



MINERALS COUNCIL OF AUSTRALIA

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*Enduring Value – The Australian Minerals Industry
Framework for Sustainable Development*

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Chairman - Mr Malcolm Cremer and Mr Mehta, my fellow speakers – MR Tejale and Mr Halder, Chairman of the MCA - Mr Peter Coates, other Distinguished Guests, Ladies and Gentlemen

The Minerals Council of Australia is delighted to be a part of the India-Australia Coal and Mining Forum.

And whilst my Chief Executive, Mr Mitchell Hooke was unfortunately unable to participate today, I am delighted to have the opportunity to speak to you all about *Enduring Value – the Australian Minerals Industry's Framework for Sustainable Development*.

Enduring Value is the Australian minerals industry's framework for the application of sustainable development.

In this, it provides comprehensive guidance translating the principles of sustainable development into operational practice at exploration, mining and minerals processing sites and, where possible, to suppliers.

Enduring Value is the product of a profound shift in how the Australian minerals industry operates and how the Minerals Council of Australia represents it.

For those of you who are not familiar with the Minerals Council of Australia, it is the peak national body representing Australia's exploration, mining and minerals processing industry nationally and internationally in its contribution to sustainable development and society.

The MCA is a private, non-government, not for profit company. And it is fully resourced by its member companies who between them produce over 85% of annual mineral production in Australia.

We represent an industry of considerable size and economic significance.

To recap briefly, the Australian minerals industry accounted directly for around 8% of Australia's GDP in 2004-05 and was responsible for more than a third of Australia's total exports, even more if mining technology, equipment and services are included.

It represents nearly one quarter of private new capital expenditure, nearly 8% of total national employment, most of which is located in rural and remote Australia, and contributes vast sums to the taxation and royalty revenues of Australian Governments.

And the Australian minerals industry is dominant globally.

We are in the top three producers in the world for a broad range of minerals products and, although we are the fifth largest producer of coal after China, the US, India and the former Soviet Union, we are the largest exporter of black coal in the world.

Given this economic performance, it is not hard to see why the industry would think that its future was guaranteed.

And we have heard today that the industry's economic standing shows no sign of significantly waivering.

The industry enjoys significant natural comparative advantages with its inherent geological wealth, a relatively benign climate, and ready proximity to the burgeoning markets of industrialising Asia.

And we have the basis for continuing competitive strength. A high technology, innovative culture and practice, management that is skilled and prepared to adapt, political stability, a sound legal system, and an Australian economy substantially reformed, all of which contributes to a sound business environment conducive to investment, growth and profitability.

But whilst these attributes provide the industry with a solid platform, they are no guarantee for the future.

The Australian minerals industry recognises that its capacity to realise the opportunities provided by the rapid economic growth in India and other global markets will be as much driven by the new determinants of business sustainability as the traditional drivers of business competitiveness.

Much of this is due to the speed and depth of globalisation.

The integration of the world's trade and commerce, information and people, has been the single most significant driver of global social and economic change in a generation.

Globalisation has contributed to an unprecedented improvement in world economic growth and prosperity, improved living standards and poverty alleviation.

In response to the challenge of maximising industry's contribution to society, the minerals industry recognises that its future 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, 'social licence to operate' is an unwritten social contract with the communities in which our companies operate, beyond compliance with government regulation.

To the minerals industry it is about operating in a manner that is attuned to community expectations and which

acknowledges that business have a shared responsibility with government, and more broadly society, to help facilitate the development of strong and sustainable communities.

Enduring Value is designed to help minerals industry managers implement this commitment in a manner that is targeted at continuously improving performance at the site level.

To appreciate the significance of Enduring Value as a globally leading initiative, it is worth recapping the circumstances confronting the future of this industry in even less than a decade ago.

Ours was an industry under siege by a community increasingly alienated and disenfranchised from the industry by the perception, real or otherwise, that the industry was failing to account for its environmental and social impacts.

Quite simply our continued social license to operate was at real risk of being withdrawn, notwithstanding our regulatory license given by Government.

Our response to this community concern was comprehensive and proactive.

Firstly, we heavily engaged in the global debate about sustainable development to gain an external perspective on what was needed to ensure a continued social license to operate.

Secondly, the industry appreciated that it needed to do more than pay lip service to the triple bottom line of economic progress, social responsibility and improved environmental management.

And thirdly, the industry embraced the concept of continuous improvement, moving beyond merely complying with minimum regulation and aspiring to leading operational practice attuned to the needs and expectations of the communities in which it operates.

There is no question that the industry is delivering on these objectives.

The industry has shifted its focus and improved its performance in all aspects of sustainable development:

- from having one of the worst industrial safety records of any sector to one of the best, but more importantly, declaring the safety and health of the workforce and the surrounding communities as its number one priority, not subordinate in any way to productivity;
- beyond the narrower considerations of financial performance in attracting capital and insurance protection for a greater range of contingent liabilities;
- beyond the creation of jobs to the creation of careers for the young and upwardly mobile current and future generations;

- from managing the present environmental impact through rehabilitation and reclamation to longer term considerations for sustainable ecosystems.
- From a focus on enhancing biodiversity within the immediate proximity of the mining and processing operations, to a focus on offset programs enhancing regional biodiversity;
- from adversarial discussions around native title claims to building sustainable Indigenous communities centered around employment opportunities, enterprise facilitation and mutually beneficial partnerships; and
- from a focus on the consideration of our immediate impact to contributing to building sustainable communities beyond life of mine or minerals processing operations.

Clearly, the culture of the Australian minerals industry has changed dramatically in this intervening decade. And, consistent with the platform of continuous improvement, the industry strives to do better.

Enduring Value – the Australian Minerals Industry’s Framework for Sustainable Development is testament to that commitment.

Enduring Value has all of the elements necessary to give practical effect to the industry’s commitment to sustainable development where it really counts, at mining and minerals processing sites.

Enduring Value is a world leader and is internationally consistent - so critical to a global industry.

It aligns with the International Council on Mining and Metals Sustainable Development Framework Principles, the Global Reporting Initiative and the Mining Sector Supplement, and enables companies to tailor their performance reporting to the needs and expectations of the communities in which they operate.

And it builds on the highly successful and internationally acclaimed Australian Minerals Industry Code for Environmental Management. This was the platform for the industry’s continual improvement in managing its environmental impacts since its’ introduction in 1996.

Enduring Value goes to the heart of the industry’s commitment to transparency, accountability and external engagement.

Firstly, the Board of the Minerals Council determined that commitment to Enduring Value, and meeting its conformance requirements, is a condition of MCA membership.

Secondly, the governance and accountability requirements represent a clear commitment to report progress and be held accountable for continuous improvement in operational performance.

Thirdly, Enduring Value represents an outstanding example of productive external stakeholder engagement in developing a mutual understanding of what we are trying to achieve collectively as a society, developed through consultation with some 900 external stakeholders.

And fourthly, Enduring Value recognises that the path to improving the Australian minerals industry's collective performance is through the sharing of knowledge and practices in a pre-competitive sense. Clearly points of competitive differentiation exist, but these are more a result of the application of this knowledge, than of the knowledge itself.

There are four key planks in the structure of Enduring Value.

- First, the ICMM Principles and Elements form the highest level of the hierarchy. A set of 10 Principles with 46 Elements relating to issues such as ethics and governance, safety and health, materials stewardship, community development, biodiversity and stakeholder engagement.
- Second, under each of these elements sits a series of implementation guidance, developed through the stakeholder engagement process, that is relevant to Australian operations whilst being flexible enough to be applied internationally.
- Third, a resource kit that comprises technical guidance, leading practice documents and case studies that relate to the implementation guidance. This searchable relational database is currently under construction and will be progressively added to the Minerals Council website.
- And the fourth plank is that the MCA has also developed key strategic partnerships with Australian institutions for capacity building across the industry.

These capacity building partnerships are critical to enabling the successful implementation of sustainable development in the Australian minerals industry.

Obviously there has to be a business case for the implementation of a framework like Enduring Value.

Whilst the specific value of the Framework will vary for each and every operation, there are some collective outcomes that can be achieved for the signatories to the Framework as a whole.

Enduring Value provides a vehicle for industry differentiation and leadership and a demonstration of due diligence in managing risks as identified by our key stakeholders.

It is also a framework for companies to build reputational capital with regulators, the finance sector and the community.

There are also many indications that improved environmental and social performance has a positive impact on employee satisfaction, performance and retention rates. This is highly relevant to the Australian minerals industry, which is currently faced with labour and skill shortages and high training costs for a relatively mobile workforce.

And where market access increasingly relies on good performance along the supply chain, Enduring Value may provide an assurance vehicle and potentially a set of standards against which a company's performance can be audited.

Finally Chairmen, I will provide two examples of how the Enduring Value guidance applies.

The first is in the area of community development.

The Australian minerals industry accepts that it has a key role to play in community development.

This is not to say that the industry considers it should fill the role of the provider of key infrastructure where governments have failed.

Rather the industry can assist communities to ensure that the benefits of economic development can be maximised:

- through the provision of skills development opportunities including training programs, apprenticeships and employment;
- through the use of local supply chains to provide and enhance business development opportunities; and
- through the development of effective community networks which provide support structures for what are often rural and regional communities in decline.

Importantly, these initiatives are developed to take account of a key concept of sustainable development, that of intergenerational equity.

The industry recognises that in investing in the community today that they should look to provide opportunities for the members of that community to continuously develop their quality of life over future generations. The industry's work with Indigenous Australian communities in the areas of education and training and health services provision are outstanding examples of this commitment.

And we also recognise the importance of being attuned to the views of the community regarding industry's impacts and performance.

The value of harmonious relationships with communities cannot be overstated in the context of the 'social licence

to operate' to which I referred earlier. I'm sure we can all point to projects that have failed to take account of the views of the community, and to be open and transparent about the nature of their operations and their impacts that have been unsuccessful in getting key developments off the ground.

Principle 9 of Enduring Value focuses on contributing to the social, economic and institutional development of the communities in which we operate.

Enduring Value recognises that ensuring that the socio-economic benefits of mining are shared with those affected by its operations, is fundamental to the industry's commitment to sustainable development.

Accordingly, Enduring Value encourages companies to focus not only on the impacts of their activities within the boundaries of their operations, but also on the impacts on the communities beyond the mine gate.

The elements and related guidance in Enduring Value that underpin this commitment goes to issues including:

- engaging at the earliest practical stage with affected parties to discuss and respond to issues and conflicts concerning the management of social impacts;
- ensuring that appropriate systems are in place for ongoing interaction with affected parties, making sure that minorities and other marginalized groups have equitable and culturally appropriate means of engagement;
- contributing to community development from project development through closure in collaboration with host communities and their representatives;
- encouraging partnerships with governments and non-government organisations to ensure that programs, such as community health, education, and local business development, are well designed and effectively delivered; and
- enhancing social and economic development by seeking opportunities to address poverty.

The second example that I would like to share with you relates to land use.

Principle 7 of Enduring Value requires signatories to contribute to conservation of biodiversity and integrated approaches to land use planning.

The Minerals Council of Australia supports the principles of multiple and sequential land use and considers that such activities are fundamental to achieving both economic and conservation objectives within a sustainable development context.

Accordingly, we consider that the decision over whether or not to mine should relate to:

- the current conservation value of the area;
- the current causes of degradation;
- the irreversibility of any impacts; and
- the potential for mining to make a positive contribution to conservation, if allowed.

In addition, the industry considers that such determinations should be made on a case by case basis, using science-based risk assessment and taking account of technological developments.

Exploration for minerals using state of the art techniques is currently undertaken in ecologically sensitive areas in Australia with negligible impact.

And the impact of any subsequent minerals development would of course depend on the mining and rehabilitation technologies to be employed and the environmental values in the area.

In most cases it should be possible to protect significant environmental values, yet allow development to proceed.

Mining companies agree, in principle, that there are some areas where mining development is inconsistent with the protection of ecological, cultural and landscape values - World Heritage sites are an excellent example of this. However we have reservations over whether such areas always coincide with the boundaries established by National Parks or conservation estates.

Accordingly, the Australian minerals industry, through the International Council on Mining and Metals is engaged in a dialogue with the IUCN, the International Conservation Union. This dialogue seeks:

- to develop and promote best practice guidance in the area of biodiversity conservation;
- to ensure that criteria for assessing sites for the potential to be listed as protected areas are based on the principles of sustainable development and professional science-based assessment criteria for natural resource and mineral values; and
- to develop a science-based set of explicit principles and procedures to assist government in decisions to restructure the management of degraded 'protected areas', the classification of 'go and no-go areas', and the de-designation and/or adjustment of the boundaries of existing protected areas.

The industry's commitment to improved environmental management is part and parcel of its commitment to sustainable development.

The focus is now on preventative systems to minimise adverse environmental and social impacts associated with mining as a temporary land use option. And to rehabilitate land disturbed or occupied by operations in accordance

with appropriate post-mining land uses that are agreed with government and the community.

The elements and guidance in Enduring Value that underpin this principle of multiple and sequential land use go to issues that include:

- Respecting legally designated protected areas;
- Sharing scientific data on, and promoting practices and experiences in biodiversity assessment and management; and
- Supporting the development and implementation of scientifically sound, inclusive and transparent procedures for integrated approaches to land use planning, biodiversity conservation and mining

In conclusion, the Australian minerals industry sees its contribution beyond the narrower economic dimensions of wealth creation to the wider considerations of its regard for society and the environment in which it operates, buys from and sells to.

A social licence to operate will, we suspect, become a critical determinant of business success in realising the exciting opportunities for growth and prosperity provided by markets such as India.

To position itself, the industry has embraced the business case for sustainable development. It recognises that companies that commit to the kind of behaviours that are outlined in Enduring Value effectively create business value by reducing their risk profile, improving productivity and sustaining access to land and the ore resource, capital, markets and skilled people.

My point is simply that Enduring Value is critical tool to assist the Australian minerals industry establish its future value to society in terms of the economic, social and environmental dividends it creates.

And in doing so, to demonstrate that it is the product of an industry that understands and appreciates that the practices of the past are not a sustainable approach to realising the opportunities of the future.

Thank you.

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