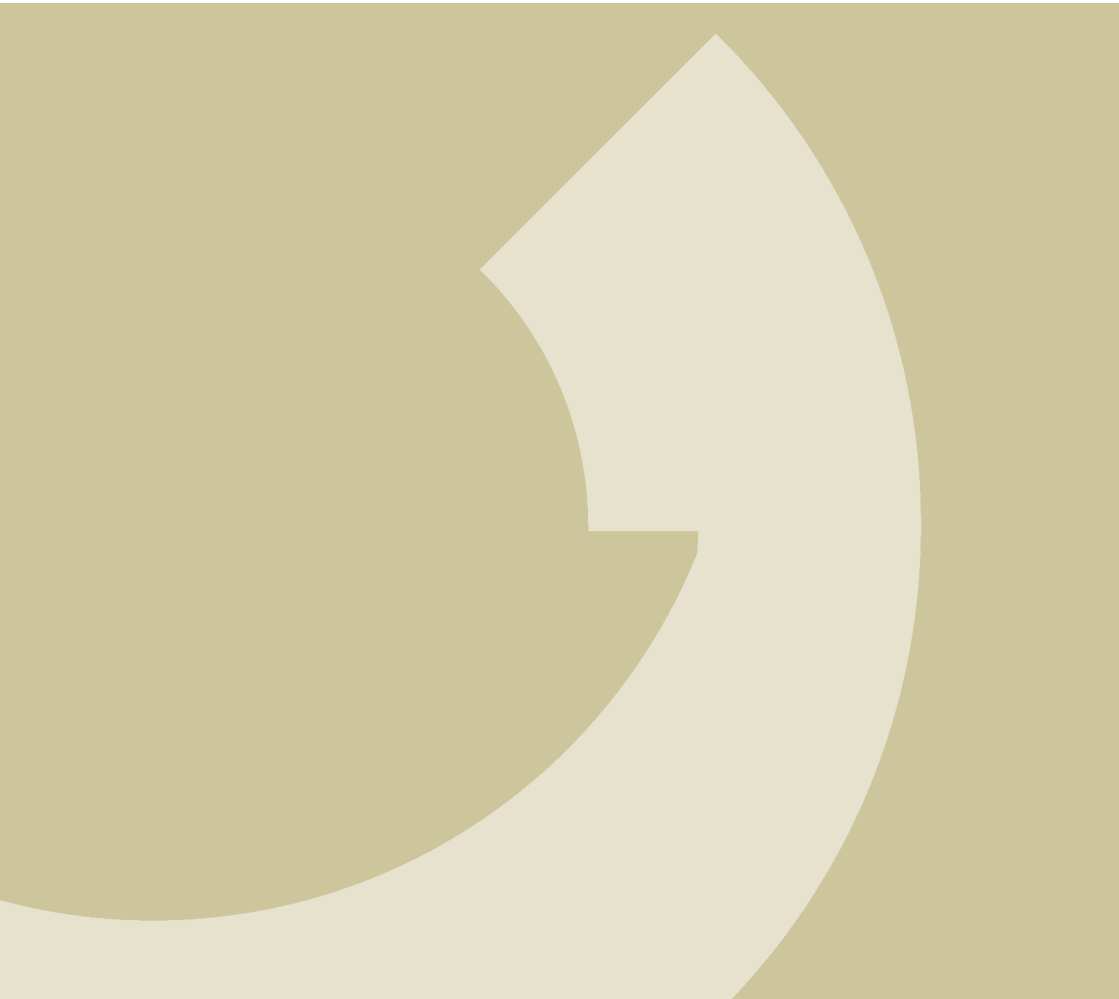




ENDURING **VALUE**

THE AUSTRALIAN MINERALS INDUSTRY FRAMEWORK
FOR SUSTAINABLE DEVELOPMENT



DEFINITION OF SUSTAINABLE DEVELOPMENT

The Brundtland Commission's definition of sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Our Common Future, Brundtland 1987).

In the mining and metals sector, this means that investments in minerals projects should be financially profitable, technically appropriate, environmentally sound and socially responsible.



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A Minerals Council
of Australia Initiative

JUNE 2005



The future of the Australian minerals industry is inseparable from the global pursuit of sustainable development. Through the integration of economic progress, responsible social development and effective environmental management, the industry is committed to contributing to the sustained growth and prosperity of current and future generations.

Foundation to the industry's commitment is the concept of a 'social licence to operate'. Simply defined the 'social licence to operate' is 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.

The Australian minerals industry strongly supports the role of a 'social licence to operate' as a complement to a regulatory licence issued by government. To the minerals industry 'social licence to operate' is about operating in a manner that is attuned to community expectations and which acknowledges that businesses have a shared responsibility with government, and more broadly society, to help facilitate the development of strong and sustainable communities.

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.

**INDUSTRY'S
COMMITMENT TO
ENDURING VALUE
– A NEW PARADIGM**

To give practical effect to these commitments, the Australian minerals industry has developed *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development*. *Enduring Value* builds on the Australian Minerals Industry Code for Environmental Management – the platform for industry’s continual improvement in managing environmental issues since its introduction in 1996.

Like environmental management, implementing sustainable development principles requires us to think about relationships in complex systems with effects that play out over many years and great distances. *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development* is designed to help minerals industry managers implement the industry’s commitment in a practical and operational manner that is targeted at the site level.

The key role of *Enduring Value* is to translate the 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.

Enduring Value will also be complemented by a range of tools, guidelines and extension activities such as training courses to deliver enhanced industry capacity in social and environmental competencies, leading to opportunities to improve performance ‘on the ground’.



Alignment between a range of key industry initiatives is critical to ensuring the successful implementation of sustainable development across the minerals sector.

Having been instrumental in the International Council on Mining and Metals (ICMM) development of a series of high-level Sustainable Development Principles, the Minerals Council of Australia identified an important role at the regional level in both extending the ICMM SD Framework to a broader industry audience and in facilitating its operationalisation at the mine site level.

To facilitate this, the Minerals Council commenced the development of *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development*.

Enduring Value builds on the industry's commitment to continuous improvement in performance, as outlined in the Australian Minerals Industry Code for Environmental Management (1996 and 2000), and establishes a framework of 'pigeon-holes' to capture and extend leading practices in social, environmental and economic management across industry.

Importantly *Enduring Value* is consistent with the industry's international activities and provides for companies to utilise *Enduring Value* wherever they operate.

**ALIGNMENT WITH
INTERNATIONAL
INITIATIVES**

Schematic showing relationship between *Enduring Value* and the ICMM Sustainable Development Framework and reporting structure.

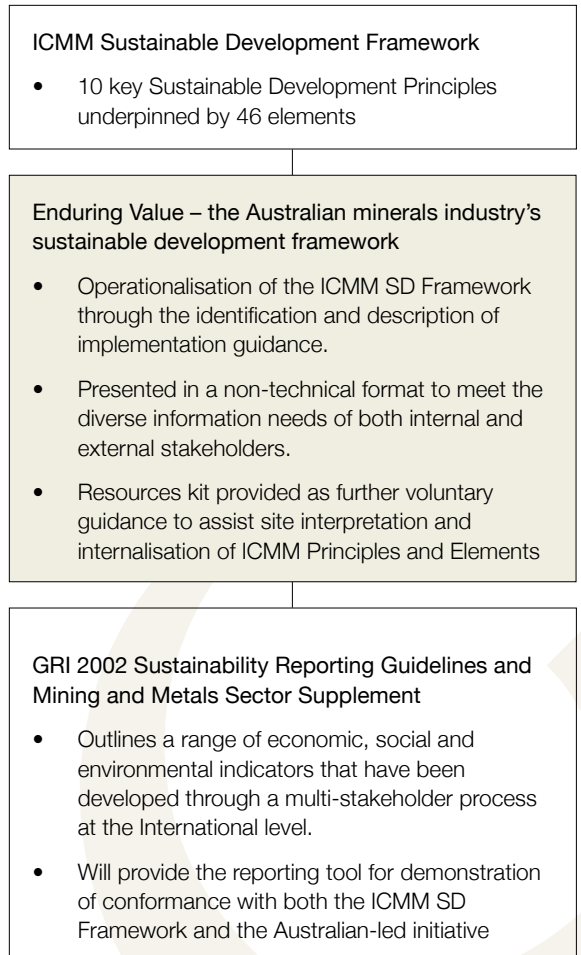


FIGURE 1



SUMMARY OF FRAMEWORK OBLIGATIONS

Commitment to *Enduring Value* – the *Australian Minerals Industry Framework for Sustainable Development* is compulsory for full membership of the Minerals Council of Australia.

Commitment to *Enduring Value* is also open to companies that are not members of the Minerals Council.

Commitment to *Enduring Value* brings with it a number of obligations. In summary, these are:

- Progressive implementation of the ICMM Principles and Elements;
- Public reporting of site level performance, on a minimum annual basis, with reporting metrics self-selected from the Global Reporting Initiative (GRI), the GRI Mining and Metals Sector Supplement or self-developed; and
- Assessment of the systems used to manage key operational risks.

INDUSTRY VISION

A valued Australian minerals industry achieving outstanding environmental, **social** and economic performance

INDUSTRY MISSION

To achieve continual improvement in the environmental, social and economic performance and accountability of the Australian minerals industry through implementation of the Principles and Elements of *Enduring Value*

ICMM PRINCIPLES

- 1** Implement and maintain ethical business practices and sound systems of corporate governance.
- 2** Integrate sustainable development considerations within the corporate decision-making process.
- 3** Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
- 4** Implement risk management strategies based on valid data and sound science.
- 5** Seek continual improvement of our health and safety performance.
- 6** Seek continual improvement of our environmental performance.
- 7** Contribute to conservation of biodiversity and integrated approaches to land use planning.
- 8** Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
- 9** Contribute to the social, economic and institutional development of the communities in which we operate.
- 10** Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.



Enduring Value is the Framework within which the Australian minerals industry can operationalise its commitment to sustainable development.

Specifically *Enduring Value* provides a public demonstration of due diligence to the community, external investors and internal acquisition, and it can drive real change in an organisation through highlighting the importance of the combined impacts of social, environmental and economic performance in improving the bottom line.

Commitment to *Enduring Value* brings with it a number of key business benefits. Fundamental to this is the role of *Enduring Value* in helping to build an internal business understanding and commitment to sustainable development, and providing an opportunity for companies to review their business against a benchmark established in conjunction with a broad range of external stakeholders, and to identify possible internal improvements and efficiencies.

A study by the Institute of Business Ethics (2003) found that over the years 1997–2000 that companies with a Code of ethics:

- *generated significantly more Economic Value Added and Market Value Added, than those without codes, irrespective of the sector; and*
- *had a significantly more stable Price/Earnings Ratio than those without a code.*

Webley and More, 2003, Does Business Ethics Pay?

Enduring Value is a vehicle for industry differentiation and leadership, and a framework on which companies can build reputational capital with the community, government, the finance sector, and insurers, which also helping to ensure the ongoing global competitiveness of the industry, in a climate where future market access hinges on the industry being good performers.

A study conducted by Graves and Waddock analysed the corporate social performance and corporate financial performance of 22 companies, 11 of which were classed as 'Built to Last' (BTL) companies, visionary companies whose goals extended beyond just maximising profit. The study found that:

- *BTL companies had a Return on Equity that was 9.8% higher over a 10 year period than non-BTL companies. They had a Return on Assets that was 3.55% higher, and a Return on Sales that was 2.79% higher; and*
- *The ten year relative total return to shareholders averaged 63.5% higher for BTL companies than for non-BTL companies.*

Weiser and Zadek, 2000, Conversations with

Improved ethical, environmental and social performance can result in a number of operational benefits, including improved ability to innovate and develop alternative products, processes and services, improved resourced and material efficiencies and improved investor confidence.

A 1996 study by ICF Kaiser (US) found that financial markets have a higher degree of confidence in companies that exhibit higher standards of environmental performance than their peers, leading to a lower level of volatility in share price. Other studies have suggested that where companies with good reputations have events that impact negatively on their share price that their value recovers more quickly than it would in a competitor with lower environmental performance.

Kemp, 2001, To Whose Profit?

There are also many indications that improved ethical, environmental and social performance positively influences employee satisfaction, performance and retention rates. Increases in employee satisfaction can lead to increases in revenue, profits and market capitalisation. The ability to attract and retain skilled employees is highly relevant to the minerals sector that is faced with labour and skill shortages and high training costs for a relatively mobile workforce.

An analysis undertaken by Hewitt Associates in 1998, found that the '100 best companies to work for' had half the turnover rate and twice the applicants of other companies.

Buried Treasure (2001) SustainAbility, UK

An established record in the effective management of environmental and social impacts and a commitment to continuous improvement is also critical when competing with other companies to access land for mineral exploration and development. Much of this hinges on a range of intangible assets, including a good reputation for effectively engaging stakeholders, and for developing partnerships and agreements with Indigenous and affected communities that provide an opportunity for them to share in the benefits of resource development.

Recent research has shown that a large and growing percentage of most company's total market value is comprised of intangible assets, such as reputation, brand, equity, strategic alliances, knowledge and the like. A recent study by Interbrand concluded that a full one-quarter of the world's total financial wealth is tied up in intangible assets. (Clifton, 1999)

Weiser and Zadek, 2000, Conversations with Disbelievers



Eligibility and registration

All exploration, mining and minerals processing companies and contractors are eligible to become signatories to *Enduring Value*, provided that they commit to meeting *Enduring Value* obligations.

Being a Signatory to *Enduring Value* is a condition of membership of the Minerals Council of Australia, however membership of an industry association is not a prerequisite to becoming a signatory.

Companies wishing to become Signatories to *Enduring Value* need to advise the Secretariat, and will be asked to sign a certificate pledging commitment to *Enduring Value* Principles and Elements, and its obligations.

Companies that commit to *Enduring Value* will be recorded on a register maintained by the *Enduring Value* Secretariat, which is provided by the Minerals Council of Australia. This register will be made available for public inspection on the Minerals Council of Australia's website (www.minerals.org.au/enduringvalue). Individual companies may also choose to publicise their registration.

The Secretariat may, on occasion, ask Signatories to reaffirm their commitment to *Enduring Value*, particularly following any review of its structure or requirements. In keeping with the voluntary nature of *Enduring Value*, a Signatory may withdraw its commitment to *Enduring Value* at any stage.

Coverage

Enduring Value will apply to all exploration, mining and minerals processing activities of Signatories, wherever they operate. It will also apply to the relevant activities of contractors engaged by the Signatories to undertake such activities.

In addition, Signatory companies will strongly encourage application of *Enduring Value* to operations in which they hold a non-controlling interest and to other supply chain partnerships.

When referring to *Enduring Value*, Signatories will be transparent in identifying those aspects of their business that are covered by their Signature. For mining companies this may entail identifying relevant operations.

Signatory obligations

Commitment to *Enduring Value* brings with it a number of obligations. In summary, these are:

- Progressive implementation of the International Council on Mining and Metals (ICMM) Principles and Elements;
- Public reporting of site level performance, on a minimum annual basis, with reporting metrics self-selected from the Global Reporting Initiative (GRI), the GRI Mining and Metals Sector Supplement or self-developed; and
- Assessment of the systems used to manage key operational risks (using either internal or external assessment as appropriate).

Governance structures

Instances of non-conformance: Should a Signatory be found to be non-conformant with the Signatory Obligations, the Minerals Council of Australia will seek to address these issues through the following process:

- 1** Minerals Council of Australia Secretariat contacts the designated Signatory Coordinator to discuss the reasons behind the company being out of conformance, to agree a process for ensuring that the company is in conformance as soon as possible, and to identify strategies to reduce the likelihood of Signatory non-conformance with the requirements in the future.
- 2** If this process does not lead to the Signatory being in conformance with the obligations within a reasonable time frame, the Minerals Council of Australia Chief Executive will contact the Chief Executive or Managing Director of the relevant Signatory company to ascertain the reasons for the non-conformance and to seek assurance from the Signatory that they are committed to meeting their conformance requirements and have a strategy in place to ensure this occurs as soon as practicable.
- 3** Should the Signatory company continue to be in non-conformance with the requirements and not be taking active steps to move towards conformance, a member of the Minerals Council of Australia Board will contact the Chief Executive or Managing Director of the Signatory company and secure their withdrawal as a Signatory to Enduring Value. Companies that are no longer Signatories will also have their names withdrawn from the Signatory register located on the Minerals Council of Australia website (www.minerals.org.au).

Companies that may have significant safety, environmental or other incidents are asked to provide the Minerals Council with copies of any media statements distributed in relation to the incident.

Review

Enduring Value will continue to be refined and developed in consultation with stakeholders as issues are identified which have not been addressed in the current draft.

As part of this ongoing process of review, the Minerals Council will regularly update the web-based toolkit to ensure that this reflects the range of leading practices currently available to, and being implemented by, companies operating in the minerals sector.

A formal review of the operation of *Enduring Value* and its governance structures will be undertaken in 2008, in consultation with stakeholders and the External Sustainable Development Advisory Group. Should this review lead to substantive amendment of the governance structures of *Enduring Value*, companies will be invited to recommit.

Contact details

For a copy of *Enduring Value* or for further information, visit the *Enduring Value – the Australian Minerals Industry Framework for Sustainable Development* section on the Minerals Council of Australia website: www.minerals.org.au/enduringvalue or contact the Secretariat:

Minerals Council of Australia

Enduring Value Secretariat

PO Box 4497

Kingston ACT 2604

Tel: 02 6233 0600

Fax: 02 6233 0699

Email: enduringvalue@minerals.org.au



APPENDIX A: THE INTERNATIONAL COUNCIL ON MINING AND METALS (ICMM) PRINCIPLES AND ELEMENTS

- 1 Implement and maintain ethical business practices and sound systems of corporate governance.**
 - Develop and implement company statements of ethical business principles and practices that management is committed to enforcing.
 - Implement policies and practices that seek to prevent bribery and corruption.
 - Comply with or exceed the requirements of host-country laws and regulations.
 - Work with governments, industry and other stakeholders to achieve appropriate and effective public policy, laws, regulations and procedures that facilitate the mining, minerals and metals sector's contribution to sustainable development within national sustainable development strategies.
- 2 Integrate sustainable development considerations within the corporate decision-making process.**
 - Integrate sustainable development principles into company policies and practices.
 - Plan, design, operate and close operations in a manner that enhances sustainable development.
 - Implement good practice and innovate to improve social, environmental and economic performance while enhancing shareholder value.
 - Encourage customers, business partners and suppliers of goods and services to adopt principles and practices that are comparable to our own.
 - Provide sustainable development training to ensure adequate competency at all levels among our own employees and those of contractors.
 - Support public policies and practices that foster open and competitive markets.

3 Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.

- Ensure fair remuneration and work conditions for all employees and do not use forced, compulsory or child labour.
- Provide for the constructive engagement of employees on matters of mutual concern.
- Implement policies and practices designed to eliminate harassment and unfair discrimination in all aspects of our activities.
- Ensure that all relevant staff, including security personnel, are provided with appropriate cultural and human rights training and guidance.
- Minimise involuntary resettlement, and compensate fairly for adverse effects on the community where they cannot be avoided.
- Respect the culture and heritage of local communities, including indigenous peoples.

4 Implement risk management strategies based on valid data and sound science.

- Consult with interested and affected parties in the identification, assessment and management of all significant social, health, safety, environmental and economic impacts associated with our activities.
- Ensure regular review and updating of risk management systems.
- Inform potentially affected parties of significant risks from mining, minerals and metals operations and of the measures that will be taken to manage the potential risks effectively.
- Develop, maintain and test effective emergency response procedures in collaboration with potentially affected parties.

5 Seek continual improvement of our health and safety performance.

- Implement a management system focused on continual improvement of all aspects of operations that could have a significant impact on the health and safety of our own employees, those of contractors and the communities where we operate.
- Take all practical and reasonable measures to eliminate workplace fatalities, injuries and diseases among our own employees and those of contractors.
- Provide all employees with health and safety training, and require employees of contractors to have undergone such training.
- Implement regular health surveillance and risk-based monitoring of employees.
- Rehabilitate and reintegrate employees into operations following illness or injury, where feasible.

6 Seek continual improvement of our environmental performance.

- Assess the positive and negative, the direct and indirect, and the cumulative environmental impacts of new projects – from exploration through closure.
- Implement an environmental management system focused on continual improvement to review, prevent, mitigate or ameliorate adverse environmental impacts.
- Rehabilitate land disturbed or occupied by operations in accordance with appropriate post-mining land uses.
- Provide for safe storage and disposal of residual wastes and process residues.
- Design and plan all operations so that adequate resources are available to meet the closure requirements of all operations.

7 Contribute to conservation of biodiversity and integrated approaches to land use planning.

- Respect legally designated protected areas.
- Disseminate scientific data on and promote practices and experiences in biodiversity assessment and management.
- Support the development and implementation of scientifically sound, inclusive and transparent procedures for integrated approaches to land use planning, biodiversity, conservation and mining.

8 Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.

- Advance understanding of the properties of metals and minerals and their lifecycle effects on human health and the environment.
- Conduct or support research and innovation that promotes the use of products and technologies that are safe and efficient in their use of energy, natural resources and other materials.
- Develop and promote the concept of integrated materials management throughout the metals and minerals value chain.
- Provide regulators and other stakeholders with scientifically sound data and analysis regarding our products and operations as a basis for regulatory decisions.
- Support the development of scientifically sound policies, regulations, product standards and material choice decisions that encourage the safe use of mineral and metal products.

9 Contribute to the social, economic and institutional development of the communities in which we operate.

- Engage at the earliest practical stage with likely affected parties to discuss and respond to issues and conflicts concerning the management of social impacts.
- Ensure that appropriate systems are in place for ongoing interaction with affected parties, making sure that minorities and other marginalised groups have equitable and culturally appropriate means of engagement.
- Contribute to community development from project development through closure in collaboration with host communities and their representatives.
- Encourage partnerships with governments and non-governmental organisations to ensure that programmes (such as community health, education, local business development) are well designed and effectively delivered.
- Enhance social and economic development by seeking opportunities to address poverty.

10 Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

- Report on our economic, social and environmental performance and contribution to sustainable development.
- Provide information that is timely, accurate and relevant.
- Engage with and respond to stakeholders through open consultation processes.

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