in the project team to work alongside the technical experts. This constituted a substantial saving to the business.

In another example, featured in a United Nations publication, an oil company in Asia decided to invest US$6 million on an extensive community engagement program, which amounted to 0.13 per cent of the project's total cost of US$4.5 billion. The company calculated that it had avoided project delays of 10 to 15 days which would have cost it US$50-72 million in contractual penalties (UN Global Compact/PRI, 2010). This calculation provides a similar multiplier to the Alcan example in that the project saved approximately 10 times the amount invested in the social responsibility programs. These estimates will vary from project to project, but they demonstrate clearly that there can be great financial value to companies in investing in socially responsible programs and processes, especially in the early days, when formal as well as social licences are being obtained. The continuing advantages of maintaining the social licence to operate can be calculated in a similar way, by adding up the costs that would be incurred by project stoppages due to protests, strikes or delays in licence renewals if local communities, workers and governments are unhappy with the company's performance.

The IFC reviewed 83 oil, gas and mining case studies for its 2010 *Strategic Community Investment Handbook* and discovered that in 50 of these 83 cases, one or more of the 'risk events' that had occurred were related to sustainability issues (IFC, 2010). These risk events were classified as follows:

- Delays in the planning phase – 10 cases;
- Delays in the construction phase – 5 cases;
- Disruptions in the production phase – 17 cases;
- Project expropriation – 12 cases;
- Added costs (e.g. litigation) –24 cases.

They estimated that one-time costs per disruption could range from US$140,000 to US$700,000 (assuming management time, contract penalties and legal and consulting fees) and that recurring costs could vary from US$7,700 to US$154,000 per month, representing between 40 to 80 per cent of total planned operating costs (IFC, 2010). Although the actual costs incurred were estimates, as companies are invariably reluctant to share with the public their losses due to project disruptions, it is nonetheless evident that the possibility of costs and delays due to inadequate social responsibility and relationship failures are real.

1.4.2 ENHANCED STOCK MARKET VALUE

Businesses can also obtain value from being recognised as socially responsible by the stock market. In a 16-year study of the advantages and disadvantages of CSR strategies to company value, the London and Harvard Business Schools concluded that there was a growing trend toward stock analysts valuing socially responsible companies more highly, leading to higher market value for those companies. They found evidence that, in earlier periods, CSR strategies were perceived as value-destructing and thus, had a negative impact on investment recommendations, whereas in later periods, CSR strengths were perceived as value-creating. This reversed the earlier negative into a positive impact on recommendations: meaning that analysts had become more likely to recommend a stock "buy" for CSR-strong firms in later years, documenting a change of CSR perception over time at the analyst level (Ioannou and Serafeim 2010).

In other words, increasingly, CSR leads to enhanced company and shareholder value. The value placed upon exploration projects can be similarly enhanced by socially responsible behaviour, as companies seeking acquisitions become more likely to include social responsibility as part of their due diligence in acquiring potential projects. If junior companies and exploration companies wishing to sell properties can demonstrate a good track record of community relations and impact management they will be able to sell at a premium.

1.4.3 MITIGATING BUSINESS RISKS

Ernst & Young, a global accounting firm, has produced reports on the business risks facing mining and metals companies, along with suggestions to companies about how to manage those risks. These reports list a Top 10 set of business risks each year. In the 2011 report, the highest risk was resource nationalism (ranked fourth in 2010 and ninth in 2009) and the fourth most significant risk was maintaining a social licence to operate, up from fifth place in 2010 and fourth again in 2009 (Ernst and Young, 2011). Both of these risks are important to discuss when evaluating the utility of socially responsible business practices.

1.4.3.1 SOCIAL LICENCE TO OPERATE

The social licence to operate is mentioned a number of times in this handbook, and has been defined by the Minerals Council of Australia as:

> …an unwritten social contract. Unless a company earns that licence, and maintains it on the basis of good performance on the ground, and community trust, there will undoubtedly be negative implications. Communities may seek to block project developments; employees may choose to work for a company that is a better corporate citizen; and projects may be subject to ongoing legal challenge, even after regulatory permits have been obtained, potentially halting project development (MCA, 2005).

Photos courtesy of Paladin Energy Ltd

In summary, the social licence to operate means that a project is accepted by a majority of its hosts, both local communities and the stakeholders of the host nation. The strength of this licence may vary from passive acceptance, through broad trust to a perception of shared value. It is possible to obtain legal licences to operate from national governments but be rejected by neighbouring communities, leading to disruptions and unrest that can render a project unviable. Unlike a formal permit, the unwritten nature of the social licence means that it evolves constantly and requires frequent renewal and maintenance. The need for nurturing and monitoring community relationships, partnerships and programs cannot be overemphasised.

A community consultation takes place in a village near Rio Tinto's Bunder project in Madhya Pradesh, India. Photo courtesy of Rio Tinto

The Ernst & Young reports indicate that community expectations of sustainable community investments from mining and metals companies are rapidly increasing, making it more challenging for companies to keep up with demands. They advise that:

> Although an eye should be kept on corporate costs, we believe that the increasing amount devoted to the areas of sustainable development related to mining and metals production is money well spent, assisting in developing and maintaining relationships with key stakeholders and maintaining social licence to operate (Ernst & Young, 2010).

So, the social licence is not only important, it is becoming increasingly so, as companies move into more challenging areas and as society's demands of its corporate citizens become greater.

1.4.3.2 HOST COUNTRY PARTICIPATION

Companies who are active in understanding the goals and aspirations of host nations and provide opportunities for them to participate in their projects, are more likely to develop positive relationships with governments and avoid changes to their licensing conditions. This was confirmed by Ernst & Young in its assessment of business risks, which noted that companies were more likely to avoid resource nationalism issues when they:

- Aligned with the host government's long-term economic and political incentives and thereby became an invaluable part of the infrastructure in the host country;
- Focused on generating direct and sustainable benefits for the host community though pro-active and well organised social and community development programs (Ernst and Young, 2010).

These findings underscore the common interests and need for both governments and companies to be able to demonstrate widely known and significant contributions to economic growth and social development. This is the best defence against negative perceptions of companies and political interference.

Ideally, the entire minerals sector in a country should work collaboratively (for example, through Chambers of Mines or Minerals) to demonstrate to the host nation that the industry is enhancing, not diminishing, the country's future. Matters of social responsibility should be above corporate competition, as the poor performance of any player tarnishes the reputation of the whole sector. Industry co-operation aside, each company can increase its own chances of success by being recognised for socially responsible behaviour. Success can be measured through security of tenure, peaceful operations with community support, and even invitations to bid for new projects and properties as a preferred tenderer and partner.

1.5 ROLES OF MINERALS COMPANIES AND GOVERNMENTS

The roles of governments and companies in developing minerals sector projects can vary from country to country and may be subject to negotiation. In some instances, minerals companies may be obliged to undertake certain functions that might be expected to be performed by a host government. Or the company's role may be to assist host communities in organising themselves to a stage of self-sufficiency where they are able to manage their own community development priorities. Often it will be both.

What is the role of governments in resource-rich countries? In order to facilitate and support the development of a sustainable mining sector, and thus maximise the economic, social and development benefits to their countries, governments should put in place effective policy, legislative, regulatory, monitoring and enforcement regimes at all steps in the decision chain. These include: discovery and the decision to extract; setting the fiscal and contracting regime; the award of contracts and monitoring of operations; collection of taxes and royalties; revenue management and distribution; and sustainable development policies and projects including social responsibility (NRC, 2008).

Photo courtesy of Paladin Energy Ltd

Governments' role in revenue management and distribution includes investing the returns from the resource sector in physical, human and environmental infrastructure, including education, health care, roads, railways and ports. However, in the face of multiple competing priorities, governments may not always be able to prioritise spending in the regions where the mining activity is occurring and may choose to channel mineral revenues to communities in non-mining areas.[3] For example, there may be a greater need in other regions, because the government believes that the increased economic activity in a mining area already provides sufficient opportunity to local communities, or because it does not have the capacity to extend services to the often remote regions where mining projects are occurring. This can put mining companies in the position of either providing services that ideally would be the responsibility of the host government, such as schools, hospitals, power and water supplies or of risking community resentment and unrest by not doing so.

Developing close, co-operative and transparent relationships with host governments is, in most cases, the most likely approach to succeed over the long term. Companies may encourage central

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3 For further discussion on this point, see International Council on Mining and Metals, 2009, The Challenge of Mineral Wealth: using resource endowments to foster sustainable development. Available from: http://www.icmm.com/document/520

governments to return a portion of mineral revenues to the originating area but ultimately, they have no control over the decisions made by sovereign nations. Companies can, however, make sure that their community development projects fit in with local, regional and national government plans and policies.[4]

Successful companies have learned that supporting training and capacity-building initiatives that develop income and employment options independent of the minerals project is the best way to enable host communities to receive sustainable benefits from the exploitation of the finite mineral resource. Ensuring that all community development initiatives are broadly based and include opportunities for women and other historically disadvantaged groups will improve the likelihood that these initiatives are sustainable in the long term. A large economic anchor, such as a modern mine or minerals processing plant, can play a catalytic role in attracting other economic developments to an area.

1.6 KEY CONSIDERATIONS WHEN OPERATING IN DEVELOPING COUNTRIES

The range of considerations confronting minerals companies at any mine site across the life of a mine, from exploration to closure and rehabilitation, has been covered in the handbooks under RET's LPSD program for the mining industry. This includes the issue of community engagement which, at its simplest, is communicating and responding effectively with people who affect, and are affected by, a company's activities.

A good engagement process typically involves identifying and prioritising stakeholders, conducting dialogue with them to understand their interest in an issue and any concerns they may have, exploring with them ways to address these issues and providing feedback on actions taken. At a more complex level, engagement is a means of negotiating agreed outcomes over issues of concern or mutual interest.

There are however, several cross-cutting social responsibility challenges that frequently present themselves to minerals companies operating in developing countries. The following section provides an overview of these issues and links to further guidance on managing them.

1.6.1 HUMAN RIGHTS AND ETHICAL BEHAVIOUR

The roles of national governments and corporations have been the subject of particular focus since the endorsement by the United Nations Human Rights Council (UNHRC) on 16 June 2011 of the

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4   Various oil, gas, and mining sustainable community development fund resources on local content are available from: http://commdev.org/section/tools/local_procurement

Guiding Principles on Business and Human Rights. The *Guiding Principles* advise how to implement the 'Protect, Respect and Remedy' Framework, adopted in 2008 by the UNHRC. They recommend how governments should provide greater clarity of expectations and consistency of rule for business in relation to human rights, how companies should respect human rights and be able to show that they are doing so, and that there should be access to remedies for people who are harmed in any way by business activities. In the introduction to the *Guiding Principles*, UN Special Representative Ruggie explains that:

> The Framework rests on three pillars. The first is the State duty to protect against human rights abuses by third parties, including business enterprises, through appropriate policies, regulation, and adjudication. The second is the corporate responsibility to respect human rights, which means that business enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved. The third is the need for greater access by victims to effective remedy, both judicial and non-judicial (UNHRC, 2011).

The *Guiding Principles* should be of special interest to minerals companies hoping to invest in projects in areas of past or potential conflict, as such areas may pose specific difficulties and obstacles to operating in a socially responsible manner. Although the *Guiding Principles* state quite clearly that it is the role of the State to protect the human rights of its citizens, they observe that, in situations of conflict, the State might not have effective control of all its human rights protection mechanisms, so socially responsible companies need to take special care in making business decisions in such areas.

In 2000, in recognition of the difficulties companies sometimes face in observing human rights in some jurisdictions, the governments of the United States, the United Kingdom and several NGOs and companies developed the *Voluntary Principles on Security and Human Rights* (VPSHR), to provide an outline of actions companies should take to assess risks and implement public and private security measures in a manner that respects human rights. These are a useful set of guidelines for companies who wish to be in compliance with the *Guiding Principles* of the UNHRC, and there is an accompanying toolkit available to assist with implementation of the VPSHR (World Bank, 2008). Another useful resource for companies working in areas of conflict is *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors* produced by the office of the United Nations Global Compact, an organisation that embodies 10 principles in the areas of human rights, labour, the environment and anti-corruption (UN Global Compact/PRI, 2010). All these resources can assist companies venturing into high risk areas to prepare themselves for the range of activities they may need to undertake in order to operate in a socially responsible

manner. These additional actions should be factored into due diligence and feasibility assessments as additional costs for doing responsible business in areas of conflict. Being held responsible for human rights may seem to some companies to be asking them to become involved in activities well outside their normal sphere of operation. In fact, the expectations of the UNHRC Framework do not require extraordinary behaviour from any company that is already behaving in an ethical and transparent manner. The main components of respecting human rights lie in treating employees and local communities fairly and with respect, paying fair compensation for work done or impacts caused, and dealing with complaints with due process and transparency. In addition, due care must be paid to the behaviour of the partners and suppliers of a business, ensuring that they, too, are behaving in a socially responsible manner, or seeking alternative partners if it happens that they are not. In addition, the remedy aspect of the UNHRC Framework can be addressed by a minerals operation ensuring that it has an accessible and functioning complaints procedure, both for employees and for external parties. This is a standard part of socially responsible operations in the mining and metals sector and will be discussed further in Part B of this document.

1.6.2 SECURITY

In some developing country contexts, it may be necessary for companies to hire private security providers or work with local police and military forces to protect their operations, assets and personnel from harm. Ensuring appropriate behaviour by these personnel is critical. As outlined in the *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas,* "If security providers use excessive force, it may amount to a human rights violation, which can have significant negative consequences for the company's reputation and financial performance. This may be the case even where the company did not intend or order the actions" (UN Global Compact/PRI, 2010).

Company risk assessments should identify security risks, assess the potential for violence and consider available information about human rights records of public/private security forces. It is important to understand the maturity of rule of law in the host country, analyse potential future conflicts and consider any risks associated with the transfer of equipment to security forces.

Potential security providers should be thoroughly screened prior to being hired. Personnel should be appropriately trained and aware of their responsibilities. Companies should consult regularly with local communities and governments about the suitability and impact of security arrangements and ensure that there are appropriate and accessible avenues for complaints to be recorded and responded to. The *Voluntary Principles on Security and Human Rights* and the *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas* outlined in the previous section provide guidance on these issues.

1.6.3 OCCUPATIONAL HEALTH AND SAFETY

For ethical, financial and reputational reasons, minerals companies should place a strong emphasis on safety in all aspects of their operations and employ leading practice in Occupational Health and Safety management, regardless of the regulatory environment present in the host country. Characteristics of safe projects include a strong risk identification and management culture, appropriate management attitudes and behaviours, robust reporting systems and a focus on education and training (RET, 2011).

International Finance Corporation (IFC) *Performance Standard 2*: Labour and Working Conditions notes the requirement to provide workers with a safe and healthy work environment, taking into account inherent risks in the particular sector and specific classes of hazards in work areas, including physical, chemical, biological, and radiological hazards. It discusses the importance of identifying potential hazards to workers, particularly those that may be life-threatening; provision of preventive and protective measures, including modification, substitution, or elimination of hazardous conditions or substances; training of workers; documentation and reporting of occupational accidents, diseases, and incidents; and emergency prevention, preparedness and response arrangements (IFC, 2006).

1.6.4 COMMUNITY HEALTH AND SAFETY

Traditionally, mining and minerals processing projects have focused their occupational health and safety efforts on their employees 'behind the fence'. There is, however, an increasing recognition of the health impacts – both positive and negative – that projects can have on surrounding communities and transport corridors.

For instance, it is recognised that mining projects, particularly during the construction phase, have inherent characteristics that can exacerbate the spread of communicable diseases, including HIV/AIDS and Tuberculosis. These include: high-density shared living arrangements; the use of workers who are typically young males, working long hours in dangerous conditions, which creates risk-taking mentalities and conditions conducive to the establishment of new and/or casual sexual relationships; and a high prevalence of sex workers who are attracted to mining camps due to the often considerable income disparity between mineworkers and surrounding communities. Women in host communities can also become co-opted into becoming sex workers either of their own volition or through the need of their families to secure additional monies. In addition to potential serious impacts on the communities themselves, increased HIV prevalence can also reduce the productivity of the mine workforce and heighten the risk profile associated with the mine's operations. The International Labour Organization is the lead United Nations (UN) agency on

HIV workplace policy and programs and private sector mobilisation. Its *Code of Practice on HIV/AIDS and the World of Work* (ILO, 2011) is a valuable guideline for companies developing HIV workplace policies.

Photo courtesy of Paladin Energy Ltd

Increases in the prevalence of malaria are also associated with mining activity, particularly when environmental disruption creates breeding grounds for malaria mosquitoes and workers from malaria-prone areas provide vectors for the spread of the disease.

Effectively managing these issues requires strong partnerships with local communities, relevant government bodies, health providers and NGOs. An active approach to dealing with these diseases by limiting their transmission, facilitating increased health-seeking behaviour of workers and increased service availability where possible, can benefit local communities and improve the productivity of mining operations. The ICMM publication *Good Practice Guidance on HIV/AIDS, Tuberculosis and Malaria* (ICMM, 2008) provides detailed information on managing these diseases.

The main environmental matters that concern communities from a health perspective are noise, dust, air quality, water quality, and the creation of physical hazards. Community fear of the hazards that may be created by company activities, such as excavations and increased traffic and

the potential for chemical spills or leaks, need to be taken seriously and treated with respect. In order to maintain their social licence, companies not only need to operate at an internationally acceptable level of management for environmental impacts, they also need to communicate their management methods and monitoring programs to local communities to put their minds at rest. Companies have had success by including community members in participatory environmental monitoring programs that perform both educational and communications functions and can do much to build up trust between company and community.[5]

This handbook is focused on social rather than environmental issues, and a discussion of how to manage environmental impacts in mining and minerals processing operations is beyond the scope of this document. The RET LPSDP publications provide a wealth of information on the sustainable management of environmental issues. Socially responsible companies nonetheless need to take a number of environmental issues into account because they cause great concern to host communities and affect a company's social licence to operate.

1.6.5 COMMUNITY AND STAKEHOLDER ENGAGEMENT

The most important aspect of social responsibility components is relationships – genuinely spending time getting to know project stakeholders and understanding their viewpoints on proposed project activities. Companies that are perceived as closed and non-responsive will be much less likely to have the trust and support of a community than those which share information openly, listen and respond to people's concerns, and show that they care about the community and are committed to its development.

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5 For example, see Compliance Advisor Ombudsman for the International Finance Corporation Multilateral Investment Guarantee Agency, 2008, Advisory Note. Participatory Water Monitoring. A Guide for Preventing and Managing Conflict, Available from: http://www.cao-ombudsman.org/howwework/advisor/documents/watermoneng.pdf

Cultural Heritage Workshop about the Lihir Gold Mine Papua New Guinea.
Photo courtesy of Newcrest Mining Ltd

Building and maintaining strong relationships is key to community relations and development success and so is participation – working with stakeholders, especially local communities – not just giving them things or doing things for them. People who are partners in development projects, especially if they are involved from the outset, in conceptualisation and design, as well as implementation and management, are far more committed to the success of the projects than those who are treated as recipients of charity. Thus, a successful stakeholder engagement program will be active, interactive and evolving. Passive and sporadic efforts are not as effective. In addition to good stakeholder identification and engagement processes, a socially responsible project will need to establish a method for receiving and resolving complaints from stakeholders. Part B of this document provides further guidance on community and stakeholder engagement.

CASE STUDY – THE BENEFITS OF EARLY ENGAGEMENT: BASE METALS EXPLORATION IN INDONESIA

Robust Resources is exploring for base metals on a small tropical island, Romang, in the south of Maluku Province, Indonesia. Robust is a Sydney-based, ASX-listed, exploration company. At present it is a single-project company. It employs around eight Australians, and 30 Indonesians from other parts of the country. Romang Island is heavily forested and has small pockets of coastal communities totalling around 4000 people. There has been no significant development on the island. The villages are well kept; there are outpost clinics, schools, and local shops, but no vehicles, no paved roads, no electricity, no communication infrastructure, some communal tapped reticulated water and intermittent sea transport. In short, the island is isolated and relatively poor.

Robust Resources started exploration in 2007 in the south of the island, some two kilometres from the nearest village. By 2011 the company had a base camp, a fly camp, and six drills operating. A total of about 80 Romang Island unskilled workers are employed by the project in various tasks.

The challenge
The Robust Resources Board is made up of people who understand the need to give good attention to social issues. From an early stage they have pressed the need to 'do the right thing.' Attention to social responsibility gained momentum when a 'champion' joined the Board and was energetic in obtaining external help to set up a community relations program.

Robust Resources started dedicated community relations work in early 2010. Before then, geologists dealt with any community issues that arose. Issues tended to concern land access, compensation for land use and any damage to crops, plus the hiring of local people.

The program
As the company has grown, more resources have been dedicated to social and environmental work. There is now a community relations team of five, all of whom are Indonesians, two of whom are from Romang Island and one of whom is a woman. There is also a community development program supported by three external partnerships with local development groups from other parts of Indonesia. Robust's social responsibility partners are committed to good process in community development which means community participation, ownership of decisions, planning, co-implementation, monitoring and assessing results. Partnerships are often mixed: one providing the rigours of good process, others delivering on technical training and support such as cropping, home gardens, community health etc.

Not only has the company provided adequate budget support, but importantly it has been able to recruit the right professional people with the right types of people skills. All community relations and development workers have university degrees in relevant disciplines. Robust Resources selects its communities' staff not just on the basis of professional qualifications but also on personality types, e.g. people skills and cultural sensitivity.

Although a relatively small operation, Robust has committed sufficient funds to establish a Community Relations Program and work on Community Development. The CR staff have focused on building relationships between the company and the community. Information sessions on exploration have been conducted and company staff have attended ceremonies and worked to develop their understanding of local customs and tradition. After discussions with village leaders, the CR team have committed to stay in the villages for periods of time. The company is also planning to build 'community guesthouses' with a front office for company staff when they stay. This is currently planned for three villages but expected to expand to a further three, six in total, in the near future.

An Australian university has been contracted to research the Romang custom and tradition and, through their work, relations have been strengthened with the island elders. The company has committed to fully consult with elders, seeks their consent to any new work, and conducts proper ceremony when requested. For any new work, an initial traditional ceremony is conducted plus a signing ceremony. Part of the signing is a set of agreements around a master document called a Village Project Agreement. These agreements are intended to form the core of Robust's program to maintain its social licence to operate in Romang. The company considers that its investments in socially responsible practices have contributed to the successful establishment of its exploration program and that this will form a solid foundation for future developments.

1.6.6 GENDER AND DIVERSITY

Mining and minerals processing projects do not affect all people equally. One part of society that tends to receive less benefit from minerals projects is women and girls. This can be because the minerals sector generally employs more men than women, and also because those women who do obtain jobs are frequently paid less than their male counterparts (AUSIMM, 2009). If operations are not well run, there may be sexual harassment and discrimination in the workplace. Outside the project gates, women may be impacted by social dislocation due to population influx to a mining area, usually predominantly single men. This may include an increased risk of sexual and gender-based violence against women and children. Women may be forced to assume greater responsibility for child-rearing and household maintenance activities if large numbers of men move away to work at minerals projects. They may also be at a greater risk of contracting sexually transmitted diseases, including HIV/AIDS, if male workers bring such infections home when they return from migratory work. In order to counterbalance this potential for gender bias in the impacts of a minerals project, a socially responsible project will take extra care to ensure that the gendered aspects of impacts are considered in the design and management of the minerals project and of its community programs.[6]

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6 For more information on integrating gender diversity see Rio Tinto, 2009, *Why Gender Matters*, Australia. Available from:
   http://www.riotinto.com/documents/reportspublications/rio_tinto_gender_guide.pdf
   Other references available in the bibliography.

Positive programs can be undertaken that provide specific employment opportunities for women. Modern technology means that many of the mining jobs that were traditionally reserved for men, because considerable physical strength was required to perform them, are now easily undertaken by women. Workplaces that are family-friendly – with rosters that allow for family time and with provision made for the care of children and other dependents – encourage far greater employee diversity, which has been shown to enhance business creativity and to increase the attraction and retention of staff. Community training programs that specifically include women may also increase opportunities for women in local mining-related employment. On the community development side of socially responsible mining, it has been understood for decades that ensuring women are full participants in community projects usually produces more sustainable development outcomes. According to the World Bank:

- Women are more likely to use available income for food, shelter, health, education, and savings for their families
- Women have a better track record of starting successful businesses and repaying micro-credit loans, and female employees show a greater willingness to respect safety and environmental safeguards and job-site rules
- Women comprise half of the productive labour force and discrimination against women in the labour market is an impediment to private sector development and economic growth (World Bank, 2011a).

As investments in community projects can be quite costly, responsible minerals projects that ensure female participation in their development, training and business programs will be likely to have better results, or returns on the investment, which makes business sense. It is also important to ensure that women are involved in and benefit from company agreements with traditional owners.

Gathering and reporting on data on the participation of women as well as men, both within and adjacent to a minerals project, is also prudent. This can assist in ensuring that men and women are both involved and benefiting from mining operations and in identifying any unintended consequences. Opponents of the minerals industry are quick to criticise projects for an apparent lack of inclusivity and usually do not make sufficient effort to delve deeply into the activities of mining and mineral processing operations. If minerals projects take care not only to be gender inclusive but also take an active and transparent approach to their management and reporting on these issues, this can help reduce such criticism.

Local community members being trained as facilitators for a Rio Tinto Employee Engagement Survey at Palabora Mining Company, South Africa. Photo courtesy of Rio Tinto

CASE STUDY – GENDER–SENSITIVE COMMUNITY ENGAGEMENT: EXPLORING FOR COAL IN MONGOLIA

In late 2005, Rio Tinto Mongolia LLC, a subsidiary of Rio Tinto Exploration Asia Region, began an early-stage exploration program for low-volatile coking coal within the territory of Tugrug and Tseel *soums* (districts) of Gobi-Altai *aimag* (province) in the South West of Mongolia. The exploration site is primarily located in Khuren Gol *bagh* (village) of Togrog *soum*. The community of Khuren Gol comprises five family groups.

The drilling program was scheduled to start in May 2006. In March, senior company representatives visited the Tugrug *soum* to meet local government officials. In April, the Rio Tinto Exploration Health, Safety, Environment and Community team visited the Tugrug *soums* and the Khuren Gol village to conduct initial assessment of the project area. While the team met with *soum* and *bagh* governors, they didn't officially meet with the local community to avoid creating expectations.

In May 2006, two camps – one for exploration and another for drilling – were mobilised near the Khuren Gol *bagh*. A Community Relations Officer (CRO) also visited the camps at this time. The exploration camp comprised about 20 people, including a catering and logistics team, and the drilling camp about 40 people.

The challenge

After the camps were mobilised and the CRO was on board, Rio Tinto Exploration held a series of public meetings to introduce the team and explain the plan of work. The first public meeting was held in June 2006, chaired by the *bagh* governor. More than 30 people from the local area attended. Rio Tinto Exploration prepared an information sheet about the exploration activities. The Rio Tinto Exploration team observed that while there was some good discussion about the information being provided, there were misconceptions because information about the exploration activities had previously only been received by word of mouth, and some rumours had started. Nevertheless, the first meeting recorded queries and responses to the information sheets and the discussion.

In the second meeting Rio Tinto Exploration confirmed the program of work and responded to the issues and questions raised at the first meeting. The company also suggested that the community establish a Community Advisory Group (CAG) to open communication channels between the company and the community. During the meeting, the community nominated and elected members. The CRO ensured that there was equitable representation among family groups. In the end, membership comprised eight men, two of whom were young men. The third meeting continued the discussion and the CAG began its work. It was the CRO's role to liaise with the *bagh* governor, the CAG, and build relationships with local community members, including women and youth.

The program

In May 2007, the CRO was permanently based in the exploration camp and commenced a process of door-to-door consultation at the household level. There were 114 families in total, in five groupings. The CRO spoke to individual family members wherever possible, not just the head of the household, who was usually a man.

The CRO found that while the men agreed that the CAG and the information provided by the company about the exploration program was adequate, many of the women had additional questions and concerns. These questions had not been raised with the company previously because women tended not to speak openly in the public meetings and were not represented on the CAG. Many of the women complained that they were not being adequately consulted and wanted a separate committee to voice their concerns.

Achievements

A women's group was never formally established, but the CRO began a formal program of consultation to gather perspectives from the women. The CRO organised a women's meeting at the *bagh* centre in late July 2007. All the women from the five family groups were invited. A total of 20 women attended the meeting. The CRO reported that the women appreciated the chance to meet collectively and voice their issues and concerns. During the exploration activities, Rio Tinto Exploration hired men to help them with groundwork but there were no opportunities for women,

who wanted to know what employment opportunities there would be for them if a mine were to proceed. Other concerns raised related to their children's education, employment opportunities for their children and husbands, livelihood and income generation, and pasture and vegetation. Some women said they would be sending their children to university for education in mining so that they would have a job in the future. They saw mining as their children's future.

At that meeting, women also suggested that it would be better if the company aimed to have significant consultation with women in winter because they don't have as many household responsibilities during this time. In spring, women have to take care of baby animals, in summer they are busy with processing dairy products, and in autumn they are focused on preparing their children for school and planning for winter. Also, they suggested creating a communication box at the *bagh* centre so that they could write down any concerns or requests.

After many discussions with women, it became apparent to the CRO that pasture was extremely important to them. Women are responsible for processing milk and dairy products and pasture affects the quality of all these dairy products. The women were concerned about the impacts that the mine would have on pasture and feared that the mine would destroy pasture. The women were asking specific questions about how Rio Tinto Exploration planned to rehabilitate the pasture that they would disturb through exploration and operations. They had seen drill holes rehabilitated by Rio Tinto with topsoil. They were happy when the pastures returned, but they did not all return, so they wondered how it would work with such a big mine. The women also asked about the risks of exotic plants being introduced, and how that could affect pasture. Although men raised some of the same concerns, both individually and on the CAG, women were more detailed in their line of questioning about the pasture.

As a result of this work, Rio Tinto Exploration has tried to be more responsive to the issues and concerns raised by women, and plans to undertake any significant consultations in the winter months.

1.6.7 ECONOMIC PARTICIPATION AND DEVELOPMENT

Minerals projects can deliver significant direct and indirect economic benefits to people living in the immediate and surrounding areas and are often the key economic drivers of the communities and regions in which they are located. For companies, providing opportunities for local economic participation and development can help to 'improve community and employee relations, develop supplier linkages, reduce dependence on the mine for local economic wellbeing over time as well as bring substantial benefits in terms of reputation and good corporate citizenship' (World Bank, 2011b).[7]

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7   The World Bank has a useful summary of the issue, see: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:202 20981~menuPK:509410~pagePK:148956~piPK:216618~theSitePK:336930,00.html

These opportunities can take a number of forms: maximising employment opportunities for local residents; supporting local businesses and boosting local economies by sourcing goods within the country, especially from the communities near the project; and building the capacity of local businesses to diversify their enterprises beyond the lifespan of the mine and beyond the local region. For long-term community and economic viability and sustainable community development, it is vital that efforts be made to help diversify local economies. Companies can also foster the equitable distribution of mine-stimulated benefits by ensuring that their programs provide opportunities to vulnerable groups such as women and ethnic minorities (IFC, 2010). A number of companies have now adopted policies and standards explicitly covering these issues including efforts to increase local procurement.

Photos courtesy of Paladin Energy Ltd

In most developing country locations, even generous local salaries will be considerably less than would need to be offered to attract and retain an expatriate employee to perform a similar role. Nationals of the host country who need to be relocated to the project area will typically cost more than a local employee, as there will be additional costs associated with transport to work and accommodation. Investing in dedicated training programs, including by improving and delivering training through the host government's own training systems, to upgrade local people's skills to the required level, will probably be more economical than hiring expatriates to do the jobs and

will also be a great help in maintaining a social licence to operate. The earlier such training can be done the better. If local people can be trained prior to the construction stage then they will be well-placed not only to obtain construction jobs but also to stay on in operational roles. As discussed in the gender section above, training women as well as men will also be beneficial – both to the establishment of a diversified and talented workforce and also to sustainable community development.

Photo courtesy of Paladin Energy Ltd

1.6.8 ARTISANAL & SMALL-SCALE MINING

When international companies decide to establish a mine or minerals processing operation in a developing country location, it is not unusual to discover artisanal or small-scale mining (ASM) also occurring in the area. Sometimes this ASM activity is traditional and/or seasonal, sometimes it is sparked by the news that a new mining company is arriving to exploit a deposit. This is particularly relevant for gold and diamonds which are often accessible using low-technology methods and can bring quick returns to small miners.

Whatever the origins of ASM, if larger-scale, modern minerals developers are in competition with ASM, there is much scope for conflict. Sometimes this conflict is over the environmental damage caused by some ASM, particularly with respect to mercury use, which can sometimes be falsely attributed to the larger miners in the area. This conflict can have many detrimental results for mineral project developers. Although ASM activity is often illegal, many governments do not wish to displace the ASM workers because they have no alternative means of earning a living. Consequently, the most cost-effective and socially responsible path for mining operations can be to work with the ASM sector and other development partners, including host governments, to devise alternative livelihoods that will enable both parties to co-exist. One of the main areas that programs for ASM focus on is improved environmental and worker safety.

It is important for large-scale miners to exercise caution before committing to involvement in activities that may be of questionable legality. Ensuring host government endorsement of, or better still, participation in ASM programs would be prudent. As ASM has become such an acute issue for modern mine developers in many parts of the world, ICMM, the IFC and the Communities and Small-Scale Mining initiative (CASM) have collaborated to produce a handbook to guide companies through the alternative methods available for working co-operatively with ASMs (ICMM, 2010a). It could be worthwhile for companies operating in artisanal mining areas to use the resources in this *Working Together* handbook to devise approaches for building relationships with these challenging stakeholders.

In light of the prominence of women in the ASM field, it is important to take gender considerations into account when developing alternative or co-operative programs with ASMs. This means ensuring that women are consulted at every stage of discussions and that they are enabled to participate actively in the planning and implementation of any solutions selected.

1.6.9 ENGAGING WITH INDIGENOUS AND LAND-CONNECTED PEOPLES

One of the questions that increasingly faces minerals projects seeking to establish themselves in developing countries is whether their activities will have impacts on indigenous and land-connected peoples. For example, international financial institutions will require an Indigenous Peoples Development Plan or equivalent to be prepared by a project seeking finance if there are indigenous communities[8] living in the project area (IFC, 2006). In May 2008, the ICMM issued a Position Statement on Mining and Indigenous Peoples, through which its members agree to comply with nine commitments and affirm ICMM's vision for constructive relationships between the mining and metals industry and Indigenous Peoples (ICMM, 2008). To assist minerals companies in fulfilling these commitments, and in building positive and beneficial relationships with indigenous communities, ICMM published in 2010 a comprehensive *Good Practice Guide on Indigenous Peoples and Mining* (ICMM, 2010b). Any mining or metals company with a project that may come into contact with Indigenous Peoples may find this guide very useful.

Determining who are 'Indigenous Peoples' is not always straightforward and research into whether any local communities come under this category is essential early in the planning stages of any project. The most common characteristics of people who would meet international definitions of indigeneity are their:

- self-identification as indigenous
- historical continuity with pre-colonial and/or pre-settler societies
- common experience of colonialism and oppression
- occupation of or a strong link to specific territories
- distinct social, economic and political systems
- distinct language, culture and beliefs
- non-dominant status in society
- resolve to maintain and reproduce their ancestral environments and distinctive identities.

In order to avoid debates about 'who came first' to a territory, which is especially pertinent in some Asian and African countries, it may be preferable to refer to 'land-connected peoples'. Socially responsible minerals companies should discover if there are local sensitivities to particular expressions before using them in their local plans and policies. As all existing definitions and naming conventions have their pros and cons, for the purposes of this handbook we will use the most widely known, that of 'Indigenous Peoples'.

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8 It should be worth noting that indigenous communities may be called by a variety of names, such as 'tribes' 'first nations', 'minorities' etc. The most appropriate name in a local context is the name these people give themselves.

Whatever the definition used, one of the most common (but not universal) characteristics of indigenous communities around the world is that they are marginalised and, for that reason alone, they are deserving of particular attention. According to ICMM-sponsored research:

> Based on historical political relationships, Indigenous peoples generally represent the most socially and economically marginalised populations around the world. This is experienced in, for example, the lack of or diminished access to formal political processes and decision-making structures, justice and basic social services, including health and education (ICMM, 2005).

The degree of marginalisation experienced by any particular group of Indigenous Peoples will depend upon their specific circumstances. One particular distinction that needs to be kept in mind, however, is that the deep connection to ancestral lands that is characteristic of Indigenous Peoples means that physical displacement through resettlement will affect them more deeply than it will people who are migrants or more flexible in their view of land. The potential impacts of resettlement on Indigenous Peoples are described below:

> Resettlement, whether physical or economic, can be a major and critical impact of mining projects, and is considered especially contentious with regards to Indigenous Peoples. Due to the distinct attachment and relationship to lands, territories and resources that many indigenous groups have, and a widespread history of dispossession and forced removals, resettling Indigenous Peoples is considered to lead to particularly adverse impacts on their cultural survival (ICMM, 2010b).

In a similar way, environmental impacts caused by mining activities and project infrastructure construction may cause more distress to those with a spiritual/traditional rather than merely economic attachment to a place. All community development programs should be based on engaging and consulting with Indigenous peoples in a fair, inclusive, timely and culturally appropriate way throughout the minerals project cycle (UQ CSRM, 2010).

Local community members from Canada's Northwest Territories assist with a water monitoring programme that contributes data in support of a traditional knowledge study on fish palatability. The programme is part of Diavik Diamond Mine's environmental agreement with the local community. Photo courtesy of Rio Tinto

1.6.9.1 OBLIGATION TO CONSULT

An issue that companies may encounter when operating in developing countries is the obligation to consult with Indigenous Peoples. There are several international legal conventions that countries have adopted to inform their domestic legislation on this matter. Many countries in Latin America have adopted the International Labour Organisation's *Convention 169, concerning Indigenous and Tribal Peoples in Independent Countries*. The Convention requires that indigenous and tribal peoples are consulted prior to exploration or mining activities on their land and that they are able to participate in the benefits of such activities and are compensated fairly for damages they sustain (ILO, 1989).

Another prominent concept is Free, Prior and Informed Consent (FPIC), which is contained in the United Nations Declaration on the Rights of Indigenous Peoples. Article 32 of the Declaration notes:

> States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilisation or exploitation of mineral, water or other resources (United Nations, 2007).

For the purposes of mining projects, FPIC means that engagement between Indigenous Peoples and companies *or* governments should be:

- **Free** from any form of force, coercion, pressure or manipulation;
- **Prior** to the activity taking place and with sufficient time for affected Indigenous Peoples to consider all of the information before making a decision; and
- **Informed** by all of the relevant information in a format and language that can be understood and with the support and verification of independent experts that are not connected to either the state or the proponent.

FPIC has yet to be defined in international law, although some countries have adopted it into their national legislation and the International Finance Corporation has recently incorporated FPIC into its performance standards required of projects for financial support.[9] Regardless of the obligations that may exist within the host country's legal jurisdiction, it remains good practice to ensure that companies have the broad support of impacted communities, that this support/consent has been freely given, and is based on an informed understanding of the project and its potential impacts.

1.6.10 COMPENSATION AND RESETTLEMENT

The development of a mine or minerals processing operation requires land for the placement of operational infrastructure, housing, roads, airports, pipelines, storage facilities and a multitude of other project facilities. The land needed for a project is often used by other people, whether they own it, lease it, graze animals or grow food on it or have a traditional attachment to it. In any of these cases, the taking of that land by a project will cause displacement for the original users or owners and resettlement in situations where people need to move their dwelling places because of the project.

Although international good practice demands that resettlement and displacement should be minimised in project design, this is not always possible, especially if people reside above or very

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9   For further information, see: http://www.ifc.org/ifcext/sustainability.nsf/Content/PerformanceStandards

close to an ore body. In such cases, there is a substantial amount of good practice advice and several sets of international standards available to inform companies about socially responsible behaviour.

Whatever the specific elements of a resettlement or compensation process, companies would be wise to invest in ensuring that it is well-planned, well-resourced, participatory, open and transparent and implemented by people with sufficient skills and experience. Poorly planned or poorly conducted resettlement, of which there are numerous examples, can result in an ongoing legacy of resentment and poor community relations.

CASE STUDY – RESETTLEMENT: BAUXITE PROJECT IN GUINEA

Guinea Alumina Corporation (33 per cent BHP Billiton owned) is investigating the development of a substantial bauxite mining and alumina refining operation in Guinea, West Africa. A detailed Social and Environmental Impact Assessment was undertaken in 2007 in accordance with World Bank and BHP Billiton standards. The study identified the need to resettle more than 1000 people from several villages and communities to enable construction of project infrastructure and the refinery.

The challenge

The resettlement involved several villages and communities located on the concession where the mining and refinery operations, port and roads were to be located. Relocation planning needed to consider socio-economic impact and a compensation strategy, as well as provide alternative housing. A further challenge was that there was little community infrastructure developed in Guinea. Addressing community expectations was a major consideration for the project team in determining the framework for resettlement, compensation and the provision of services and infrastructure in accordance with the project's sustainable development objectives.

The program

The methodology applied for the resettlement program involved full, prior and informed consultation. This required a significant investment in time and resources to understand the needs of the affected people and to ensure suitable and sustainable resettlement occurred, supported by fair and appropriate compensation.

From the outset, affected communities were consulted to determine house design and location, to address cultural sensitivities and other requirements, as well as examine the impact on agriculture and economy. The decision-making culture in the community, which demands that trust and relationships are built before results can be achieved, extended the time required to complete the community engagement process, but ultimately resulted in stronger relationships and community goodwill. Women were extensively involved in consultation processes. After months of consultation and planning, the resettlement of the villages of Touldé and Pitoun Djiga near the refinery site was carried out with assistance from local contractors.

To support the resettlement, Guinea Alumina Corporation facilitated the establishment of village nurseries to stimulate socio-economic development in the resettled community and to reduce the dependence on non-sustainable practices and traditional subsistence farming. Related commercial enterprises include producing indigenous trees for mine rehabilitation and growing vegetables to supply food to the project and the future mining operation, as well as urban markets. To enhance the viability of the micro enterprises, the project also provided training in business principles, planning and financial management to the villagers, who have established structures and committees for management of revenue, employment and reinvestment.

Achievements

Guinea Alumina Corporation is setting a higher standard for resettlement and general community interaction in Guinea. The approach and implementation strategy is referenced as a benchmark by the International Finance Corporation (IFC), the funding arm of the World Bank, and potential project lenders. It is highly regarded by the Government of Guinea. The resettlement and compensation program forms an integral part of the project's sustainable development philosophy, and has delivered to date: resettlement of more than 1000 people into new houses, construction of schools, health facilities and community halls; wells for potable water; animal husbandry and vaccination programs; and establishment of village nurseries, vegetable gardens, fruit and palm oil plantations. In 2009, the community nursery projects supplied 30,000 trees for project rehabilitation, benefiting the community financially and creating more than 100 tree-planting jobs.

An audit and monitoring process has been implemented to assess compliance to the relocation action plan as documented in the Social and Environmental Impact Assessment, as well as to commitments to the UN Declaration on Human Rights and the IFC HSEC Performance Standard for resettlement of communities.

Feedback from directly affected communities has been positive with no unresolved complaints or issues raised to date. The benefits of conducting the resettlement process in accordance with World Bank standards and Equator Principles are reflected in the outcomes, making the resettlement process a key contributor to Guinea Alumina Corporation's licence to operate in Guinea.

1.6.11 CORPORATE TRANSPARENCY

Political instability caused by opaque governance is a clear threat to investments. For mining and metals projects, which are typically capital intensive and dependent on long-term stability to generate returns, reducing such instability is beneficial for business. Transparency of payments made to governments through taxation, licensing and other administrative processes (connected to government fees) can help to demonstrate the contribution that mining-related investment makes to a country and the extent to which that contribution flows through to communities. This in turn can help build the social licence to operate. Companies are more capable of promoting sustainable development when trade and investment are conducted in a context of open, competitive and appropriately regulated markets (OECD, 2008).

Multilateral initiatives such as the Extractive Industries Transparency Initiative (EITI) – to which Australia is providing significant financial support - have been created to ensure greater transparency and improve accountability and governance. EITI advocates regular publication of all material oil, gas and mining payments by companies to governments matched to all material revenues received by governments from oil, gas and mining companies (as assessed by a credible independent auditor).

It has also become good practice for socially responsible mining and metals companies to report to stakeholders about their impact management programs and activities. ICMM member companies are committed to reporting on their economic, social and environmental performance and contribution to sustainable development, as part of Principle 10 of the ICMM Sustainable Development Principles. Since May 2008, the ICMM Council has committed member companies to report publicly each year in line with the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) framework.

Sustainability reports based on the GRI Framework can be used to measure organisational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organisational commitment to sustainable development; and compare organisational performance over time. The GRI Framework also provides Sector Supplements (with indicators for industry sectors) and is starting to develop National Annexes (unique country-level information).[10]

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10 There is a great deal of very detailed information about how to prepare a sustainability report using the G3.1 Guidelines. Available at:
http://www.globalreporting.org/ReportingFramework/G31Guidelines/G31Developments.htm

1.6.11.1 CORRUPTION

States, civil society and industry are united in an international consensus to combat corruption, in recognition of the harm it causes to good governance, society and business. This has allowed the development of a significant body of guidance for companies relating to anti-corruption policies and practices, including the *OECD Guidelines for Multinational Enterprises* and the *OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*. Anti-corruption measures are discussed in the United Nations Global Compact's *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas*. The Australian Government has developed a Foreign Bribery Information and Awareness pack to educate industry on its legal obligations as well as how to identify, avoid and report foreign bribery. The International Chamber of Commerce also provides a range of guidance for companies, including *Resisting Extortion and Solicitation in International Transactions* (RESIST) and *ICC Guidelines on Agents, Intermediaries and Other Third Parties*. The *APEC Code of Conduct for Business* is another useful resource, particularly for small and medium enterprises. This guidance is underpinned by international cooperation between states to develop local anti-corruption laws and enforcement capacity, to give effect to obligations arising from the *United Nations Convention against Corruption*.

PART B: ASSESSMENT, PLANNING AND MANAGEMENT CONSIDERATIONS WHEN OPERATING IN DEVELOPING COUNTRIES

With a reasonable degree of effort and investment, not necessarily of large financial magnitude, most companies can manage the social impacts of their mining and minerals processing projects in developing countries in a socially responsible manner. It is essential, however, that companies commit as early as possible to providing the necessary human and economic resources to develop good relationships and programs.

This means hiring suitable qualified staff and providing them with the resources needed to do their jobs. These resources will include budgets sufficient to enable staff to engage external expertise where it is not available in-house. For smaller companies, it may be more economical to hire fewer permanent staff and to engage external experts on an as-needs basis for planning, implementing and monitoring CSR programs and activities.

This section describes the key considerations, competencies, information requirements and activities required for successful social responsibility programs and provides pointers to sources of more detailed information. It does not attempt to provide complete templates for inexperienced people to use in undertaking sustainable community development work, but it should assist company personnel to know whether they have the necessary in-house expertise or need to engage qualified external practitioners to undertake the activities, studies and assessments outlined.

In order to avoid overloading readers with the plethora of information available on many of these aspects of social responsibility only a limited number of key references will be provided with the description of each task. Additional references will be provided in the References section of the handbook to enable those interested to read further. All sources mentioned in the text will be fully referenced at the back of the handbook.

2.1 KEY CONSIDERATIONS OVER THE MINING PROJECT CYCLE

What follows in the paragraphs below is a description of the nature and duration of each phase of the cycle of a typical minerals project, and the key social responsibility issues that needs to be considered. Further detail and background on these issues can be found in the *ICMM Community Development Toolkit* (ICMM, 2005) and the MCA's *Assessment and Planning Toolkit*.[11]

Exploration

Exploration activity is usually the first sight that a community will have of the minerals industry and the behaviour of exploration teams can set the tone, for better or worse, for future relationships between communities and the minerals companies that seek to develop resources in their area. Communities previously unexposed to mining may mistakenly believe that the arrival of drilling rigs and road clearing equipment signals the start of a mine and may have high expectations of sharing in the prosperity. They will be unlikely to know that the majority of exploration efforts do not result in mines and that even those that do may take up to 20 years to reach production stage.

Identifying the key stakeholders and establishing positive relationships with them is critical in this early stage of development. On-the-ground mapping of local communities and their main activities should be informed by desk-top studies of local culture, history and current politics conducted prior to personnel arriving on-site.

To manage expectations, companies should provide as much information as possible about the potential impacts of exploration, the potential for future development and future opportunities for the community if the resource is developed. This should occur in a language and format tailored to the preferences of affected communities and records of stakeholder meetings and any commitments made should be kept. Preliminary demographic and other baselining data should be collected during this stage.[12]

Feasibility and Planning

At the feasibility stage, sufficient geological knowledge has been obtained to indicate that the development of a minerals project may be possible, dependent upon a number of other variables such as commodities prices, challenges involved in extracting and refining the minerals, economic and political stability risks and infrastructure standards. All of these criteria require increasingly complex study, including on the social, economic and environmental aspects of the proposed project's setting.

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11 For further information, see: http://www.icmm.com/page/629/community-development-toolkit and http://www.minerals.org.au/file_upload/files/resources/SEIBA-Toolkit-draft23August.pdf

12 Detailed online guidance on best practices in exploration is available via free registration with the PDAC Environmental Excellence in Exploration (E3) resource site: http://www.pdac.ca/e3plus/index.aspx

From a social responsibility perspective, the feasibility and planning stage of a project is often considered the most critical. More detailed baseline data should be collected and a preliminary socio-economic assessment undertaken, including an appreciation of the capacity of local communities to cope with change. In some contexts establishing who the traditional land owners are will be critical at this early stage and support may need to be provided to land owners to build their capacity to negotiate. The feasibility of developing a socially responsible project, in a co-operative and welcoming environment, should be assessed during due diligence exercises. Alternatively, the seriousness of negative social and community relations legacies should be assessed, particularly if acquiring a brownfields project or a site that has undergone many changes of exploration companies.

Detailed and costed plans should be developed for social and environmental impact management, community investment and economic development. Differing impacts on women, children, the elderly, minority groups and the disabled should be taken into account. If resettlement is likely to be required, plans should be developed as early as possible and well before construction or the implementation of compensation processes. Resettlement planning should include an analysis of the host-country's relevant legal framework and the capacity of the relevant government organisations to support the process.

As projects progress and the companies start formally engaging with governments to gain the necessary permits and approvals, the investment made in the social licence to operate can have a significant impact on gaining a formal licence to operate.

Land Acquisition and Construction

The construction phase of a mining or metals project can be a relatively short (one or two years), but intense period potentially with a large and temporary workforce. The acquisition of land for a project may involve the resettlement of community members, which is disturbing to the fabric of local communities. Although much construction activity will be maintained within a mine lease boundary, there is usually much off-site infrastructure, such as roads, airstrips, powerlines and water pipelines, all of which also require the taking of land and the possibility of physical or economic displacement for local communities. Partnering with government and other organisations to ensure the delivery of services such as childcare, education and healthcare to communities impacted by construction activity should be considered.

Photo courtesy of Paladin Energy Ltd

Even if no actual resettlement is needed for a project, the influx of construction workers can be highly traumatic for a community. This phase often introduces significant cash into a community, sometimes for the first time, with profound impacts – that can be both negative and positive –for the community. An intensive communications and consultation program will need to be undertaken during this phase to enable communities and stakeholders to understand what will happen during construction. Companies should ensure that construction workers follow social responsibility guidelines and closely monitor health and socio-economic impacts against pre-construction baselines.

Operations

The operational phase of a mineral project is the period of greatest project presence and stability of activities. Operations can last from years to decades, presenting medium to long-term horizons for sustainable community development programs. There are many opportunities to implement long-term social responsibility programs, focusing on locally identified development needs, and community participation and stakeholder partnerships in program design, implementation and monitoring.

Regular engagement with a full range of stakeholders, tailored to their level of interest in the project must be established and maintained so that people are fully informed about project activities. Community investments should be designed in a participatory manner and ensure that all sectors of the community are able to participate. Regular and comprehensive monitoring and periodic evaluation of a full range of socioeconomic indicators should be conducted, disaggregated by gender if possible.

Decommissioning and Closure

Closure and decommissioning of a mining or metals project may be according to long-term plans or may occur prematurely. There is a need for closure planning throughout the mining project cycle to ensure that community investment programs can survive mine closure. Even well-planned and implemented closure will likely cause significant decline in community income and the tax base of local government with resultant negative impacts. The role of local development partners and the participation of community members are critically important in planning for closure. Successful companies know that the discussion of closure with community members is nothing to fear, as it should be encompassed as a normal part of long-term sustainability planning, i.e. how the community will develop after the minerals project has ceased.

Planning for mine closure should be raised with local communities and stakeholders as early as possible and well before the cessation of mining activities. A closure social impact assessment should be conducted to examine how the closure will affect local communities and provide options for future use of project land and facilities. The assessment should be done at the conceptual level at project commencement and then regularly updated and revisited. It should become increasingly detailed as closure nears. The assessment should take into account the differential impacts on women, children, the elderly, minority groups and the disabled.

CASE STUDY – MINE CLOSURE AND COMPLETION: MALI GOLD MINE

The Sadiola Gold Mine (SEMOS) in Mali (41 per cent Iamgold, 41 per cent AngloGold Ashanti, 18 per cent Government of Mali) is expected to close in 2013. Project-affected communities depend on the mine for access to basic services (i.e. water, health care, education), vocational training, agricultural assistance and employment. The SEMOS project is working towards ensuring that host communities and their environment are left with equal – and preferably improved – conditions compared with those that existed prior to the development of the mine.

The challenge

Mine closure is a delicate process that requires complex social and environmental issues to be addressed to maximise residual benefits and ensure sustainability after mine closure. It involves considerable reputational risk and legacy issues for the owners of the mine if these issues are not carefully addressed.

The program

The SEMOS management team prepared its first costed mine closure plan in 1999 to develop an understanding of the various mine closure scenarios, their implications and associated costs.

In 2002 Mine Closure Plans were developed and a Mine Closure Committee was created to facilitate a coordinated approach to mine closure through stakeholder consultation, investment in livelihoods projects and planning of post–closure monitoring.

An Integrated Development Action Plan (IDAP) was developed. This promoted socio-economic development to improve livelihoods and employment opportunities and established new initiatives to lessen communities' reliance on the mine in the closure period. Training and capacity building, agricultural assistance and enterprise development were key themes.

Since 2003, annual stakeholder consultations have included identification of mine closure issues. Typically these have attracted around 150 participants including local community members and local elected officials, regional services and elected authorities, national government representatives, national and international non-government organisations (NGOs) and representatives from other mining companies.

In January 2010, a scoping and diagnostic study was undertaken to identify the indirect social impacts and needs generated by the mine closure on the 17 villages in its proximity and the associated perceptions and expectations in the communities. The study included a capacity assessment of local communities to engage in post-mine closure planning and a perceptions assessment of the process. It also mapped mine closure risks and opportunities.

Key issues identified by the communities included: (i) degradation of land and future land use; (ii) loss of local employment; (iii) drop in income-generating activities; (iv) sustainability of potable water supply system; (v) massive loss in flora and future land use.

Throughout 2010, mine closure planning was conducted at an operational level, with assistance from corporate and regional experts where necessary to meet the AngloGold Ashanti Closure and Rehabilitation Management Standard. A multidisciplinary closure working group oversaw progress and updated executive management. It assessed gaps between existing closure plans and the Standard. Environmental, social and accounting aspects were considered.

Achievements

Lessons learned by AngloGold Ashanti through the SEMOS project and other projects worldwide have resulted in the development of a consistent corporate approach towards mine closure.

Evaluation of new projects takes into account closure and associated costs in a conceptual closure plan. The company Standard requires that an interim closure plan be prepared within three years of commissioning an operation or earlier if required by legislation. This plan is reviewed and updated every three years (annually in the final three years of a mine's life) or whenever significant changes are made. It takes into account operational conditions, planning and legislative requirements, international protocols, technological developments and advances in practice. The interim plan becomes a final plan at least three years before closure is anticipated.

Closure considerations are generally defined at the design phase, continually revised throughout and finalised during the operational phase. These controls are then implemented during the closure phase (with appropriate post-closure monitoring).

In the AngloGold Ashanti Closure and Rehabilitation Management Standard, there is an emphasis on multi-disciplinary approaches to closure planning, stakeholder input into mine closure planning and a standardised approach to risk assessment.

Post closure

Once a minerals project has been decommissioned and closed, there may be ongoing social responsibility programs for a relatively long-term period, depending upon the particular obligations of a specific project. These activities include the monitoring of environmental impacts and social conditions following closure. There may be a need for ongoing support for post-closure alternative income-generation measures and sustaining the delivery of social services for a period of time to be agreed with affected communities and their representative governments. The objective of these support programs will be to enable a smooth transition to the post-closure independence of community members.

A plan will be required that contains clear allocation of responsibilities for monitoring and remediation of any post-closure impacts.

2.2 KEY COMPETENCIES

All projects require dedicated community relations staff with appropriate training or work experience that provides them with knowledge of how communities function and change. Specialist knowledge in communications, training, cultural heritage, small business development, local government, land use, natural resource-based economics, social welfare and a wide range of other community-related fields may also be advantageous to a project.

The Majeje bakery is supported by the Palabora Foundation, one of the many community projects of the Palabora Mining Company in South Africa. Photo courtesy of Rio Tinto

The number and variety of staff needed will depend upon the scale and specific impact areas of an individual project. Having a good gender balance and strong representation of local people on the team will help to ensure a good, broad-based understanding of host communities. Even at early exploration stage, the nature of the local communities needs to be researched, local communities need to be engaged with and the exploration activities need to be explained. The more complex and widespread the project actions, the more people with a wider pool of skills will be needed. Successful projects have learned that it is a false economy to scrimp on community relations staff. With insufficient staff to maintain close relationships with neighbouring communities, problems

may arise that affect the social licence to operate without the project's knowledge until too late. Beyond technical expertise, and particularly in situations where personnel may be required to perform multiple roles, an appreciation of, and openness to, cultural differences, compassion, honesty and the ability to communicate clearly and credibly are critical personal attributes required for community engagement. This section describes the following three key areas of key competency in which a high level of skill is essential for a successful operation: **stakeholder identification**, **stakeholder engagement** and **complaints resolution**.

2.2.1 COMMUNITY AND STAKEHOLDER IDENTIFICATION

Although the collection of baseline data may be the first step required to enable a company to begin to know its socio-economic environment, this is not an academic exercise. Some of the most crucial information needed at the outset of a minerals project is about people, specifically, who are the local community members and other stakeholders at regional and national levels? Introductory visits to local communities should begin almost simultaneously with a preliminary survey of social, cultural and economic information about local people and the wider society. This is the first step of the process of stakeholder identification, often also called stakeholder or social mapping and should commence during the exploration phase of a project.[13]

Successful projects try to be as inclusive and creative as possible when reaching out to their local communities. People sometimes feel left out if not consulted, which can lead to anti-project feelings, so the more broad-based the stakeholder identification and engagement efforts are, the better they will be for gaining and maintaining a social licence to operate.

2.2.2 STAKEHOLDER ENGAGEMENT

It is essential that the stakeholders engaged by the project include all parts of society – women, youth, the elderly, religious or ethnic minorities, the poor and disabled as well as the wealthy and powerful. A specific concern for socially responsible companies when engaging with external stakeholders, especially local communities in developing countries, should be whether vulnerable or disadvantaged groups need special provisions to enable them to share their views with the company. Some people may not have easy access to telecommunications or transport to attend meetings, for example. Some people may not be sufficiently literate in the national language to be able to digest information brochures provided for them, so alternative (perhaps oral and pictorial) methods will need to be used.

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13 The terms community and stakeholder are frequently used interchangeably in public commentary, but they are not synonymous. In the resources sector the term 'community' is generally applied to the inhabitants of immediate and surrounding areas who are affected in some way by a company's activities; these effects may be economic and social as well as environmental in nature. This definition can include the inhabitants of large regions, even whole countries, when a project is sufficiently impacting in its relative scale. 'Stakeholders', on the other hand, are "those who have an interest in a particular decision, either as individuals or representatives of a group. Including people who influence a decision, or can influence it, as well as those affected by it". Stakeholders include non-government organisations, governments, citizens of broader host nations, shareholders and employees, as well as local community members.

Ensuring the diversity of stakeholders consulted, for example that women, the elderly, young people, different economic strata, religious and ethnic minority representatives are consulted, will also help a company to obtain a broader understanding of the community's priorities, needs, hopes and opinions of the project.

Personnel who will be directly engaging with community members need to be good listeners, not just good talkers. This requires an understanding of local cultural norms, and the ability to interpret what people mean, as opposed to what they are saying. As record keeping and financial management of community investment programs are also important, skilled administrators will also be needed.

The table below describes a number of communications methods that can be utilised by companies wishing to exchange information with stakeholders, once you have identified who they are and what level of engagement they wish to participate in. The frequency of engagement will vary according to the needs and interests of individual stakeholders or groups. By keeping records of the methods and frequency of interactions with various stakeholders, the project will be able to monitor the success of its stakeholder engagement programs or identify gaps and try new methods of engaging certain people.

Table 1 Communications methods for different levels of engagement		
Level of communication	**Method / Tool**	**Outcomes**
Level I. Education & Information Provision	Leaflets, Brochures, Fact Sheets, Newsletters, Unstaffed Exhibits/ Displays, Newspaper Articles, Radio or Television Pieces, Site Tours/Visits, Audio-visual information and presentations	Informed communities and other stakeholders
Level 2. Information Feedback	Staffed Exhibits/Open Days, Staffed Telephone Lines, Internet/ Website, Local government meetings and Public Meetings, Surveys, Interviews and Questionnaires, Suggestion Box	Better informed communities and other stakeholders Company receives feedback from interested stakeholders
Level 3. Involvement & Consultation	Household Visits, Workshops, Focus Group Discussions, Branch Offices/Open Houses	Sharing of information, company and community learn about each other's perspectives
Level 4. Extended Involvement/Participation	Local advisory groups, Community briefings, study tours and education/training sessions, Mediation Committee, compensation negotiations	Community participation in decision-making, building stakeholder ownership of community investment programs

2.2.3 COMPLAINTS, DISPUTES AND GRIEVANCE RESOLUTION

The key to the successful management of community complaints is to act immediately. Actively resolving complaints and disputes early is far preferable to allowing community issues to escalate into grievance. Most complaints can be resolved quickly and satisfactorily by:

- dealing with complaints in person;
- apologising for inadvertent breaches;
- rectifying root causes; and,
- assuring complainants of future preventative action.

In some situations, however, complaints will escalate. In the interests of maintaining good relationships with communities, it is important that all mining and metals projects have formal processes in place for managing and, where necessary, escalating complaints to disputes and grievances. These processes need to be easily understood, transparent, and accessible to community members. As projects become more complex, so do complaints procedures need to become more formalised, with written response times, designated responsible officers and recourse to a neutral third party if complaints cannot be resolved through dialogue between the company and the complainant.

CASE STUDY – GRIEVANCE MANAGEMENT, CONFLICT RESOLUTION: GHANA GOLD MINE

Newmont's Ahafo mine, located in the Brong Ahafo Region of Ghana, approximately 290 kilometres northwest of Accra Ahafo is the first large-scale mine to be developed in the region, which has a population of approximately 1.8 million.

The challenge

Newmont has experienced significant challenges in developing a positive relationship between the Ahafo mine and the local community. In part these derive from extensive changes as a result of the mine's development, including resettlement, relocation and compensation of approximately 1,700 households (10,000 people). In part, they relate to ongoing human rights and environmental concerns expressed by Ghanaian and international Non-Government Organisations (NGOs). They also derive from perceptions of mining as a colonial practice, extracting wealth and leaving a negative social and environmental legacy for local communities.

The program

Ahafo established a number of engagement mechanisms to improve the relationship between the mine and the community.

The Ahafo Social Responsibility Forum (ASRF) was established in late 2005 to provide the community with the opportunity to participate in the company's decisions and plans, deliberate on issues of mutual interest, help build strong communication and decide how the Community Development Fund would be allocated.

Newmont also developed a Social Responsibility Agreement that outlines the various responsibilities of the community and the company. It stipulated that, '*The Company and the Community agree that where any issue of potential conflict is identified or where any conflict arises between them they shall exercise patience and tolerance and resolve the issue through dialogue and negotiation so as to maintain good working relations*'.

Further to this, Newmont established a procedure for the resolution of concerns and grievances. These can be lodged at a mine-site grievance office and community information centres and must be set out in writing. A 'front desk officer' conducts preliminary discussions with the aggrieved person, completes and directs the relevant form to the 'resolving officer' who in turn acknowledges the complaint (within seven days) and proposes resolutions (within 20 days). Wherever possible, resolution of grievances is through face-to-face discussion. A 'grievance officer' is responsible for the overall management of the system, for example ensuring records are logged in a computer database and issuing a hand-delivered response to the complainant (within 30 days). A 'grievance and complaints committee' authorises resolutions beyond the authority level of the resolving officer and, if necessary, escalates concerns and grievances to senior management or independent external bodies.

Newmont's grievance mechanism has a clear appeals procedure and inbuilt monitoring. Concerns and grievances and proposed resolutions are discussed at weekly review meetings of the community relations department. The grievance officer also produces a monthly status report, which is sent to relevant managers. The report considers the number of complaints made and outstanding, the nature of the complaints and the average time lag between receipt and resolution.

Achievements

The Ahafo mine was one of five sites included in a global review and evaluation of Newmont's policies and practices relating to relationships with local communities.

Key recommendations included that Newmont's operating sites must engage in conflict identification and manage community concerns before open conflict arises, while also respecting the rights of stakeholders to protest against the mine. Also that Newmont must ensure that its operating sites have accessible and responsive grievance mechanisms, enabling community stakeholders the opportunity to identify areas in which they perceive their interests to be in conflict with a mine's activities.

The study team found that the approach taken by the Ahafo mine to channel conflict through a mechanism by which it can be addressed – whether a public process or private grievance mechanism – should underlie Newmont's approach to conflict management at each of its operating sites.

Ahafo's grievance management mechanism is reflected in Newmont's Complaint/Grievance Management and Resolution Standard, finalised and issued in 2010.

A pilot conflict identification and resolution training program was implemented at the Ahafo mine site in November 2010, including a session with external community stakeholders.

2.3 KEY INFORMATION REQUIREMENTS

Developing and maintaining a comprehensive knowledge base of the social and cultural context in which a minerals project operates provides a firm foundation for a company to function in a socially responsible manner. Socio-economic baseline studies and impact assessments have become the standard means of collecting useful knowledge about host communities, but less formal interactions also serve to add to a project's understanding of its neighbours. The scale and complexity of these data collection and analysis exercises should keep pace with the scale and complexity of the project –as project activities and the stage of investment expands, so should the degree of complexity of socio-economic studies will also increase.

2.3.1 SOCIAL BASELINE STUDIES

Studying the surrounding environment, both physical and social, of a new mining or minerals project should be the first undertaking of any proponent. Identifying the features of the landscape and geology on the physical side is equivalent to identifying the stakeholders and their social and cultural organisation on the social side. The gathering of data at an early stage of a project is commonly termed a baseline study.

> Baseline studies provide a benchmark against which the potential impact of mining operations can be anticipated and change measured. They are also valuable for building mutual understanding between companies and local communities. They may incorporate social mapping and social organisation studies, cultural heritage and archaeological surveys, and impact assessments. Such studies will not normally be undertaken until a project is at concept stage, although in some cases (e.g. where there is a risk that exploration activities may damage cultural heritage) they may be more appropriately initiated earlier (ICMM, 2010b).

In broad terms, a social baseline study will investigate the following topics:[14]

Demographic factors – Numbers of people, their location, population density, gender, age, ethnicity etc.

Socio-economic determinants – Factors affecting incomes and productivity for both women and men, land tenure, access to productive inputs and markets, family composition, kinship reciprocity, and access to wage opportunities and labour migration.

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14   Based on International Council on Mining and Metals, *Community Development Toolkit, Tool No. 2, Social Baseline Study*.

Social organisation – Organisation and capacity at the household and community levels affecting participation in local-level institutions as well as local decision-making processes and access to services and information for both women and men.

Economic organisation – Local and regional businesses and commercial structures, infrastructure supporting economic activity, government and other economic/industrial development plans for the area.

Socio-political context – Stakeholder organisations' development goals, priorities, commitment to development objectives, control over resources, experience, and relationship with other stakeholder groups, including women, youth, minorities, elderly and disabled people.

Historical context – Historical issues and events e.g. migration, relocation etc.

Needs and values – Stakeholder attitudes and values determining whether development interventions are needed and wanted, appropriate incentives for change, and capacity of stakeholders to manage the process of change.

Human rights context – Prevailing human rights issues, status of women, minorities, vulnerable groups and political risks etc.

Institutions – Role, governance, resources and capacities of local institutions as well as regulatory framework.

Cultural background – Cultural norms and practices (intangible cultural heritage) and places and objects of high cultural value (tangible cultural heritage).

As much as possible, data collected should be disaggregated by gender and also according to other local characteristics such as ethnicity or religion, if it is culturally appropriate to ask such questions. More sustainable development outcomes can be achieved by identifying and responding to the particular needs, priorities and interests of women and men. Vulnerable sectors of society, such as the elderly and disabled, should also be considered. Highly specialised studies such as health and cultural heritage baselines may be done separately, but a large, combined study is also not unusual.

2.3.2 SOCIAL IMPACT ASSESSMENTS

Once a Social Baseline Study has been undertaken, the next step, which may not occur until the project itself has moved forward to its next stage, is a Social Impact Assessment. In a Social Impact Assessment, the potential impacts identified should be both positive and negative in

nature. Positive potential impacts may result in positive social change (e.g., increased employment, economic growth), and the opportunity exists for the company to maximise these benefits through effective management (i.e., identification and implementation of benefit enhancement measures or community investment).

In contrast, negative potential impacts may result in negative social change (e.g., displacement of settlements, pressure on infrastructure), and the opportunity exists for the company to minimise these negative impacts, and in some cases to transform them into positive impacts, through effective management (i.e., identification and implementation of mitigation measures).

In addition, potential impacts can be both direct and indirect in nature. Direct impacts refer to changes to baseline social conditions that are caused by a specific project-related activity (e.g., loss of archaeological sites). Indirect impacts refer to changes to baseline social conditions that are indirectly caused by a specific project-related activity (e.g., economic growth not directly associated with the mine's expenditures).

Subsections of the Social Impact Assessment should include:

i. **Description of the potential impact**, which discusses the following:

a. Cause – identifies the project activity responsible for the impact

b. Nature – notes whether the impact is positive or negative, as well as direct, indirect or cumulative

c. Geographic Extent – describes the geographic area impacted

d. Duration – notes whether the impact is related to a specific phase of project activity and how long the impact will persist

e. Magnitude – notes the number of people affected

f. Significance – notes whether the impact will have a major impact on those affected.

ii. **Identification of management measures** to avoid or reduce any potentially unacceptable negative impacts to acceptable levels and to maximise potential benefits.

Company personnel calling for proposals to undertake social impact assessments, and then evaluating the suitability of proposals, should consider whether consultants are intending to adequately cover the elements outlined above.

CASE STUDY – CULTURAL HERITAGE MANAGEMENT PLAN: LIHIR GOLD MINE IN PAPUA NEW GUINEA

The Lihir gold mine is located on the largest island of the Lihir Group of Islands off the north east coast of New Ireland in Papua New Guinea. The mining operation commenced in 1995 after an Integrated Benefits Package (IBP) agreement was reached with the Lihirian community, the government and the Lihir Management Company (LMC), a wholly owned subsidiary of Rio Tinto. The IBP agreement outlined the royalties, compensation and other benefits to be delivered to the Lihirian community and the roles and responsibilities of different stakeholders. In 2005 Lihir Gold Limited (LGL) assumed ownership and management of the operation and in 2010 LGL merged with Newcrest Mining Limited.

The challenge

Pre-mining social impact assessment studies in the 1980s identified potential impacts on Lihirian cultural heritage and the need for cultural heritage management programs. Since mining began, community leaders had regularly expressed concern over forms of cultural change and pressed for development of local programs to strengthen and preserve Lihirian culture.

In 1998, LMC established a Cultural Information Office within the Community Liaison department, managed by a senior Lihirian. This office documented major sacred sites and cultural practices, and organised various cultural festivals.

In 2009, LGL extended its investment in Lihirian cultural heritage management, as part of its commitment to the sustainable development principles of the International Council on Mining and Metals. This signalled development of a more systematic approach to cultural heritage management guided by a framework combining company initiatives with broader community efforts. It also provided the opportunity to develop programs that would help mitigate the social impacts associated with large-scale mineral development.

The program

In early 2009, the Lihir Cultural Information Office initiated the establishment of a Lihir-wide representative cultural heritage committee. In mid-2009, an island-wide workshop was held to enable the committee to develop a draft cultural heritage management plan. Participatory planning processes used during the workshop aligned with internationally recognised heritage standards. For example, the Burra Charter, which centres on understanding the significance of elements of heritage as the basis for determining policies, strategies and actions for heritage conservation.

Through the workshop the committee identified five features that underpin Lihirian culture: the men's house institution; custom law; language; the matrilineal clan system; and leadership. To represent this, the committee developed an image of four house posts, similar to a men's house, with a central post - leadership.

A draft cultural heritage management plan (CHMP) was developed, outlining a range of projects aimed at strengthening and preserving these aspects of cultural heritage. The plan articulated the roles and responsibilities of different committee members and local and external stakeholders. Action plans were developed focusing on: the cultural heritage committee; men's houses and custom law; education; language; documentation and research; celebrations and special projects; custom and sacred places; and a future cultural centre.

Achievements

The CHMP's first priority project, official registration of a Lihir Cultural Heritage Association, was achieved in 2010 and the Association has since completed a number of projects. Funding is provided through the revised IBP agreement, the Lihir Sustainable Development Plan (SDP). The Newcrest Cultural Information Office supports program implementation.

Launching of the Lihir Cultural Management Plan. Photo courtesy of Newcrest Mining Ltd

The Lihirian community now has mechanisms and support to preserve its culture including partnerships and links with national and international cultural institutions. Museums and researchers have provided its cultural heritage program with guidance, research support and access to resources, information and cultural materials.

Newcrest has created potential for new forms of engagement around cultural heritage and increased dialogue with stakeholders such as the landowners' association, church, women's association, local government to develop partnerships that address issues of concern to both Newcrest and the wider community.

Paradoxically, while large-scale resource development generates significant social and cultural challenges for local host communities, the funding available for cultural heritage management programs through resource extraction provides local landowning communities with the potential to realise a vision of their future cultural heritage that would ordinarily be unachievable for most Melanesian societies.

2.3.3 MONITORING AND EVALUATION

Monitoring and Evaluation (M&E) and reporting the results ensures that development programs are going in the right direction to achieve their stated goals:

Monitoring is the ongoing, methodical collection and analysis of data on development activities, which provides program managers and stakeholders with early indications of progress and achievement of goals. Monitoring is undertaken more frequently than evaluation and is often done by people involved in the community development programs.

Evaluation is primarily concerned with longer-term results of development activity. It aims to identify how and why activities succeeded, failed or were changed – in order to improve the effectiveness of future undertakings. Many mining projects opt to have evaluation done periodically by independent, external advisors, but internal evaluation is also worthwhile.

Through Monitoring and Evaluation, four fundamental questions should be explored:

1. What worked and why?
2. What did not work and why?
3. What could have been done differently?
4. What adjustments and changes are required now?

The most important aspect of monitoring programs is the selection of indicators, starting with baseline data, and then the consistent re-measuring of those indicators, at selected intervals. Indicators selected from baseline data will be most useful for monitoring overall trends of socio-economic aspects that may be impacted by project activities or may just be examples of background social change. Indicators should also be selected for all community investment programs to keep track of the progress of initiatives. The ICMM CD Toolkit includes several tools for monitoring and evaluation. These include indicator selection and a method of community opinion survey, a very useful form of feedback on the success of social responsibility programs.

2.4 PLANNING AND MANAGEMENT

Managing project social impacts, both positive and negative, is the core business of the social responsibility program of a minerals project. Managing impacts necessitates negative impact mitigation measures, which are deemed to be the absolute minimum requirement of a socially responsible project. However, on the positive side, managing impacts also means enhancing the positive outflows of a project, creating benefits, often called community investments. The best means of establishing a successful program for managing social impacts in a socially responsible manner is to undertake the following three activities:

- Decide upon the project's **Community Investments** (CI) program – priorities and budget;
- Align the company's CI program with local community priorities using **Participatory Planning Methods;** and
- Develop **Social Management Plans** based on the preceding two steps.

2.4.1 COMMUNITY INVESTMENT

In order to gain and maintain a social licence to operate, projects will need to do more than just talk to community members. They will also need to invest money into community projects. Charity donations may provide good opportunities for publicity but are ineffective for building sustainable community partnerships. Working with local communities on projects of their own devising is far more effective. The amount that projects should dedicate to social responsibility programs needs to be calculated according to business principles, in the same way that budget decisions on staffing, training and equipment are made and there is no fixed formula. The examples provided in Part A indicate that the returns to a company on community investments can be many times the cost of the outlay. Being miserly with the social responsibility budget does not lead to success.

The IFC's *Strategic Community Investment. A Good Practice Handbook for Companies Doing Business in Emerging Markets* (CI Handbook a) provides good guidance on how mining companies can establish

an effective set of local economic investment programs. Published in June 2010, the handbook provides comprehensive advice about the many elements that need to be considered including the company's own strengths and priorities, community priorities, local economic capacity, appropriate means of assistance and a multitude of other useful aspects. It is a detailed volume, so it may be easiest to begin with its companion *Quick Guide*, referring to the main manual once the outlines of the summary document have been absorbed.

CASE STUDY – COMMUNITY INVESTMENT: COPPER-GOLD MINE IN LAOS

PanAust owns a 90 per cent interest in the Lao-registered company, Phu Bia Mining Limited (Phu Bia Mining), which has a Mineral Exploration and Production Agreement (MEPA) with the Government of Laos. A signatory to the Mineral Council of Australia (MCA)'s Enduring Value Guidelines, PanAust is committed to bringing about real and long-lasting improvements to its host communities. Its Community Development Fund (CDF) for its Phu Kam Copper-Gold mine aims to ensure the benefits of the mine's presence are shared.

The challenge

PanAust realised the need to build local trust and support within villages directly impacted by the project's presence as part of managing the social risks to its operations. Such trust is built through early, regular and honest community engagement, and investment in host communities.

PanAust recognised that success is more likely if programs are developed through a mix of locally identified priorities and needs identified through independent studies. Too often community investment programs are driven by 'wish lists' that may not reflect the true needs of the community or have sustainable and enduring benefits. Achieving local ownership of funded programs was essential to ensure communities create their own sustainability, particularly through income-generating initiatives.

The program

PanAust defined its host communities as the villages adjacent to the Phu Kham Copper-Gold mine and established a CDF with an annual budget of USD$300,000. This would support programs to benefit these communities and those along concentrate-haulage routes, with community investment proportional to impact.

Village Development Committees (VDC) were established in each target community, based on community nominations. PanAust works with these to identify community needs and priorities. Programs are planned and then reviewed by a Provincial Management Committee, which ensures alignment with the National Socio-Economic Development Plan and Lao National Growth and Poverty Eradication Strategy.

PanAust funds a targeted range of initiatives stemming from a well-structured annual program managed locally by the communities it supports. Regular socio-economic and health assessments underpin the program and inform program priorities and the design of specific activities. Working with local authorities and government as well as using internationally recognised frameworks such as the International Finance Corporation (IFC)'s performance standards is integral to the company's approach.

The CDF funds a broad mix of community development initiatives focused on education, health care, agriculture, water and sanitation, infrastructure and small business development. Programs focus on practical activities accessible to community participants and sustainable in terms of up-skilling individuals or groups. Many focus on income generation and there is strong emphasis on involvement of women. PanAust recently held a workshop with village-based organisations to build their capacity to support these initiatives.

Achievements

The Asia Mining Congress has awarded PanAust's Livelihood Improvement Program (LIP) the Best Community Development Award for the past two years. The LIP was developed in response to identification of market gardening as an important source of income for local communities. The program's initial focus is building supply capacity for the Phu Kham operation, specifically the Phu Kham camp. A longer-term goal is to expand local supply capacity into broader markets outside the mine area. To date, the LIP has reached more than 150 local farm workers, built partnerships for finance with the Lao Women's Union and provided timely market data to farmers.

In 2010, US$184,706 was generated from small business investment initiatives supported by the Fund. These include the supply of nine tonnes of fruit and vegetables and one tonne of fish to Phu Kham mine every month, and the production of close to 90,000 locally produced calico bags for use in geological sampling.

While the mine is at an early stage of its operational life, good business outcomes have already been achieved. These include having a willing pool of workers keen to be trained and develop their skills, building local farmers into the mine's supply chain and creating greater awareness of important health issues which, if not addressed, can adversely impact the community and its local workforce.

2.4.2 PARTICIPATORY PLANNING METHODS

Crucial to successful community investments is the use of participatory methods. Participatory planning methods are widely used approaches for the development of an understanding of community capacity and motivation. They have been used internationally for more than 20 years, and are highly effective in identifying development needs, setting priorities and designing development programs in a co-operative and participatory manner. By involving a wide range of community members, such as women, youth, older people and people from minority groups, participatory methods can ensure that any plans developed are broadly-based and relevant to many sections of the community. Consultation with key stakeholders and prioritising key issues can be aided by the development of a consultation or steering committee and the MCA's Assessment and Planning Toolkit provides further guidance on what to consider when establishing them.

Ensuring the participation of significant stakeholder groups, and building the capacity of these groups to take advantage of participatory approaches takes time and patience, sometimes a challenge for minerals projects ploughing ahead on the critical path to project development. However, the initial outlay in time and inconvenience will be repaid many times over when communities begin to assume greater control of their own destiny. This is fundamental for sustainable development.

Participatory planning is a methodology that covers a variety of useful tools rather than being a tool in itself. The ICMM *Community Development Toolkit* contains descriptions of four methods: Community Mapping, Institutional Analysis, Problem Census and Opportunity Ranking – four of the most useful for engaging with communities near mine sites in joint planning exercises. These four tools enable a community to consider its physical and institutional structures and their strengths and weaknesses, to identify areas they wish to improve in their community and then to assess the optimal means for achieving their development goals.

These participatory planning processes can lay a firm foundation for the development of social management plans.

2.4.3 SOCIAL MANAGEMENT PLANS

Social Management Plans (SMP) should be built upon the management and mitigation measures identified in the Social Impact Assessment. An SMP should fit in with the company's priority community investment areas, as identified in its Community Investment Strategy and should utilise participatory planning methods in order to ensure that the affected communities are fully engaged and involved in every stage of the SMP development and implementation. The required

management measures and actions should be designed in co-operation with local, regional and national governments, other donors and agencies as well as community participation, to ensure that company plans are well aligned with other local, regional and national plans.

As some of the impacts will be negative and others positive, certain SMP elements will be to mitigate negative impacts and others will be measures to enhance possible benefits (community investments). In a detailed SMP, there will need to be columns designating who is specifically responsible for each action, what resources are needed, when the actions should be completed and what outcomes are anticipated.

CASE STUDY – SOCIAL MANAGEMENT PLAN DEVELOPMENT: URANIUM MINE IN MALAWI

The Kayelekera Mine is located in the Karonga District of northern Malawi, approximately 650km from the national capital of Lilongwe and 52km by road west of the regional commercial and administrative centre of Karonga, on the shores of Lake Malawi, the third largest lake in Africa.

The challenge
Paladin's Kayelekera Mine was established in a remote location with poor or non-existent infrastructure within a rural-based society that, while welcoming the economic boost created by the development, was wary of the health and environmental risks associated with uranium mining.

Shortly after Paladin and the government signed a Development Agreement in February 2007, six local Non-Government Organisations (NGOs) launched legal action against the government and company, alleging deficiencies in the project approval process and seeking additional protective measures for the local community and the environment.

After a six-month negotiation, the NGOs withdrew their action. The Kayelekera Development Agreement was amended to create a role for the NGOs in monitoring Paladin's compliance with environmental and health obligations.

The program
Paladin has developed a Social Sustainability Management Plan (SSMP), building on the project's Social Impact Assessment. This targets food security, health, education, community infrastructure and capacity building. It includes a Social Responsibility Plan, which outlines programs for health, education and water infrastructure projects, and a Business Development Program, which promotes local involvement, economic growth and skills development.

Infrastructure development initiatives have focused on:

- Development of a US$10 million water supply plant now owned and operated by Malawi's Northern Region Water Board.

- Construction of new education infrastructure (school, teachers' office, teachers' houses), building/ renovation of classrooms, providing teacher accommodation.

- Maintenance initiatives at the district hospital including completing the maintenance workshop, repairing the kitchen, renovating the roof and ceilings, replacing broken windows, repairing damaged plumbing fixtures.

- US$1.6 million project to extend and upgrade the runway at Karonga airport.

Capacity development initiatives have focused on employing and training Malawi citizens and training and developing young Malawian professional and technical staff, also implementing a program to purchase goods and services from Malawi businesses and foster business development opportunities such as local trucking services. Paladin has let major supply contracts to local businesses and is sponsoring an initiative to assist up to 300 village women to start or grow income-producing businesses. Paladin also provides capacity building support for the government in areas of regulatory environmental and radiation management and monitoring.

Paladin is working with rural communities to improve agricultural practices and develop income-generating agricultural opportunities. During the construction phase, the company sourced locally grown food to feed the 2,500-strong construction workforce, injecting more than US$3.25 million into the local economy. Kayelekera Village's irrigated riverbank area has been repaired and extended and a new and larger irrigation intake has been constructed to provide year-round irrigation and open up a new dry-season garden area. A new lock-controlled primary irrigation system and reservoir have been constructed to irrigate a wider area.

Paladin is undertaking HIV/AIDS awareness programs in close cooperation with NGOs. These include village-level awareness programs, peer education training for employees and counselling of commercial sex workers.

Paladin increases community understanding of the Kayelekera Mine and uranium industry through a weekly radio community information segment. An educational display is also being installed in the local museum.

Achievements

Paladin's conduct in developing the Kayelekera Mine has attracted the attention of third parties, including the US-based human rights research and policy organisation, the Nomogaia Foundation. Nomogaia undertook an independent human rights-based review of Paladin's performance in managing the Mine's social impacts and its methodology for interacting with local communities.

The draft report, published in 2010, found Kayelekera was 'an extremely rights-responsible project – a model for other projects planned in remote areas with no mining history'. In particular, the Foundation noted the Kayelekera project's focus on just remuneration, favourable working conditions, health, adequate standard of living, and adequate supply of water. It concluded that the project had a net positive impact on human rights.

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