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<tr>
<td>AEP</td>
<td>Amenity Effects Program</td>
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<tr>
<td>CER</td>
<td>Community and External Relations</td>
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<tr>
<td>CERD</td>
<td>United Nations Committee on the Elimination of Discrimination of Racial Discrimination</td>
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<td>CLO</td>
<td>Community Liaison Officer</td>
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<td>CRR</td>
<td>Community Relationships Review</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>ESR</td>
<td>Environmental and Social Responsibility</td>
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<tr>
<td>FPIC</td>
<td>Free, Prior and Informed Consent</td>
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<tr>
<td>GMO</td>
<td>General Manager for Operations</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>ICMM</td>
<td>International Council of Mining and Metals</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IMS</td>
<td>Integrated Management Standards</td>
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<td>Newmont</td>
<td>Newmont Mining Corporation</td>
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<td>NGO</td>
<td>Non-governmental Organization</td>
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<td>NWG</td>
<td>Newmont Waihi Gold</td>
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<td>PMT</td>
<td>Performance Management Tracker</td>
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<td>PTNMR</td>
<td>Minahasa Raya, North Sulawesi, Indonesia</td>
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<td>SIA</td>
<td>Social Impact Assessment</td>
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<td>STP</td>
<td>Submarine Tailing Placement</td>
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<tr>
<td>Waihi</td>
<td>Martha Mine, Waihi, New Zealand</td>
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<td>WVT</td>
<td>Waihi Vision Trust</td>
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<td>WCCC</td>
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<td>WCV</td>
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I. Executive Summary

The Community Relationships Review ("CRR") is a response to a shareholder resolution calling upon Newmont Mining Corporation ("Newmont") to conduct a global review of its policies and practices related to community opposition to its mining operations.¹ At the direction of Newmont’s Board of Directors, the scope of the Review was expanded to encompass a more intensive study of the factors that define the company's relationships with the communities impacted by its mines.

The CRR examines the conflicts and tensions that characterize the relationships between Newmont and community stakeholders. Intensive studies of Newmont’s community relationships at five mine sites provide the basis for a set of observations regarding the manner in which Newmont currently manages its engagements with communities.² The report also explores the nature of a “social license to operate,” which Newmont has defined as “the acceptance and belief by society, and specifically, our local communities, in the value creation of our activities, such that we can continue to access and extract mineral resources.”³ The CRR considers the company’s policies, standards, and management systems relevant to community relationships and assesses the capacity of the company to achieve such a “social license.”

Although the CRR examines the nature of Newmont’s existing relationships, it is fundamentally a forward-looking initiative. The Study Directors identify the risks and opportunities that characterize Newmont’s current community engagement practices, and highlight key lessons for consideration by the Board.

¹ In April 2007, at the recommendation of the Board of Directors, nearly 92% of Newmont’s shareholders voted in favor of the resolution. The shareholder resolution and the response from the Board of Directors are available in Appendix 3.
² The five mines selected for inclusion in the CRR are: Minera Yanacocha, in Peru; the Ahafo Mine, in Ghana; the Martha Mine, in New Zealand; the Batu Hijau Mine, in Indonesia; and Carlin Operations, in the United States. A limited review was conducted for a sixth site, the Minahasa Raya Mine, in Indonesia.
³ Our relationships with local communities around the globe are complex and dynamic. We know that the relationships we build are fundamental to the success of our business. They require humility, mutual respect, a willingness to listen, and a commitment to each other’s future success.

- Richard O’Brien
  Chief Executive Officer, Newmont Mining Corporation
of Directors as it oversees the company’s future community engagement efforts. These lessons seek to address specific weaknesses in the company’s approach to its relationships with community stakeholders and reflect the Study Directors’ conclusion that the company can, and should, improve its approach through a strategy that encompasses responsible stakeholder engagement, comprehensive strategic planning, improved accountability mechanisms, and enhanced personnel capacity to assess and respond to community concerns. The Study Directors believe that it is imperative to the success of Newmont’s business that it take these steps expeditiously, transparently, and through a process of sustained engagement with affected stakeholders. Newmont has made mistakes in its engagement with communities, and the company has the opportunity to build credibility and generate trust among disaffected stakeholders by acknowledging its mistakes and taking appropriate remedial action.

In looking to the future, Newmont should recognize that wherever it has operations it will have relationships with community stakeholders, and those relationships will inevitably involve some degree of conflict. Newmont’s business success will be directly influenced by whether the company is able to manage those relationships in a manner that is regarded as appropriate and effective by both internal and external stakeholders. Accountability to impacted communities and stakeholders is central to the building of community relationships. Managing community relationships effectively depends, in part, upon an acknowledgment by the company that it is accountable to its stakeholders for the impacts that its operations have on their lives. In some cases, this accountability is reinforced through legal and regulatory systems. In other cases, this accountability may be driven solely by a sense of moral obligation and duty: stakeholders expect Newmont to treat them fairly and with respect, and Newmont will be judged by the degree to which it is able to meet these expectations. External accountability is essential to the maintenance of a social license to operate.

The Study Directors believe that Newmont’s current standards and policies are quite good. At this juncture, however, Newmont needs to ensure that its management systems can operationalize the company’s standards to meet the business objective of establishing and sustaining strong community relationships. The development of standards and management systems can only go so far, and it is apparent that there are significant gaps between the language of Newmont’s standards and the practices at the mine sites.

The company’s strategic planning must be cross-functional: community relations can not be an isolated function within the company. Strategic planning must occur at both the corporate and mine site levels. To secure the information needed to inform its strategic planning, Newmont must conduct regular social impact assessments (“SIAs”) and risk assessments, and check the validity of its assumptions through the course of dialogue with stakeholders.

Newmont employees, at all levels, must be held internally accountable for implementing the company’s community relations goals. To establish effective systems of accountability, the company will need to develop key performance indicators and associated metrics for community relations performance appropriate to each of the company’s major functional areas. Despite Newmont’s many corporate policies that seek to ensure accountability, the Study Directors found a consistent lack of accountability in the implementation of Newmont’s community relations objectives.

Additionally, Newmont must ensure that it has the personnel and resource capacity to implement its community relations goals. Training based on ongoing performance assessments and the goal of continuous improvement is a key mechanism for ensuring personnel capacity. Meeting capacity needs also requires ensuring that people have the resources necessary to fulfill their responsibilities: relevant resources include budget allocations to social assessment mechanisms that provide employees with the information they need to do their jobs effectively. Finally, Newmont should prioritize the hiring of local nationals for management positions as a means of building its capacity to be responsive to site-specific concerns.
With these goals in mind, the Study Directors denote the following eight lessons to guide Newmont in managing its community relationships:

**Lesson 1:** Every Newmont operating site should have a comprehensive and integrated strategic management plan for community relations that identifies the objectives and responsibilities of each functional department and takes into account relevant site-specific factors.

**Lesson 2:** Regular and comprehensive social impact assessments and risk assessments must inform cross-functional strategic planning at Newmont’s operating sites.

**Lesson 3:** Regional and local managers in all functional areas must be accountable for implementation of the company’s strategic objectives regarding community relationship building.

**Lesson 4:** Newmont’s operating sites must assess stakeholder concerns and engage with external stakeholders in order to understand and effectively respond to their perceptions and concerns.

**Lesson 5:** Newmont’s engagements with the community must reflect the company’s values and responsibilities and clearly convey what can be expected from the company in its role as a community stakeholder.

**Lesson 6:** 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.

**Lesson 7:** Newmont must ensure that its operating sites have accessible and responsive grievance mechanisms.

**Lesson 8:** Management of the environmental impact of mining on water and other natural resources is directly linked to the management of community relations; Newmont must assess and respond to stakeholder concerns regarding both real and perceived environmental impacts of its operations.

The overarching lesson of the CRR is that if Newmont is to continue to grow as a company, maintain its production pipeline, and succeed in current and future business operations around the world, it must manage its community relationships more effectively. Newmont must act quickly to ensure that stakeholder engagement and community relationship-building are integral components of Newmont’s business operations.

Finally, the Study Directors wish to commend the Board of Directors for its willingness to undertake this review in such a public manner. The CRR is a bold step that reflects both the company’s leadership in the industry and its commitment to continuous improvement.
II. Introduction

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The Study Directors drafted this Global Summary Report at the request of Newmont's Board of Directors.\(^1\) The analysis and conclusions offered reflect the Study Directors’ perspectives on the basis of the research conducted at six sites around the world by independent study teams. The opinions expressed and conclusions reached are not intended to reflect corporate policy, and are not necessarily shared by Newmont.

Although the report is being written for Newmont, and the Board of Directors will respond to the recommendations offered, the Study Directors understand that the Board intends to release the report publicly. Accordingly, the Study Directors have tried to make the report accessible to a broader audience.

A. Overview of the Report

During the past decade, conflict between mines and local communities has resulted in the deaths of community members in Peru and Ghana, lawsuits and the imprisonment of Newmont executives in Indonesia, the reclassification of two million ounces of proven and provable reserves in Peru, and significant negative media attention at a global level. The shareholder resolution that led to the CRR cited many of these incidents, and others, and observed, “Newmont Mining’s success depends not only on receiving legal permits and licenses, but also on the acceptance and cooperation of the communities it affects.”\(^1\)
The business case for securing this “acceptance and cooperation” is all the more apparent as Newmont looks to the future, and the prospect of mining in increasingly challenging social and political environments. Without strong relationships with local communities, the company is certain to face additional risks — which could range from local violence to domestic lawsuits under the Alien Tort Claims Act. Accordingly, it is a business imperative that Newmont take immediate and systemic steps to strengthen its relationships with stakeholders and more effectively manage attendant conflict.

Maintaining a “social license to operate,” another way of framing community “acceptance and cooperation,” has become an increasingly important consideration for companies in the mining industry.² Although there are a range of perspectives regarding what the term means and adherence to it should entail,¹ Newmont has defined it as “the acceptance and belief by society, and specifically, our local communities, in the value creation of our activities, such that we can continue to access and extract mineral resources.”³ A management approach incorporating an understanding of the importance of a social license to operate recognizes that communities have an irrevocable interest in a mine’s activities, and especially in a mine’s social and environmental performance. Mines will be held accountable through social, if not legal, mechanisms for the ways in which their operations impact stakeholders. Significantly, companies have begun to incorporate the understanding that community perceptions can impact the ability of the mine to operate, and that these perceptions are tenuous and can be influenced negatively by both individual events and long-standing practice.

To succeed in diverse economic, social, and political environments, Newmont must manage its operations in a manner that takes into account the perspectives and concerns of an array of stakeholders. This report is intended to serve as a framework by which to review the policies, processes, and tools used by Newmont for stakeholder engagement and community relations, as well as the manner and degree to which they are effectively implemented at local mine sites. The report identifies both risks and opportunities for Newmont, and ultimately makes recommendations on how Newmont can improve its community relationships in the future.

B. Conflict Management

Newmont is one of the largest gold producers in the world, and is engaged in projects ranging from exploratory sites to mature mines. As of January 1, 2008, Newmont employed approximately 34,000 employees and contractors. Through its operations, Newmont impacts the lives of tens of thousands of individual stakeholders. The company also interacts with local and national governments, non-governmental organizations (“NGOs”), and an array of institutional stakeholders.

The relationships that Newmont forms with its community stakeholders are dynamic, multifaceted, and reciprocal. The company’s actions impact stakeholders, and the actions of stakeholders impact Newmont and its operations. The communities, and the institutions within them, have underlying histories, conflicts, and needs that provide defining context to Newmont’s operations and its relationships. Accordingly, the company must understand and adjust to a myriad of site-specific variables at each of its mines. At the same time, Newmont has responsibilities to impacted communities independent of their respective histories, and to secure a social license to operate the company must demonstrate respect for the rights and concerns of those stakeholders. Newmont’s community relationships are therefore a reflection both of history and context, over which the company has little or no control, and management’s effectiveness in implementing Newmont’s standards and policies on community relations, a process over which the company has significant control.

² Notably, Newmont executives have helped to promote this concept as an emerging management paradigm for the sector. See, e.g., Pierre Lassonde, How to Earn Your Social License, Mining Review (Summer 2003).
³ Definitions of a “social license to operate” generally focus on the granting by community stakeholders of a degree of “acceptance”, at a minimum, or “approval” at a higher level, to a particular mining project. See e.g. Business for Social Responsibility, The Social License to Operate (San Francisco, Business for Social Responsibility, 2003); S. Joyce and I. Thomson, Earning a social license to operate: Social acceptability and resource development in Latin America, The Canadian Mining and Metallurgical Bulletin, Volume 93, Number 1037 (February 2000).
Newmont must be aware that, even if it cannot change the historical, social, and cultural factors that impact its community engagements, it has the capacity to develop appropriate policies and protocols to address these concerns.

An underlying assumption of the CRR is that conflict, in its various forms and degrees of intensity, is ubiquitous in the company’s community engagements. Conflict exists as a backdrop to Newmont’s community relationships and Newmont can also be the cause of conflict, beginning with its very desire to establish a mine. To the degree that conflict is a reflection of competing needs and expectations, it is a natural consequence of interactions between diverse community stakeholders and the mining company. Conflict can take many forms, from the simple airing of a grievance to open hostility. To the extent that conflict is generated by a lack of congruence between the expectations of community stakeholders and the actions of the company, improved communications and expectation management can help Newmont to reduce such conflict or, at least, prevent it from manifesting itself in non-constructive and undesirable ways — such as through violence.

To successfully manage conflict, Newmont must understand the components of its community relationships, the sources and drivers of conflict, and why it is reflected in a particular manner. Newmont’s social license to operate can be strengthened by the constructive, respectful management of conflict and, conversely, can be threatened by conflict that is poorly managed and/or beyond the company’s capacity to manage. Somewhat paradoxically, conflict coexists with the fact that the mining operations often provide economic growth and development to the communities that surround the operations. Navigating a balance between the expectations raised by the promise of development and the challenges posed by the footprint and resource needs of mining sites is a critical challenge for Newmont.
C. Objectives of the CRR

Conflicts between Newmont and communities surrounding its mines provided the initial impetus for the CRR. As noted earlier, in April 2007, at the recommendation of the Board of Directors, nearly 92% of Newmont’s shareholders voted in favor of a resolution calling on the Board to initiate a review of the company’s policies and practices related to community opposition to its operations.\(^4\) The resolution expressed concern that “[s]everal Newmont projects in developing countries have been undermined by community protests over the years,” and observed “[a] pattern of community resistance to the company’s operations, especially in Peru, Indonesia, and Ghana.….” In response to the resolution, the Board of Directors authorized a comprehensive review of the company’s relationships with community stakeholders at its mine sites.

Working with Newmont’s corporate Environmental and Social Responsibility (“ESR”) team, the ESR Committee of Newmont’s Board of Directors developed the concept and outline for the CRR review process. In so doing, the Committee sought to ensure that the CRR would provide a platform for two future dialogues: first, a dialogue between Newmont and its stakeholders regarding the nature and potential of their existing relationships; and second, a dialogue within Newmont regarding its internal processes and expectations for managing interactions with community stakeholders. The ESR Committee approved the following objectives to guide the CRR process:

- Assess and describe the current relationships between the selected Newmont operating sites and respective communities, and the contexts in which these relationships have developed;
- Conduct an assessment of future risks and opportunities to Newmont with regard to its relationships with local communities;
- Analyze the relevance of existing company policies, systems, and controls, and their effectiveness in guiding the company’s community development and community relations programs and activities; and
- Identify the impact of the company’s resources, capacity, and governance on the execution of policies and controls related to community development and community relations programs.

These objectives provide an overarching mission for the CRR. Appendix 2 provides an initial assessment of this report’s performance against the stated objectives. At the most basic level, this review seeks to ensure that Newmont has the capacity and the systems necessary to maintain a social license within the communities in which it operates. Inasmuch as the review is an iterative and evolutionary process, it can also help to institutionalize the company’s commitment to continuous improvement in maintaining that license through its interactions with internal and external stakeholders.

\(^4\) The shareholder resolution was filed by Christian Brothers Investment Services and members of the Interfaith Center on Corporate Responsibility. Participating members of the Interfaith Center on Corporate Responsibility included: Catholic Health East; Sisters of Saint Joseph of Chestnut Hill, Philadelphia; Mercy Investment Program; CHRISTUS Health; General Board of Pension and Health Benefits; United Methodist Church; Presbyterian Church (USA); Missionary Oblates; Unitarian Universalist Service Committee; Evangelical Lutheran Church in America; John E. Fetzer Institute, Inc.; and Catholic Healthcare West.
III. CRR Methodology and Overview

A. Key Participants in the CRR

At the time of the 2007 shareholder resolution, Newmont’s Board of Directors designated the Board’s ESR Committee,\(^2\) as having direct responsibility for “reviewing the policies and systems for managing community risks associated with the Company’s activities” and “preparing a public assessment of the Company’s community affairs performance.”\(^3\) Five independent directors currently serve on the ESR Committee: James V. Taranik, Chair; Robert J. Miller; Veronica M. Hagen; John B. Prescott; and Joseph Carrabba.\(^3\)

In July 2007, the ESR Committee formally approved an outline for the CRR. In addition to setting out the guiding objectives and methodologies, the Committee determined that a “Working Group,” consisting of an independent Study Director and independent research teams for each of the selected Newmont operating sites, should undertake the research for the review.

Notably, the completed Global Report will reflect the beginning, not the end, of the CRR process. The Board of Directors intends to use the information provided in the report to evaluate the effectiveness of Newmont’s existing programs and policies and develop recommendations for the future. The report will also serve as a platform for dialogue with the stakeholders who made this evaluation possible.\(^4\)

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\(^1\) More information on the CRR Methodology is provided in Appendix 5A.

\(^2\) At the time of the 2007 shareholder resolution, this committee was called the Environmental, Health and Safety Committee. After a recent restructuring of the committees of the Board, the committee directly overseeing the CRR is the ESR Committee.

\(^3\) Biographical information for the members of the ESR Committee is available in Appendix 4.

\(^4\) As initially conceived, the Global Report was to be made available for shareholders at the 2008 Annual Meeting. This objective, however, proved to be overly aggressive in light of the time needed to coordinate global research efforts and analyze findings. In addition, the change in Study Directors shifted the original schedule. Accordingly, a decision was made by the ESR Committee in late 2007 to prepare the report on a modified timeline, with delivery to shareholders scheduled for the 2009 Annual Meeting.
1. Appointment and Role of the Study Directors

In August 2007, the ESR Committee appointed Jim Rader, President of Avanzar Consulting (Canada) Ltd., to serve as the CRR Study Director. Mr. Rader’s initial responsibility was to design a research framework by which to review Newmont’s policies, processes, and tools for stakeholder engagement and community relations. This review involved an analysis of community relations, as operationalized in corporate level policies and procedures, and how these policies and procedures functioned in the context of the five selected operating sites.

Mr. Rader served as the CRR Study Director until December 2007, when he stepped down from the project due to scheduling conflicts with prior work commitments. At the time of Mr. Rader’s resignation, the site visits for the five external site assessments had been completed, as well as many of the corporate and regional-level interviews, but none of the site reports had been finalized and the drafting of the Global Summary Report had not yet begun.

In January 2008, after an examination of a number of possible candidates to replace Mr. Rader, Newmont recommended and the ESR Committee approved the retention of Gare Smith and Dan Feldman, partners in the Corporate Social Responsibility practice group at the law firm Foley Hoag LLP, to serve as the new joint Study Directors for the CRR.\textsuperscript{5,6} They were assisted throughout their tenure as Study Directors by their associate, Sarah Altschuller, who played a central role in the drafting of this review.

2. Selection of Sites and Appointment of the Study Teams

One of the most significant early decisions in this global review was the selection of the sites that would be assessed to inform the CRR through the provision of critical ground-level data. In the summer of 2007, the Study Director worked with the ESR Committee and ESR employees to identify locations that would reflect the diversity of Newmont’s community relationships. The criteria and considerations that defined the site selection process are set forth in Section V.

Ultimately, five mine sites were selected as representative of the broad set of social, cultural, political, operational, and environmental conditions under which Newmont operates. These mines are: Minera Yanacocha, in Peru; the Ahafo Mine, in Ghana; the Martha Mine, in New Zealand; the Batu Hijau Mine, in Indonesia; and Carlin Operations, in the United States. More information on the site selection process is set forth in Section V.

\textsuperscript{5} Biographical information for all three Study Directors is available in Appendix 4. Although Mr. Smith and Mr. Feldman are attorneys, hired by Newmont, they served in an independent capacity in their role as Study Directors. To ensure the credibility of this report, and address any concerns about their independence fully and transparently, the Study Directors submitted a signed letter responding to a series of questions posed by the Advisory Panel. In this letter, the Study Directors stated that they had a contractual relationship to draft a report pursuant to the scope of work, terms of reference, and other parameters established by Newmont. Newmont had requested them to conduct an objective assessment, and to report both positive and negative findings that were pertinent to the CRR. Inasmuch as their mandate provided them with full autonomy in making findings and recommendations in the report, they indicated that Newmont had instructed them to act independently in their role.

\textsuperscript{6} Upon his resignation, Mr. Rader sealed his work product and materials in envelopes, and they were stored in a secure location pending the selection of a new Study Director. Mr. Rader volunteered to serve as a resource to the next Study Director, and to share with the new Study Director the results of his research. On February 5, 2008, the new Study Directors opened the confidential material previously sealed by Mr. Rader. This was witnessed by Mr. Steve D’Esposito, of the Advisory Panel, to ensure that no confidentiality was breached. After unsealing this material, the new Study Directors spoke on several occasions with Mr. Rader, to ensure a smooth and complete transition of materials and knowledge.
Once the project sites were chosen, site assessor teams were selected to carry out the research at the project sites. In consultation with the Study Director(s), these study teams bore primary responsibility for collecting the information necessary to produce this report. The following individuals were chosen to participate on the study teams:7

**Study Teams for Newmont Community Relationships Review**

**Ahafo Mine, Ghana**
**Paul Kapelus,**
Senior Consultant, Synergy Global Consulting Ltd., South Africa

**Graeme Rodgers,**
Social Anthropologist, Synergy Global Consulting Ltd., United States

**Minera Yanacocha, Peru**
**Bernarda Elizalde,**
Independent Consultant, Abbotsford, Canada

**Christina Sabater,**
Independent Consultant, Avanzar Consulting Ltd., United States

**Melissa Whellams,**
Associate, Canadian Business for Social Responsibility, Canada

**Batu Hijau Mine, Indonesia**
**Catherine Macdonald,**
Community Development Consultant, Social Sustainability Services, Australia

**Arian Ardie,**
Strategic Risk Consultant, Pacific Century Limited, Indonesia

**Martha Mine, New Zealand**
**Deanna Kemp,**
Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia

**Robin Evans,**
Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia

**Carlin Operations, United States**
**Matt Jeschke,**8
Former Director, Energy and Extractives Team, Business for Social Responsibility, United States

**Terry Nelidov,**
Manager, Energy and Extractives Team, Business for Social Responsibility, United States

**Tim Buchanan,**
Director, Energy and Extractives Team, Business for Social Responsibility, United States

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7 Biographical information for the study team participants is available in Appendix 4.
8 In January 2008, Matt Jeschke left Business for Social Responsibility. At that time, Tim Buchanan took his place on the study team.
3. Appointment of the Advisory Panel

At the outset of the CRR, Newmont’s ESR Committee decided to appoint an independent Advisory Panel to advise the Board of Directors. The ESR Committee saw considerable value in bringing together a group of individuals with diverse experiences and backgrounds, independent of the company, the study teams, and the local communities, who had specific knowledge and expertise in the disciplines of mining and community relations to provide their observations and frank advice to the ESR Committee, the Study Director, and the study teams during the research process.

In August 2007, Anthony Hodge, Ph.D., P.Eng., Professor of Mining and Sustainability, at Queen’s University was retained by the ESR Committee to serve as the Chair of the Advisory Panel. In addition to his role coordinating the work of the Advisory Panel, Dr. Hodge was charged with serving as the Advisory Panel’s contact point with the Study Directors, the study teams, the ESR Committee, and Newmont. In early May 2008, Dr. Hodge was appointed President and CEO of the International Council of Mining and Metals with full-time duties to take effect October 1, 2008. To serve as back-up should these new duties lead to a potential conflict of interest, Caroline Rees was elected Vice Chair of the Advisory Panel.

In August 2007, Anthony Hodge, Ph.D., P.Eng., Professor of Mining and Sustainability, at Queen’s University was retained by the ESR Committee to serve as the Chair of the Advisory Panel. In addition to his role coordinating the work of the Advisory Panel, Dr. Hodge was charged with serving as the Advisory Panel’s contact point with the Study Directors, the study teams, the ESR Committee, and Newmont. In May 2008, a decision was reached by the Advisory Panel that given time constraints for Mr. Rochlin, he would no longer serve as a member of the Advisory Panel. Mr. Rodriguez was added to the Advisory Panel several months after the selection of the other Advisory Panel members. In the first “Interim Report” drafted by the Advisory Panel, submitted on October 15, 2007, one of the identified “priority issues” was to “strengthen the capacity of the Advisory Panel.” In particular, the Interim Report recommended that “Advisory Panel membership should be expanded by one person, that person to be an individual with direct living and working experience in a mining-affected community.” Newmont concurred with this recommendation, and subsequently appointed Mr. Rodriguez to the Advisory Panel. Newmont Community Relationships Review (October 15, 2007).

The following individuals were selected to serve on the Advisory Panel:

- **Cristina Echavarria**, Executive Director, Alliance for Responsible Mining, Medellin, Colombia;
- **Steve D’Esposito**, President/RESOLVE, Washington, DC, USA;
- **Chris Jochnick**, Director, Private Sector Team, Oxfam America, Boston, Massachusetts, USA;
- **Caroline Rees**, Director, Governance and Accountability Program, Corporate Social Responsibility Initiative, Harvard Kennedy School, Harvard University, Cambridge, MA;
- **Steve Rochlin**, Head, AccountAbility North America, Washington, DC, USA;
- **Julie Tanner**, Corporate Advocacy Coordinator, Christian Brothers Investment Services, New York, New York, USA; and
- **Ignacio Rodriguez**, Community Representative, Colorado, USA.

In establishing the Advisory Panel, the ESR Committee sought to ensure that all members had a working knowledge of the dynamics of the relationships between mining and communities, exhibited a range of expertise in one or more fields relevant to the CRR, and reflected a variety of institutional perspectives. Advisory Panel members were asked to serve in their individual capacities, and not as representatives of any particular organization or group of stakeholders.

Members of the Advisory Panel were selected after the project sites were identified. Accordingly, they did not play a role in the original design of the methodology or in choosing the sites for detailed study.
The key responsibilities set out for members of the Advisory Panel were to provide the Board of Directors with advice regarding the quality and integrity of the research process and presentation of findings, and to prepare a report (unedited by Newmont) that captures the Panelists’ perspectives regarding the research process and findings, as well as any recommendations for charting a path forward for Newmont.

B. Methodology for the Global Report

In August 2007, Mr. Rader met with the ESR Committee, the Chair of the Advisory Panel, and Newmont’s ESR team to draft an overview research methodology and establish a project timeline. In September 2007, the Advisory Panel held its first meeting. Out of these meetings, a comprehensive research methodology and research template document emerged for use by the site assessor teams. An overview of the research methodology, including an outline of the research template document used by the study teams, is provided at Appendix 5B.

C. The Addition of Minahasa

As noted, five operating sites were originally selected for the CRR. In the Advisory Panel’s first “Interim Report,” submitted on October 15, 2007, the Panel highlighted its “particular concern” that the Minahasa Raya Mine, located on the island of Sulawesi in Indonesia, was not included among the sites selected.ii

The Advisory Panel’s concern about Minahasa’s exclusion from the CRR was twofold. It believed that there was a “need to assess the substantive insights that are related to the Minahasa experience.” In addition, it concluded that “given its high profile” the decision not to include Minahasa “may seriously undermine the credibility of the initiative from a public perspective by raising questions about the motivation of its exclusion.”iii

Subsequently, in light of the Advisory Panel’s recommendation, and with approval from the ESR Committee, it was agreed that an additional review would be conducted of lessons learned by the company from its experiences with the Minahasa Raya Mine. The Minahasa case study differs significantly from the other five case studies, however, because (a) it is in the closure monitoring, rather than operational, phase of its mine life, (b) it was already entering closure when Newmont’s ESR policies and standards were put in place, and (c) there are ongoing legal appeals underway in relation to litigation about the mine.

With these considerations in mind, the ESR Committee, the Study Directors, and the Advisory Panel engaged in consultations regarding the scope of the review that would take place with respect to the company’s Minahasa experience. The Advisory Panel advocated for an expansive review, including initial interviews with internal stakeholders, followed by interviews with external stakeholders. Ultimately, it was agreed by all parties that only internal interviews would be conducted, with a subsequent decision to be made by Newmont as to the feasibility of external interviews, in light of considerations about litigation in Indonesia related to the Minahasa operations and other concerns.
In March 2008, the Centre for Social Responsibility in Mining, in collaboration with the consultancy OfforSharp, was commissioned to undertake this internal review. The following individuals participated in this review:

**Minahasa Review Team**

- **Deanna Kemp**, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia;
- **Robin Evans**, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia;
- **Julia Plavina**, Research Assistant, Centre for Social Responsibility in Mining, University of Queensland, Australia; and
- **Barbara Sharp**, Director, OfforSharp, Australia.

The premise of this more limited review was to enable important insights gained from the Minahasa experience to be integrated into the CRR summary report, along with the insights gained through the other case studies.

**D. Identifying the Factors in Conflict: Framework for the CRR**

1. **Understanding Conflict**

At the outset of the CRR initiative, Newmont commissioned two papers to provide context to the research conducted at the project sites. International Alert, an NGO with recognized expertise in the area of conflict-sensitive business practice, drafted one of the commissioned reports, *Extractive Companies and Conflict: An Overview*. The International Alert report, discussed below, is attached at Appendix 9, and helped to frame the consideration of conflict as a key driver in company-community relations in the context of this review. The second report, *Community Issues Assessment of Ghana, Indonesia, Nevada, New Zealand, and Peru*, was drafted by the Fund for Peace, a research and educational organization.

The International Alert paper provided Newmont and the Study Directors with an overview of the types of conflicts that can contextualize and define relationships between mining companies and community stakeholders. The themes set out in the study, discussed below, provide a useful framework for the specific findings of the CRR. In examining its community relationships, Newmont has sought to define the nature and basis of conflicts that develop between communities and mining operations.

Newmont has placed particular importance on understanding the ways in which its actions, or simply its presence, could create conflict and/or exacerbate existing conflicts, as well as how its actions could diminish conflict. The company has also sought to understand the influence on its operations of the wide range of underlying, as well as historic, political and civil institutional dynamics and capacities that it encounters in the regions where it operates, and which shape its relationships with communities. Ultimately, Newmont sought to identify both the drivers of conflict and how it could most effectively manage conflicts in current and future community relationships.

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12 The Study Directors have reviewed the Fund for Peace paper, which provides an overview of the local and national context of the five mines originally selected for the CRR. Ultimately, for methodological reasons, the Study Directors decided not to use the research of the Fund for Peace to contextualize the site studies in this final report.
2. Mining and Conflict

International Alert frames its analysis in terms of the four types of conflict that a mining operation can create, as well as the impacts that mining operations can have on existing community conflicts.

**Money:** First, extractive industry projects generate significant resources in the form of financial payments, like taxes and royalties, as well as in contracts for services. Introducing such resources into unstable political contexts “provides both an incentive and a means to fight.”

**Extraction:** Second, “the very nature of the industry, extracting resources from the ground, can itself be a source of resentment and tension. Whether because populations in the vicinity of the project see the benefits accruing only to others outside the region or because of the relationship indigenous communities have with the land, companies can find themselves the focus of anger simply by conducting their business.”

**Footprint:** Third, “the physical impacts of…mining projects are enormous, ranging from the arrival of earth-moving equipment, the presence of a large number of contractors and workers, environmental degradation to impacts on the traditional lifestyle of the surrounding population and actual resettlement of whole communities.” When they are compounded, such factors can drive conflict.

**Function and Mandate:** Finally, “companies themselves have evolved, and are set up to operate within certain parameters, including a sound regulatory environment, political stability, rule of law, enforcement of laws and a clear division of responsibilities in which the state is able and willing to perform its functions.” Countries that are in conflict or prone to conflict may lack such conditions, leaving “the company to confront challenges which it has neither the experience, nor the legitimacy, nor the expertise to manage.” In such scenarios, the company’s actions may only serve to exacerbate the problems.

3. Key Factors in Conflicts between Companies and Communities

International Alert identifies a set of key factors that companies should consider when planning operations in sensitive areas. These factors include:

**Legacy:** Mining companies should consider the history of conflict in the regions in which they operate, including conflict between and within communities, as well as between communities and the state, both at national and local levels. Often, “communities’ views of each other and of the company are dictated by their perceptions of past conduct of companies which may have no relationship with the current company.”

**State Neglect:** The public infrastructure to which companies are accustomed in developed societies often does not exist in rural communities. Notably, if the monetary, employment, and infrastructural benefits that the investment brings are provided to elite communities in urban areas or the federal capital, rather than the local communities impacted by the mining operation, “the situation is ripe for potential violent conflict between the beneficiaries and those in the community who have not benefited, or with the company itself.”

**Intra-Community Relationships:** Companies can inadvertently foster conflict by offering benefits to what some stakeholders believe to be the wrong community. This can lead to tensions between communities, between the community and the company, and/or within different factions of a single community. The resentment generated by this can lead to violent conflict within the community or with the company.
Consultation Process: Inadequate consultation processes can also lead to conflict. International Alert found that although most responsible companies attempt to resolve problems through a consultation process with the local communities, such processes are often flawed. Factors that can undermine effective consultation include the presence of armed guards, government officials, or sometimes even the company officials. Consultation can be ineffective when held in “culturally-inappropriate settings, such as town hall meetings, which prevent those who wish to speak confidentially (or those disempowered to do so, such as women, young people in the presence of elders, or minorities) from sharing their views in public.” xi Notably, “[s]elf-appointed spokespeople of communities often command a large share of such proceedings, preventing the company from hearing the views of those who are not so vocal.” xii

Expectations: Managing the expectations of communities is often a challenging task for mining companies. Companies in the extractive sector are often unable to provide jobs on a sustained basis for the number of people in the communities. Moreover, the community often lacks the skilled workforce that the company needs for the performance of sophisticated engineering tasks. In addition, the products the communities can sell to the company are limited, and the communities may be unable to provide the kind of products that the company wants. International Alert warns that the “[a]bsence of meaningful economic engagement can also cause violent conflict.” xiii

Use of Land and Resources and Displacement: The commencement of mining operations in a region leads to increased competition for such resources as land, roads, water, and food. A company’s interest in securing its area for safety reasons may inconvenience communities by reducing access and supply. The resettlement of people and relocation of communities can lead to significant conflict.

Use of Security Forces: The use of security forces must be considered carefully by mining companies, as interactions between community members and security personnel can become violent. “When the community feels that its expectations are not met, it may decide to protest…against the company’s facilities. The company cannot place undue restraints on such demonstrations, and human rights law allows for peaceful protests….”xiv Often, though, “demonstrations have turned violent: sometimes provoked by the armed forces guarding the facilities, sometimes by the community.” xv

Sharing Revenues: Communities sometimes resent the company because they are either unaware of what the company contributes to the state in the form of taxes, revenue-sharing agreements, or royalties, or they have not received their share of such revenues from the state.

Internationalization of Issues: International Alert concludes by cautioning that: “[i]nternational NGOs have developed sophisticated mechanisms through a network of local NGOs, politicians, and media network[s], to monitor the conduct of companies operating in sensitive areas. Even a small wrong step by the company can lead to demonstrations by local communities at the company’s facilities, and such information gets widely disseminated.” xvi

Many of these factors are relevant to the Newmont mines assessed in this review, and contribute to conflict between the mine and local communities. The effective management of such conflicts will be critical to Newmont’s future business success.
IV. Management of Community Relationships

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This section of the report provides an overview of the people, standards, and systems that Newmont has in place to manage its engagement with community stakeholders. Newmont’s community relationships and the perceptions and concerns of stakeholders around the mine sites are framed by a corporate governance structure and management system that seeks to operationalize the company’s values and objectives.

A. Management of ESR

1. ESR Committee

Ultimate oversight responsibility for the management of community relationships at Newmont lies with the Board of Directors, and, specifically, the ESR Committee. As established, the ESR Committee is to have three independent directors. Currently, as noted above, there are five independent directors on the Committee: James V. Taranik, Chair; Robert J. Miller; Veronica M. Hagen; John B. Prescott; and Joseph Carrabba.

Newmont has framed the primary responsibilities of the ESR Committee as the “management of sustainable development, environmental affairs, community relations, and communications issues.” In discharging these responsibilities, the Committee is expected to “[r]eview with management [Newmont’s] goals, policies and programs relative to sustainable development, environmental affairs, community relations and communications issues.” The Committee is also to review Newmont’s “policies with respect to risk assessment and risk management” and “existing and potential opposition to [Newmont’s] operations from host communities” as well as the “steps management has taken to monitor and control such exposures.”
Since the ESR Committee began functioning with its current mandate, its primary means of oversight has been through oral briefings by ESR executives. For environmental reviews, the Committee is able to assess reports against established key performance indicators. These reports include the performance reviews of select executives and managers responsible for overseeing environmental issues. Although there are some key performance indicators available for the sites, and Newmont globally, regarding community relations concerns, there are no established key performance indicators within the management performance reviews.

B. Corporate Management Structure

1. Corporate Headquarters

In 2004, Newmont integrated the management functions of environment and social responsibility, creating the ESR group. Newmont has recognized that environmental and social impacts from its business are inextricably linked. As such, Newmont has had a focused effort to integrate the environmental and social performance aspects of its business under the common heading of ESR.

At the corporate level, this function is headed by the Vice President, ESR, who also has the title of Chief Sustainability Officer. The Vice President, ESR, reports to the Executive Vice President for Legal and External Affairs. The Executive Vice President reports directly to the Chief Executive Officer.

Two managers with corporate level responsibility for community relations issues report directly to the Vice President, ESR: the Director of Community Relations and Social Development, and the Manager of Environmental Affairs and Sustainable Development. Collectively, these individuals bear central responsibility for community relations at corporate headquarters in Denver. There is also a Manager for ESR, dedicated to the Exploration Department at the corporate office, who is responsible for providing support to Exploration for environmental and social responsibility management.

The ESR personnel at corporate headquarters are responsible for developing the company’s overall ESR approach, including its community relations strategic plan, policies, and standards, and for ensuring that the company’s operations on the global level approach community relations and development in a consistent manner. The ESR function represents a commitment by Newmont to developing policies that integrate responsible practices into daily business operations, and to reporting on progress made toward implementing these practices with an emphasis on social, environmental and economic sustainability.

2. Regional and Local Management

In 2006, Newmont reorganized its global management structure. Within this new management structure, Newmont’s operations are divided into four Operating Regions: North America, South America, Africa, and Asia-Pacific. For each Operating Region, there is a Regional Senior Vice President. Reporting to the Regional Senior Vice Presidents are Regional Directors (or in some regions, Regional Vice Presidents) for Business, Operations, Human Resources, Legal, and ESR. These key positions form Newmont’s regional management teams.

The Regional Director for ESR reports directly to the Regional Senior Vice President and indirectly to the corporate Vice President for ESR. The Regional Director for ESR is responsible for the management of sustainable development, environmental affairs, community development, community relations, closure planning and reclamation, government relations, internal and external communications, media relations, and community health.

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1 A corporate-level organizational chart is provided in Appendix 7.
2 A regional- and site-level organizational chart is provided in Appendix 7.
3 For the purposes of this report, when referring to this level of management, the Study Directors will use the term “Regional Director.”
At the site level, Newmont has put in place management teams similar to those operating at the regional level. Rather than having a General Manager responsible for overseeing all functions at the mine, there is now a General Manager for each function (e.g., Operations, Business, ESR). These site managers have a direct reporting relationship to their functional counterpart at the regional level. In addition, these managers share equal authority within a cross-functional management team at each site. The ESR Manager has responsibility for interacting with other functional areas at the mine sites to ensure that Newmont’s standards are upheld and that effective practices related to community relations are implemented.4

Newmont’s management capacity for community relations differs widely in size and scope at different mine sites. For example, in Nevada, there is a General Manager for External Relations responsible for community relations at several mine facilities, while at Ahafo, in Ghana, there is a community relations staff of more than 100 individuals. At both the regional and the site levels, Newmont’s management system places significant emphasis on the ability of the managers to work cohesively as functional teams. See Appendix 7 for illustrations of Newmont’s management structures. The ultimate decision-making authority for regional issues lies with the Regional Senior Vice President, who bears primary responsibility for the management of community relations issues and the cross-functional implementation of community relations policies.

In 2006, Newmont created a “Global ESR Team” to coordinate efforts between the operating regions and the corporate office regarding environmental and social responsibility. Membership in the Global ESR Team includes the four Regional Directors for ESR; the Executive Vice President for Legal and External Affairs; the Vice President, ESR; and Manager, ESR for Exploration. The Global ESR Team is chaired by the Vice President, ESR, and meets quarterly, or more frequently as needed. There are also quarterly Regional Senior Vice President meetings at which ESR issues are a standing agenda item.

C. Objectives and Strategic Goals

Within Newmont, the term “community relations” is used to define the process of building and maintaining relationships with external stakeholders in the communities around operating sites.

Newmont has a corporate level ESR Strategic Plan for 2006-2008, which is currently being reviewed while the Strategic Plan for 2009-2011 is under development. The 2006-2008 plan includes an ESR mission statement “[t]o drive continuous improvement in environmental and social performance, consistent with the principles of sustainable development, with the same rigor as the financial and production aspects of our business, to build our reputation capital, ensuring our ability to operate around the world, now and in the future.”iv The company set two primary objectives for this mission: to achieve recognized excellence in environmental responsibility, and to be a partner of choice for governments, communities, and industry.

Although environmental concerns are an important component of the dialogue between communities and the company, the CRR does not focus on Newmont’s environmental policies and management systems. It does, however, consider specific environmental concerns that arise in the context of the company’s community relationships.

Newmont sets five goals with regard to the objective of being the partner of choice for governments, communities, and industry. The first goal is to drive continuous improvements in social performance. The second is to develop integrated social and environmental closure plans to create enhanced post-mining land use and community opportunities. The third is to consistently engage stakeholders and NGOs. The fourth is to incorporate community participation into all stages of the mine lifecycle. The final goal is to develop an understanding of

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4 At some mine sites, the Environmental Manager and the Community Relations/External Affairs Manager, working together, share this responsibility.
human rights issues related to the company’s business and implement mechanisms to promote awareness and improve the behavior of employees, contractors, and supply chain partners. These goals, and the objectives they reflect, are consistent with best practices in the extractive sector.

In initiating the strategic plan, Newmont observed ”[b]y engaging with our stakeholders we will learn how to improve our performance. This is an iterative process and though we will never be perfect we can, and should, always improve.”

D. Internal Policies and Standards

Newmont’s policies and standards are guided by two overarching statements regarding the company’s corporate values. The first is Newmont’s Values Statement, which was revised in 2007 under the administration of a new Chief Executive Officer. The second is Newmont’s Social Responsibility Policy, adopted in 2003, and attendant implementation guidelines. These statements are attached in Appendix 6.

The Values Statement does not directly address the manner in which the company is to interact with community stakeholders. It does, however, state that Newmont will “act with integrity, trust and respect.” It also indicates that the company will “demonstrate leadership in safety, stewardship of the environment, and social responsibility.” In addition, it declares that Newmont will “insist on and demonstrate teamwork, as well as honest and transparent communication.”

The Social Responsibility Policy states that ”Newmont’s future is dependent on our ability to develop, operate, and close mines consistent with our commitment to sustainable development, protection of human life, health, and the environment, and to adding value to the communities in which we operate.” It also indicates that every Newmont operation will “[t]rain our people and provide the resources to meet our social responsibility objectives and targets”; “[r]espect the social, economic, and cultural rights of indigenous peoples”; “[s]eek to share our success by partnering with stakeholders in appropriate community development programs”; “[c]onsult stakeholders in matters that affect them”; and “[s]trive to communicate our performance in an accurate, transparent, and timely manner.”

Newmont’s Social Responsibility Guidelines, which provide guidance regarding the company’s Social Responsibility Policy, state that the company “believe[s] the principles of sustainable development encompass these widely recognized principles: the conservation and preservation of natural resources and the environment; the equitable sharing of the benefits of economic activity; [and] the enhancement of the well-being of people.” The Guidelines also state that “we must make every effort to ensure we add value to those communities and that those communities believe that they are better off as a result of Newmont operating in their area.” Finally, the Guidelines set forth a corporate objective to “provide increased returns to our shareholders while creating value for our wider set of stakeholders through the fulfillment of our social responsibilities.”
1. Five Star Integrated Management System Standards

a. Overview

In 2003, Newmont adopted a proprietary Five Star Integrated Management System as a global system to manage its performance in the areas of community and external relations, health and safety, and the environment. The Five Star system was developed internally, and was based on the ISO model. It includes both a set of overarching Integrated Management Standards (“IMS”) as well as specific sets of performance standards in the areas of Community and External Relations (“CER”); Environmental Management; and Health, Safety, and Loss Prevention (“HSLP”). 5 The Five Star standards provide operational guidance regarding the implementation of Newmont policies. The system is intended to drive continuous improvement at each of Newmont's operating sites. Each standard has a separate set of guidelines regarding the steps that operating sites should take and the principles that should guide those actions. These guidelines reference additional documents from Newmont's external relations “toolbox” that are available to assist and guide site management in this process. 6

Newmont has not assessed its activities against the Values Statement or the Social Responsibility Policy, but it has assessed its operations against the Five Star Standards. Until 2007, external assessors conducted annual assessments of Newmont’s progress toward meeting the Five Star standards. Each operating site was required to develop an Improvement Program to address “high” and “extreme” risks identified in the risk assessments. Since 2007, in light of the CRR process, CER assessments have been suspended. Environmental audits will be conducted pursuant to ISO 14001 methods, as well as formal legal compliance and performance audits, rather than Five Star assessments. Health and Safety assessments currently utilize the OHSAS 18001 approach.

b. Standards on Community Relations

Newmont’s Five Star standards cover a wide range of risk and functional areas. IMS Standards that are relevant to the CRR include: the standard on Risk & Opportunity Management, and the standard on External Stakeholder Engagement & Reporting. The intent of the Risk & Opportunity Management standard is to “provide a common framework for the systematic and structured management of risks and identification of opportunities to Newmont such that risk management, including risk assessment and risk mitigation/control, is conducted in a systematic and consistent manner across the Corporation.”ix The intent of the External Stakeholder Engagement & Reporting standard is to “provide proactive external stakeholder engagement to assist with the management of risks and opportunities to both Newmont facilities and external stakeholders, and to develop and maintain positive stakeholder relationships.”xi

Newmont’s CER standards include standards on: Management of Sites with Cultural or Religious Significance to Indigenous Peoples; Management of Heritage Sites; Land Access and Acquisition; Local Community Investment; Indigenous Employment and Business Support; Staff and Contractor Behavior; Social Impact Assessments; Human Rights Awareness; Local Employment and Business Support; Security Forces Management; Resettlement and/or Displacement of Peoples; Closure; Media Relations; and Government Relations. The standards address the specific risk areas that Newmont has identified with regard to the management of community relations. Site management is required to develop specific processes and/or management plans for each standard. The standards are notably progressive and demonstrate industry leadership in many respects, including in their commitment to the principle of free, prior, and informed consent (“FPIC”).xii

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5 An overview of Newmont’s CER standards, as well as select IMS standards, is provided in Appendix 6C.
6 A visual overview of the relationship between Newmont's statements of policy, its management standards, and the standard operating procedures at the mine sites can be found in Appendix 6D.
7 The term “free, prior, informed consent” has been used since 2004 in Newmont standards with regard to Newmont's relationships with landholders to indicate that it will access and acquire land based on negotiated agreement. In jurisdictions where title and use rights are subject to disagreement between government and traditional owners, Newmont seeks agreement with both parties. Newmont also participates in the many forums in which FPIC is debated as a broader concept.
Newmont has self-monitored site compliance with the CER standards through the submission of quarterly and annual reports from the operating sites. These reports from the operating sites are an important component of, and basis for, the company's annual sustainability report. The sites are asked to provide information on key performance indicators tied to compliance, incidents, improvement programs, Five Star opportunities for improvement, awards, achievements, SIAs, stakeholder mapping and analysis, and training programs, using the Global Reporting Initiative's G3 guidelines. External auditors review the annual sustainability report.

2. External Policies and Standards

As a member of the International Council of Mining and Metals ("ICMM"), Newmont is also guided by ICMM’s ten principles related to ethical business practices, sustainable development, human rights, the environment, and transparency. The ICMM principles were instrumental for Newmont’s ESR team as it drafted the company’s Social Responsibility Policy and the CER Standards. Newmont is committed to reporting publicly on its activities with regard to these principles, and independent assurance of that reporting has been done since 2004.

In addition, Newmont seeks to abide by the principles set forth in a range of other voluntary standards and multi-stakeholder initiatives. These standards and initiatives frequently represent current best global practices, often across all industrial sectors, and include the Voluntary Principles on Security and Human Rights ("Voluntary Principles"), the Extractive Industries Transparency Initiative, the Partnering Against Corruption Initiative, the International Cyanide Management Code, the Global Sullivan Principles, the Global Reporting Initiative ("GRI"), the United Nations Global Compact, the AA1000 Standard and Reporting Framework (AccountAbility), and Publish What You Pay. Newmont may be the only company in the extractive sector associated with such a broad range of multi-stakeholder corporate responsibility initiatives and, as such, has committed itself to the leading international standards of the day.

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8 International Council of Mining and Metals – Ten 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 the 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; and 10) Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders. International Council of Mining and Metals website, Our Work, Sustainable Development Framework, 10 Principles, available at http://www.icmm.com/our-work/sustainable-development-framework/10-principles.

9 Separately, at the site level, Newmont makes specific commitments on occasion to the guidelines established by funding institutions, such as the International Finance Corporation ("IFC"), the European Bank for Reconstruction and Development, the United States Export-Import Bank, governments, and stakeholder groups.
A. Overview of Site Selection Process

The original Study Director and Newmont management selected the operating sites for evaluation by the CRR. At the time the sites were selected, Newmont was engaged in 18 projects around the world, including active mining operations, sites under development, and sites moving into closure. In reviewing potential sites, it was determined that sites under exploration and closed sites would not be selected for review because Newmont’s operating standards were not sufficiently implemented at those sites to provide for effective case studies.²

Limiting the study to mine sites in the Operation stage provided a set of case studies that are well-suited for analysis pursuant to the objectives established by the ESR Committee, inasmuch as the CRR is intended to analyze the relevance of Newmont’s policies, systems, and controls with respect to the management of community relations and community development programs and activities. The study is also intended to assess the impacts of Newmont’s capacity and governance on community relations and community development programs and activities. Limiting the study to sites currently operating at full capacity with complete management teams in place allowed for the best comparison of sites differentiated by other factors, including history, economic conditions, political and regulatory environment, and geography.

¹ In the site studies, study teams frequently made reference to the “External Relations” or “External Affairs” departments. In quotations from the reports of the study teams, and in reference to the titles of specific individuals, the Study Directors have used this same terminology. Generally however, the Study Directors have referenced the “ESR” department, reflecting overarching Newmont terminology. The narrative reports for the five site studies are provided at Appendix IA-E.
² As discussed in Section III, Minahasa was added to the CRR after the selection of the original five sites.
The decision to limit the CRR to sites in the Operation stage, however, created some inherent limitations to the study. As will be discussed in Section VI, the implementation of effective community relations policies requires the strategic and comprehensive inclusion of community relations concerns in all aspects of a mine’s operation. From the perspective of community stakeholders, the “operation” of a mine may begin long before the mine is within the “Operation” stage of its life cycle. Moreover, activities undertaken during the Exploration and Project Development stages of the mine life cycle, which can last 7-10 years, may have significant impacts on the mine’s relationships with community stakeholders. The discussion in Section VI provides examples of community concerns resulting from activities during the initial stages of the mine’s life cycle that continue to impact the mine’s relationships with community stakeholders during the Operation stage.

An overview of the project sites for which Newmont has operational responsibility can be seen in Figures 1-2, below. Figure 1 is a global map identifying the locations of Newmont’s current operating sites, as well as major project sites. Figure 2 identifies operating specific sites and the “stages” in the mine life-cycle — including Exploration, Project Development, Operation, Closure/Rehabilitation, and Long-Term Monitoring — for each mine location. The thirteen sites initially considered for inclusion in the CRR were: Tanami (Australia); Jundee (Australia); Martha (New Zealand); Batu Hijau (Indonesia); Carlin (United States); Leeville, Phoenix, Twin Creeks, Midas (all Western Nevada, United States); Yanacocha (Peru); Kori Kollo (Bolivia); Kori Chaca (Bolivia); and Ahafo (Ghana). Appendix 8 provides an overview of the key characteristics of these sites. The five sites chosen for analysis were: Martha (New Zealand); Batu Hijau (Indonesia); Carlin (United States); Yanacocha (Peru); and Ahafo (Ghana). A summary of the five site studies, and Minahasa, is provided below.

In the course of the site-selection process, the Study Director and Newmont sought to choose sites that reflected the diversity of conditions that could influence the company’s relationships with impacted communities. The Study Director wished to evaluate both the effectiveness of a common approach across diverse locations, and the relevance of particular site characteristics. It was determined that project sites should be representative of the variety and complexity of the social and political contexts in which Newmont operates, including both developing and developed countries. The sites were also selected to reflect varying socio-economic conditions, climatic conditions, and stages in the mine-cycle, as well as cultural and indigenous peoples’ issues.

In the judgment of the current Study Directors, the sites that were selected reflect an appropriately broad range of operating conditions and provided a rich set of perspectives and comparisons from which to make observations regarding the management of Newmont’s community relationships. The CRR sites include mines in Africa, South America, the United States, Indonesia, and New Zealand. There are mines in remote locations, such as Carlin, and mines that are located in direct proximity to residential properties, such as Martha (“Waihi”). The sites include Newmont’s newest mining operation, at Ahafo, as well as mines that have been in operation for over 40 years, such as Carlin. There are sites where community relationships are strained, such as Yanacocha, and mines where current relationships are relatively positive, such as Waihi. The sites also reflect operating environments with strong political and regulatory institutions, such as Waihi and Carlin, and sites with relatively weak political and regulatory institutions, such as Ahafo and Yanacocha. Finally, the sites reflect geographical diversity: Carlin is located in a semi-arid high desert, and Yanacocha and Ahafo are located on fertile ground.

When considering the objectives of the CRR, another important consideration guiding the site selection was the degree to which each mine reflected the implementation of Newmont’s management standards. As seen in Figure 3, three of the sites chosen for the CRR (Yanacocha, Waihi, and Carlin) were in operation for significant periods prior to the adoption of the current standards, in 2003.
In contrast, Batu Hijau has only been in operation since 2001, and Ahafo began operation in 2006. The sites therefore reflect a range of historical factors specific to Newmont.

Notably, although the CRR was limited in the scope of the sites reviewed, the drafting of this report does not represent the end of Newmont’s review process. Any future action based on the findings of the CRR must involve engagement, analysis, and implementation at all of Newmont’s project sites. Newmont’s efforts to address community engagement must be driven by an understanding of the importance of strong community relationships at each location at which it conducts activities. Although Newmont has unique relationships with the stakeholders at each of its sites, this report is intended to provide recommendations that can help drive improvement throughout the company, at both current and future project locations.

*Figure 1 – Newmont’s Operating and Project sites.*
**Figure 2 – Newmont’s Operating and Project Sites, as of August 18, 2008.**

<table>
<thead>
<tr>
<th>EXPLOSION</th>
<th>PROJECT DEVELOPMENT</th>
<th>OPERATION</th>
<th>CLOSURE &amp; REHABILITATION</th>
<th>LONG-TERM MONITORING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small teams, little or no fixed presence</td>
<td>Site Investigation, Design, Permitting and Construction</td>
<td>~5 - 40+ years</td>
<td>Examples: Minahasa, Golden Giant, Con Mine, Lone Tree, McCoy Cove</td>
<td>30+ years</td>
</tr>
<tr>
<td>10 - 14 years</td>
<td>7 - 10 years</td>
<td>Tanami, Junee, Martha, Batu Hijau, Carlin, Leeve, Phoenix, Twin Creeks, Midas, Yanacocha, Kori, Kollo, Kori, Chaca, Ahafo</td>
<td>Batu Hijau 2001 - 2030</td>
<td></td>
</tr>
<tr>
<td>Example: Elang</td>
<td>Boddington</td>
<td>Batu Hijau</td>
<td>Ahafo Mine 2006 - 2019</td>
<td></td>
</tr>
<tr>
<td>Dozens scattered around the world</td>
<td>Nassau</td>
<td>Carlin Operations</td>
<td>Minahasa 1996 - 2004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Akyem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minas Conga</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hope Bay</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Projects may be acquired or sold at any time during the life of the project. For example, the Idarado project in Colorado, United States was acquired as a closed site through the acquisition of Battle Mountain Gold in 2002. The Palango operation in Queensland, Australia was acquired by Newmont in 2002, operated by Newmont for about 4 years, and sold in 2007. This is an important consideration when reviewing the impact of company policies and standard on what exists today in a company’s profile.*

**Figure 3 – The “Life Span’ of the CRR Project Sites Relative to Newmont’s Current CSR Policies and Standards.**

Site Case Study Selection Relative to Life of Mine and Current Policy and Standards
B. Martha Mine – New Zealand

*Site Study conducted from September 17-21, 2007.*
*Interviews were conducted of 32 external stakeholders and more than 40 company representatives.*

The Martha Mine, located in the town of Waihi, and hereinafter referred to as "Waihi," has been in operation since 1988. Newmont acquired the mine in February 2002 as part of its larger acquisition of Normandy Mining, an Australian mining company. Today, Newmont Waihi Gold ("NWG") consists of both the Martha Mine and the Favona underground mine (operational since 2006).

**Key Characteristics:**

- There are residential properties within 50 meters of the boundary of the mining facility, and amenity concerns have been an ongoing concern between community residents and the mine.
- The people of Waihi include Māori with unique historical and cultural ties to the land where the Martha open pit was excavated.
- The mine operates in a stable and mature political context in which the rule of law is well-established.

**Strengths:**

- In the context of strict consent conditions, the mine has been highly responsive to community concerns regarding the amenity effects of its operations.
- The mine has a strategic approach to community engagement that includes the Waihi Community Vision process, an initiative that stakeholders believe has positively influenced the development of relationships between Newmont and community stakeholders.

**Risks and Concerns:**

- Uncertainty regarding the mine's closure timeline has created tensions with both Māori and non-Māori stakeholders.
- Recent management restructuring has led to community uncertainty regarding the site's future responsiveness to community concerns.

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The full narrative report for the Waihi case study, as prepared by the study team, can be found in Appendix 1A.
1. Context

Newmont has operated in New Zealand since 2002, when it acquired Normandy Mining. Since that time, its operations have existed in a relatively affluent national context, as New Zealand’s economy has experienced sustained growth over the past decade. New Zealand’s political environment is stable, and the country has low levels of corruption.

In terms of mining and extractive industries, New Zealand has a “comprehensive and progressive suite of legislation that covers mining and resource development.”\textsuperscript{v} The Resources Management Act of 1991 ("RMA") provides for local decision-making regarding issues related to mineral development. The legislation also mandates consultation with local communities and Māori. Māori people represent approximately 14.6% of the New Zealand population and 25.9% of the population in the Waikato region.

Newmont’s mining operations are located literally within the town of Waihi, as seen in the photograph below. Waihi has a population of approximately 5,000 people and is located in a rural area at the base of the Coromandel Peninsula, a region that is popular with tourists. The total population of the district is 80,000, of whom about 30,000 are directly impacted by the mine. Waihi has a long historical association with gold mining, and for tourism purposes has branded itself as New Zealand’s “Heart of Gold.”

Currently, the economy around Waihi is based on mining, manufacturing, agriculture, and tourism. Newmont is the single largest private employer in Waihi, with mine-related activity representing 25-30% of the local economy.

There has been a history of conflict associated with gold mining at Waihi, dating back to the early gold rush years and the arrival of European miners. The Waihi study team observed that “these memories still serve to inform the Iwi’s association with mining at Waihi.”\textsuperscript{vi} Another interviewee observed, “you can’t divorce the current relationship [between the mine and the community] from its history....”\textsuperscript{vii}

Prior to Newmont’s acquisition of the mine in 2002, there was considerable controversy around the 1987 consent process that lead to the opening of the mine, and significant protests were led by environmental groups. More recently, there has been community controversy related to subsidence events. In 2001, a house close to the eastern end of the mine pit collapsed into a subsidence crater associated with old underground mine workings. This led to the resettlement of certain Waihi residents, and ongoing uncertainty and community tension around land valuation and the potential for further subsidence events.

\textit{The Martha Mine pit – in the town of Waihi, New Zealand.}\textsuperscript{viii}
2. **Key Issues**

*Amenity concerns.* Amenity concerns are significant at the Martha Mine, which is located in the town of Waihi. There are residential properties as close as 50 meters from the mine pit and there have been negotiations between Newmont and stakeholder groups, including the Distressed Residents Action Team (“DRAT”) regarding the impacts of noise, dust, and vibrations on community members living near the mine pit.

**Uncertain Closure Date.** Mining of the Martha Mine open pit had been scheduled to conclude at the end of 2006, but a stabilization program along the southern pit wall extended operations. At the time of the CRR study, Newmont was considering a feasibility study for east and west cutbacks that would further extend the life of the mine.

**Concerns of the Māori.** Land use at Waihi, particularly excavation of the mine pit, is framed by the fact that the Ngati Tamatera, a Māori iwi (tribe or clan), has special ties to Pukewa, the mountain that existed at the site of the current pit. The Māori are anxious for the mine to establish a closure date so that they can begin a grieving and healing process once the mine has closed. Tensions with the Māori have recently increased as the mine’s imminent closure has come into question in light of new exploration cutback options that could extend the life of the mine.

**Impact of Management Restructuring.** Community stakeholders are concerned about the potential impact of Newmont’s recent management restructuring. One stakeholder observed that “[t]he message and the subsequent perception is that the high level of personal engagement that the community has had at senior levels from within the operation will no longer be there.”

3. **Strengths**

Newmont has a positive relationship with community stakeholders in Waihi. The operations are believed to have a strong social license to operate based in a operating site culture that has been very responsive to community concerns. Stakeholders cited strong leadership by previous General Managers at the mine, in addition to the Community Liaison Officer (“CLO”) and the ESR Department. Specifically, the study team found that a key factor in the mine’s positive relationships with surrounding stakeholders was the “strong influence of a series of prominent General Managers, two of whom were repeatedly cited for their active and positive involvement in community affairs.”

The ESR Department is well-resourced and has experienced staff with well-defined areas of responsibility. Notably, the mine has recruited local people with established networks in the community to work in Community Relations and ESR. Local people have held senior and key positions at the mine: three out of the last four General Managers were from New Zealand.

The mine was noted for having a “suite” of well-established and formalized policies, processes, and procedures for identifying and responding to community concerns. The study team observed that the mine has “developed a very systematic approach in this area that is embedded within site processes and is highly regarded by many interviewees.”
Stakeholders reported that the mine was particularly responsive to community concerns regarding amenity issues. Stakeholders also noted that the CLO was “approachable, personable, responsive and sensitive to the community.” The study team emphasized that CLO has the power to shut down operations at the mine pit, even if the site is operating within national consent limits. Noting that this was “rarely seen at other mining operations,” the study team reported that “there was a level of maturity across the site which recognized the importance of responding to community concerns.”

Waihi was also cited for its high level of community engagement. The study team found that the mine had various mechanisms and processes which work to diffuse tension and community opposition and that “[r]ather than relying just on a single mechanism, the operation employs a variety of communication and engagement processes,” and that “this is evidence of a strategic approach to engagement.”

The Waihi Community Vision (“WCV”) process was cited as an example of Newmont’s approach to stakeholder engagement. The WCV grew out of the Waihi Community Consultative Committee (“WCCC”), a group convened by the company in 2002, facilitated by independent mediators. Today, WCV is a multi-stakeholder initiative focusing on sustainability and post-closure planning. Newmont continues to fund the facilitation of the WCV. One stakeholder commented to the Waihi study team that “[t]he WCV has been a brilliant tool for growing Waihi and making us less dependent on the mine.” The study team also found that this collective initiative has “significantly and positively influenced the development of relationships between [Newmont] and various groups within the community” and “represents a strategic investment in capacity-building.”

4. Risks and Concerns

Stakeholders at Waihi are very concerned about the current and potential impact of the recent management restructuring on the mine’s approach to community relations. The study team found that stakeholders perceive the regional office to be “inaccessible” and believe that that the regional community relations staff were “less concerned about local issues and more focused on more higher-level concerns.” One stakeholder in Waihi concluded that “the new regional structure doesn’t work so well for the community, or for building community relationships.” The study team observed that, under the previous management structure, the site General Manager had made community relations a major focus for the mine. With this backdrop, the restructuring has been perceived as a retreat from a previous level of community engagement.

The lack of certainty about the closure date of the Martha open pit has created tensions between Newmont and community stakeholders in Waihi. The WCV process has been focused on developing projects for the post-closure period, and uncertainty regarding the closure timeframe has made it difficult for stakeholders to know what to anticipate which, pursuant to the key conflict factors outlined by International Alert, has led to expectation management issues. The issue of closure is also a significant issue in defining the mine’s relationship with local Māori. The traditional and cultural needs of the Ngati Tamatera to mourn the loss of Pukewa, the mountain which once stood where the mine pit is located, is in conflict with Newmont’s corporate imperative to explore opportunities to extend the life of the pit. This clash with traditional views was noted by the study team, which observed that the newest generation of Māori have seen comparatively limited benefits from mining on their traditional lands, perceive that mining has had a negative impact on their culture, and are “spoiling for a fight.” These cultural clashes present ongoing and future risks for Newmont.
Newmont’s current exploration of potential opportunities beyond Waihi, including in the Coromandel Peninsula, also presents community relations risks to the company. Stakeholders warned that Newmont would need to approach stakeholder engagement related to such expansion carefully, and noted that groups that were active in opposing the Martha Mine during the 1980’s might re-engage to oppose an expansion of Newmont’s operations.

Additional concerns raised by the study team include the fact that stakeholders perceive that Newmont is overly focused on amenity concerns in its approach to stakeholder grievances — to the extent that it does not track non-amenity issues raised by community stakeholders.

Stakeholders were also concerned about the mine’s new Amenity Effect Program (“AEP”), which is designed to compensate residents for amenity impacts: some believe that accepting payment from the mine might inhibit community members from expressing concerns regarding amenity issues in the future.

5. Recommendations

As noted above, the full Waihi narrative report is available at Appendix 1A. The following recommendations are reflective of the report completed by the Waihi study team in assessing the relationship between the Martha Mine and community stakeholders. Accordingly, some recommendations reference material not included in the preceding overview.

- Develop a sensitive, proactive approach to communication and engagement with respect to the possibility of, and uncertainty surrounding, open pit expansion. In light of Waihi’s strong commitments to securing “broad community support” for any pit expansion, such an approach should be tailored to the needs of all stakeholders and give particular consideration to the concerns of minority groups such as the Iwi who are eager to secure closure with respect to the mining of the Pukewa Mountain.

- Continue the discussions initiated with the Iwi regarding engagement mechanisms, including cultural heritage mapping, WCV input, and memoranda of understanding for engagement — particularly with the Ngati Tamatera and the Waihi Community Marae.

- Develop strategies to minimize any adverse impacts, real or perceived, that relate to the recent regional restructuring (e.g., the change from General Managers with direct responsibility for community relations to a management team that reports to regional managers in Australia).

- Commit to proactive engagement with respect to the exploration program beyond the Waihi area, including with oppositional groups, to ensure that channels of communication remain open throughout this process.

- Consider processes to more effectively address grievances that fall outside the immediate amenity focus (e.g., those related to local procurement and supply, hiring policies, and contracting).

- Ensure that engagement with organizations such as DRAT and the Social Development Group are not undermined by a perception that financial support for initiatives such as the AEP represents an effort to prevent stakeholders from expressing legitimate grievances.

* The Study Directors asked the study teams for their thoughts and assistance in drafting the site-specific recommendations.
C. Carlin Operations – United States of America

Site Study conducted from September 17-21, 2007. Interviews conducted of 12 company representatives and 35 external stakeholders.

Carlin Operations (“Carlin”), in Nevada, is the longest running mining operation in the Newmont portfolio. It has been in operation since 1965.

Key Characteristics:
- Carlin operates in a stable economic operating environment with political, judicial, and regulatory institutions that enjoy the confidence of community stakeholders.
- Nevada’s long tradition of mining, combined with mining’s economic importance to the state, provides a relatively favorable socio-economic operating environment for the mining industry.
- The land where the mines are located is claimed by the federally recognized Western Shoshone tribe\(^9\) under treaty rights.

Strengths:
- Carlin is perceived by the community to be an active “corporate citizen”; Newmont employees are widely engaged in the civic and economic life of the larger community\(^\text{xxi}\).
- The leadership of the ESR Department has helped to foster strong community relationships.

Risks and Concerns:
- The community relations program has not been systematized and converted into management policies and procedures: this could leave Newmont vulnerable to changes in its external operating environment.
- The mine has not engaged effectively with key stakeholders, including the Western Shoshone, Hispanics, and environmental NGOs.

1. Context

The Carlin Operations, went into production in 1965 and are located in northeastern Nevada, approximately equidistant between the cities of Reno, Nevada (270 miles to the west), and Salt Lake City, Utah (250 miles to the east). Nevada is a state with a long tradition of mining, dating back to the mid 1800s, and many towns and cities are dependant on mining for their economic survival.

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\(^8\) The full narrative report for the Carlin case study, as prepared by the study team, can be found in Appendix 1B.

\(^9\) The Western Shoshone, which are divided into nine tribal councils, are one of three divisions of the Native American Shoshone tribe.
This long history, combined with mining's economic importance to the state,\textsuperscript{10} results in a relatively favorable socio-economic operating environment for the mining industry. Nevada is also widely recognized for its world-class legal, judicial, and regulatory mining frameworks.

Carlin directly employs 1,900 persons, and is composed of a number of open pit and underground gold mining and processing facilities and associated infrastructure. Newmont also owns a 500,000 acre cattle ranch and coal-fired power station in the immediate area.

The closest commercial center to the mine is the city of Elko, which is located approximately 35 miles from the nearest mine. Elko has a population of approximately 35,000. The city of Carlin is located five miles from the mine, and has a population of approximately 2,300.

Newmont’s community relationships around Carlin include engagements with members of some of the nearby Western Shoshone tribes or bands. The land where the mines are located is claimed by the Western Shoshone under treaty rights. Specifically, controversy has surrounded interpretations of the Treaty of Ruby Valley, a 1863 peace treaty between the United States Government and representatives of the Western Shoshone. The key issue in dispute has been that the treaty did not contain provisions whereby the Western Shoshone conveyed land title or gave away ownership of their lands. In the 1950s, the Indian Land Claims Commission ("ICC") valued 26 million acres taken from the Western Shoshone at the 1872 price of $24 million. The Western Shoshone have refused to accept payment and the financial award is being held by the Department of Treasury. In 2004, the United States authorized payment of $145 million to the Western Shoshone for the transfer of 25 million acres of land, but seven of the nine Western Shoshone tribal councils passed resolutions opposing the legislation.

In recent years, groups like the Western Shoshone Defense Project have advocated for rights and interests of the Western Shoshone. In March 2006, the United Nations Committee on the Elimination of Discrimination of Racial Discrimination ("CERD") urged the United States Government to take action to resolve the land rights dispute in a way that "complies with the [tribe's] rights."\textsuperscript{xxiii} The CERD also called on the government "to freeze any plans for land privatization and desist from land use activities that are being carried out without consultation or despite protests from the tribe."\textsuperscript{xxiv} This ongoing dispute between the Shoshone and the federal government has undermined the dialogue between the Western Shoshone and the mine.

Another key stakeholder group for the Carlin Operations has been regional environmental NGOs, which have expressed concern regarding the dewatering rates of Newmont’s operations as well as the risk of release of mercury and cyanide.
2. Key Issues

*Relations with the Western Shoshone.* Carlin’s relationship with the Western Shoshone is negatively impacted by an ongoing dispute between the Western Shoshone and the United States Government regarding land rights in Nevada, which Newmont itself cannot resolve.

*Lack of Systematization.* Carlin’s approach to community relations is not systematized and converted into management policies and procedures. Specific areas in which community relations could be more effectively systematized include external trends analysis, risk registers, training, succession planning, performance management, and integration of the mine site into community relations.

*Vulnerability to Turnover.* The Carlin study team found that although the ESR Department has been very effective in addressing the concerns of local stakeholders, “the process is highly dependent on a handful of people in the company, particularly the Director of External Relations.” The study team reported that “[t]here is little succession planning to respond to scenarios such as promotions, reassignments, or departures from the company of such key people.”

3. Strengths

The Carlin Operations maintain a strong social license to operate and enjoy a generally positive relationship with community stakeholders. This is in part due to an economic and historical context that is very favorable to mining. The Carlin study found that Carlin’s strong community relations can be attributed, in part, to a state history that includes a “long tradition of mining, dating back to the mid 1800s” that has provided for the livelihoods of generations of people. The community’s perception of Newmont’s operations are also contextualized by a regional environment in which mines are “familiar landmarks” and “many towns and cities are dependent on mining for their economic survival.”

Carlin’s positive relationship with most local stakeholders is also attributable to the work of the ESR department. The study team found that the mine’s strong social license to operate “appears to be the reflection of an ingrained company culture in [site-level] External Relations, and the result of personal leadership provided by the regional management team and the External Relations Department.” The Director of External Relations, in particular, was “repeatedly mentioned by name as being accessible, proactive, trustworthy and genuinely concerned about the community.” In addition, the Carlin study team noted that the regional management team had made “community relations a priority,” “proactively reach[ed] out to key stakeholders well positioned to influence the larger community,” and “effectively leveraged an already positive context into an even stronger social license to operate.”

Notably, community stakeholders told the study team that the company lives up to its corporate values and principles and that it was a “trusted partner” in the community. Community members observed that Newmont representatives serve on community boards and that this was viewed as an “expression of company values.” Newmont and its employees make significant financial contributions to community development programs, and Newmont’s involvement in local economic development initiatives is perceived as a meaningful effort to support long-term economic sustainability.

Overall, the study team found that “the apparent level of trust between company and community is remarkable,” and that five specific factors were illustrative of the strengths of Carlin Operations’ current community relations program. First, most community members are convinced that they enjoy a higher quality of...
life because of the presence of the mine. Second, stakeholders believe that the company lives up to its corporate values and principles, and many refer to the company as a “law abiding citizen.”xxxvii Third, complaints at the mine are few and far between, but when problems do arise, the company has a clearly defined grievance mechanism for capturing complaints and assuring speedy resolution. Fourth, community members view the company and its employees as involved in the community and committed to its development. Many referred to this commitment as a matter of “company culture.”xxxviii Fifth, the company has a structured and recognized community investment program that focuses on eight clearly defined programmatic areas.

4. Risks and Concerns

Much of the Carlin site’s community relations success is based on the efforts of specific people or departments, as well as long-standing personal and historical connections to the community. The mine’s approach to community relations has not, however, been converted into management policies and procedures that “will assure its continued success independent of changes in the external environment or the transition of individuals to new responsibilities within the company.”xxxix The study team found that community relations could be more effectively systematized in the areas of external trends analysis, risk registers, training, succession planning, performance management, and integration of the mine site (as opposed to the regional office) into community relations efforts.

The Carlin study team also found that there is “no analysis of which company functional areas have the highest impact on...stakeholders, or which should be prioritized for special training, support, or monitoring and evaluation.”xli In addition, the study team found that there were no “policies for transparency, internal diversity, external inclusion of minority or vulnerable groups, sustainable development and/or other community relations areas.”xlii

With regard to its external relationships, although stakeholders generally believe that Newmont lives up to its corporate values and principles, there are notable exceptions. Even with clear grievance procedures, Newmont should not assume that such mechanisms are providing an adequate safety valve for the concerns of all community members, especially the Western Shoshone, who may not be using existing mechanisms. Historically, the mine has made little effort to dialogue with the Western Shoshone: initial discussions with the Western Shoshone regarding their land claims, and other issues of concern to the tribe, only began in 2005. Indeed, the study team found that site employees demonstrated “a general lack of knowledge of, or interest in, indigenous culture, and a lack of awareness of growing popular sentiment for indigenous peoples’ claims.”xlii

As the Carlin study team observed, the failure of the Carlin mine to systematically identify and assess stakeholder needs has left Newmont “exposed [to risk] if the external environment changes and new risks appear.”xlii Although, the external environment is largely supportive of mining, the mine is not as prepared as it could be to address the concerns and risks associated with key external stakeholder groups, including environmental NGOs and indigenous peoples. The study team also noted that the mine does not appear to be reaching out as proactively as it could to Hispanics living in the region around the mine, even though they represent a significant percentage of the new hires for companies in the area.

A final concern is that Newmont’s efforts to promote economic sustainability in the Elko region could be facilitated by a comprehensive approach, integrated into Newmont’s business strategy and operations, that focuses on sustainability of the region after mine closure.
5. Recommendations

As noted above, the full Carlin narrative report is available in Appendix 1B. The following recommendations are reflective of the entire report completed by the Carlin study team in assessing the relationship between Carlin Operations and community stakeholders. Accordingly, some recommendations reference material not included in the preceding overview.

- Broaden stakeholder engagement efforts to include groups that feel excluded from current dialogue efforts — namely, indigenous peoples, regional NGOs, and members of the Hispanic community. Although each of these groups seeks enhanced engagement with Newmont with regard to specific issues at Carlin, the Western Shoshone are the most significant gap in the mine's current community relations efforts. Key engagement issues to address with the Western Shoshone include respect for their traditional beliefs regarding the land, the long-term environmental impact of company operations, and claims to land ownership. Issues for regional NGOs include the transparency and materiality of environmental information provided by the company, especially as it relates to such concerns as dewatering, mercury, and cyanide. Newmont should also reach out to members of the Hispanic community to better understand their issues of concern and how company operations impact them.

- Design and implement management systems to ensure that the company's community relations principles are fully implemented in operations and that employees are held accountable for their implementation. Although the community relations program at Carlin is quite successful, it has not been converted into a comprehensive set of management policies and procedures that will ensure continued success independent of changes in the external environment or the transition of key staff.

- Ensure succession planning by systematizing the community relations experience to provide for continuity during transition. The aforementioned management systems and training should prioritize the need to share the tools and experience of the Regional Director ESR and the Director of External Relations with a broader group of managers at the regional office and mine site.

- Integrate site managers and hourly employees into the company's community relations efforts. Community relations skills should be developed at the mine sites. Instead of referring all community relations issues to the regional office in Elko, site managers and employees should receive training, systems, tools, and coaching to address stakeholder concerns in coordination with the regional office. Their site-level access to external stakeholders could add a valuable perspective to overall community relations efforts.

- Promote a sense of urgency regarding post-closure economic sustainability in the region with key local stakeholders to motivate them to take advantage of company sustainability efforts. A public outreach campaign that targets key community leaders with technical information and communicates a message of greater urgency to the public at large would help motivate the community to prepare for post-closure economic sustainability.

11 The Study Directors asked the study teams for their thoughts and assistance in putting together the site-specific recommendations.
 desarrollar e implementar una estrategia integrada para guiar los esfuerzos de cierre. Aunque la empresa ya está trabajando en el tema de sostenibilidad de cierre, especialmente a través de su participación activa en iniciativas como el Northern Nevada Partnership for Mining Sustainability y la Elko County Economic Diversification Authority, sigue faltando una estrategia integrada para guiar tales esfuerzos.

- Diseñar métricas de sostenibilidad para medir el impacto corto, medio y largo plazo del compromiso de la empresa con el desarrollo comunitario. Newmont no tiene métricas claras para demostrar a los stakeholders internos y externos el impacto tangible de sus iniciativas de sostenibilidad. Las métricas claras ayudarían a la empresa a definir mejor el razonamiento detrás de sus priorizaciones de áreas de inversión comunitaria y a desarrollar indicadores para medir no solo los inputs del programa (por ejemplo, presupuesto y tiempo invertido en gestión) sino, más importante, los impactos en la calidad de vida (por ejemplo, generación de ingresos, salud y educación).
D. Batu Hijau Mine – Indonesia

*Site Study conducted from October 22-27, 2007.*
*Interviews conducted of 48 company representatives and 80 external stakeholders.*

The Batu Hijau Mine ("Batu Hijau") is located on the island of Sumbawa, in the eastern part of the Indonesian archipelago. Mine construction began in 1997, and production started in 1999.

### Key Characteristics:

- The opening of the mine led to significant population growth in the local area.
- The mine is located in the recently created district of West Sumbawa. The local government institutions with jurisdiction over the mine are very new and are still in the process of building internal capacity.
- The mine operates in a national context characterized by considerable legal and regulatory uncertainty.

### Strengths:

- Mine employees are aware of the company's values and the importance of maintaining a social license to operate.
- The study team found that “the security paradigm and manner by which it is implemented is one of the best currently operating in Indonesia with its strong emphasis on avoiding confrontation and addressing the roots of conflict.”
- The mine has been very effective in supporting the development of infrastructure in surrounding communities. Projects have been developed in consultation with local communities and have often been bid out to local contractors for completion.

### Risks and Concerns:

- Stakeholders are concerned about the sustainability of the mine's community development programs.
- The Community Development team does not have a department manager and is under-resourced.
- Community stakeholders are frustrated at a perceived lack of information regarding both the allocation of community development resources and the environmental impacts of the mine's operations.
- Newmont is obligated to divest 51% of its shares to the Government of Indonesia under the current Contract of Work.

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12 The full narrative report for the Batu Hijau case study, as prepared by the study team, can be found in Appendix 1C.
1. Context

The Batu Hijau Mine is an open pit copper and gold mine located on the island of Sumbawa, in the eastern part of the Indonesian archipelago. A national environment that presents significant challenges to foreign investors contextualizes Newmont’s operations at Batu Hijau. Indonesia’s culture of corruption and its weak judiciary serve as deterrents to foreign investors. In addition, the Parliament is currently considering legislation that would provide for significant regional authority over mining operations — a development that many companies believe would negatively impact the development of the mining sector. Finally, mining companies face considerable challenges at the national and local level in securing land rights. An overarching atmosphere of legal uncertainty exists for foreign investors in Indonesia with respect to each of these factors.

Sumbawa has traditionally been one of the poorest islands in Indonesia. Newmont’s mine is the only commercial scale mine on the island, and is located in an area that was largely undeveloped prior to the commencement of mining operations in 1997. Since mining operations began, the local area has been transformed from a region of small villages to a district with numerous large towns. The workforce at Batu Hijau is 96% Muslim. The surrounding communities reflect a range of local and migrant populations, including indigenous peoples. Currently, the district has a population of approximately 80,000 people, with approximately 30,000 people living in the 12 communities directly impacted by mining operations. Much of the infrastructure in the local area has been provided, directly or indirectly, by the mine.

The Batu Hijau Mine operates in a dynamic social and political environment. The opening of the mine caused rapid growth in the local community; during this same period, the country of Indonesia underwent a significant transformation. These changes created tremendous challenges for the company in maintaining constructive relationships.

Batu Hijau’s relationships with community stakeholders have been contextualized by the controversy around the company’s operations at Minahasa, as discussed in a later section of this report. NGOs like JATAM13 and WALHI14 have raised concerns about potential marine pollution due to operations at Batu Hijau, as well as impacts on forest areas on the island of Sumbawa. Such concerns have been amplified by the national level controversy about Buyat Bay. Most of this advocacy has happened at the national level, and there is little local NGO activity in the immediate vicinity of the mine.

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13 Jaringan Advokasi Tambang (Indonesian Mining Advocacy Network Indonesia).
14 Wahana Lingkungan Hidup Indonesia (Indonesian Forum for the Environment/Friends of the Earth Indonesia).
2. Key Issues

Significant Demand for Employment. The commencement of mining operations at Batu Hijau created very high expectations in the local community regarding prospects for employment. As noted in the International Alert paper, such expectations instill a level of tension in the company's relationships with the community because such expectations can never be fully met. How, and to whom, jobs are allocated can be highly contentious.

Rapid Development. The commencement of mining operations brought rapid economic and community development, but also high inflation and marked income disparities. The Batu Hijau study team observed, "the cost of living has risen to such an extent that those who do not directly benefit from Newmont are excluded from many things and subject to higher prices for most goods and services in their community."xlix

Keeping Stakeholders Informed. An ongoing challenge for Newmont is how to communicate with stakeholders regarding specific issues of community concern, including the environmental impact of the company's mining operations and the allocation of community development funding.

3. Strengths

Overall, the relationships between Newmont and the stakeholders at Batu Hijau are positive. The company has done a good job identifying and engaging with community stakeholders, and seeks to provide them with current and relevant information about the mining operations. Grievance mechanisms exist and are used by the community. Responses are tracked, as are the resolution of grievances. The mine improved the overall standard of living for local communities, and most stakeholders acknowledge that improvement.

Newmont's values are well articulated and have been adopted and implemented by employees and managers at all levels of operation. Specifically, the study team found that this was "evidenced by the ability of employees and managers to quote the values of the company"l and the fact that "all interviewed could cite specific examples of how the principles were put into practice."li

Batu Hijau places a premium on maintaining its social license to operate with a minimum level of conflict. Notably, the study team found that "the security paradigm and manner by which it is implemented is one of the best currently operating in Indonesia with its strong emphasis on avoiding confrontation and addressing the roots of conflict."lii

4. Risks and Concerns

Although the company's community relationships are generally good, there are gaps that could lead to future risks to operations. These include the inability of the community development department to achieve its full potential as a consequence of not having a department manager and being under-resourced. The study team found that "[t]here are good officers in the Community Development team, but they appear to lack the support and leadership that could enable the promotion of truly sustainable development perspectives and methods in the community programs."liii

Notably, a strong perception exists within elements of the community that there is an over-emphasis by Newmont on keeping the mine operating as opposed to engaging in sustainable development. The study team found "no level of comfort about the long-term sustainability of community development programs."lix It also found that community members wanted to be more involved in the monitoring and evaluation of programs, and to use community institutions in the planning and delivery of community development.
Another concern is that the social and environmental impacts of the mine’s operation are not fully understood by the community. Community members often blame problems on company operations, even when there is no nexus between the business operations and the problem. This is due in part to the lack of robust baseline data about the community, impact assessments that did not fully consider the consequences of operation, and the lack of an impact management plan based upon the identified impacts. The Batu Hijau study team found that “[a]n integrated social impact assessment and management plan, incorporating clear community development plans developed jointly with communities, and shared transparently with stakeholders,” would remove a large part of the “pressure applied to community relations staff to acquiesce to demands with discretionary actions.” Particular concern was expressed regarding the manner in which financial and technical information was presented to community stakeholders, and many stakeholders expressed fears about environmental issues.

Finally, a looming concern for the mine is that, under its current Contract of Work, Newmont is obligated to divest 51% of its shares to the government or to the government’s agent. As noted by the Batu Hijau study team, “[t]he process of divestment has the potential to cause significant conflict at the national, provincial and local level.” It is possible that Newmont will not be able to maintain operational control of the mine and that the community relations and development standards could be changed or lowered.

5. Recommendations

As noted above, the full Batu Hijau narrative report is available in Appendix 1C. The following recommendations are reflective of the entire report completed by the Batu Hijau study team in assessing the relationship between the Batu Hijau Mine and community stakeholders. Accordingly, some recommendations reference material not included in the preceding overview.

- **Most critically, conduct a detailed SIA and develop an integrated impact management plan.**
  An integrated exercise needs to be undertaken to improve the sustainability of development programs and expand the basis for the mine closure plan. Central to this exercise must be the collection and generation of new social “baseline” data and the detailed assessment of impacts on stakeholders. This assessment needs to be fed into the design of an integrated sustainable community development plan containing mitigation measures, indicators for monitoring and evaluation, and clear lines of responsibility. Community input into the planning and implementation of this program is essential, and the vulnerability of traditionally neglected groups should be considered. Such an integrated SIA and management plan, incorporating clear community development plans developed jointly with communities and shared transparently with stakeholders, would remove a large part of the pressure applied to community relations staff to acquiesce to demands with discretionary actions.

- **Raise the profile, support, and professional standards of the community development team, which has been short-staffed for a number of years, and lacks a Community Development Manager.** The influence of community development perspectives and mandates in the management, planning, and implementing of the ESR program should be increased. Although there are good officers on the community development team, they appear to lack the support and leadership that could enable the promotion of sustainable development perspectives and methods in the community programs.

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15 The Study Directors asked the study teams for their thoughts and assistance in drafting the site-specific recommendations.
Bring sustainable development into the center of the community relations/community development programs instead of focusing on short-term efforts to smooth the way for operations. There appears to be too much focus in the ESR program on the goal of “keeping the mine operation running,” which is in tension with the goal of “aspiring to be the best.” Due in part to the department’s lack of community development professionals, the program appears weighted towards the promotion of good relationships at the expense of long-term sustainable development.

Invest more in staff development, especially for those personnel who deal directly with the community. Training, capacity, and morale-building programs should not be provided only to supervisors, with the expectation that they will pass along the knowledge.

Improve the process of stakeholder identification, mapping, and analysis, including greater participation by a wider range of responsible staff in the analysis and mapping of stakeholders. Fully integrate the national level and site level identification processes, and create and maintain an integrated stakeholder engagement plan. As part of this process, develop a better understanding of sustainability, and how it is practiced, in the extractives industry.

Develop a comprehensive and integrated communications plan that includes national and local stakeholders. Many stakeholders commented that information from Newmont was inconsistently available and was not always spread widely enough among the communities. Although the Suara Batu Hijau company newspaper did reach some people, many others said they did not receive it. Community Relations offices should have “standardized” bulletin/news boards with up-to-date information. In addition, it appears that communications coordination between the national, provincial, and local ESR teams could be improved.

Review the role of the company-supported community foundation, the Yayasan Olat Perigi, to assess its management and determine how its program funds are allocated. Many complaints centered on the foundation’s small size as an impediment to its success. The foundation also needs to be more transparent in its processes, more sustainable, and involve community members directly in decision-making regarding programs in order to make them central to the development experience.

Involve community members in the monitoring and evaluation of community and environmental programs. Participatory planning exercises, that should be used for program monitoring, evaluation, and adjustment, as well as for the initial planning stage, appear to have declined over the past few years. Reinvigorating participatory processes both to ensure that programs are still meeting community needs and aspirations, which may have changed over time, and to encourage increased community management of development programs, would provide for greater community understanding and ownership.
Work with existing community institutions for development planning purposes, rather than trying to run a separate body for community input into Newmont's community development plans. Stakeholders observed that the Village Development Committees established by Newmont were not fully functioning, as they had few organic roles or purposes. Both internal and external stakeholders recommended that it would be more productive for Newmont to work through the existing village committee system: there is a people's representative body at even the lowest level of community organization, and committees feed their input to higher levels. This is more likely to lead to an integrated tripartite community development planning process, which in turn is more likely to produce sustainable development output.
E. Ahafo Mine – Ghana

*Site Study conducted from October 6-12, 2007.*  
*Interviews conducted of 15 company representatives and 30 external stakeholders.*

In operation since 2006, the Ahafo Mine (“Ahafo”) is Newmont’s newest operating mine. Located in Ghana, Ahafo is the company’s first mine in Africa.

**Key Characteristics:**

- The mine has been in operation since 2006.
- Ahafo is Newmont’s newest operating mine, and the first Newmont mine in Africa. It is also the first large-scale mine in the Brong Ahafo region of Ghana.

**Strengths:**

- Since the commencement of operations, mine management has been very committed to promoting strong relationships with the local community.
- The mine has sought stakeholder input and feedback regarding a wide range of community development programs and initiatives.
- The mine’s Social Responsibility Forum provides a unique platform for engagement with the community.

**Risk and Concerns:**

- Ahafo will not be able to meet the high demands for local employment.
- The opening of the mine required the resettlement of 1,700 households, and Newmont must continue to monitor and address the concerns of this population.

1. **Context**

Ghana is recognized as one of the more politically stable countries in West Africa. Despite its political stability, the country is characterized by high levels of poverty. Outside of the main urban centers, government institutions and public infrastructure are not well-developed. In the more rural areas, traditional chiefs play a significant role in local governance. Although the role of the chiefs is formally recognized by the national government, there has also historically been conflict between the chiefs and the government.

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16 The full narrative report for the Ahafo case study, as prepared by the study team, can be found in Appendix 1D.
The Ahafo Mine is located in the Brong Ahafo Region, one of ten administrative regions in Ghana. Ahafo is the first large-scale mine to be developed in the region. The region has a population of approximately 1.8 million people. Prior to the development of the mine, the local economy was largely based on small-scale commercial farming and subsistence agriculture. There is also a long history of artisanal mining in the region.

The establishment of Newmont’s mining operations required the resettlement, relocation, and compensation of approximately 1,700 households. People were relocated from land acquired by Newmont for the Ahafo Mine into two areas within the vicinity of the mine: Ntotroso and Kenyasa 2. This resettlement had a significant impact on community stakeholders.

The Ahafo Mine is at the beginning of its operations stage. The development of the mine has initiated a period of rapid social and economic changes within the local community. These changes include new employment opportunities, increasing economic opportunities, changes to existing patterns of settlement and movement, and new challenges to local community representatives and civil society organizations.

The rapid changes around Ahafo have attracted a fair amount of attention from environmental and social NGOs during the relatively short life span of the mine. There was significant national and international attention towards Ahafo at the time that the International Finance Corporation (“IFC”) was considering financing for the mine. In 2006, Ghanaian and international NGOs had called on the board of the IFC to postpone consideration of a loan until more work had been undertaken to address human rights and environmental concerns regarding the mine. NGOs raised concerns regarding depletion of water supplies, groundwater contamination, and pollution from tailings. There was also considerable concern regarding the resettlement plan. The IFC ultimately approved the loan. Since the commencement of mining operations, international NGOs and national organizations like WACAM have raised concerns about police and security activity around the mine, the impacts of mining on local agriculture, the impacts of mining on local forest reserves, and cyanide contamination and other pollution.
2. **Key Issues**

**Significant Demand for Employment.** Prior to the mine's development, the local economy was primarily based on small-scale commercial farming and other agricultural production. The presence of the mine raised community expectations, and has created significant tensions over hiring practices due to the large number of people who desire employment. The study team notes that “mine contracts are framed strongly within the community as local entitlements to be protected from outsiders. Local stakeholders expressed resentment of outsiders coming in and taking over these opportunities.”

Newmont has “come under strong pressure to ensure that limited opportunities for unskilled labor on the mine (and indirectly through mine contractors) are made exclusively available to ‘locals.’”

**Resettlement and its Effects.** The site of the Ahafo Mine required the resettlement, relocation, and compensation of approximately 1,700 households and significantly impacted on community stakeholders. According to the site research team, the “resettlement...resulted in people moving from scattered and relatively spread-out hamlets into fairly concentrated township-type developments, leading to profound changes in patterns of everyday life.” Some community members have expressed dissatisfaction with the compensation they have received for lost property and land.

**Identifying Legitimate Local Representatives.** Community members have questioned the close working relationship between the mine's community liaison officers and the local chiefs, especially in a social and political environment in which the chiefs are accorded a privileged position and are perceived by some stakeholders to be "locally unaccountable."

3. **Strengths**

Because the Ahafo Mine site is so new, Newmont has had the opportunity to apply best practices and lessons learned from other mines to its management of the site. Perhaps most importantly, there has been a strong and ongoing recognition, from the start of its construction, of the importance of promoting a positive relationship between the Ahafo Mine and the local community. The study team observed that the mine “demonstrated a strong commitment to community relations through a highly motivated and effective [site-level] ESR Department” and that “[t]he effective functioning of the External Affairs Department constitutes a major strength in promoting positive community relations at Ahafo Mine and reducing...social risk.”

This proactive approach has contributed significantly toward establishing a solid base for good community relations over the life of the mine. The mine has also sought to engage with community stakeholders on the basis of core values of fairness, transparency, and participation. The mine has invested in a number of initiatives, including the Social Responsibility Forum, the Ahafo Linkages Program, and various “Flagship Projects” that aim to promote longer term economic development. The study team believes that “[b]y investing in community development projects that extend beyond the narrow impacts of its mining operations, Ahafo Mine is positioning itself as an active contributor towards building and strengthening social and developmental institutions at all levels.” The study team also noted that the mine has incorporated stakeholder concerns into its community development planning — examples including the Agricultural Assistance Program, the Livelihoods Enhancement Program, and the Vulnerables Program as examples of mine initiatives to address stakeholder concerns.
The Ahafo study team found that “[b]y channeling community concerns and frustrations through initiatives such as the Social Responsibility Forum and the Community Consultative Committee, Ahafo Mine is expecting to reduce the incidents of conflict and the potential for community frustrations to find expressions in unproductive ways.” By dealing effectively with numerous issues that could have increased conflict, the Ahafo Mine is in the process of establishing a positive relationship with the local community.

4. Risks and Concerns

Ongoing gaps, issues, and future risks to community relations at Ahafo Mine relate mainly to the following three key areas: managing the high demand for local employment and expectations of community benefit; ensuring that resettlement is successful in the longer term; and managing potential resistance to mining in Ghana.

Ahafo will not be able to meet the high demand for local employment, and the mine has come under strong pressure to ensure that the limited opportunities for unskilled labor at the mine are only made available to local residents. Tensions around this issue have resulted in open conflict. In 2006, there were protests near the Ahafo Mine that sought to block the transport of workers: the protestors believed that they should have also been employed. The protest grew violent, and resulted in one protestor being shot dead by the police. Although the mine has developed a process in consultation with local community stakeholders to validate “local” residents, the mine is dependent on this process maintaining local legitimacy.

Another risk for the Ahafo Mine is the “nationalization” or “internationalization” of community concerns about the mine. The commencement of mining operations at Ahafo attracted national and international attention, particularly from environmental groups. The study team observed that “advocacy organizations and civil society groups are questioning the extent to which large-scale mining undertaken by private corporations leads to sustainable long term benefits for host societies,” and noted that general resistance to mining could lead to protests affecting Newmont’s operations — particularly as Newmont is developing a second site in Ghana at Akyem.

Ahafo must continue to monitor and address the impacts of the resettlement that took place in order for the mine to begin operations. The study team concluded, “[r]esettlement is recognized widely as a highly complex process that is subject to a broad range of social and economic risks over a long period of time. Even in situations where resettlement is financed sufficiently and planned and implemented according to the highest globally accepted standards, the process usually unfolds in ways that cannot be predicted at the start.” As the International Alert paper indicated, such social and economic risks include increased competition for land, roads, water, and food. Unresolved conflicts related to resettlement can also lead to increased attention from local and international advocacy groups. Accordingly, addressing the needs and concerns of the resettled populations must remain a high priority for Newmont.
Recommendations

As noted above, the full Ahafo narrative report is available in Appendix 1D. The following recommendations are reflective of the entire report completed by the Ahafo study team in assessing the relationship between the Ahafo Mine and community stakeholders. Accordingly, some recommendations reference material not included in the preceding overview.

☑ Continue to support the capacity and development of institutions like the Social Responsibility Forum. To be effective, these institutions must be well governed and accountable to the people they serve, and not perceived as elitist or strengthening a particular constituency. As new community-based structures, such institutions will need time to deepen their capacity and significance in the lives of the local population affected by the mine. It is important that Ahafo not place undue pressure on the institutions to deliver specific outcomes simply to demonstrate that activities have taken place.

☑ Promote the capacity of local government to play a more effective leadership role in the development of the community and the local economy. The royalties that local authorities will derive from activities at Ahafo Mine will contribute toward this over time. It is in Ahafo's interest, however, to ensure that these royalties are delivered and utilized in an accountable and transparent manner.

☑ Continue to support and regularly evaluate initiatives established to support the livelihoods of households that have been resettled. Households and communities change over time — so, too, must the way in which the mine provides support.

☑ Engage in strategic dialogues with relevant institutions about the long-term future of the Brong-Ahafo region and, in particular, the communities in the immediate mine environs. The Ahafo Mine's participation in such broader development initiatives will enhance the legitimacy and social value of the mine in the eyes of the local community.

☑ Communicate with local stakeholders in a timely and transparent manner regarding incidents or problems impacting the surrounding communities.

☑ Monitor changes in local political relationships and debates about who counts as a “local” person, and work toward ensuring that the mine's mechanisms to achieve fairness in the allocation of resources remain relevant and meaningful within the local community.

☑ Conduct environmental audits on a regular basis to determine risks the community might face as a result of mining operations. All risks need to be mitigated properly. The success and failure of environmental management must be communicated to the community, which must be given the opportunity to highlight risks they believe they face and secure a response from the mine.

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18 The Study Directors asked the study teams for their thoughts and assistance in drafting the site-specific recommendations.
☑ Ensure that a grievance mechanism is established and agreed upon by the government, community organizations, and the company. This grievance mechanism should explore various ways in which disputes can be resolved as well as the possibility of involving independent, trusted facilitators.

☑ Monitor the impact of the potential increasing income disparity in the community and ensure that the various programs in place are able to respond effectively to the changing socio-economic environment. The mine, together with other development agencies, must work together to be able to respond to particular issues (e.g., the food crisis), which can increase vulnerabilities.
F. Minera Yanacocha – Peru

Site Study conducted from October 10-19, 2007. Interviews conducted of 46 company representatives and 99 external stakeholders.

In operation since 1993, the Minera Yanacocha (“Yanacocha”) is jointly owned by Newmont (51.35%); Compania de Minas Buenvaventura, a Peruvian company (43.65%); and the IFC (5%). Production is expected to continue until 2018.

Key Characteristics:
- Yanacocha is the largest gold producer in South America, with six open pit mines, four leach pads, and three gold recovery plants. The mine employs over 8,000 workers.
- There are more than 150 small villages surrounding the mine.

Strengths and Opportunities:
- Recently, the mine has begun an effort to address unfulfilled commitments to community stakeholders.
- The mine’s Nuevo Enfoque strategy has been well-received, particularly by external urban stakeholders.

Risks and Concerns:
- Stakeholder concerns about the mine’s lack of accountability for “past mistakes” continue to undermine the mine’s relationship with community stakeholders.
- There is a perception that outside the ESR department, managers at the mine and at the regional office in Lima do not feel responsible or accountable for the mine’s community relations performance.
- Historically, the mine has not effectively engaged with rural stakeholders.
- External stakeholders are very concerned about the mine’s impact on water quality and quantity.

1. Context

The Minera Yanacocha, in Peru, is the largest gold producer in South America, consisting of six open pit mines, four leach pads, and three gold recovery plants. Mining is an important industrial sector in Peru, comprising 6.8% of country’s GDP and 62% of export revenue in 2006. Peru’s laws are seen as generally favorable to mining, although the country has tried in recent years to strengthen its capacity for environmental protection and regulation.

The full narrative report for Yanacocha case study, as prepared by the study team, can be found in Appendix 1E.
The mine has been in operation since 1993, and production is expected to continue through to 2018. The mine currently employs over 8,000 workers, including contractors, the majority of whom live in the town of Cajamarca, located 25 miles away, as well as in the small neighboring communities that surround the mine. According to the company, over 56% of workers are from the Cajamarca Department.

The context of the mine-community relationship is very complex. More than 150 small villages surround the mine, and there are additional communities along the transportation route. Each of these villages has a different organization and leadership. Each is impacted differently depending on its proximity to the mine's projects. In addition, the town of Cajamarca is a major urban stakeholder with its own social service institutions, government services, and needs.

Newmont's operations at Yanacocha have been the subject of numerous campaigns and advocacy efforts by local, national, and international NGOs and other advocacy organizations. Concerns have been raised regarding environmental impacts, including cyanide leaching and the impacts on local water supplies, as well as community impacts, including a lack of consultation with rural communities. Concern has also been expressed by local stakeholders and advocacy organizations regarding the behavior of security forces associated with the mine. Since 2004, the “No Dirty Gold” campaign, run by Oxfam America and Earthworks, has focused considerable attention on Newmont's mining operations in Peru. Other international NGOs, such as Friends of the Earth, as well as national NGOs, including GRUFIDES, have also focused considerable attention on Yanacocha's mining operations. Since the commencement of mining operations, there have been many reports and papers written about activities at the mine. In 2002, independent filmmakers released a film, *Choropampa: The Price of Gold*, about the mercury spill at Choropampa, in 2000. The film was critical of the company's response to the spill.
2. Key Issues

**Past Mistakes.** Past missteps and misunderstandings have created a non-trusting, fearful, and at times outwardly hostile relationship between community stakeholders and the mine. Stakeholders believe that Yanacocha has not been held accountable for its past mistakes.

**Lack of Engagement with rural communities.** At the very outset of its operations, Yanacocha did not engage or consult effectively with rural communities around the site, and internal stakeholders report that "they did not believe the company would operate in the area for a long time and thus they did not find a need nor did they have the time to establish a long term relationship with local stakeholders." Rural stakeholders reported to the study team that mine employees have displayed an "elitist" or "arrogant" attitude toward them, noting in one example that "they do not greet us when they come to our community, they just do what they need to and leave."

**Unfulfilled Commitments.** Yanacocha has historically made commitments to community stakeholders that have gone unfulfilled. The study team found that "[e]xternal interviewees repeatedly mentioned that the company has a long list of unfulfilled commitments and that the mine's inability to fulfill its promises regarding social development and environmental protection has, more than any other issue, eroded the communities' trust in the company."

**Concerns about Environmental Impacts.** Yanacocha has failed to effectively engage with stakeholders regarding community concerns about potential environmental contamination. Community stakeholders are especially concerned about the mine's impact on the quantity and quality of local water supplies. Stakeholders describe the mine's approach to their concerns as overly "defensive" and "rigid." Stakeholders perceive that mine employees do not treat community concerns with respect.

3. Strengths

Yanacocha has recently made efforts to address many of its previous weaknesses in addressing community relations concerns. In 2007, the mine began a concerted effort to identify commitments made to community stakeholders and initiated the process of fulfilling its outstanding promises. There has also been greater coordination and communication between the ESR department and the Operations group.

The mine has developed extensive programs to promote economic and social development in the communities around the mine. The mine's sponsorship of Asociación Los Andes de Cajamarca ("ALAC"), a non-profit, corporate entity, has supported economic development in both rural and urban communities impacted by the mine. The study team reported that, according to mine management, ALAC's initiatives have resulted in approximately 10,000 jobs and 280 small businesses since 2003.

Another recent positive step is the ESR Department's Nuevo Enfoque ("New Focus") strategy, which focuses on "partnerships with government for most projects, large or small, implemented in the communities" and which is seeking to build trust and ensure sustainable development. The New Focus strategy has been well-received by external urban stakeholders in particular, and has helped the mine to become more transparent.
4. Risks and Concerns

Yanacocha has had historically difficult relationships with its community stakeholders. High profile incidents and challenges include: in 2000, a mercury spill in Choropampa; in 2004, community protests leading to Newmont suspending its exploration activities at Cerro Quilish; in 2006, an incident in which a local farmer from Combayo was shot and killed during a community protest; and in 2007, allegations of spying by the mine’s security company, FORZA, which were made by GRUFIDES, an organization that has campaigned against the mine. All of these incidents have bred distrust, as well as a community perception that Yanacocha has not fully taken responsibility for its “past mistakes.” Notably, some rural stakeholders expressed fears regarding possible retaliation by the company if they raised concerns about the company’s operations. The study team observed that, “[t]hough this fear did not seem widespread at the moment, it could become pervasive and further hinder the company’s efforts to build trust and credibility.”

The study team also found that the ESR Department at Yanacocha has been isolated, and that many managers, at the mine and at the regional office in Lima, do not believe that they are accountable for promoting strong community relationships. The study team quoted one executive as stating “I am not from the EA department; I can’t talk to you about social responsibility.”

It is unclear whether the New Focus strategy and the improvements in policies and practices are substantial enough to make a permanent difference in mine-community relations. Overall, Yanacocha must recognize that there is little room for error in its strategies and that it needs to manage perceptions and as well as facts. In addition to maintaining its new partnership strategy with the government and fulfilling past commitments, it must also seek to broaden engagement with rural communities, address historical grievances, and make a concerted effort to demonstrate respect for local residents.

5. Recommendations

As noted above, the full Yanacocha narrative report is available in Appendix 1E. The following recommendations are reflective of the entire report completed by the Yanacocha study team in assessing the relationship between Yanacocha and community stakeholders. Accordingly, some recommendations reference material not included in the preceding overview.

- Develop an oversight committee, spearheaded by the Corporate ESR Department in Denver, that reviews the community relations efforts, changes, and performance. Ensure that this committee is provided with the capacity to enforce its recommendations.

- Promote positive behaviors among employees and discourage negative behaviors. Suggested methods include (a) modeling good behavior from the top down, including holding management accountable for demonstrating respect for and proactively engaging with communities; (b) providing “humble,” non-defensive training about the Statement of Commitment and its significance to employees, using external experts to review and lead the training; and (c) working with the Regional Director ESR and the Vice-President, Corporate ESR Department to drive social responsibility awareness throughout the organization and its contractors.

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The Study Directors asked the study teams for their thoughts and assistance in drafting the site-specific recommendations.
Broaden community engagement with rural communities, so that ESR staff is in those communities more regularly, exchanging information and developing long-term relationships. Develop engagement mechanisms that include the broad community, not just identified leaders and authorities. Yanacocha needs to better understand the frequently different dynamics in different local communities. Engagement must entail not just communicating the company’s deeds, but also listening and responding to the concerns the community members.

Respond to past challenges, and accept past mistakes as a way of creating an opening for future dialogue. In particular, the Choropampa, San Juan, and Magdalena communities could be engaged once litigation has been finalized, and an investigation led by the Corporate ESR Department could be initiated into the allegations that have been brought against FORZA, the local security provider. Results could be made public as a means of establishing trust in the company.

Develop processes that help the company manage perceptions, not only facts and figures.

Engage external international experts to evaluate and improve the site’s grievance mechanisms. There remains confusion, particularly among rural community stakeholders, regarding how to best engage with the company about their concerns.

Create an advisory panel of locally elected community members (perhaps organized or supported by third parties to establish the perception of independence and credibility), that could help to communicate key technical, political, and financial issues to local community members and ensure that their questions regarding social and environmental issues are fully addressed.
G. Post-Closure: Internal Feedback on the Minahasa Raya Mine – Indonesia

Stakeholder Interviews conducted in April 2008. Interviews conducted of 26 current and former company representatives.

Newmont’s Minahasa Raya operation (“Minahasa”) was located in the Province of North Sulawesi, Indonesia. The mine, which was 80% owned by Newmont, commenced operations in 1996. Mining ceased in 2001, with closure largely completed by 2006.

As discussed in Section III, five operating sites were originally selected for the CRR. Subsequently, at the recommendation of the Advisory Panel and with approval from the ESR Committee, it was agreed that an additional review would be conducted of lessons learned by the company from its experiences with the Minahasa Raya Mine, which is located on the island of Sulawesi, in Indonesia. The objectives of the Minahasa review were to “provide a brief and coherent account of the background to the Minahasa case and document the key community relations issues; and capture organizational learnings and understandings within Newmont about why events regarding Minahasa unfolded as they did.”

The Study Directors wish to emphasize that the Minahasa review was substantively and methodologically different from the five primary site studies conducted for the CRR. Only internal stakeholders were interviewed, using a limited interview template, and the review did not involve a technical evaluation of scientific evidence, nor did it seek to determine or assess blame by any of the involved actors. Unlike the other site studies, the Minahasa review did not entail a visit to the former mine site. The Minahasa review team provided a summary of their research to the Study Directors which included lessons relevant to the objectives of the CRR. Summary observations from the Minahasa review team are provided below, as well as in Section VI.

1. Overview

Stakeholder interviews were conducted in April 2008. The study team completed 26 individual interviews with Newmont executives, current and former managers, employees, and consultants who were involved in the Minahasa mining project. The social, legal, and operational sensitivities that surround the ongoing Minahasa litigation led to a decision to limit interviews initially to internal stakeholders. Thirteen of these interviews were undertaken by telephone, and another thirteen were conducted in person in Jakarta and Perth. Interviewees represented a range of corporate, regional, and site-based personnel, across a spectrum of disciplines.
In light of the differences between the research conducted for the Minahasa report and the research conducted for the five primary site studies, the Assessment Team did not travel to the Minahasa Raya Mine site, and did not consult community members or other external stakeholders. For this reason, it was particularly important that the composition of the interview pool of internal stakeholders reflected a diversity of opinions, and provided a well-rounded and comprehensive picture of the events that transpired with regard to Minahasa. To achieve this, the Assessment Team first completed a desk-top review of documentary materials, including web-based sources, accessible NGO documentation, media files, and information posted on the Newmont Minahasa website and/or held in Newmont corporate records to fully understand the background context of the social challenges faced at the site.

An initial interview list was discussed and agreed upon between Newmont, the Study Directors, and the Assessment Team. All suggestions made by the Assessment Team, either by name or position, were considered. Some were excluded on the basis of ongoing litigation or attorney-client privilege, a few former employees declined to participate in the study, and others could either not be contacted or were unavailable prior to the report delivery deadline. An interview protocol, approved in advance by Newmont and the Study Directors, was used to guide the discussions.

Considerable time has elapsed since the events of 2004, and although some interviewees’ memories are still vivid, there was also ambiguity among their accounts with respect to certain events. It was not within the scope of the process to verify any of the accounts.

2. Site Overview

Newmont’s Minahasa Raya (“PTNMR”) operation was an 80% Newmont-owned open pit gold mine located 80 kilometers south of the city of Manado in the Province of North Sulawesi, Indonesia. Newmont negotiated the Contract of Work in 1986, discovered the ore body in 1988, and mining commenced in 1996. Mining continued for a period of six years and ceased as planned in October 2001, when the ore body was depleted, although mineral processing from stockpiles continued until 2004. Closure activities were largely completed in 2006, and scientific closure monitoring is ongoing. PTNMR was one of the first large-scale operations in Indonesia to close. Land relinquishment has not yet occurred, and the site is still under Newmont’s control.

A key aspect of the litigation and media coverage regarding Minahasa was the technology selected for tailings disposal. Prior to the construction of the operation, two tailings management alternatives were evaluated in conjunction with the Government of Indonesia’s permit approval process: land storage and submarine tailings placement (“STP”). The latter was selected. PTNMR was the first mine in Indonesia to use the STP method, which involved a three-stage detoxification circuit of the tailings slurry, before discharge onto the sea floor via a pipeline 1 kilometer offshore at a depth of 82 meters.

Prior to mining, the Contract of Work area included 17 small settlements grouped into three main villages: Basaan, Ratatotok, and Buyat. The combined population of these villages was around 10,000 people in 1992, with approximately half living in Ratatotok. The ethnicity of the villagers was diverse. Newmont’s 2002 Closure Plan states that “Buyat village consists of two areas; one inland [and] one directly on the beach.” It is the beach settlement, referred to as Buyat Pantai, that emerged as a focal point of the controversy.
The demographic composition and socioeconomic profile of the villages underwent significant changes between 1991 and 2000. Sources of income became more diversified with the arrival of PTNMR, with many villagers working as employees and service providers to the operation. The mine was the most significant contributor to the local economy, with a total direct and indirect contribution to the Indonesian economy during its operation estimated at $544 million. PTNMR was the single largest employer in the area, and demonstrated a hiring preference for local villagers. Employment numbers peaked between 500 and 700, with approximately 85% from Sulawesi.

Allegations about pollution at Buyat Bay were raised even before PTNMR operations commenced. Indonesian NGO groups actively campaigned in the area from the start, establishing and maintaining relationships with local communities. Mine relationships with oppositional Indonesian NGO groups were mainly antagonistic. Several international NGO groups made PTNMR's use of the STP process a campaign issue, even before the central controversy broke regarding the death of a baby allegedly due to PTNMR's activities.

In early 2004, PTNMR site staff was alerted to reports of a sick baby at Buyat Pantai, and allegations that the child's condition was linked to PTNMR's tailings disposal in Buyat Bay. No one within the company believed that the illness was related to PTNMR activities. Villagers and NGO activists organized protests in Manado, and the mother and the sick baby were flown to Jakarta by NGOs and a local politician, who alleged that the baby's illness, and subsequent death, was a result of mercury contamination caused by PTNMR activities. Several villagers from Buyat Pantai lodged a complaint with police in Jakarta about the alleged pollution. The police, the Ministry for Energy and Minerals, and the Ministry of Health indicated that they would investigate.

Ultimately, three members of the Buyat Pantai community filed a civil case against Newmont, claiming approximately $500 million in damages. The situation also received international media attention, with front-page coverage by the New York Times, that linked the baby's death to the Buyat Bay mercury poisoning allegations. National police from Jakarta later took five PTNMR employees into custody, and Newmont Indonesia's President Director was prohibited from leaving the country. The detainees were released after more than 30 days. Throughout this period, the company responded to a deluge of local and international media coverage.

A complex combination of criminal and civil legal proceedings involving the government, NGOs, affected communities, and Newmont followed. Although some cases were withdrawn, and some rulings were issued in Newmont's favor, Newmont Indonesia's President Director was indicted on criminal charges of pollution in the Manado District Court, and a civil claim was launched against Newmont by the Ministry of Environment. A number of independent organizations, including the World Health Organization, undertook investigations of the allegations involving Buyat Bay, none of which revealed elevated mercury levels.

In 2005, the panel of judges hearing the civil suit brought by the Ministry of Environment ruled that the government and Newmont must conciliate. A subsequent conciliation process led to the negotiation of the Goodwill Agreement, which was announced in February 2006. Pursuant to this negotiated resolution, the parties agreed to independent scientific environmental monitoring of the post-closure environment, as well as sustainable development programs to be undertaken in the local area. In April 2007, Newmont Indonesia's President Director was acquitted of criminal charges. Further legal action, however, remains a possibility.
3. Overview of Findings and Lessons Learned

_There are lessons to be learned from our Minahasa experience, and they should be shared._
- Newmont Interviewee

Although a number of complex external factors came into play in a short time period during the Minahasa crisis, the majority of interviewees concluded in retrospect that the escalated nature of the event was partially attributable to pre-existing organizational conditions and decisions, both at the corporate and site levels, rather than solely external factors. Many interviewees believe that if Newmont had been better prepared, responded more strategically to events as they unfolded during the early part of the crisis, and enjoyed stronger relationships with key stakeholder groups, the crisis could have been better contained, if not altogether averted.

Most interviewees believed that Newmont’s approach to engagement with key stakeholder groups was insufficiently strategic. According to these individuals, Newmont found itself working to establish relationships after-the-fact that should have already been in place. Many interviewees emphasized that stakeholder relationships demand special attention in Indonesia, and that the company did not always appreciate the dynamics involved. Relationships with local communities, NGOs, media, and the government were frequently cited by interviewees as having contributed to the crisis.

The interviewees pointed to several underlying causes for weak relationships, including an organizational paradigm that was dominated by a production focus. Although production is vitally important for any mining operation, the interviewees believed that, in the case of Minahasa, this singular orientation left little room for comprehensive consideration of local-level community relations and broader socio-political issues. Interviewees also described the operation as orientated toward quantitative data and facts, without a meaningful emphasis on qualitative data, such as community perceptions.

The interviewees believed that Newmont’s dominant paradigm and the absence of regulatory and corporate imperatives in the socio-political and community sphere contributed to a situation in which risks were not adequately considered, understood, resourced, managed or monitored by the organization before and during the crisis. They indicated that there were few formal plans or management systems in place for community, NGO, government relations, or media engagement.

Issues related to skills and capacity, continuity, and the ability to influence operational and company processes were raised in relation to Newmont’s approach to community relations both at Minahasa, and more broadly, within the organization. Interviewees also felt that Newmont’s organizational structure, both in Indonesia and company-wide, complicated lines of accountability, particularly during the PTNMR controversy. Overall, it was believed that the organizational structure did not support a good flow of information from sites to regional and corporate offices, and from corporate offices to sites. Interviews also raised issues regarding the challenges that Newmont faced due to cultural and national sensitivities in Indonesia — sensitivities that the company continues to face.

Inasmuch as the Minahasa operation is closed, it is not possible to assess future risks and opportunities with regard to Newmont’s relationships with the local communities. Many interviewees believed, however, that the Minahasa experience led to a heightened awareness within Newmont, ranging from local site teams to corporate headquarters in Denver, regarding the importance of positive community relations and development initiatives. Interviewees also suggested that significant progress had been made since Minahasa at the corporate level with regard to policies, systems, and some performance standards that could benefit future relationship-building with local communities.
An underlying assumption of this report is that Newmont’s relationships with local communities are dynamic and multifaceted, but also that an inquiry into a discrete number of mine sites will provide for lessons applicable to all of Newmont’s operating sites, present and future. This Section sets forth eight lessons that the Study Directors identified after an intensive review of the site studies, as well as Newmont’s policies and standards, and the perspectives of key managers and executives. The lessons are provided with an explicit awareness that this report is intended to provide guidance to Newmont’s Board of Directors with respect to the four objectives of the CRR.

The CRR objectives, as previously set forth in the Introduction, are:

- Assess and describe the current relationships between the selected Newmont operating sites and respective communities, and the contexts in which these relationships have developed;
- Conduct an assessment of future risks and opportunities to Newmont with regard to its relationships with local communities;
- Analyze the relevance of existing company policies, systems, and controls, and their effectiveness in guiding the company’s community development and community relations programs and activities; and
- Identify the impact of the company’s resources, capacity, and governance on the execution of policies and controls related to community development and community relations programs.

In responding to these objectives, the Study Directors were struck by the ambition of the inquiries, as well as by the limitations inherent to the research methodology adopted for the CRR.
The Study Directors provide an overview assessment of this report’s performance relative to the CRR objectives in Appendix 2.

At the outset, it is important to note that each of the study teams visited their respective mine sites for a period of days (after conducting intensive reviews of background documentation on the sites). Although the Study Directors are impressed by the depth and breadth of the analyses contained in the study team reports, they are also aware that these relatively brief inquiries could not be expected to provide comprehensive overviews of all the factors defining the relationships between Newmont and community stakeholders at each of the mine sites. The Study Directors are aware therefore that readers may find some gaps or limitations in the assessments and descriptions that have been set forth in response to the first objective.

The Study Directors were also limited in their ability to provide analyses of any site-specific policies, systems, and controls at the respective mine sites. The study teams provided the Study Directors with little specific information regarding the standards, policies, and standard operating procedures in place at the mine sites. Frequently, study teams indicated that a policy was in place to address a particular concern, but did not identify whether that policy was tied to a site-specific operating procedure or was identical to, or guided by, a corporate-wide standard or policy. In response to the third objective, the Study Directors therefore looked primarily to corporate-wide policies, systems, and controls. Wherever possible, the Study Directors provided information regarding how these corporate-wide policies, systems, and controls have guided site-specific activities.

Finally, in response to the fourth objective, the Study Directors address a range of resource, capacity, and governance issues, including training, accountability measures, and management structures. The Study Directors are not, however, able to comment on key components of the “resources” that Newmont has dedicated to community relations at the mine sites as they do not have information on budgets for ESR personnel and programs at the sites, or specific information on the numbers and expertise of mine site personnel.

Despite such limitations, the CRR did provide a wide breadth of perspectives and inputs regarding Newmont’s relationships with communities. Notably, as much as the report is about identifying and managing risks related to Newmont’s relationship with “external” community stakeholders, Newmont is itself also a stakeholder within the communities around its mines. The company has a significant stake in the success of the community relationships that form around its mines, and is impacted on a daily basis by the reciprocal dynamics that define those relationships. Although these relationships are not Newmont-centric, the company has significantly greater power than many other community stakeholders to influence the dynamics of the interactions. The company is held accountable for the manner in which it uses this power, and impacts stakeholders, through a myriad of legal, regulatory, social, and moral mechanisms. This report is, in part, an analyses of the policies and systems, as well as the resources, that Newmont has in place to guide these engagements with communities.

Another underlying assumption of this report is that conflict is inherent in the relationships between Newmont and community stakeholders, as it is in all relationships. As noted in Section V, Newmont addresses conflicts within its community relationships in a wide variety of contexts. In each context, Newmont’s policies must reflect the fact that the company’s presence has a tremendous impact on the lives of community stakeholders. The nature of this impact can vary widely, and can be significantly influenced by economic and historical factors.
In some situations, Newmont’s arrival does not represent the commencement of mining operations. At Waihi, for example, Newmont acquired the Martha Mine after it had been operational for fourteen years. The surrounding community had long experience with mining and Newmont’s arrival was not as disruptive as it might have been had the mine not already been in existence.

In contrast, when Newmont establishes a mine in a previously under-developed location, Newmont’s arrival is often very disruptive to the pre-existing social and economic fabric of the local community. The opening of a mine can cause significant population inflows, social divisions, economic stratifications, and dramatically alter peoples’ access to related natural resources, such as water. Newmont’s arrival can also provide rapid economic development, access to new infrastructure, and improvements in the overall quality of life. All of the changes, as well as the specific actions of mine personnel, will generate low- and high-level tensions and conflicts with community stakeholders. As noted in Section V, the decision to limit the CRR to sites in the Operation stage means that this report cannot assess stakeholder perceptions and reactions to Newmont’s actions throughout the full life cycle of its mines. The Lessons in this Section highlight a number of stakeholder concerns at specific mines that have their origins in pre-Operation stages of development, as well as stakeholder concerns about the closure of mines. The decision to limit the CRR to sites in the Operation stage also has limited the degree to which this report can address some key issues, such as FPIC. These are serious limitations, and the Study Directors recommend further study of mines at various stages of development and operation.

The nature of Newmont’s interactions with community stakeholders will also be influenced by a wide variety of political and cultural factors. The presence or absence of mature and trusted political and regulatory bodies can influence the mine’s interactions with stakeholders. Cultural considerations, including the presence of cultural minorities or the degree of cultural affinity between the company’s employees and the surrounding population can also play a role. The study teams’ research did not focus extensively on the cultural divides that exist between the company and its external stakeholders at various operating locations. Although Newmont’s capacity to address intercultural concerns is referenced in this Section, the Study Directors note that this is a particularly significant issue and deserves further study.

Finally, the relationship between a mine and community stakeholders will be influenced by the obvious fact that mining is an activity that has an impact on the physical environment. Community concerns and fears about the environmental impacts of mining are significant underlying factors in the dialogue between each mine and its stakeholders.

With these observations in mind, and cognizant that any summary of factors is almost certain to be inadequate to the complexities of the relationships involved, the Study Directors identified the following lessons to frame their analyses and recommendations:
## Managing Relationships with Community Stakeholders: Lessons Learned

| Strategic Planning | **Lesson 1:** Every Newmont operating site should have a comprehensive and integrated strategic management plan for community relations that identifies the objectives and responsibilities of each functional department and takes into account relevant site-specific factors. |
| | **Lesson 2:** Regular and comprehensive social impact assessments and risk assessments must inform cross-functional strategic planning at Newmont’s operating sites. |
| | **Lesson 3:** Regional and local managers in all functional areas must be accountable for implementation of the company’s strategic objectives regarding community relationship building. |
| Responsible Engagement | **Lesson 4:** Newmont’s operating sites must assess stakeholder concerns and engage with external stakeholders in order to understand and effectively respond to their perceptions and concerns. |
| | **Lesson 5:** Newmont’s engagements with the community must reflect the company’s values and responsibilities and clearly convey what can be expected from the company in its role as a community stakeholder. |
| Managing Conflict Responsibly | **Lesson 6:** 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. |
| | **Lesson 7:** Newmont must ensure that its operating sites have accessible and responsive grievance mechanisms. |
| | **Lesson 8:** Management of the environmental impact of mining on water and other natural resources is directly linked to the management of community relations; Newmont must assess and respond to stakeholder concerns regarding both real and perceived environmental impacts of its operations. |
A. Strategic Planning

Lesson 1: Every Newmont operating site should have a comprehensive and integrated strategic management plan for community relations that identifies the objectives and responsibilities of each functional department and takes into account relevant site-specific factors.

Lesson 2: Regular and comprehensive social impact assessments and risk assessments must inform cross-functional strategic planning at Newmont’s operating sites.

Lesson 3: Regional and local managers in all functional areas must be accountable for implementation of the company’s strategic objectives regarding community relationship building.

Newmont’s future success is dependent upon its ability to develop and operate mines anywhere in the world. Although some of the company’s older gold mines are located in social and political environments that are relatively stable, the business imperative to continually replace depleted reserves means that Newmont’s future operations are likely to expand into countries and regions that will present the company with significant community relations challenges. If Newmont is to succeed, it must take immediate steps to more effectively manage its community relationships and stakeholder conflict at all of its mines. This effort will require the type of strategic planning that the company would invest in any other business priority. Ultimately, the company’s social license to operate is not the sole responsibility of ESR personnel, but rather requires the efforts and attention of all functional departments within the company, and specifically at each mine site.

The operation of any mine involves both long-term and short-term strategic planning. Community relations concerns must be an integral part of the strategic planning exercises that occur at each mine site. At the corporate level, Newmont’s Global ESR team has a Strategic Plan that sets forth community relations objectives for the company as a whole. Newmont needs to ensure that similar strategic planning exercises are undertaken at the mine sites that are specific to the operational needs, challenges, and contexts of each mine. One mine, Yanacocha, was specifically identified as having a strategic plan for ESR for 2008-2012. Other mines may have similar plans. It is crucial that any such plans not be regarded as relevant only to the ESR Department: rather, these plans should include goals, objectives, and responsibilities for each functional department at the mine. This is the underlying message set forth in Lesson 1.

Strategic planning for the future of a mine must be based on solid data regarding the context within which that mine is operating. Just as data must be gathered regarding the presence of proven and probable reserves and the costs of necessary machinery and labor, so must data be gathered regarding the ways in which the mine is interacting within a particular community context. Without such information, mine management lacks the capacity to respond to community relations concerns and to identify future community relations priorities and challenges. With this understanding, Lesson 2 highlights the importance of ongoing and rigorous SIAs and risk assessments to a mine’s ability to plan for its management of community relations.
Finally, solid strategic plans guided by specific policies and management systems are insufficient to ensure the successful operation of a mine without the added control provided by strong accountability mechanisms. Planning is an ongoing process, and mine management must be able to evaluate whether current objectives are being implemented in order to know how to adjust for the future. Mine site personnel must be held accountable to a mine's strategic objectives for community relations, as well as to the community relations standards established by the company as a whole and the mine site in particular. The importance of accountability mechanisms is discussed in Lesson 3.

Lesson 1: Every Newmont operating site should have a comprehensive and integrated strategic management plan for community relations that identifies the objectives and responsibilities of each functional department and takes into account relevant site-specific factors.

1. Why Is This Important?

Newmont's operating sites face complex community relations challenges that are specific in nature to the context and societal dynamics of each mine location. Operating a mine in a manner that maintains its social license to operate is a crucial business objective for site managers and for the company as a whole. Ensuring that the mine is managing its relationships with community stakeholders effectively is an objective that involves more than just the activities of ESR personnel.

The Study Directors believe that site managers, across all functional departments, should engage in regular strategic planning exercises incorporating consideration of community relations concerns. If site managers work together to develop strategic plans for community engagement, this will go a long way toward counteracting the "siloing" of the ESR function observed by the study teams. Every department has both explicit and implicit responsibilities for fostering the company's social license to operate. Each site should therefore set forward an integrated strategic plan that provides each functional area at the mine with sufficient direction to conduct its activities in a manner consistent with the mine's overall community relations goals.

Strategic plans should be developed for both short- and long-term time horizons and should address such issues as potential mine expansion, closure timelines, and local hiring, along with coordinated stakeholder engagement efforts, SIAs, and community development initiatives. Strategic plans should clearly outline the responsibilities of each functional area, and should include specific objectives as well as indicators against which progress will be measured.

2. What Risks Does This Lesson Address?

Newmont's future depends on our ability to develop, operate, close, and reclaim mines in ways consistent with our commitment to sustainable development, protection of human health and the environment, and adding value to the communities in which we operate.2

- Wayne W. Murdy, [Former] Chairman and CEO
  Beyond the Mine – Values and Value

The relationships between mines and community stakeholders can be managed with varying degrees of success — but it is a certainty that conflict will remain a constant. Whether this conflict is responded to effectively depends in large part upon a consistent and strategic approach to stakeholder engagement by each functional department

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2 This statement is included in Newmont’s Social Responsibility Policy, which also declares that the company will “train our people and provide the resources to meet our social responsibility objectives and targets.” [Social Responsibility Policy.]
at the mine sites. Every Newmont department, including ESR, Business, Operations, and Human Resources, has the ability to influence stakeholder relationships.

Currently, it is not clear that there is a strong platform for strategic planning at the mine site level regarding community relations objectives. The ESR Manager at each mine site is responsible for interacting with the other site functional areas, such as Human Resources and Operations, to ensure that Newmont’s standards are upheld through the implementation of specific practices like local hiring. It is not clear, however, that these efforts are guided by a broader strategic plan into which all site managers have input and buy-in. If departments act independently, without coordination or consistency with other departments or the values and goals of the company, they will risk undermining the company’s overall effort to strengthen stakeholder engagement. A comprehensive and integrated strategic plan that provides clear community relations objectives for each functional area can help to ensure that such coordination and consistency is reflected in the operation of the mine.

3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

- Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

The Study Directors were not provided detailed information regarding specific site-level policies and standards. Although, as set forth in Section IV, Newmont does have a set of global Five Star standards and guidelines designed to manage the company’s performance in the area of community relations, the study teams did not gather specific information on the degree to which these standards are referenced and utilized by site level personnel. This reflects a weakness within the CRR methodology. That said, the Study Directors are aware that under the Five Star assessment system there was considerable emphasis on verifying the existence of standards, policies, and practices, and less emphasis on assessing the effectiveness of those processes. This is discussed in more detail below. Much of this report will focus on assessments and descriptions of current performance, rather than on the existence of specific standards and policies at the mines. Further study is needed to determine the degree to which site performance regarding community relations is driven by the existence of specific standards.

With acknowledgment of the limited data available, in this section the Study Directors provide an overview of global management standards relevant to community relations. They also identify gaps or limitations in the current standards, but lack sufficient data to provide comprehensive analyses regarding gaps or limitations in the application of the global standards. Similarly, the Study Directors identify relevant corporate-wide policies and other guidelines, but lack site-specific information regarding the implementation of such documents.

**IMS Standard on Program Commitment and Leadership.** Newmont’s IMS standard on Program Commitment and Leadership states that, at the corporate level, Newmont’s ESR management shall “develop a strategic plan that drives the Values and Policy Statements of the company.”ii At the mine sites, General Managers Operations are expected to ensure that relevant aspects of the Corporate ESR strategic plan are implemented in a manner consistent with the site’s business needs and the site’s Statement(s) of Commitment (see Lesson 5).iii General Managers at the mine sites are also expected to monitor the mine’s performance against the ESR strategic plan on an annual basis.
The IMS standard on Program Commitment and Leadership also provides that Newmont facilities shall "communicate and document objectives & targets at each relevant function and level in the organization," and shall "establish objectives and targets based on the facility Statement(s) of Commitment and strategic plan, operational and business requirements, hazards/risks, legal requirements, views of stakeholders, and consistent with Corporate objectives and targets."

There is much within this standard that, if implemented effectively, could provide for integrated and robust strategic planning at the mine sites. It is crucial for the mine managers to identify objectives and targets relevant to community relations performance for each functional department. These targets and objectives should be included in an overall strategic plan, consistent with the corporate-wide ESR strategic plan, that can provide ongoing guidance for community relations performance at the mines.

**CER Standard on Social Impact Assessments.** Newmont's CER standard on Social Impact Assessments requires each Newmont operating site to have a "community and external relations management plan" that is informed by SIAs, specialist studies, and stakeholder consultation. Rather than calling for a single integrated plan for the mine, the standard requires that the community and external relations management plan "be linked and consistent" with "any other strategic plans, in particular the business plan and closure plan that the operation has." The manner in which these strategic plans are to be "linked" is not clear. It would seem that the "linking" of strategic plans would require some degree of prioritization between the objectives set forth in the various plans, but it is not clear how such prioritization would occur. There is no clear guidance on the identification of cross-functional responsibilities for community relations performance.

**Code of Business Ethics & Conduct.** At a very general level, the Newmont Code of Business Ethics & Conduct states that "[e]ach of us is responsible, within the bounds of our control, for compliance with all applicable laws, regulations, permits and licenses and with Newmont’s environmental and social management plans designed and implemented in conformance with our Standards."

- **Newmont’s Management System: How Is Newmont Driving Its Performance?**

**Assessing Implementation of Standards.** To operationalize its community relations standards and goals, Newmont must have a mechanism for assuring that site-level managers are held accountable for implementing those standards. As noted in Section IV, the Five Star assessment system was abandoned by Newmont, and no new assessment system is currently in place. An analysis of some of the features and limitations of the Five Star system, however, can provide guidance as the company moves forward.

Under the Five Star assessment system, external assessors verified the implementation of the SIA standard, and thus the requirement that mines have a management plan for community and external relations. According to the assessment criteria, a minimum “three star” performance rating required a mine site to have “a formal and up-to-date” SIA that was used as the basis for “the facility’s current risk assessment and strategic management plan” and that was linked to the mine’s closure plan. Little information was provided on the specific content of such a plan, or regarding cross-functional coordination.

For the IMS standards on Program Commitment and Leadership and Internal Communication, for an assessor to establish that a mine should receive a “three star” minimum performance rating, he/she needed to determine that “formal procedures” had been implemented and were “functional with general conformance to the requirements of the standard.”

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4  The guidelines for the SIA standard acknowledge the complexity of impacts that a mine has on a community, noting that “you are dealing with livelihoods, behavior and a range of variables that cannot be managed using the traditional project management style.” **Guidelines for CER Standard on Social Impact Assessments.**
In the opinion of the Study Directors, the Five Star assessment system was inadequate for measuring the company's performance with respect to community relations. Identifying whether systems are in place does not provide useful information regarding a site's performance relative to the standard. In interviews with corporate executives, similar concerns were raised regarding the Five Star assessments. Interviewees indicated that the Five Star assessments placed too much emphasis on the systems without allowing for an evaluation of whether the system was addressing relevant concerns. The overwhelming criticism, according to one executive, was that, "Five Star did not measure performance, but only tested whether the management system was being effectively applied." Interviewees described the system as an "audit process" in which the "person who was being evaluated immediately perceived it as a measure, and sought to meet the score. This became 'managing to the audit' as opposed to how to improve performance."

Ultimately, programs that sit in file drawers for review by assessors do not address Newmont's community relations concerns. In the future, Newmont must not only seek to verify the existence of strategic plans, but must also assess implementation. Are site managers, across the mine's functional departments, aware of the mine's strategic plan? Do managers understand Newmont's goals and objectives, including the company's need to maintain a social license to operate? Is the plan being followed and implemented? Each of these questions must be answered during any assessment process.

**Capacity to Coordinate Across Functional Areas on Community Relations.** Under Newmont's new management system, the Regional Senior Vice Presidents are responsible for ensuring coordination of the different functional areas at the mine sites within their specific regions of responsibility. To carry out this responsibility, each Regional Senior Vice President receives direct reports from the Regional Directors for Business, Operations, Human Resources, Legal, and ESR. These Regional Directors receive reports from site functional managers. Under the new management system, each of the Regional Directors has equal authority and shares decision-making responsibility. This places a significant emphasis on the ability of these individuals to work cohesively as a functional team. Ultimately, the Regional Senior Vice Presidents are pivotal to the company's new organization, as it is now dependent on them to ensure the adequate blending of five functional areas within their region. The Study Directors' concerns about Newmont's current capacity for cross-functional strategic planning regarding community relations issues were also echoed during interviews with corporate executives. According to one Regional ESR executive, this puts "enormous pressure on the leadership skills of the Regional VP." There are few safeguards in this model, in large part because there is no overarching strategic plan tied to the mine sites to guide the decision-making of the regional executives. This therefore also makes the system's effectiveness highly dependent on the leadership skills of the regional executives, particularly regarding social matters.

Ultimately, the regional executives cannot effectively promote cross-functional coordination of community relations concerns if they do not understand the issues at stake. In interviews, executives expressed a uniform view that the new management structure, in which the Regional Senior Vice Presidents are responsible for ensuring coordination, has not significantly increased understanding about social responsibility within Newmont. "The social side is still seen as 'voodoo,'" said one, adding that those in more "traditional" groups "still don't get social responsibility." A number of interviewees expressed uncertainty regarding what, as one executive stated, "social responsibility actually looks like on the ground." Indeed, despite existing internal evaluation systems, there was significant lack of clarity among those interviewed regarding how social responsibility is and should be evaluated. Concern was expressed regarding regional managers who still did not understand the importance of social responsibility inasmuch as these managers are often transferred from location to location, and face similar issues (e.g., indigenous rights) in their new postings.

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5 See the regional and site-level organizational chart in Appendix 7.
At the mine site level, there is no formal reporting relationship between the ESR Manager and the mine’s General Manager for Operations, although the ESR Manager is responsible for interacting with other functional areas at the mine to ensure that Newmont’s standards are upheld. This occurs through the site-level management team as described in Section IV.B. If needed, the ESR Manager at the mine site can raise issues up to the Regional Director of ESR, who can bring the issue to the attention of the regional management team and the Regional Senior Vice President. Again, the Regional Senior Vice President bears primary responsibility for the management and cross-functional implementation of community relations issues.

Notably, at the corporate level, Newmont has the “Global ESR Team” to coordinate efforts between the operating regions and the corporate office regarding environmental and social responsibility. This team meets quarterly, or more frequently as needed. There are also Regional Senior Vice President meetings at which ESR issues are a standing agenda item. The CRR did not include an assessment of the adequacy of these meetings as platforms for discussions regarding site-level strategic planning.

**Implementation at the Sites.** As noted earlier, most of the study teams did not report the existence of comprehensive community relations plans at the mine sites. It is not entirely clear whether this was because no management plan had been drafted by the site management, or because the plan had been drafted but not implemented. One exception to this is Yanacocha, where the study team reviewed a strategic plan for ESR for 2008-2012.

Generally, the study teams found that community relations were “silied” within the ESR department and that there was little cross-functional integration of the findings of SIAs or stakeholder engagement efforts. As the Carlin study team observed, this partitioning of the community relations function limits the “breadth and efficiency of implementation of community relations policies and procedures at the mine site.”xvi Regarding Minahasa, one senior executive stated that “I was on top of what was going on operationally. I didn’t know about the community….about the Buyat Pantai group.”xvii Internal stakeholders believed that, during the operating period of the mine, the individuals who served as General Manager were largely focused on operational and technical issues, and didn’t know, or focus on, how to assess and respond to community concerns. In the Minahasa review, several of the internal stakeholders opined that “the marginalization of the Community Relations function within organizational decision-making processes may have contributed to the challenges that Newmont faced.”xviii

In considering the strategic management of community relations at the sites, the study teams generally found that risks identified in site risk registers (see Lesson 2) had not been mapped into strategic plans or work-plans. Notably, the Yanacocha study team found that the 2008-2012 plan identified the “highest and extreme risks”xix for the ESR departments. The study team was not, however, able to report on whether this strategic plan is regularly updated based on changing assessments and community input. A number of study teams noted that there was no evaluation of which Newmont personnel, functional departments, or contractors had the most significant interface with community stakeholders. Such an analysis would provide valuable input into strategic planning.

Similarly, study teams found that “the company has not analyzed which departments – and which functions in those departments – have the most frequent contact with external stakeholders or most impact on their issues of concern.”xx As the Carlin study team observed, “[t]his type of functional analysis would help the company quickly prioritize which departments and functions should receive additional community relations training and support.”xxi The Study Directors believe that such an analysis should be a key component of the mine’s strategic planning for the management of community relations. Without knowing which functional areas impact stakeholders, and how, it is difficult to establish the right accountability mechanisms and indicators. Currently, there are no key performance indicators for community relations issues for the different functional departments at the mine.
Some internal stakeholders in the Minahasa review believed that the mine's weak relationship with external stakeholders was due to a number of underlying causes "including an organizational paradigm that was seen as being dominated by a production, technical and environmental compliance orientation."xxii According to the interviewees, such a paradigm "contributed to a situation where risks were not adequately considered, understood, resourced, managed or monitored by the organization before and during the crisis."xxiii There was a perception that there was “little room for comprehensive consideration of local-level community relations and broader socio-political aspects.”xxiv Based on the interviews conducted, the Minahasa review team concluded that "Newmont may not have foreseen the potential for social aspects to become high risk because the dominant organizational paradigm was not responsive to these issues."xxv

• Community Relations and Community Development: What Are the Concerns?

The lack of integrated strategic planning regarding community relations at the mine site level and the relative isolation of the ESR departments represent significant risks for Newmont. Mines interact with community stakeholders in many ways, and the complexity of these interactions and the issues involved can not be managed by ESR alone.

Newmont’s operations at Yanacocha provide a clear example of the necessity for a comprehensive multi-functional approach to community relations. At Yanacocha, where a long history of incidents and grievances have led to a largely “broken” relationship between the mine and the surrounding communities, the study team found that “[t]he mine site does not seem to have an overarching management system for community relations; it is largely organized by the EA Group which sometimes engages other departments on an ad-hoc basis.”xxvi The Yanacocha study team concluded that “lack of functional and robust systems to manage … stakeholder relationships”xxvii increases the risk of significant mistakes in a context in which the mine has “little margin for error in the eyes of its stakeholders.”xxviii Yanacocha is the largest gold producer in South America, with six open pit mines, four leach pads, and three gold recovery pits, and includes an “impact area” containing an estimated 152 villages. The mine has a very difficult relationship with many community stakeholders, as discussed in Section V, and there is a need for a disciplined and thoughtful community relations strategy. The absence of an overarching plan for managing community relations concerns has damaged Newmont's ability to build positive relationships with its stakeholders in Peru.

In explaining their concerns, many stakeholders around Yanacocha point to the mine's initial lack of engagement with communities as undermining current relationships. The early exploration teams allegedly damaged water canals and private property without consultation with community members or proper mitigation efforts. Currently, there are tensions in the community due to concerns that Newmont is reconsidering potential exploration and development at Cerro Quilish. The example provided by Newmont's failure to engage effectively with communities during its initial exploration of Yanacocha, as well as the tensions involved in any discussion of further exploration at Cerro Quilish, highlight the need for a comprehensive community relations strategy applicable to all functional areas, including Exploration. This also underscores the need for such a strategy to be in place, at least in initial form, at the very outset of the mine's engagement with community stakeholders.
Similar examples at other mine sites make clear that the complexity of the issues at stake requires the coordinated engagement of all functional areas. At sites like Batu Hijau and Ahafo, the mines face significant community concerns around employment, and it is critical that Human Resources strategies be more closely coordinated with ESR. At Carlin, the study team observed that the purchasing department has tremendous power to support the local economy, but noted that there was no clear strategy for targeted purchasing to support specific groups. This represents a significant lost opportunity to promote community development.

Project Timelines. At various sites, discussions about closure timelines have raised tensions between the mines and the communities. Although Study Directors recognize that community relations issues are frequently considered in discussions about closure and new exploration, it is essential that ESR and the Operations departments not operate at cross purposes.

The Carlin study team observed that "what appears to be lacking is an overall strategy for how Newmont intends to promote long-term economic sustainability in the region after the mine closes." In Batu Hijau, some stakeholders questioned whether Newmont's community development programs were established in a manner that would withstand the closure of the mine: "[t]here is no level of comfort about the long-term sustainability of community development programs." One stakeholder told the Batu Hijau study team that "[i]f we do not work for Newmont we cannot survive. The economic impact is too high."

Some internal stakeholders perceived that a lack of comprehensive closure planning was also a significant issue at Minahasa. Internal stakeholders believed that closure planning at the mine involved significant attention to environmental concerns, but relatively little attention to social concerns. (See further discussion in Lesson 8.) According to interviewees, closure planning at Minahasa also involved an increased focus on community development activities at the same time as the Community Relations department was being reduced. Interviewees believed that there was a general lack of coordination that undermined the company's efforts to address community concerns associated with the closure of the mine. Some interviewees also perceived that closure planning at Minahasa failed to incorporate specific plans to address the socio-economic impacts on the Buyat Pantai community, and that risks associated with the beach community were not considered a high priority by those managing the closure planning.

Potential delay in project closure can also raise tensions. Recently, at Waihi, there was an increased level of tension with the Iwi, specifically the Ngati Tamatera, because of possible delays in the scheduled mine closure. The Ngati Tamatera wish to plan a mourning process for Pukewa, but do not want to enter into a dialogue with Newmont about that process until a closure date is set.

Training and Capacity for Cross-Functional Coordination. When evaluating the capacity of the mines to address community relations in a cross-functional manner, training is another key consideration. The manner by which training needs are identified and prioritized is an important consideration for the company. The Batu Hijau study team found that training on stakeholder engagement issues "needs to be initiated by the respective line managers. If they are not active in determining the specific needs and priorities of their department, the training will not get done."
The Batu Hijau study team also observed that "[t]here does not seem to be a standardized curriculum and much of the training in the External Relations department is more than two years old." At Ahafo, the study team found that "managers of departments are...responsible for monitoring the performance of the company in their respective areas and making recommendations for particular forms of stakeholder-related training that may be required."
The Study Directors believe that it is important for Newmont to conduct analyses of which personnel should be prioritized for specific training based on the nature of their contact or interactions with community stakeholders. Currently there is a risk that specific employees are not receiving training that could significantly impact Newmont’s engagement with community stakeholders. For example, the Waihi study team observed that there was no regular training on community relations for the Exploration and Environment personnel. This is of concern because both of these departments have the ability to significantly impact a mine’s relationship with its community.

It is also unclear whether training needs are identified at the regional offices. The Waihi study team noted that processes such as purchasing and employment are now centralized at Newmont’s regional offices in Perth. These personnel can have significantly influence local community development at the mine sites. A mine's budget for “community relations” and “community development” activities may be considerably smaller than the funds that the mine spends in making supply purchases in the local community. It is important that these personnel be aware of the mine site’s specific strategic goals for community relations.

Change in Management Structure. Finally, the recent management restructuring has led some stakeholders to question whether the mine sites have retained capability under the new management structure to make certain decisions necessary to promote positive community relations. In Waihi, for example, the study team found that stakeholders raised “specific concerns” about the ability of the mine to make decisions that would support the local economy. Under the former management structure, the General Manager at Waihi had made community relations a major focus for the mine. With this backdrop, the restructuring has been perceived as a retreat from a previous high level of community engagement. One stakeholder in Waihi specifically stated that “the new regional structure doesn’t work so well for the community, or for building community relationships.”

- Community Relations and Community Development: What Seems to Be Working?

Strong Leadership from ESR. It was clear at a number of the sites that strong leadership from the ESR Department can promote a community-oriented site culture even without an overarching strategic plan for community relations. This represents an opportunity for Newmont, as strong leaders can help drive future strategic planning efforts.

Of the sites reviewed, Carlin and Waihi stood out for the degree to which community stakeholders recognized the role of specific individuals and departments in promoting strong community relationships. At Carlin, the study team observed that the mine has “a strong social license to operate,” and this “appears to be the reflection of an ingrained company culture” in the ESR department as well as the result of personal leadership from both the regional management team and the ESR Department. At Waihi, community stakeholders specifically cited the efforts of previous General Managers in ensuring that community relations was a priority during the day-to-day operation of the mine.

In addition, as discussed in Lesson 5, both Waihi and Carlin represent operating environments in which Newmont and its employees have largely integrated into the fabric of the civic community. The role of the site-level ESR Departments in community engagement and relationship-building was a key factor at a number of the sites. At Carlin, the study team found that management developed “an effective network of carefully cultivated contacts representing a broad range of government and community in the Elko region.” This has led to a situation in which “external stakeholders clearly view Newmont and its employees as involved in the community and committed to its development.” Because of this, the company is able to rely heavily on its network of community contacts “to provide external input to both its operational decisions and community investment programs.” Similarly, at Waihi, the study team observed that the mine had “recruited local people with established networks...
to work in the Community Relations and [site-level] ESR areas. These key individuals have now worked at the operation for many years, and are generally well-known and respected by many in the community.” Also at Waihi, “three out of the last four General Managers have been [New Zealand] nationals, which was seen by some interviewees as a strategic move on the part of the company to ensure positive community relations.”

Strong leadership from the ESR Department was also cited at Ahafo, the youngest mine studied for the CRR. Ahafo is an important example in the eyes of the Study Directors. It represents a mine that began operation after Newmont’s current management standards and policies were adopted. It is also an operating environment in which Newmont’s arrival has led to significant social and economic change. From the outset, the mine appears to have adopted a very proactive approach to community relations, and the Ahafo study team observed that the mine has “demonstrated a strong commitment to community relations through a highly motivated and effective [site-level] External Affairs Department.” The study team also observed that “[t]he effective functioning of the External Affairs Department constitutes a major strength in promoting positive community relations at Ahafo Mine and reducing…social risk.”

**Stage Gate.** The adoption of Stage Gate is another opportunity to promote cross-functional integration of community concerns by helping to ensure that stakeholder concerns are considered directly at the outset of project development. Executive interviewees noted that social responsibility is embedded effectively in Stage Gate. This is “very strategic” because in the new structure ESR is “equal” to the other functional areas at a mine site, including Operations, Business, and Legal. One executive noted, “Stage Gate explicitly incorporates social responsibility, it has influence within the company, and it’s involved directly in the decision-making.” On the exploration and project development side, “Stage Gate is the right process, imparting discipline and properly loading a project with its inherent risk before making a decision to proceed or not.”

Although some concerns were also expressed about Stage Gate, it appears to the Study Directors to be a good process in theory, and has worked well elsewhere. Its success at Newmont will depend on the vigorousness with which it is applied. One executive commented that although Newmont is “weak on knowledge sharing,” Stage Gate “is one of the foundational pieces that will help” to remedy that weakness.

**Looking Ahead.** The Study Directors are aware that many of Newmont’s policies and management standards on community relations issues have only been adopted in the last five years. The process of rolling out standards to diverse mine sites is a difficult one, and there is certainly no reason to believe that community relations will not become increasingly ingrained within the management approaches at the individual sites. As one executive noted, social responsibility is on a path at Newmont that has been recently traveled with respect to other important risk management standards and processes. “At one time we weren’t focused as much on safety, and it was difficult to measure our performance, but then we established the right metrics and developed a good record. The same then happened with environmental issues. Now we’re in the process of doing the same on social responsibility, which has been more challenging in some ways. While we’ve come a long way on this, and we continue to improve, we still also have a long way to go.” According to some interviewees, the safety and environment examples also provide a model for social issues with respect to more widely recognized performance standards, visibility, and training resources.

Although the mechanisms to track social risk are distinct from those developed for safety or environmental performance, a similar effort must be made to develop and implement comprehensive plans to gauge social concerns. After all, as one executive commented, “process is process.”
4. **Recommendations and Opportunities — Suggestions for the Path Ahead**

- **Mine site managers should develop integrated strategic management plans for community relations for each of Newmont’s mine sites.** This planning process should be done in coordination with the Regional Senior Vice Presidents and Corporate ESR personnel to ensure consistency with Newmont’s management and performance standards and the Global ESR Strategic Plan.

- **Newmont should undertake an assessment, at a representative sampling of mine sites, of the ways in which different functional areas at the mine interact with community stakeholders and the degree of influence each functional area has over the quality of Newmont’s community relationships.**

- **Corporate ESR should work with the mine sites to develop and implement key performance indicators to measure performance against the site- and global-level strategic plans for community relations for each functional area at the mine sites (e.g., environment, operations, human resources, and security). Key performance indicators should include both leading indicators (e.g., training, risk analysis, planning and management, and mechanisms for stakeholder engagement), as well as lagging indicators (e.g., response time for resolving complaints, decrease/increase in complaints over time, protests, perception surveys, and focus groups). Stakeholder input and engagement must be incorporated into these performance indicators.**

- **All mine site managers, across each functional area, should receive regular training regarding community relations. The training curricula should address corporate-wide standards and policies as well as the business imperatives for strong community relationships. The training for managers in different functional areas should reflect the specific types of engagements that each manager has with community stakeholders.**

**Lesson 2:** Regular and comprehensive social impact assessments and risk assessments must inform cross-functional strategic planning at Newmont’s operating sites.

1. **Why Is This Important?**

   SIAs provide local, regional, and corporate management with valuable information regarding the positive and negative impacts that the company’s actions, policies, and programs have on community stakeholders at mine sites. This information is essential to strategic planning and the company’s ability to engage effectively with stakeholders in a proactive manner. It is important that assessment efforts be ongoing and dynamic so that shifts in the identities of community stakeholders, as well as the nature of their concerns, are incorporated quickly into the mine’s strategic planning.

   Social risk assessments are also crucial for a mine’s strategic planning. Risk management is a key element of Newmont’s business management strategy and social and community risks must be monitored closely.

2. **What Risks Does This Lesson Address?**

   SIAs provide crucial information for establishing targets and objectives at the mine sites. Without such assessments, Newmont lacks the information necessary to identify and respond to negative trends or to demonstrate the positive impacts of its activities on the local and regional economy. In addition to providing information for strategic planning, SIAs provide information for ongoing engagement with stakeholders that is proactive rather than reactive. These assessments, along with ongoing risk assessment and management, must be considered an essential part of the overall operation of the mine.
SIAs also provide the types of information necessary for prioritizing the allocation of resources. As the guidelines to Newmont’s CER standard on SIAs note, the SIA process is “valuable as it prevents financial costs from being incurred through the collection of information that is not relevant to the project.” In addressing the diverse and complex challenges at its mining sites, Newmont must have a means of prioritizing its expenditures on community relations. Analyses of hard data regarding social impacts on communities provide Newmont with information to evaluate the impact of its spending, where community needs are greatest, and the distribution of impacts across different stakeholder groups. Such information can be used to improve the company’s capacity to develop effective strategic plans for future allocations of resources.

Ultimately, the information gathered through social impact and social risk assessments represents a considerable resource to the company as it enhances the company’s capacity to manage community relationships effectively. Failure to gather this information represents both a lost opportunity and a substantial risk to each mine’s social license to operate.

3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

- Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

**Social Impact Assessments.** Newmont’s CER standard on SIAs requires that assessments be undertaken at each mine site at least once every three years. Each assessment is to include either the creation or the update of a stakeholder map, as well as the identification of both the short and long-term impacts on surrounding communities of the various phases of the mine’s life-cycle.

The study teams did not identify the frequency with which SIAs were conducted at the various mine sites. It is not clear to the Study Directors that there is guidance to mine managers regarding whether, in certain operating contexts, SIAs should be conducted more frequently than once every three years. Notably, it may be necessary to undertake more frequent assessments in certain contexts, such as where social and economic factors are changing rapidly.

As discussed in Lesson 1, the CER standard on SIAs stipulates that each mine must have a community and external relations strategic management plan that is informed by the findings of the SIAs and consistent with the CER Standards.

**IMS Standard on External Stakeholder Engagement.** Newmont’s IMS standard on External Stakeholder Engagement calls for the utilization of stakeholder mapping and risk management processes to achieve “a comprehensive understanding of the culture(s) and social structure(s) of impacted communities to ensure respectful and effective engagement.”

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8 Notably, the standard also calls for the inclusion of “specialist” studies on issues such as health or cultural concerns that are identified during the impact assessment. The guidelines for the standard note that “each context will define the specific ways in which the SIA is undertaken. Social, cultural and political dynamics will, to a large extent, determine the level of stakeholder engagement…” The guidelines also state that “inclusiveness of stakeholders in the SIA process is essential. The quality of engagement is equally important. For many stakeholders, this may require adapting the process to take into account their own circumstances and communication needs.” [Guidelines for CER Standard on Social Impact Assessments](#).

9 The standard also indicates that the mine’s risk assessments must be updated within three months of the SIAs and any specialist studies. The mine’s strategic management plan is to be updated within six months of these reports.

10 The guidelines for the External Stakeholder Engagement standard specify that, when assessing the cultural and social context of a mine, the following issues “may be considered”: local customs, traditions, and cultural norms; local governance structures – traditional and civil; key positions in the community, such as formal and informal leaders and decision-makers; decision-making processes; local regulations; physical boundaries; demographics; languages; educational systems; historical experiences with extractive industries; religious institutions; heritage, culturally significant and religious sites; and methods of communication. [Guidelines for IMS Standard on External Stakeholder Engagement & Reporting](#).
The guidelines for the External Stakeholder Engagement standard provide that “a stakeholder engagement plan should be developed” and “a two-way dialogue between the Newmont facility and stakeholders should be created that builds relationships, works towards building community consent, and keeps Newmont informed of changing stakeholder issues.” This dialogue should be conducted in a manner that “respect[s] cultural and social norms,” “[e]ngages with stakeholders only in ways that have been agreed to by them,” and “is inclusive of all stakeholders and does not exclude a particular group.”

The Study Directors note that stakeholder engagement is a central component of the mine’s community relations performance. It is not clear from the guidelines the degree to which sites are expected to integrate these engagement plans within the mine’s larger strategic planning initiatives.

The guidelines for the External Stakeholder Engagement standard also address stakeholder mapping. The guidelines provide that “all operations are required to develop and implement a process to identify and document external stakeholders who are impacted by the operation or who have an impact on the operation.” Notably, the guidelines observe that “stakeholder engagement is not about ‘selling’ the project to the community and some projects sometimes fail at building public consent because they do not consider key stakeholder groups or important issues of concern to the community. It is up to the person or the group themselves to decide whether or not they are stakeholders, not the company.”

**IMS Standard on Risk and Opportunity Management.** The IMS standard on Risk and Opportunity Management requires each operating site to have a risk register, the content of which is to be reviewed and updated annually. Mines are expected to “identify and prioritize” risks and incorporate these risks into the establishment of objectives and targets, as well as continuous improvement plans.

The guidelines for the Risk and Opportunity Management standard address community relations risks in addition to health and safety and environmental issues. There is very little specific information or guidance provided on community relations issues in the guidelines, which observe simply that “[c]ommunity relations risks range from stakeholder reactions to particular events to social issues such as human rights.”

**What’s Missing?** Although the guidelines for the standard on External Stakeholder Engagement identify a “typical range of Newmont stakeholders” including “indigenous peoples and minority groups and their representative bodies,” the guidelines do not provide specific information regarding how to best engage with such minority populations. In addition, women are not identified as a separate group of stakeholders, which may leave mine sites ill-prepared to identify and address the specific concerns of women regarding the impacts of mining. Newmont should consider drafting separate guidelines on women and on indigenous peoples to provide more guidance to sites on how to best identify the particular needs and concerns of these stakeholder groups.

Newmont should also consider providing more guidance to local managers regarding the potential for cross-cultural divides between a mine and stakeholders. Managers must be aware and responsive to the fact that, as a major multinational based in the United States, Newmont has a specific cultural “identity” that stakeholders may be responsive to in both positive and negative ways. These dynamics can cause conflicts that Newmont must seek to identify, assess, and respond to both through the development of site-specific cross-cultural protocols and policies.
Measuring Performance. Under the previous Five Star assessment system, for the IMS standards on External Engagement and Reporting and Risk and Opportunity Management, for an assessor to determine that a mine should receive a “three star” minimum performance rating, he/she needed to establish that “formal procedures” had been implemented and were “functional with general conformance to the requirements of the standard.”

As noted in Lesson 1, for the SIA standard, a minimum “three star” performance rating required a mine site to have “a formal and up-to-date” SIA that was used as the basis for “the facility’s current risk assessment and strategic management plan” and that was linked to the mine’s closure plan.

As previously observed, in the opinion of the Study Directors, the Five Star assessment system was not adequate for measuring the company’s performance in the area of community relationships. Simply identifying whether systems are in place does not provide sufficient information regarding a site’s performance with respect to the standard.

Accountability for Addressing Community Relations Concerns. The identification of a mine’s community stakeholders, as well as the impacts that the mine is expected to have on those stakeholders, is an important element of a mine’s capacity to manage community risk. This does not, however, seem to be reflected in employee performance reviews. For example, at Waihi, the team found that although each of the ESR Department’s standard operating procedures had a specific section on accountability, there was no coordination between employee performance indicators and the mine’s risk register or SIA findings. Without such accountability mechanisms, the Study Directors find that Newmont is not equipped to respond to management failures to identify and react to community concerns at its operating sites. Absent such capacity, Newmont will find it difficult to promote continuous improvement in its management of community relations.

Capacity Building. Newmont’s Corporate ESR team has developed a range of stakeholder mapping tools for use by mine managers, and at each of the mine sites the study teams found systems in place to identify and map key stakeholders. It was not clear, however, whether the systems were tied to the specific tools provided to the sites or were developed independently by the sites.

The associated guideline for the SIA standards provides some guidance regarding the implementation of an SIA process. The guideline emphasizes the importance of providing sufficient preparatory time for an impact assessment and the need to coordinate SIAs with other assessments at the mine, including environmental and engineering assessments.

For risk assessments, the Study Directors found insufficient guidance provided to the sites relevant to community relations issues in the Risk and Opportunity Management guidelines. The guidelines are very general in their approach to community relations risk assessment and management. For example, in discussing the “examples of activities which should be considered for application of the risk management process,” the guidelines state that when considering changes to existing operations, “stakeholder interactions” should be considered. When undertaking new projects, the guidelines simply suggest that “community issues” likewise, be considered.
Another notable deficiency in the Risk and Opportunity guidelines related to community issues is the qualitative and quantitative guidance provided regarding assessing the significance of specific risks. For example, in a matrix on “consequences,” community consequences are described solely in terms of complaints and media inquiries. A “Level One” risk might result in a community consequence of an “Isolated complaint. No media inquiry.” According to the consequence guidelines, a very high-level risk would result in “high level of concern or interest from local community” and “national and/or international media interest.” The Study Directors believe that assessing risk in terms of this very limited range of potential community consequences is insufficient and does not provide the assessor with an adequate understanding of the risks of poorly managed community relations concerns.

**Capacity Concerns.** With regard to Newmont’s broader ability to identify and understand social impacts, a number of the site teams and some of the Newmont executives questioned whether mine personnel have sufficient social science backgrounds to adequately assess community social concerns and promote the incorporation of such analyses into strategic planning for the mines. Company personnel with stronger social science backgrounds can help site and regional management understand community expectations better and help develop long-term plans for fostering improved community dynamics. The Study Directors agree that Newmont’s community relationships are more likely to be successful if the individuals tasked with carrying out social functions have educational and professional backgrounds and expertise that reflect those functions, and encourage the company to consider this in the context of its hiring practices.

Specific capacity concerns were raised by the study team at Batu Hijau, which determined that the Community Development Department at the mine “is not able to achieve its full potential” because it is under-resourced. The study team noted that there has been no Community Development Manager at the mine for a number of years. Ultimately, the team found that “[t]he absence of a highly-skilled, appropriately-trained and experienced community development professional at the head of the community development team results in some lack of direction and motivation. There are good officers in the Community Development team, but they appear to lack the support and leadership that could enable the promotion of truly sustainable development perspectives and methods in the community programs.”

The Study Directors find that appropriate resources for Community Relations/Development personnel is a significant capacity issue that Newmont should carefully consider. More rigorous assessments of impact would allow Community Development personnel to demonstrate the value of their work and advocate for greater resources if they are unable to meet objectively assessed community demands. At Batu Hijau, the study team found that “community demands and expectations are high...and the community does not necessarily believe that the staff are already working at full capacity to meet their needs and demands.” The Batu Hijau team recommended that “training, capacity and morale-building programs” in addition to “direct inputs to staff motivation and performance” would improve the situation. In the opinion of the Study Directors, the measurement of social impact combined with more objective performance indicators to evaluate employee performance would allow Newmont to better motivate and advocate for its Community Development personnel.

**Local Knowledge.** A number of the review teams pointed out the importance of hiring managers and other personnel from within the local community. Individuals with deep personal knowledge of a particular regional or national environment can be an invaluable resource to the company as it assesses the needs and concerns of community members. Individuals from the local community can also help Newmont identify concerns that may stem from cross-cultural differences and divides between the company and surrounding communities. These divisions can cause conflicts that Newmont can help identify, assess, and respond to through the hiring of local nationals.
Regarding Minahasa, internal interviewees believed that the company only sought to establish stakeholder relationships after the crisis had developed. The Minahasa review team noted that interviewees, “mainly Indonesians and those with a long history in the country”\textsuperscript{lixxi} observed that relationships in Indonesia “demand particular and special attention….and that the company did not always appreciate the dynamics involved.”\textsuperscript{lixxi}

**Site Implementation.** According to the study team reviews, implementation of the social impact and stakeholder engagement standards does not seem to be consistent across the mine sites. For example, at Ahafo, the study team found that the ESR department conducted a formal stakeholder mapping exercise, and in the opinion of the study team, “recognizes and considers the most important and relevant stakeholders at the local, district, and national levels.”\textsuperscript{lixxiii} On the other hand, at Carlin, the study team found that there were no well-developed systems for stakeholder identification and engagement.

There did not seem to be a standardized system for the breadth and nature of stakeholder identification exercises. For example, at Ahafo, the ESR Department used a stakeholder identification process that was "more flexible and context-specific than is suggested by the rigid stakeholder mapping exercise."\textsuperscript{lixxiv} Ahafo considers factors including location, occupation, gender, age, and specific experience of impact when identifying specific groups of stakeholders. Other mines appeared to follow a more formal and limited process. Although the Yanacocha team found that stakeholder maps and analyses were “up to date” and were used to determine the specific areas of impact of the mine, the study team observed that, generally, stakeholder mapping exercises focused on “political leaders and authorities and did not include the general community.”\textsuperscript{lixxv} The Yanacocha team also found that “existing stakeholder mapping processes do not include an analysis of specific concerns per stakeholder or stakeholder group.”\textsuperscript{lixxvi}

Even within a mine site, there was diversity in the approach to stakeholder identification and analysis exercises. At Yanacocha, the ESR Department uses two processes to identify and analyze stakeholders. The social development group analyzes stakeholders using a mapping methodology. The institutional relations group maps organizations using a “for or against” methodology that “does not take into account the relationships among stakeholders.”\textsuperscript{lixxvii} This lack of consistency causes confusion and results in mixed data, which is not as valuable for Newmont as it could and should be.

- **Community Relations and Community Development: What Are the Concerns?**

Newmont’s current capacity to promote strong community relationships and community development is uneven at the sites studied for the CRR.

**SIAs and Stakeholder Engagement.** The failure to conduct comprehensive SIAs undermines Newmont’s efforts to engage with communities and to promote community development and community relations initiatives.

At Yanacocha, the lack of SIAs and knowledge of rural communities surrounding the mine has undermined the mine’s community development initiatives.\textsuperscript{13} Asociación Los Andes de Cajamarca (“ALAC”), a non-profit, corporate entity sponsored by the mine, has supported economic development in both rural and urban communities impacted by the mine. It is not clear, however, that the mine has the type of information it needs regarding rural communities to demonstrate either the benefit of its investments or identify where investments in community developments might be most appropriate. There does not seem to be much engagement with rural communities regarding the nature of the company’s community development efforts.

\textsuperscript{13} Internal interviewees told the study team that before any operational project is implemented at Yanacocha, mine managers “must first identify all of the social and environmental impacts and risks to the project, as well as a mitigation plan to manage those impacts and risks.” Only in recent years has a “social component” been included in this assessment process, reflecting a historical deficiency in the mine’s planning processes. **YANACOCHA ASSESSMENT TEMPLATE.**
The study team reported that “[i]t appears that appropriate intercultural engagement mechanisms and methodologies are not used to engage the rural communities.”14

Yanacocha’s historical failure to engage effectively with rural communities means not only that the mine lacks crucial information regarding these communities, but also that the communities lack crucial information regarding Newmont. The study team observed that “rural residents…did not know of positive development projects located in their communities or neighboring communities.”15 The Study Directors find that this lack of dialogue is a significant obstacle to improvement of community relations around the Yanacocha Mine.

Another failure to conduct adequate impact assessments was identified by the study team at Batu Hijau. No initial impact assessment was done before the mine began operations, and the mine’s current SIA lacked a “detailed analysis of the impacts upon stakeholders around the mine site and how these impacts would be mitigated.”16 The Batu Hijau team also found that “overall impact assessments were also not adequately done and thus vulnerable groups were not specifically identified.”17

The Batu Hijau study team provided a concrete example in which the mine’s SIA process required greater analysis to promote more sustainable community development. The town of Maluk is located just a few kilometers from the entrance to the mine site. When the environmental impact assessment was conducted for the mine, the town was only a small settlement and was not designated as impacted by the mine’s development.18 Maluk now boasts more than 5,000 people and is the largest town in proximity to the mine site. The mine includes the town in its community development programs, but its interactions with the town can not be informed by a comprehensive impact analysis that includes baseline assessments and ongoing impact monitoring. It is therefore difficult for the mine to determine if impacts on Maluk are being sufficiently mitigated or monitored.19

The Study Directors find that when managers do not have the information necessary to understand the impacts that a mine has on specific stakeholders, the mine’s ability to manage those impacts is considerably diminished. The Batu Hijau study team observed that the lack of a “comprehensive process” to identify impacts related to specific stakeholders has “significant consequences” for the management of the mine.20 Inasmuch as no initial impact analysis was done by the mine at the commencement of operations, mine managers were left unable to determine “who were the most vulnerable in the communities existing at the time of commencement of the project and therefore who should be “compensated” for the negative impacts of the project,”21 The study team noted that the “the inability to tie company development efforts to specific impacts upon specific stakeholders leaves the company vulnerable to calls for ‘compensation’ for perceived impacts.”22 Similarly, the Carlin study team noted that “it is difficult to measure the company’s full contribution to community development because there are no metrics in place to measure medium- and long-term impact.”23

Without being able to provide objective factors for its determinations regarding the allocation of community development funding, the mine is vulnerable to tensions with and between villagers who do not understand the mine’s decision-making. Moreover, absent the ability to provide a clear link between development assistance and impacts on the community, the mine is unable to manage community expectations.

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14 According to Yanacocha personnel, the company is significantly expanding its outreach to rural communities in 2008, but as the study team noted, “it was not clear what engagement mechanisms would be used to systemize this plan.” YANACOCHA NARRATIVE REPORT, Appendix 1E, at p.140.

15 Maluk was designated as one of the impacted communities relative to the construction of the port and power facilities for the mine.

16 The Batu Hijau study team found that “this problem exists for all of the villages and towns surrounding the mine site. Although the site maintains a register of the 16 settlements, villages and towns impacted by the mine, specific impacts for specific villages are not determined nor are the varying degrees of impact systematically identified, measured and monitored.” BATO HIJAU ASSESSMENT TEMPLATE.
Stakeholder Identification and Stakeholder Engagement. Failure to engage with and understand the concerns of key stakeholder groups can have lasting effects on the capacity of a mine to interact with community members productively. At Carlin, the site has only recently begun to engage with the Western Shoshone even though Newmont has operated the mine for more than 40 years. Initial discussions with the Western Shoshone regarding their land claims, and other issues of concern to the tribe, only began in 2005.\textsuperscript{17} As discussed in Section V, the study team also found that the failure of the Carlin Mine to systematically identify and assess stakeholder needs “could leave the company exposed if the external environment changes and new risks appear.”\textsuperscript{18} Carlin is not as prepared as it could be to address the concerns and risks associated with key external stakeholder groups, including the Western Shoshone and environmental NGOs. The mine also does not appear to be reaching out as proactively as it could to Hispanics living in the region, even though they represent a significant percentage of the new hires for companies in the area.

In responding to the Minahasa crisis, Newmont established a team of managers in Jakarta. The team was created to address the legal, environmental, media, and government relations concerns connected with the crisis. Some interviewees felt that many personnel were not prepared to deal with the type of community relations crisis situation that had arisen from allegations about the company’s activities at Buyat Bay. Some interviewees concluded that managers were trying to engage with government officials and media representatives without having previously established relationships with these stakeholders.

In the view of the Study Directors, the failure to engage effectively, or at all, with key stakeholders around the mine sites creates a significant risk for Newmont. The company must improve its implementation of its SIA standards and ensure that mine management is identifying and engaging with stakeholder groups that have concerns about the company’s operations.

Utilization of Risk Registers. The maintenance and utilization of risk registers is a key mechanism for managing social risk and community concerns. It is apparent that not all of Newmont’s mine sites are effectively utilizing risk registers. Interviewees at Carlin reported that they had recently “revived” the mine’s consolidated risk register for social and environmental issues. The Carlin team also observed, however, that it is not clear how the risk register and the stakeholder map will be “incorporated into existing decision making and/or accountability processes.”\textsuperscript{19} Furthermore, the Carlin study team found that “not all risks are systematically identified, and not all of those identified are assigned to specific departments or individuals for follow-up.”\textsuperscript{20} Notably, the risk register includes only one reference to the Western Shoshone, a key stakeholder group.

A risk register can be an extremely effective device, not only for tracking risks, but also for ensuring that mine management is accountable for addressing risk effectively. The failure of Carlin to fully implement risk tracking is only one example, but in the view of the Study Directors it reflects a larger failing by the company to systematically implement crucial tools for identifying and managing community concerns.

\textsuperscript{17} Carlin’s dialogue with the Western Shoshone has been temporarily suspended, although the study team observed that it appears that “all parties are interested in jump starting the dialogue again and this could be a fruitful opportunity for enhanced engagement with this important stakeholder group.” Newmont Mining Corporation, Global Community Relations Review–Site-based assessment of Carlin Operations, Nevada, Study conducted September 2007 (April 2008), Appendix 1B, at p. 40 (hereinafter “Carlin Narrative Report”).

\textsuperscript{18} The Carlin study team found that “there is no prioritization of functional areas for training and/or accountability. There appears to be little congruence between the degree of severity of risks identified and their prioritization in one or more PMTs or work plans.” Carlin Assessment Template.
Community Relations and Community Development: What Seems to Be Working?

We are committed to contributing to community projects that are identified using community needs analysis. We will also proactively identify opportunities to leverage community development projects and empower other sectors through partnerships.

- Newmont's Social Responsibility Guidelines

Despite the need for more comprehensive SIAs, a number of the mines reviewed for the CRR were credited for having made significant contributions to local community development. Although lacking baseline impact assessments, the mine at Batu Hijau seems to have been "very effective" at promoting infrastructure development in local communities. The study team noted that these projects have come about as a consequence of community consultations and external assessments of community needs. Notably, Newmont has brought about significant community development in the contexts of both developing and developed economies. At Carlin, the study team found that "the company has made an important contribution to general quality of life in the region through enhanced physical infrastructure…as well as improved education…professional services and retail shopping."

At Ahafo, the study team observed that the mine has invested in a number of initiatives, including the Social Responsibility Forum, the Ahafo Linkages Program, and various "Flagship Projects" that aim to promote longer term economic development. The study team believes that “[b]y investing in community development projects that extend beyond the narrow impacts of its mining operations, Ahafo Mine is positioning itself as an active contributor towards building and strengthening social and developmental institutions at all levels.”

In the various contexts in which it operates, it is clear that Newmont is frequently a significant contributor to local community development. Its capacity to make determinations regarding specific future investments and evaluate the success or failure of previous efforts, however, would be significantly strengthened through more rigorous impact assessments.

4. Recommendations and Opportunities — Suggestions for the Path Ahead

- Ensure that each mine site is conducting regular SIAs and risk analyses. Corporate ESR and regional management should regularly engage with site managers to verify that such assessments are conducted regularly and properly.

- Conduct regular assessments of stakeholder engagement efforts to ensure that the company is engaging with all relevant stakeholder groups, including rural stakeholders, indigenous peoples, and regional NGOs.

- Ensure that information gathered during SIAs and risk analyses is incorporated into the mine's strategic plan for community relations.

- Conduct a needs and skills assessment of existing ESR positions and anticipated new positions. Through training and recruiting, ensure that all mine sites have personnel with sufficient and specific skills with respect to SIA and social risk analyses.

- Recruit nationally for key management positions at the mine sites to ensure that each mine has personnel with specific personal knowledge of the local, regional, and national context.

- Provide training to personnel at each mine site regarding stakeholder mapping and stakeholder identification. Ensure that mine sites are using flexible and context-specific stakeholder identification processes.
Lesson 3: Regional and local managers in all functional areas must be accountable for implementation of the company’s strategic objectives regarding community relationship building.

1. Why Is This Important?

   The successful implementation of a management system requires clearly defined roles and responsibilities and a commensurate level of accountability that is consistently applied throughout the organization. … ESR management is everyone’s responsibility, and each role should have defined … ESR responsibilities attached to them.

   - Guidelines for Newmont’s IMS standard on Organization and Responsibility xciii

   A critical element that drives expected outcomes through planning is Leadership. The element of leadership is the visible interaction with all levels of the workforce by communicating the message, measuring and reporting on the performance and expected outcomes … This information is fed back into the planning process with clear accountabilities tied to management positions.

   - Guidelines for Newmont’s IMS standard on Program Commitment and Leadership xciv

   Although Newmont’s policies and standards provide an important foundation for the company’s efforts to manage its interactions with communities, and thereby to foster a social license to operate, they will be implemented most effectively only if Newmont’s regional and local managers are held internally accountable for establishing positive community relations as a central business objective at the company’s operating sites. Accountability mechanisms are thus a key component of a mine's capacity to manage community relationships effectively.

   The leadership exhibited by Newmont’s regional and local managers is especially important because Newmont’s prioritization of community relations for all functional departments at its operating sites represents a significant shift for the company. Changes in organizational culture require decisive leadership and clear communication from management. Accordingly, Newmont’s managers must drive the company’s efforts to address concerns regarding the company’s management of its relationship with community stakeholders and they must be held accountable for the success of their efforts.

2. What Risks Does This Lesson Address?

   Newmont has adopted numerous policies and standards to address the risks associated with operating mines in complex social, political, and cultural environments. Ultimately, however, communities do not form relationships with standards. Positive community relationships will only develop when Newmont personnel act in a manner consistent with those standards. Newmont’s employees, like those at any company, will most efficiently prioritize community relations only if they are held internally accountable for doing so, and if they understand the importance of community relationships to the company’s business.

   Each of Newmont’s employees has a role to play in understanding and addressing community concerns so that conflicts do not escalate to the extent that lasting damage is done to either the company or the community. If community relations concerns are viewed as the responsibility of isolated individuals within the company, then Newmont will not have the capacity to monitor such concerns and respond to them in a manner that will avoid such escalation. Management personnel must be held accountable within the company for ensuring that all Newmont employees understand their roles and responsibilities in addressing community concerns and for promoting an operating culture that prioritizes community engagement and responsibility.
Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

• Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

Newmont does not have a specific IMS standard on Accountability. A number of the company’s IMS standards, however, address the establishment of objectives and accountability mechanisms.

**IMS Standard on Organization and Responsibility.** The IMS standard on Organization and Responsibility provides that “Newmont facilities shall define, document and communicate...ESR roles and responsibilities for all levels of management personnel.” This documentation should define the responsibilities of management personnel in order to meet the “requirements of Newmont,” individual job requirements, site “ESR system(s),” Five Star standards, and relevant practices.\(^{20}\) The standard also provides that “Newmont facilities shall ensure that the General Manager, Superintendents, and Supervisors have … ESR responsibilities referenced as part of their position descriptions.”\(^{21}\) In addition, it states that “Newmont facilities shall require personnel to accept responsibility” for “ESR compliance obligations and management of potential impacts of their work activities.”\(^{22}\)

The guidelines for the standard on Organization and Responsibility state that “annual performance appraisals shall be conducted to evaluate individual performance” against defined ESR objectives and that “environmental and social targets and objectives, as linked to [a] facility strategic plan, shall be included in personnel’s personal annual objectives.”\(^{23}\) Specifically, the guidelines state that “environmental and social performance components should be built into annual performance reviews for all levels of management, including the General Manager, managers, superintendents, supervisors, employees and contractors (if relevant) at the facility.”\(^{24}\)

**IMS Standard on Program Commitment and Leadership.** The standard on Program Commitment and Leadership sets forth the responsibility of Newmont’s executive managers for drafting ESR policy statements defining the company’s “commitment to the realization of its Values through an effective management system designed to measure and drive continual improvement”\(^{25}\) in ESR Performance. Corporate executives are also responsible for establishing “company-wide strategic objectives and targets” and for communicating those objectives and targets to the mine sites.\(^{26}\)

**Code of Business Ethics & Conduct.** These accountability requirements set forth in specific standards are framed by the Newmont Code of Business Ethics & Conduct stipulation that “managers are responsible for ensuring that all employees, equipment, facilities and resources within their area of responsibility are managed in a manner to ensure compliance with and conformance with ESR requirements.”\(^{27}\)

**What’s Missing?** As discussed below, accountability mechanisms are most effective when they are based on specific performance indicators. When employee performance can be evaluated against specific indicators or targets, the company is best able to evaluate whether its objectives and goals are being implemented effectively. Newmont may wish to draft a standard or a set of guidelines to provide guidance to managers on the creation of specific community relations performance targets for site level employees.

\(^{20}\) The guidelines for the standard on Organization and Responsibility also provide that “facilities should also designate an employee(s) who is formally accountable for the coordination and maintenance of the HSLP & ESR management system(s). This responsibility should be well defined, documented in their position description and communicated to the relevant employees.” *Five Star Integrated Management System–Guideline on Organization & Responsibility.*

\(^{21}\) At a more general level, the Newmont Code of Business Ethics & Conduct instructs all Newmont employees that “[i]t is your responsibility to read the Code, understand its provisions, and act accordingly.” The Code also states that “[i]f you are a manager, you are also responsible for helping to ensure that those who report to you understand and act in accordance with the Code.” Finally, the Code states that Newmont holds “each employee, officer and director, regardless of position or status...accountable for complying with Newmont’s Code, policies, and all local and national laws...” Employees are expected to certify, on an annual basis, that they are familiar with the company’s Code, and Managers “are expected to lead by example,” and “must communicate our Code and relevant Newmont policies to their direct reports, and help them understand their requirements.” *Newmont Mining Corporation, Code of Business Ethics & Conduct (Issue Date: July, 2008)*, available at [http://www.newmont.com/en/pdf/Newmont_Code_of_Conduct.pdf](http://www.newmont.com/en/pdf/Newmont_Code_of_Conduct.pdf).
Newmont’s Management System: How Is Newmont Driving Its Performance?

Accountability to Corporate Standards and Policies. Organizational behavior is driven in large part through accountability mechanisms and clear statements of priority. Despite Newmont’s many corporate policies that seek to ensure accountability, the Study Directors found a consistent lack of accountability in the implementation of Newmont’s community relations objectives. This concern about lack of accountability was a recurring theme, in the study team reports and in the executive interviews. Regional Directors responsible for ESR appear to be unaccountable to Corporate ESR and some executives noted that ESR is being “defined at the regions” with little oversight from Corporate. This lack of accountability for implementation of the company’s community relations goals is a significant issue for Newmont.

There appears to be a disconnect between the Corporate ESR team and the manner in which the company’s CER standards are implemented at the regional and local levels. Implementation of Newmont’s standards is a key element of the company’s approach to community relations concerns. As discussed in Section IV, the corporate ESR team is primarily responsible for formulating the company’s overall approach to community relations concerns. The corporate ESR team also bears primary responsibility for developing and implementing the company-wide management systems meant to drive community relations goals. In addition, corporate ESR is responsible for providing advice and technical assistance to the regional offices and the mine sites as they seek to implement Newmont’s policies and standards.

Ultimately, however, what matters most for communities is whether the drafting of standards and the provision of implementation tools by corporate personnel in Denver effects behavior at the regional and site levels. The development of standards and management systems can only go so far, and it is apparent that there are significant gaps between the language of Newmont’s standards and the practices at the mine sites. Corporate-level responsibility for the development of standards and systems can only go so far if those corporate-level personnel do not have the tools and mechanisms to drive the standards down to the mine sites and hold regional and local staff accountable for their performance in implementing the standards.

Under Newmont’s new management structure, significant power for driving local initiatives now lies with the Regional Senior Vice Presidents. Noting this, several executives indicated they would like to see the Corporate ESR team “setting the agenda for the corporation” in the area of community relations and social responsibility. During corporate interviews, Regional ESR executives expressed concern that they needed more alignment with Corporate ESR issues and initiatives, so they could better implement them at the regional level. Others suggested that Corporate ESR needs to better define how ESR helps the company to meet its business targets.

Any lack of alignment between Corporate ESR and regional management must be addressed at the highest levels of the company. At this time it is not clear that Corporate-level ESR personnel seeking to operationalize Newmont’s standards have the institutional capacity and clout to hold regional and local staff accountable for implementing ESR standards at the mine sites. This presents a significant risk for the company and must be addressed.

Performance Reviews. The Performance Management Tracker (“PMT”) should provide a way to ensure that employee performance is aligned with the key objectives of the company. During the interviews of corporate executives, however, one executive noted that in reviewing an “Executive Performance Management Tracker” for Regional Senior Vice Presidents last year, there were no social performance objectives, despite the significant authority the Vice Presidents have over the implementation of community relations standards at the mine sites.
Instead, all the objectives were tied to Operations, HSLP, Cost, Production, and Talent Management, with specific indicators listed to measure performance. Accordingly, the incentives for the Regional Senior Vice Presidents focus almost exclusively on increasing operations, and do not take into account the social risks tied to operations. Several executives opined that “the same set of incentives should be provided in the social/community relations area.”

At the Regional Director level, community relations performance is considered in the PMT of the Regional Directors for ESR, but not for other members of the regional management offices. A key mechanism for change would be to integrate the mine site’s risk registers and the performance targets of key management personnel across functional areas. Once the risk registers have identified particular issues of concern at specific mine sites, those concerns should be reflected in the performance objectives of managers at both the regional and the mine site levels. It is critical that such integration occurs across functional areas. Regional Directors for Business and Human Resources, for example, should also be accountable for community relations objectives, inasmuch as functions such as supply chain and hiring have considerable influence over community development.

At the mine site level, accountability for community relations management does not appear to be well-integrated into the performance reviews, with the exception of personnel within the ESR function. For example, at Carlin, the study team found that regional staff in Elko were held accountable to the risks included in their PMTs, but observed that nobody was held accountable for mapping risks from the risk registers to specific work plans. In one example, the Carlin team observed that although risks related to indigenous peoples and NGOs were in the risk register, these were not adequately reflected in the PMTs of the Regional Director for ESR or the Director of External Relations.

Outside of ESR, study teams found that, generally, community relations was not a criterion in the evaluations of hourly employees, suppliers, or subcontractors at the mine sites. Indeed, there was a general impression among many of the site teams that community relations concerns were isolated within the ESR departments, and were not integrated cross-functionally. At Yanacocha, the study team reported that “[t]here were several examples where employees felt that community relations were considered solely the EA’s department responsibility, not the duty of all management.”

The Ahafo study team noted that the ESR department there seemed to be viewed internally as fulfilling a “fix it” role at the mine site — existing to address community relations problems as they arose, frequently due to actions by Newmont personnel. Similarly, the study team at Batu Hijau observed that the ESR department “bear[s] the brunt of any frustrations with the company and are often called upon to clear up issues which they were not responsible for creating.”

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21 At Yanacocha, the study team reported that many stakeholders expressed concerns about the accountability of the regional office, and found that “interviewees were unable to provide any information regarding how the Lima offices were held accountable for public statements that contradicted the site’s policies and procedures.” Yanacocha Assessment Template.
Absence of Indicators for Measuring Performance. The issue of accountability for meeting social responsibility goals is inextricably linked to components and metrics because, as one executive noted, “[w]hat gets measured, gets managed, and therefore, there must be clear lines of accountability.” Yet, when senior executives referred to the ESR components in the “Executive Score Card,” they almost exclusively referenced environmental, rather than social, goals. When asked if there had ever been a systematic review to evaluate and track ESR issues, many executives indicated that there had been reviews for environmental factors, but could not recall any for social issues.

This seeming lack of attention to creating accountability for social standards is consistent with findings by the study teams. For example, although the Waihi study team found that “there is some specification of social license to operate requirements in some individual job descriptions,” this was not yet standardized, and “most of the job descriptions…seek to achieve accountability by referring to Newmont’s corporate values, requiring active contribution to [ESR] considerations, managing risk, and compliance with company objectives, policies, procedures, safe work practices and regulations.” Metrics drive performance and thus the lack of measurable indicators negatively impacts the ability of the ESR team to be successful. The absence of performance metrics for social issues was also a common criticism in the analyses of the Five Star system. “We need more performance indicators,” opined one Regional ESR executive.

The Study Directors were impressed that many executives recognized that performance metrics can play a role in achieving community acceptance — a key component of a mine’s social license to operate. In discussing social performance indicators, executives suggested that metrics should be “meaningful to us as a company, but also to the outside world.” Similarly, one executive proposed a number of potential metrics, “all of which were about achieving community consent.” This recognition, however, was not accompanied by actual implementation, because many of the executives the Study Directors spoke with felt hamstrung in the general lack of social performance indicators to guide the company.

The Study Directors were struck by the seeming lack of metrics in the social responsibility sphere, particularly in contrast to the very successful leading and lagging indicators that have been developed for HSLP (e.g., training, leadership, and culture) and environmental issues. One non-ESR executive noted that the social arena should be able to easily develop such indicators, because they “should translate well.” Yet, when asked whether safety, environmental, and social responsibility factors were included in the key performance indicators (“KPIs”) of all employees, one non-ESR executive noted, “[o]f course I have safety in my PMT, but I don’t have social – I don’t need it.” One implication of this statement is that safety is a more “important” issue in measuring performance than other areas, including the company’s relationship with impacted communities.

More robust accountability is also needed for any recommendations that emerge from audits, including the former Five Star assessments. Although many external audits are conducted annually and reported, Study Directors conclude that there is little accountability for implementing any recommendations from these audits, such as developing timelines for accomplishing goals, leading to a waste of time, effort, and resources.

Personnel Capacity. In light of the failure by some mine sites to engage effectively with representatives of civil society and indigenous communities, the Study Directors believe that the ESR team might benefit from additional social science expertise. As one Regional ESR executive noted, this is a “capacity gap” where Newmont “had to do better.”

Among the specific metrics proposed and discussed by senior executives with the Study Directors were: social performance indicators (e.g., local and indigenous employment), retention, creation of local businesses, speed of permitting (e.g., particularly with land holding groups), incident reporting (e.g., cultural, social, and conflict), and tracking trends regarding Newmont’s external credibility.
To that end, consideration might be given in future hiring to establishing additional positions empowered to work with the full range of community stakeholders, as well as with management, across functional lines to ensure there is a full understanding of the risks and opportunities in the social arena, including with respect to sustainability issues. Although it is beyond the remit of this report, Newmont might consider undertaking a scoping exercise to assess whether, compared to other members of the industry, there are a sufficient number of ESR personal with social expertise at the ground and corporate levels to carry out the workload and fulfill the mandate established for the ESR function.

**Community Relations and Community Development: What Are the Concerns?**

In analyzing the importance of accountability in building strong community relations, there are two distinct issues at the site level. The first is whether specific managers and employees are held accountable for their community relations performance. This issue was addressed in the previous section. Individual accountability is an essential component of ensuring the company's standards and policies are observed.

The second issue is more complicated in terms of its direct impact on community relations, and concerns the manner in which Newmont itself is held accountable to community stakeholders for its performance. This is a fundamental issue at Yanacocha. The study team noted that stakeholders' resentment over this perceived lack of accountability is undermining the mine's current efforts to promote community development. They observed that "these programs...are met with skepticism since the communities still resent and don't trust the company due to past mistakes." The study team found that "[b]ased on information gathered in interviews, the resentment appeared to stem from a feeling that there has not been accountability for past mistakes." Stakeholders expressed a strong desire that Newmont not be allowed to proceed with "impunity," and urged the company to "take more responsibility and hold itself accountable for each of its past mistakes."

The issue of "corporate accountability" to the community is complex, but Newmont must seek to address it at each of the company's sites. At this time, it is especially important for Newmont to establish a path forward in Yanacocha, given the intensity of community feelings around the issue. Newmont has acknowledged past mistakes, and it must be able to effectively communicate with stakeholders regarding how it has responded to those mistakes. In one key example, residents of Choropampa continue to believe that the company has not taken full responsibility for the mercury spill that occurred there in 2000. One resident stated that "we would like the company to take more responsibility on this incident...we are sick and afraid." The path forward is not clear, and is further complicated by the fact that residents of Choropampa have filed a lawsuit against the company, which has changed the context in which community engagement with Choropampa stakeholders can occur.

What information should be communicated to the stakeholders, and how privacy, legal, and other issues should be addressed, remain challenges and open questions for Newmont. What is clear is that a thoughtful response would greatly help Newmont to repair its relationship with community stakeholders around the Yanacocha mine. To achieve maximum impact with community stakeholders, Newmont must approach these dialogues with humility and respect, as stakeholders repeatedly stated that they want their anger and fear to be validated. Defensiveness by the company would undermine this.
An important factor that has impacted the mine's relationship with community stakeholders at Yanacocha is that, for the most part, the community does not trust the national or local government to investigate incidents and, where appropriate, hold the company accountable. Stakeholders expressed to the study team a belief that no one is protecting their interests, and this has created tremendous tension and fear that can, in turn, lead to continued conflict with the mine. In contexts such as New Zealand or Nevada, where robust legal systems are largely trusted by the community to address any violations by the mine, concerns about specific incidents are more effectively channeled.

- **Community Relations and Community Development: What Seems to Be Working?**

The flip side of the coin to holding individuals or the company accountable for “past mistakes” is finding ways to reward those who have made community relations a priority and strengthened Newmont's community relationships.

A number of individuals were recognized by community stakeholders as being especially responsive to their concerns. In Carlin, for example, “the Director of External Relations was repeatedly mentioned by name as being accessible, proactive, trustworthy and genuinely concerned about the community.” In Waihi, the study team found that a key factor in the mine's relationships with surrounding stakeholders was the strong influence of a series of General Managers, “two of whom were repeatedly [cited] for their active and positive involvement in community affairs.” As Newmont incorporates more performance indicators into its evaluation of community relations issues, it should be able to identify and commend individuals within the company for their performance.

Strong individual leadership cannot substitute for rigorous management systems, but it is important to foster a culture in which people are not afraid to demonstrate leadership. A standard-oriented company is not necessarily a community-oriented company.

The challenge for Newmont will be to strengthen the application of existing standards while encouraging a culture that does not rely on the rote application of standards to build its community relationships.

### 4. Recommendations and Opportunities — Suggestions for the Path Ahead

- Develop and integrate measurable performance targets for community relations need to be integrated into the PMTs of executives and managers across Newmont's operations.

- Improve internal communications to facilitate the process of raising corporate responsibility awareness in other departments, so that both managers and employees understand that successful community relationships are not solely the responsibility and purview of the ESR departments.

- Work with senior management at both corporate and the mine sites to drive social responsibility awareness throughout the organization. Historically, site-based executives have helped to create cultures conducive to obtaining a social license to operate, but their abilities to nurture such environments have been diminished by recent management restructuring.
Managing Relationships with Community Stakeholders: Lessons Learned

B. Responsible Engagement

Lesson 4: Newmont’s operating sites must assess stakeholder concerns and engage with external stakeholders in order to understand and effectively respond to their perceptions and concerns.

Lesson 5: Newmont’s engagements with the community must reflect the company’s values and responsibilities and clearly convey what can be expected from the company in its role as a community stakeholder.

The degree to which Newmont will be able to manage its relationships with community stakeholders successfully is dependent upon the degree to which it engages regularly and responsibly with community stakeholders. Without regular engagement, it will be very difficult to establish trust between community stakeholders and the mines. This trust is essential to managing conflict and fostering the mine’s social license to operate. Lesson 4 examines Newmont’s capacity to promote effective engagement and considers the sufficiency of current stakeholder engagement efforts at the mine sites reviewed for the CRR.

As noted above, a key benefit of responsible engagement is the creation of trust between mine personnel and community stakeholders. Trust is built when community stakeholders believe that they are treated fairly, and when they are able to rely upon the mine to live up to its commitments. Newmont must ensure that all of its employees engage with community stakeholders in a manner that will build such trust: providing employees with clear sets of values helps foster internal expectations of behavior that will, in turn, promote more effective communication with community stakeholders about what can be expected from the mine. Lesson 5 addresses the importance of values-driven management to promoting a corporate culture in which responsible engagement with stakeholders is the norm.

Lesson 4: Newmont’s operating sites must assess stakeholder concerns and engage with external stakeholders in order to understand and effectively respond to their perceptions and concerns.

1. Why Is This Important?

Newmont must foster a culture in which mine employees understand the importance of not only assessing stakeholder concerns, but also engaging with stakeholders. When mine employees assess the concerns of stakeholders, they make judgments and assumptions about what those stakeholders need, want, and expect. In contrast, listening to stakeholders and engaging with them to understand their perceptions and needs requires setting aside knowledge of the employee’s own agenda and purpose, as well as acquired biases. An effective listener recognizes that Newmont is accountable to stakeholders for its actions and therefore has a responsibility to understand stakeholder concerns and priorities.
2. What Risks Does This Lesson Address?

Lack of trust is a central problem for mining companies and community stakeholders. As one stakeholder in Waihi noted, “it’s hard to earn community trust… but, it’s easily lost.” Stakeholders expect to be treated fairly, and will hold Newmont accountable for its failure to live up to this expectation. Listening to stakeholders is a gesture of respect and represents a key element of a corporate culture that promotes true engagement with community members and an informed understanding of community concerns. The existence of trust is significantly dependent upon stakeholders' belief, or lack thereof, that the mine listens to their concerns in a good-faith manner and engages with them regarding the resolution of these matters.

Listening fosters formal and informal dialogues with community stakeholders that provide a platform for addressing conflicts and tensions in a proactive and mutually beneficial way. A company’s failure to listen to and engage with community members can undermine a community’s ability to trust the mine, and create a situation in which conflicts and tensions are much harder to address.

In contexts in which trust has been broken, conflicts can escalate in a manner that may do lasting damage to the mine’s ability to operate. A Newmont employee told the Waihi study team, “we can’t do our jobs if we don’t get community relations right. There is an interdependency built into our relationship [with the community] so we know we’ve got to go the extra mile …” Ultimately, listening and engaging are key to getting “getting community relations right.”

3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

- Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

**IMS Standard on External Stakeholder Engagement.** Newmont’s IMS standard on External Stakeholder Engagement calls for “respectful and effective engagement” with communities that includes “methods for ensuring that the facility knows and understands external stakeholders’ issues and concerns.”

The guidelines for the External Stakeholder Engagement standard, which are notably detailed, emphasize that “facilities must develop and implement a process of external stakeholder engagement to listen and respond to stakeholder concerns, build community consent and reduce the risk of public outrage.” The guidelines also state that “a two-way dialogue between the Newmont facility and stakeholders should be created that builds relationships, works towards building community consent, and keeps Newmont informed of changing stakeholder issues.” They also indicate that “the best way to build consent and avoid conflict is to allow stakeholders an opportunity for input into activities that will impact their lives.”

**What’s Missing?** As noted in Lesson 2, the guidelines for the IMS standard on External Stakeholder Engagement identify a “typical range of Newmont stakeholders” including “indigenous peoples and minority groups and their representative bodies.” The guidelines do not, however, provide specific information regarding how to best engage with such minority populations. In addition, women are not identified as a separate group of stakeholders, which may leave mine sites ill-prepared to engage with and identify the unique concerns of women in the communities that surround the mines. Newmont should consider drafting separate guidelines on women and on indigenous peoples to provide more guidance to sites regarding how to identify the particular needs and concerns of these stakeholder groups.
The Study Directors also recommend that Newmont provide more guidance to local managers regarding the potential for cross-cultural divides between a mine and stakeholders. This recommendation was first raised in Lesson 2. Managers must be aware and responsive to the fact that, as a major multinational based in the United States, Newmont has a specific cultural “identity” that stakeholders may be responsive to in both positive and negative ways. These dynamics can cause conflicts that Newmont must seek to identify, assess, and respond to both through the development of site-specific cross-cultural protocols and policies.

- Newmont’s Management System: How Is Newmont Driving Its Performance?

Measuring Performance. As observed above, the previous Five Star assessment system identified whether systems were in place but did not provide sufficient information regarding a site’s performance according to the standard.

Accountability. Without focusing specifically on the importance of engaging with stakeholders, a number of study teams addressed the larger thematic issue of accountability mechanisms designed to ensure that stakeholder input is respected and considered by mine management. (The issues of accountability discussed in Lesson 2 are applicable here as well.)

The Batu Hijau study team noted that “effective inclusion of stakeholder concerns” was listed in the job descriptions of ESR staff and was also considered during their performance reviews. The Batu Hijau study team reported that internal interviewees could cite specific examples in which employees had been reprimanded for acts that eroded trust with community stakeholders. This accountability, and the relatively public knowledge of it, helped foster a trusting relationship between Batu Hijau management and community members.

A number of sites noted that ESR staff were expected to engage in dialogues with certain stakeholder groups. At Carlin, the study team reported that “dialogue with indigenous groups” was included in the 2007 PMT of the Director of External Relations.

At Waihi, the study team found that engagement with Māori was included in the job descriptions of ESR staff, but not in the job description of the mine’s General Manager of Operations. At Yanacocha, the study team found that employees were not held accountable for the inclusion of minority groups in stakeholder engagement efforts.

Training. A number of the study teams reported that employees within the ESR departments at the mines seemed well-prepared to engage with community stakeholders. The Carlin study team specifically observed that “[e]mployees at the regional office in Elko seem well trained to engage with external stakeholders in a constructive manner.” At Waihi, employees and contractors “demonstrated a high level of awareness about community relations considerations, including consent conditions, role of the [Community Liaison Officer], need to communicate openly, and the importance of respecting community concerns, even when the mine is within consent conditions.”

There were, however, specific weaknesses identified by the site teams. A glaring omission is the lack of sufficient formal training for employees in the Exploration and Environmental functions. These functions interact with community stakeholders in ways that can significantly impact a mine’s standing with a community. The study team at Waihi did find, that although employees in these functional areas had “not been formally trained in specific aspects of community relations…they had been coached in the workplace about the high priority the site places on community relations.”
A different approach for engagement during Exploration activities was identified at Yanacocha, where “the geology department has hired two individuals from local communities who are responsible for engaging with communities during exploration activities.” The Yanacocha study team found that “these people have the cultural understanding to engage effectively with the communities and have also been trained in the technical aspects of the business so they are able to explain the company’s operations to community members in a language they both understand.”

Overall, although the site teams identified some good practices with respect to training regarding social issues, the Study Directors found there was no consistency regarding such practices.

**Individual Leadership.** A common finding at many of the sites was the power of a single individual to significantly impact the mine’s relationships with a community — either positively or negatively. Frequently, the behavior of individuals, or small groups of individuals, fostered dialogues with stakeholders and helped stakeholders perceive that “the mine” understood their concerns. When community members believe someone at the mine is willing to listen to their concerns and engage with them, such interaction can have a demonstrably positive impact on their attitude toward the mine.

At Carlin, for example, the Director of External Relations was recognized repeatedly by stakeholders as someone who was “accessible, proactive, trustworthy and genuinely concerned about the community.” Similarly, the Waihi study team reported that stakeholders commented favorably on the CLO, noting that this person was “approachable, personable, responsive and sensitive to the community.”

One challenge for Newmont is how to balance the need for systematization of community relations management, in order to ensure consistency and capacity, while continuing to empower the dynamic individuals who are often the “face” of the mines in engagements with community stakeholders. The Study Directors believe that the importance of approachable, concerned, and responsive individuals cannot be underestimated: Newmont must continue to identify and provide resources to the individuals who serve as the crucial “first responders” to community concerns.

Ultimately, the Study Directors believe that individual leadership is essential in promoting a site culture that is attentive and responsive to community concerns. Such leadership, however, must be supported by strong management systems: individuals establish the tone and culture for a site, but this cannot be institutionalized in a vacuum. Strong leadership can, however, transform the stakeholder engagement from reactive exercises to proactive interactions focused on the promotion of healthy community relationships.

**Local Knowledge.** As discussed further in Lesson 5, managers who are hired from the local community can significantly improve a mine site’s ability to engage effectively with community members and understand community concerns. At Waihi, the study team found that “local people, rather than expatriates, hold senior and key positions,” and three of the last four General Managers were New Zealand nationals. This was regarded by members of the community as “a strategic move on the part of the company to ensure positive community relations.” Local managers can be key resources as mines seek to bridge cultural, language, and other social divides that can inhibit effective engagement with communities.
Community Relations and Community Development: What Are the Concerns?

**Community Perceptions.** A crucial factor in determining the strength of Newmont’s relationships with its community stakeholders is the degree to which stakeholders perceive that the company is listening to their concerns and engaging with them to resolve those concerns. If communities do not believe that the company is listening to their concerns and engaged in responding to them, that perception creates a significant risk for the company.

At Yanacocha, where there are significant weaknesses in Newmont’s relationship with community stakeholders, many stakeholders expressed concern about the degree to which the mine considered their input. Community stakeholders told the study team that “the company only approaches them when they need something like a permit approval or as a response to community protests.”

Rural stakeholders told the study team that Newmont staff “would drive up to the village in their large trucks and roll down the window expecting the resident to walk up to them.” Such interactions cannot provide community members with confidence that their concerns are being seriously considered.

**Listening to All Voices.** When engaging with stakeholders, mine management must ensure that all voices are heard. An essential component of this is regular and comprehensive stakeholder mapping, as described in Lesson 2. Once the company has an idea of the particular groups that comprise the communities impacted by the mine, it must be proactive in ensuring that mine management seeks to engage with all stakeholders.

Concerns were identified at each of the mine sites with regard to particular entities with whom the mine may not be actively engaging. At Ahafo, the study team found that there were relatively few women participating in the various committees and structures established by the mine to engage with stakeholders. At Waihi, the study team found that although the site demonstrated a strong “open door” culture, “outreach efforts for minority groups which are less able to approach the site could be strengthened.”

The study team especially noted the difficulty in fostering dialogue with the Ngati Tamatera, who have been reluctant to talk to the mine until a clear closure timeframe is established. The Martha Mine has also had some difficulty with the WCV process in ensuring involvement by certain parts of the community, including “youth, Iwi and other Māori.” The Waihi study team observed that “despite the capacity issues amongst some groups, there may be opportunities to explore how the input of these groups could be more significant, and the risks involved in not doing so.”

Finally, at Yanacocha, as discussed earlier, the company’s efforts to engage rural stakeholders have been historically weak. The Yanacocha study team noted that “[t]he biggest issues are in the rural communities. The employees don’t know how to ‘llegar a las comunidades.’”

In the Minahasa review, a failure to engage effectively with community villages at Buyat Pantai was repeatedly cited by internal stakeholders as a significant factor in precipitating the community relations crisis at that mine in 2004. Specifically, stakeholders perceived that the mine had not engaged the community at Buyat Pantai as a “legitimate stakeholder group” and felt that this left the company vulnerable to efforts by other stakeholder groups to push their own agendas.

24 One stakeholder told the Yanacocha study team that, “The biggest issues are in the rural communities. The employees don’t know how to ‘llegar a las comunidades.’” External stakeholders perceived that the company “is not capable of recognizing the communities’ different social and political structures” especially in rural communities. 

25 Although the study teams did not focus on artisanal and small-scale miners, the Study Directors note that these miners represent an important stakeholder group in the communities surrounding Newmont’s mines. Newmont should ensure that sufficient engagement strategies exist for this group of stakeholders.

26 The Ahafo study team also noted that the mine had made recent efforts to engage with women in the community. The mine established a Women’s Consultative Committee, and the mine has sought to ensure that women are included in stakeholder forums established by the mine.

27 Internal stakeholders made a number of suggestions regarding how greater engagement with the community at Buyat Pantai could have been achieved — including greater inclusion in the community consultative committee for the Minahasa Raya Mine, a more tailored community development strategy, the facilitation of land tenure either at Buyat Beach or at another location, and/or through inclusive multi-stakeholder dialogues.
in their efforts to build relationships with community members at Buyut Pantai: one stakeholder stated his/her perception that “NGOs had been supporting groups of locals for a long time — they had gained their trust. Newmont didn’t.”

Interviewees also described relationships with Indonesian NGOs as antagonistic. According to these interviewees, stakeholder maps had included only those NGOs that the company believed were supportive of the company’s operations. Interviewees perceived that NGOs who were not supportive of the company’s operations were regarded as “enemies.” According to some interviewees, prior to the crisis of 2004, Newmont’s Indonesian personnel discounted allegations being made by antagonistic NGOs and “hoped they would just go away.” In addition, some internal stakeholders believed that when they sought to engage with certain NGOs, including WALHI and JATAM, they had been ostracized within the company for doing so. Some stakeholders believed that there was a perception that Newmont employees were on the “wrong side” if they engaged with certain NGOs.

As Newmont identifies and engages with stakeholder groups, it is important that management not intentionally, or unintentionally, communicate the message that the mine will not listen to complaints from particular groups. Several stakeholders reported to the Waihi study team that “it was difficult for some individual residents to raise issues with the site because their family and friends benefit through employment and donations.” Stakeholders are afraid of being labeled as anti-mining in a community context in which the mine receives significant support.

Listening to Specific Voices: Engaging with Indigenous Communities.

The Carlin study team reported that among the company representatives with whom they met there was a “general lack of knowledge, or interest in, indigenous culture, and a lack of awareness of growing popular sentiment worldwide for indigenous peoples’ claims.” They also found that there was an “absence of efforts” among mine management “to better understand local indigenous culture and interact with indigenous peoples.”

The team noted that “the company’s training program does not include cross-cultural training, company representatives do not serve in any indigenous community groups, and there are no procedures in place to promote interaction between mine employees and local indigenous peoples….” Management’s lack of understanding of a key stakeholder group presents significant challenges to the company’s efforts to strengthen its relationship with the Western Shoshone.

Training regarding indigenous peoples’ concerns and other cultural awareness issues is an important part of Newmont’s community relations efforts. Although problems were identified, some study teams also reported that mine sites were providing cross-cultural awareness training to their employees and managers. Such training should continue, and should be evaluated and strengthened as necessary.

28 With regard to WALHI, which played a major role in raising allegations against the company, internal stakeholders reported that better relationships were formed with local NGO representatives than with national NGO representatives.

29 Wahana Lingkungan Hidup Indonesia (Indonesian Forum for the Environment/Friends of the Earth Indonesia).

30 Jaringan Advokasi Tambang (Indonesian Mining Advocacy Network Indonesia).

31 A number of internal stakeholders reported to the Minahasa review team that a third-party facilitation process or the development of long-term strategies of education and communication regarding mining and submarine tailings placements might have improved relationships between the company and certain NGOs. Other internal stakeholders, however, indicated that engagement with these groups was an “impossible goal.” The Study Directors believe that such a position by Newmont managers should be a concern to the company. Other internal stakeholders reported that, at the very least, the company should have more open channels of communication with NGOs, observing that “mining companies have a lot of critics. If we have a relationship that does not mean that we need to work together. But, at least we should know each other.”

32 Notably, at Waihi, Iwi stakeholders told the study team that the mine generally communicated with them in a culturally appropriate way.
Cross-cultural concerns are an issue that Newmont should consider at each of its mine sites, whether or not there are specific indigenous populations or members of other cultural groups living in the areas surrounding the mine. In framing its stakeholder engagement efforts, Newmont must begin with an understanding of the degree of cultural difference that exists between mine management, mine employees, and community stakeholders. An understanding of how these differences can impact communication, expectations, and trust is essential to preparing to bridge these divides in future engagement efforts.

- Community Relations and Community Development: What Seems to Be Working?

**Listening to Specific Stakeholder Concerns — Employment.** In response to significant community concerns and feedback regarding employment for “local” residents, management at the Ahafo Mine modified the validation process by which it identifies “local” residents. The system employed at Ahafo may not be required in all contexts, but as the study team noted, “the local validation process is a functional mechanism that currently enjoys considerable local legitimacy.” The Study Directors find that this example emphasizes the value of management engaging with community stakeholders and responding to their concerns. Stakeholders may help identify solutions to seemingly intractable concerns if Newmont is open to their input.

**Listening to Specific Stakeholder Concerns — Community Development.** Community development programs often involve participation from stakeholders, and it is important for Newmont to ensure that all relevant stakeholders are aware of their ability to participate in such processes. The Social Responsibility Forum at the Ahafo Mine is a recent initiative for “managing and investing community benefits from mining.” The Forum is designed in part to ensure that stakeholder input is considered by mine management. At the time of the study team’s visit, “the Forum was working towards establishing a Social Responsibility Agreement, which aims to underpin a legitimate and effective mechanism for responsible and sustainable investment in social infrastructure.” To date, there has been generally positive feedback from the community regarding the Forum, and the study team found that it promises to provide an important institutional mechanism for “managing community dynamics and working towards balancing the interests of various stakeholders.”

**Listening to Specific Stakeholder Concerns — Amenity Impacts.** At Waihi, “explicit consent conditions require the site to respond to community concerns, particularly amenity concerns about noise, dust and vibration.” Although the site has no choice but to respond to and manage such community concerns, the mine has developed a very systematic approach that is embedded within site processes. The Waihi study team found that “[t]here was clear evidence that responses were timely and usually well received.” Many community stakeholders commented that the CLO for Waihi was “approachable, personable, responsive and sensitive to the community when they raised issues.”

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34 Applicants who claim “local” designation submit an application form signed by the local chief, a youth leader, and an Assembly member, with each signature “providing a separate endorsement of the applicant’s claim of being a ‘local.’” The form is then placed in a transparent box and locked with three separate locks. The local chief, a mine representative, and a youth representative each keep one of the three keys. When a position at the mine becomes available, the mine holds an open community meeting at which the key holders open the locks and a community member is selected at random to draw four application forms from the box. One of these four is then chosen for the available position, based on the specific job requirements. The other three applications are returned to the box for later consideration. Global Community Relations Review: Site-Based Assessment of Ahafo Mine, Ghana, Study conducted October 2007 (October 2008), Appendix 1D, at p.93 (hereinafter “Ahafo Narrative Report.”)

35 At Batu Hijau, the study team observed that stakeholders perceived that “[p]articipatory planning exercises…seem to have declined over the past few years” and “[c]ommunity members may not realize that there are possibilities for them to become more involved in planning and monitoring and they have therefore not asked specifically to be involved.” Notably, stakeholders “expressed a preference for greater community involvement in program planning, monitoring, and coordination.” Batu Hijau Narrative Report, Appendix 1C, at p.79.
Listening to Specific Stakeholder Concerns — Closure. Among the sites reviewed by the study teams, Waihi has the most ongoing community engagement effort regarding sustainability and post-closure planning. This initiative is run through the WCV multi-stakeholder initiative, which has sought to develop a plan for Waihi after the mine's closure. The study team found that “the focus on mine closure and the development of a vision for Waihi in 2020 has encouraged a longer term and more strategic approach.” The study team concluded that this collective initiative has “significantly and positively influenced the development of relationships between [Newmont] and various groups within the community” and “represents a strategic investment in capacity-building.”

4. Recommendations and Opportunities — Suggestions for the Path Ahead

- Conduct regular assessments of stakeholder engagement efforts to ensure that the company is engaging with all relevant stakeholder groups, including rural stakeholders, indigenous peoples, and regional NGOs.
- Recruit locally for key management positions at the mine sites to ensure that each mine has personnel with specific personal knowledge of the local, regional, and national context.
- Ensure that the ESR Department and other company representatives who engage with local stakeholders have effective listening and engagement skills and the resource capacity to engage proactively with stakeholders and respond to community concerns in a credible manner.
- Ensure that community members have access to and are able to engage regularly with representatives of the ESR Department in formal and informal ways.
- Ensure that engagements with community stakeholders are conducted in a respectful, culturally sensitive, and humble manner, especially at the outset of interactions with targeted communities.

Lesson 5: Newmont’s engagements with the community must reflect the company’s values and responsibilities and clearly convey what can be expected from the company in its role as a community stakeholder.

1. Why Is This Important?

Statements of corporate values help to define Newmont in the eyes of its internal and external stakeholders. Values-driven management emphasizes Newmont’s vision to its employees and guides behavior by setting forth clear and consistent messaging regarding what is acceptable behavior and what can not be tolerated. Management at all levels of the organization plays a key role in making values visible to employees.

Values can also serve as a building block for the development of relationships with communities, but only if they are operationalized in a way that defines the company in the eyes of its stakeholders. Although community stakeholders understand that Newmont is a complex organization staffed with many employees, ultimately the relationship that community members build is with “Newmont.” As noted throughout this report, Newmont’s relationship with community stakeholders can be significantly impacted by the actions of individual employees. These individual activities, however, lead to community perceptions and beliefs about the company itself. It is therefore important that the actions of Newmont's employees are guided by a common set of values.
Ultimately, Newmont needs to provide community stakeholders with a clear idea of what they can expect from the company, including the social and economic responsibilities it will assume, and whether the company will benefit the community and protect community interests. The ways in which Newmont, through its employees, manages these expectations will impact community perceptions, and will either strengthen or undermine the company’s relationships with stakeholders.

2. What Risks Does This Lesson Address?

Newmont’s social license to operate is dependent upon the perception by community stakeholders that its mine sites operate in a manner that benefits surrounding communities and that management will be responsive to community concerns and accountable for the company’s behavior. Everything Newmont does at the mine site will be assessed through the prism of these expectations and stakeholder perceptions of whether they are being met. Hiring, supply chain contracting, government relations, public and private security, and other activities all involve contacts with community stakeholders. If Newmont were to be perceived as failing to live up to its commitments, or inconsistent in fulfilling its responsibilities to affected communities, the attendant conflict could threaten the company’s ability to conduct business. By communicating company values through behavior that is consistent with its commitments, Newmont is able to manage this risk and maintain its social license to operate.

3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

• Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

**Code of Business Ethics & Conduct.** Newmont’s Code of Business Ethics & Conduct sets forth the overarching statement that “[v]alues are the resources we draft on when asked to make decisions. They form the groundwork for our ethical behavior. All that we do at Newmont must be consistent with the values of the Company.” The Code also declares that Newmont’s managers “are expected to lead by example” and “must communicate our Code and relevant Newmont policies to their direct reports and help them understand their requirements.”

**Values Statement and Social Responsibility Policy.** Newmont’s community relations policies and standards are guided by two overarching statements regarding the company’s corporate values. The first is Newmont’s Values Statement, which was revised in 2007. The second is Newmont’s Social Responsibility Policy, which was adopted in 2003, and its attendant implementation guidelines.

The Values Statement does not directly address the manner in which the company is to interact with community stakeholders. It does, however, commit the company to acting “with integrity, trust and respect.” It also indicates that the company will “demonstrate leadership in safety, stewardship of the environment, and social responsibility.” In addition, it declares that Newmont will “insist on and demonstrate teamwork, as well as honest and transparent communication.”

Finally, the guidelines for the Social Responsibility Policy commit the company to making “every effort to ensure we add value to [affected] communities and that those communities believe that they are better off as a result of Newmont operating in their area.”
The Study Directors believe that these statements speak to the importance of the intangibles in promoting an ethical and community-oriented corporate culture. Newmont is clearly aware that it will not build strong community relationships with standards and policies alone and that, as expressed by these principles, a deeper commitment and sense of purpose is required.

**IMS Standard on Program Commitment and Leadership.** Newmont’s IMS standard on Program Commitment and Leadership states that Newmont’s Executive Management shall have endorsed “Environmental and Social Responsibility (ESR) Policy Statements defining its commitment to the realization of its Values through an effective management system designed to measure and drive continual improvement” in ESR performance.

The standard on Program Commitment and Leadership also provides that each Newmont facility “shall have an endorsed Statement of Commitment that addresses…environmental and social performance and that supports the Newmont Policies.” The Statement of Commitment “shall be endorsed by the most senior manager(s) at the facility.” The standard underscores that both the policy statements and the Statements “shall be internally and externally communicated to stakeholders.”

The Study Directors did not review Statements of Commitment from all of the sites, and it is unclear whether management from each of the sites that participated in the CRR has drafted Statements of Commitment. In one example that is available for public review, the Statement of Commitment at Newmont Waihi Gold declares that “[i]ntegrity, trust and respect, sharing of knowledge, honest communication and teamwork are valued to ensure best practices are applied in the workplace.” The Statement is signed by the General Manager for Operations, as well as the mine’s entire management team.

**CER Standard on Local Employment and Business Support.** Conflicts between Newmont and community stakeholders frequently develop when a mine is unable to meet community expectations regarding local economic development and community investment. As noted throughout this Lesson, it is important for Newmont to have ongoing and transparent dialogues with community stakeholders regarding the nature of the opportunities its mines can provide to local communities. The purpose of the CER standard on Local Community Investment is to “ensure that proactive steps are in place to provide employment and business opportunities to local stakeholders thereby ensuring their inclusion, wherever possible, in opportunities” that may arise due to the presence of the mine site. The standard states that facilities “must develop and maintain” a “transparent pre-selection process that provides local vendors opportunities as a result of the facility’s presence.” Facilities must also maintain a “proactive approach to increasing the capacity of local suppliers to the operation, including communication, training and awareness programs with small, local suppliers.” The guidelines for the standard state that “Newmont’s objective is to leave communities better off because of our presence.” In addition, the guidelines provide that “Newmont employees shall always demonstrate respect to all stakeholders, including local communities,” and that Newmont should be transparent with “relevant stakeholders when making decisions that may affect them either directly or indirectly.”

**CER Standard on Indigenous Employment and Business Support.** The purpose of the CER standard on Indigenous Employment and Business Support is to “ensure that proactive steps are taken to provide employment and business opportunities to local Indigenous stakeholders thereby ensuring inclusion, wherever possible, in opportunities provided by the facility’s presence.” The standard states that each facility’s Statement of Commitment shall contain “commitments to indigenous employment and business support.”
CER Standard on Local Community Investment.  The purpose of the CER standard on Local Community Investment is to ensure that "each Newmont facility has a strategic program, based on a needs analysis, for financial and in-kind assistance that delivers sustainable benefits to local communities."\textsuperscript{cxxxv} The standard states that each Newmont facility "must develop and maintain" a "strategic plan for community investment that is developed with mutual agreement between the facility and local stakeholders."\textsuperscript{cxxxvi} The standard also states that facilities must have a "transparent and inclusive decision-making process for receiving and evaluating requests and identifying opportunities for community investments" as well as "a process for communicating the process for decision-making to the community."\textsuperscript{cxxxvii} The guidelines for the standard state when "identifying, determining, and evaluating investment opportunities, Newmont engages all local stakeholders who are directly and indirectly affected by the facility" and is "transparent with relevant stakeholders when making decisions that may affect them directly or indirectly."\textsuperscript{cxxxviii}

CER Standard on Government Relations. The CER standard on Government Relations seeks to "ensure that each Newmont managed facility has a proactive approach to government relations and this is effective for interacting with all relevant levels of government."\textsuperscript{cxxxix}

The Standard requires each mine site to maintain a process for identifying concerns that Newmont personnel should address with national and local government institutions. Sites are also required to monitor government initiatives, such as proposed legislation, relevant to the mine, and to develop a proactive and formal communications strategy for government relations. Finally, sites are required to maintain up-to-date lists of key government contacts.\textsuperscript{cxc}

There is no associated guideline for the Standard on Government Relations.

• Newmont's Management System: How Is Newmont Driving Its Performance?

Statements of Commitment and Newmont Values. Despite the requirement in Newmont’s IMS standards, Statements of Commitment do not always play a significant role in guiding mine site behavior. For the most part, they were not mentioned during the study team reviews. There does not appear to be any accountability to the statements, and it is not clear how the statements are communicated to internal and external stakeholders.

At Yanacocha, the study team did consider the mine’s Statement of Commitment. The Yanacocha statement provides that the mine will “respect the community, its traditions and customs.”\textsuperscript{cxcii} The study team found that all employees at the mine were required to carry a copy of the Statement on their identification cards, but also observed that “internal interviewees could not explain what this Statement meant in general or to them in particular.”\textsuperscript{cxcii} Some of the employees “understood that it was their responsibility to engage the community in socially responsible manner.”\textsuperscript{cxciii} Other employees indicated that “community engagement was conducted solely by the ESR office and was not their responsibility.”\textsuperscript{cxciv}

At Batu Hijau, the study team did not review a Statement of Commitment, but did find that the “[t]he values of the company are well articulated by the company and have been widely internalized by all members of the site team.”\textsuperscript{cxcv} This was “evidenced by the ability of employees and managers to quote the values of the company. The values are printed on a credit card-sized card, and a number of Newmont personnel from the Regional Senior Vice President to line managers and employees proudly displayed their copy without being prompted.”\textsuperscript{cxcvi} These values were reinforced through annual refresher courses at the mine. The study team concluded that “most employees interviewed seemed to genuinely believe in the importance of stakeholder engagement” and that “all interviewed could cite specific examples of how the principles were put into practice.”\textsuperscript{cxcvi}
Although these examples indicate that the Statements of Commitment can play a role in promoting Newmont's values, the inconsistency with which they are communicated and the absence of any associated accountability mechanisms limits their effectiveness.

**Measuring Performance.** Under the previous Five Star assessment system, for the CER standards on Local Employment and Business Support and Indigenous Employment and Business Support, the assessments focused on whether “effort” was being made to “maximize opportunities.” It is not clear to the Study Directors that assessments evaluated the degree to which communications with stakeholders regarding potential opportunities were ongoing and transparent.

For the CER standard on Local Community Investment, the previous Five Star assessment system provided for a “three star” minimum performance rating if “local community investment decisions are based on a needs-analysis developed through consultation with stakeholders” and if “local investments are made using a transparent process.” The Study Directors note that the emphasis on consultation and transparency in the assessment for this standard provides managers with clear direction on the company’s expectations for community engagement.

The CER standard on Government Relations focuses on the strength of the site's formal relationship with the relevant government institutions. Under the previous Five Star assessment system, a “three star” minimum performance rating is given when “the facility's communications with most levels of government are proactive and regular” and “the facility can demonstrate that its relationship is positive with most levels of government and that these relationships have delivered benefits to the facility.”

The study teams identified that a key concern for Newmont is the allocation of responsibility between the mine and local and national government institutions for the provision of public goods and other social services. The study teams also found that the degree of trust that community stakeholders have in government institutions may impact their perceptions of the mine. Notably, there is no guidance provided in the CER Standard regarding engagement with government institutions about responsibility allocation, or communications strategies with respect to the role of government institutions. In addition, there is no guidance provided to sites regarding other key issues that arise in the context of government relations, such as concerns about corruption and transparency.

**The Role of the ESR Department.** A company’s values are a key element of its culture, and as previously observed, site culture is an important factor in setting the tone for community relationships. A number of the sites studied for the CRR commented on the role of the ESR Department in establishing a corporate culture conducive to strong community relationships.

At Carlin, the study team observed that the mine has “a strong social license to operate,” and this “appears to be the reflection of an ingrained company culture in [site-level] External Relations, and the result of personal leadership provided by the regional management team and the External Relations Department.” The study team found that the regional management team had made community relations a priority for the mine site and had “effectively leveraged an already positive context into an even stronger license to operate.” Similarly, at Ahafo, the study team observed that the mine “demonstrated a strong commitment to community relations through a highly motivated and effective [site-level] External Affairs Department.”

Concerns about the ESR Department were raised at other sites. The Yanacocha study team spoke with internal stakeholders who indicated that the ESR Department was “not adequately trained to communicate and engage effectively with communities.” High levels of turnover in the Department had reportedly inhibited community relations efforts.
It was observed that “[e]ach change in management and structure leads to a perception of different philosophy and methodology for engaging with stakeholders,”ccvi and “[l]ocal community members find it difficult to get used to new ‘faces’ and new ways to engage or maintain a close relationship.”ccvii Clearly, inconsistent messaging about the mine’s commitments and practices is confusing to both internal and external stakeholders, and can undermine the company’s community relations goals.37

Performance Reviews. The communication of corporate values was not specifically discussed in the context of performance reviews, and feedback from the sites regarding the institutionalization of those values was mixed.

At Batu Hijau, the study team reported that performance bonuses were, in part, “contingent upon living the values in the workplace,” and the site had a “precise formula” that “equates the size of the bonus to the practicing of the values.”ccviii The study team noted that “the very fact that supervisors and staff have a conversation twice a year about their performance against the corporate values demonstrates the importance of these values.”ccix In contrast, at Carlin, the study team was unable to find any clear accountability to the corporate values. Internal interviewees could not provide an example of an employee being rewarded or sanctioned on the basis of his/her performance with regard to community relations. Nor could the site provide examples of employees being rewarded or sanctioned for their actions related to a specific social risk. At the same time, interviewees were readily able to provide examples of employees being rewarded or sanctioned on the basis of their actions with regard to production and safety.

Training. A number of sites observed that employees received training regarding Newmont’s corporate values. The Batu Hijau study team found that Newmont has a “highly developed system of policies, guidelines, procedures, and forms for encouraging adherence to corporate standards and consistency across the board”ccx and concluded that “annual training for all employees reinforces the core values of the company.”ccxi The company’s efforts were determined to be “effective in ensuring that all staff are familiar with corporate expectations of their behavior” and, accordingly, “most employees have a working knowledge”ccxii of the site’s commitments. At Waihi, the study team also found that employees “demonstrated a high level of awareness about community relations considerations,” including “the importance of respecting community concerns, even when the mine is within consent conditions.”ccxiii

Framing the Company’s Role in the Community. Ultimately, whether a company’s values promote positive community relations and community development depends upon the degree to which those values are reflected in the company’s actions. Newmont’s ability to act in a manner consistent with its values, as expressed in its Values Statement, Social Responsibility Policy, and operating standards will also depend upon the way in which the company is able to frame its area of influence and responsibility within the contexts in which it operates.

Although Newmont may be institutionally committed to treating community stakeholders with respect, the actions of individual employees can undermine community perceptions regarding the company’s sincerity. The study team in Yanacocha observed that “[t]he behavior of any department, employee, or contractor not aligned with the company’s principles obfuscate the efforts of the company to engage with its stakeholders.”ccxvii Newmont’s employees must understand that their responsibility to act in a manner consistent with company values is ongoing, both on and off the job, and will have greater impact on stakeholder perceptions of the company than the company’s commitments.
Newmont must also be careful to define and limit its role in particular contexts. In certain contexts, stakeholders may look to Newmont to provide for social and economic needs that may be met by other actors in different political and economic contexts. The expectations that community members develop of Newmont may vary significantly in different contexts. Heightened expectations that are not met can lead to disappointment, and a perception that Newmont is not acting in a manner consistent with its values. How Newmont frames its role and responsibility for meeting such needs during the course of its dialogues with communities will help to shape and manage these expectations.

Newmont must also be certain to follow through with respect to the commitments it makes to community stakeholders and be careful not to promise more than it intends to deliver or is capable of delivering. Unfulfilled commitments, which are addressed in Lesson 6, can undermine trust that the company has built within a community. Stakeholders need to believe that Newmont will act in a manner consistent with its commitments: a commitment by a single employee that is left unfulfilled can create the perception that the company is not acting with integrity.

- **Community Relations and Community Development: What Are the Concerns?**

### Who Are You? Defining a Corporate Identity

Outside of a community context, Newmont is simply a corporate entity. Once the company begins to operate in a particular location, though, it also becomes a community stakeholder, and will be judged upon its actions in that context. In Lesson 4, the Study Directors observed that stakeholders often desire a “face” at the company — an individual whom they can count on to address their concerns. If that individual is responsive, the perceptions of his/her actions accrue to Newmont’s benefit. Newmont will also be judged, however, in its more monolithic capacity, and must be aware of the attributes that stakeholders will ascribe to its abstract corporate identity. At all times, Newmont must be aware that, as a major multinational mining company based in the United States, it has a specific cultural and economic “identity” to which stakeholders will attribute a variety of positive and negative characteristics. This is where it is important for values to translate into actions: Newmont must work to ensure that its corporate values translate into actions that community stakeholders can recognize.

In some operating contexts, Newmont has failed to effectively actualize its values. In Peru, Newmont has been perceived as “elitist” and stakeholders reported that they feel that they have been treated with a lack of respect by the company. Environmental experts at the mine were accused of “talking down” to community members (see Lesson 8), and there is a general perception, particularly in the rural communities, that mine personnel do not “know” the communities well, and engage only with a few community leaders. Other community members complained that mine employees “flaunt” their economic status, “clashing with traditional social structures.”

Stakeholders in a number of communities around the Yanacocha Mine believe that Newmont has purposefully failed to integrate itself into the larger community setting and, contrary to the company’s commitment to act with integrity, trust, and respect, would prefer to “manage” the community than be a part of it.

As discussed below, the perception that Newmont has failed to integrate itself into the community around the Yanacocha Mine stands in contrast to the perceptions of communities around mining operations at Carlin and Waihi, where Newmont is perceived as an engaged community stakeholder and “citizen.” The Study Directors do not have sufficient information to fully assess the basis of these differences, but there is clearly a cultural divide between Yanacocha employees and the surrounding community that does not exist between Carlin or Waihi employees and their surrounding communities. At these sites, Newmont employees are well integrated into the surrounding societies. The activities of Newmont employees as “community members” at Carlin and Waihi benefits the company, whereas at Yanacocha many community stakeholders do not regard Newmont employees as “community members.”
Who Are You? Defining Newmont's Responsibilities. Another important element of defining Newmont’s corporate identity in a local and regional context is the company’s approach to government relations. There are many operating contexts, particularly in developing countries, in which government institutions are strong and carry out their functions effectively. This reduces tensions as it allows for the creation of clear expectations regarding a company’s responsibilities. Conversely, when government institutions lack either the capacity or political will to function effectively, expectations regarding a company’s responsibilities can be less clear. This is especially the case when the company provides public goods, such as infrastructure investments and other social services. Such contributions lead to heightened expectations regarding future activity and result in conflict if those expectations are not met. As observed by International Alert, “[t]he exaggerated expectations which result from the arrival of a company in an impoverished region can themselves be a source of tension and dispute. Whether or not the company can or ought to bear the burden of these expectations is, in practice, irrelevant. The absence or unresponsiveness of the state means that the company is often the only means through which communities can seek to address their basic needs or voice their frustrations.”

Newmont has struggled in certain operating contexts to define the scope of its responsibility for basic social and civil services. These tensions are evident in the observation by the Yanacocha study team that, “[t]here were mixed opinions regarding who is responsible for addressing the rapid growth. Some stakeholders mentioned that the mine is the cause of the rapid growth and therefore, the responsible party. However, other stakeholders stressed the need for government to address these issues given that the government provided the permits for the mine to operate.”

At Ahafo, the study team found that although the mine was committed to supporting local government and traditional authorities in their duties to provide social services, in light of the strong demand for improved social services and associated local capacity shortfalls, the mine would likely come under pressure to assume greater responsibility for local social services. The Ahafo study team noted the comment of one internal stakeholder who described “the relationship between Ahafo Mine and the local government as a ‘relationship of expectation’ – with the mine expecting the government to fulfill the normal functions expected of a local government, whilst the local government expected the mine to help meet an obvious shortfall in its current capacity.”

Until a collective perception can be established regarding the proper allocation of responsibility for developmental challenges associated with economic growth, stakeholders will likely continue to have divergent expectations of the company and the government.

Can You Meet Our Needs? Demands for Employment Opportunities. Newmont’s presence in the community represents a tremendous economic opportunity for many community residents, and the possibility of employment is a central aspect of Newmont’s dialogues with communities about the potential of mining operations. These opportunities represent a key part of the “value creation” that Newmont implicitly and explicitly promises communities in return for a social license to operate. This promise is echoed in the guidelines to Newmont’s Social Responsibility Policy, which state, “we must make every effort to ensure we add value to those communities and that those communities believe that they are better off as a result of Newmont operating in their area.”

Newmont’s capacity to deliver on this “promise” will directly impact stakeholder perceptions of the company’s commitment to the welfare of the communities in which it operates.

A concern for Newmont is that its ability to meet the employment expectations of community stakeholders is frequently limited, especially in settings where there are few other employment opportunities. In this context, Newmont must recognize that its presence creates the potential for significant social jealousies and associated tensions regarding the company’s hiring practices. In some settings, this can make the issue of employment the central concern governing the relationship between the mine and local stakeholders.
Examples of tensions around employment were seen at a number of the Newmont operating sites reviewed by the study teams. On the island of Sumbawa, in Indonesia, the location of the Batu Hijau Mine, Newmont’s presence has created strong expectations within local communities regarding prospects for employment and higher wages. These high expectations instill a level of tension in the company’s relationships with the community because such expectations can never be fully met. This tension can contribute to confusion and anger when the company’s actions are misunderstood.

Tensions at Batu Hijau have been heightened by community concern regarding the company’s commitment to hire specific percentages of “local-local” people. The study team noted that “[t]he lack of jobs for all that seek employment is one of the biggest issues that the local villagers have with the project.” Similar issues arose at the Ahafo Mine. Prior to the mine’s development, the local economy was primarily based on small-scale commercial farming and other agricultural production. The presence of the mine created significant tensions regarding hiring practices due to the large number of people who desired employment. The study team notes that, “mine contracts and other benefits are framed strongly within the community as local entitlements to be protected from outsiders. Local stakeholders expressed resentment of outsiders coming in and taking over these opportunities.”

Ultimately, Newmont’s presence brings the prospect of potential employment for many, but not all, jobseekers. Positions at the mine offer salaries, training opportunities, and the type of overall job stability frequently unavailable at even the best alternative employment options. Many of the jobs available at the mine may require technical skills not held by local job applicants. Newmont must continue to grapple with the fact that its presence creates expectations that it cannot meet, and that the resulting tensions are a community concern that the company must address, both on its own and in partnership with community organizations and local government.

Can You Meet Our Needs? Addressing Community Development Priorities. Newmont’s relationships with communities are also framed by the degree to which community members expect Newmont to provide infrastructure and social services. As with employment opportunities, the mine’s interactions with stakeholders regarding development projects are framed by the community’s expectations and hopes regarding the economic value that the mine will bring.

Increased community expectations present management challenges. In the political and economic contexts in which Newmont has become a service provider, it has been difficult to scale back company involvement in the development of such civic infrastructure. At Batu Hijau, “[c]ommunity demands and expectations are high and staff are unable to satisfy the level of complaints. The community does not necessarily believe that the staff are already working at full capacity to meet their needs and demands.”

At Ahafo, the mine “committed to supporting local government and traditional authorities in their respective duties to provide [social] services.” Once the mine has begun to provide such services and development funding, significant tensions can arise if the mine attempts to cut back its sphere of perceived responsibility. At Ahafo, “there appears to be significant community expectation that [Newmont] will take responsibility for the development and maintenance of social infrastructure, such as water supply, sanitation, schools and clinics.”

Similarly, at Yanacocha, the “increased profits from the Canon Minero,” as well as “funds from the new Voluntary Trust Fund,” resulted in rising expectations regarding investment in the region. The study team observed that “[d]ue to the large amounts of money that are quoted in the media, the residents feel that everyone should profit from the mine.”
Community development is an especially challenging area for addressing community relations concerns. Newmont’s operations are frequently located in areas where there are significant needs for infrastructure and social services. Often, Newmont’s arrival creates population inflows that demand such services at a rate faster than public authorities can provide. Newmont cannot, however, assume the responsibilities of local or national government to provide public goods. The company’s efforts to work with public authorities, and to communicate the scope of its responsibilities to community stakeholders are critical steps to addressing the issues created by these dynamics. (See discussion on Yanacocha’s Nuevo Enfoque initiative below). The Study Directors note that, as discussed in Lesson 3, SIAs are an important tool to assist Newmont in both identifying the nature of a community’s needs and communicating with stakeholders regarding the allocation of resources.

Will You Follow Through on Commitments? For community members to believe that Newmont is taking their concerns seriously, it is essential that management follow through with company commitments. This has not always been the case at the mine sites, and it appears that many lack appropriate systems for documenting and following through with stakeholders concerns.

At Batu Hijau, the study team observed that no written receipts were provided to stakeholders who raised concerns with the mine. The “lack of written receipt leaves stakeholders with uncertainty about their case as does the lack of a specific commitment or response. This increases anxiety and expectations about the case.”

At Yanacocha, the study team reported that “[u]nfulfilled commitments were one of the main complaints of rural community residents interviewed” and that “[b]oth rural and national NGO representatives highlighted the company’s weak ability to fulfill its commitments.” The study team noted that the “the EA staff acknowledges that these unfulfilled commitments have been a problem in the past and they are working to improve” and that “[t]he company concludes that the lack of fulfillment was caused by staff turnover and not tracking verbal and written promises made.”

Similar findings were made at Carlin. The Carlin study team reported that “the company does not have one unified Commitments Register to track commitments made by all departments and all levels of staff, either verbal or written.” They also noted that “[t]he Complaint Register identifies individual complaints, but there is no systematic process for sharing them across a broad range of departments, or implementing changes to operations in response to persistent stakeholder concerns. Likewise, there is no formal process to potentially modify the mine plan based on persistent and significant stakeholder concerns.”

Unfulfilled commitments to community stakeholders can be highly damaging to a mine’s social license to operate. As such, Study Directors believe that a systematic process for responding to stakeholder concerns and ensuring that all commitments made are fulfilled should be an immediate priority for Newmont.

Who Are You? Defining a Corporate Identity. As discussed above, Newmont has benefited from the civic commitment of its employees at some of the mine sites reviewed. At Carlin, community stakeholders told the study team that the company lives up to its corporate values and principles and is a “trusted partner” in the community. Community members observed that Newmont representatives serve on community boards and that this was viewed as an “expression of company values.” The study team reported that “many community members commented…..that this is more than an issue of policies and procedures, but rather one of company culture.”
Strong networks in the local community were cited as a positive factor at both Carlin and Waihi. Such “integration” into a community promotes stakeholder perceptions that Newmont is operating in a manner consistent with its values. At the same time, it is difficult to draw too many lessons from these examples, in part because both Waihi and Carlin are sites with long mining histories and mining is very much a part of the local civic culture. That said, everything Newmont and its employees do clearly informs community perceptions: if Newmont wants to be regarded as a trusted community member, it must build networks within impacted communities, through civic participation as well as local hiring, so that it is not perceived as being “set apart” from other community stakeholders.

**Can You Meet Our Needs? Demands for Employment Opportunities.** As noted above, demands for employment opportunities can create tensions in Newmont’s community relationships when the company is unable to meet community expectations. At Ahafo, Newmont has attempted to address these tensions by working with the community to ensure that employment opportunities are provided to “local” residents. In response to significant community concerns, the mine and community members developed a validation process to certify that applicants are indeed “local.” Such a process is not likely to be required in all contexts, but the fact that stakeholder input led to the creation of the process is important. As the study team noted, “the local validation process is a functional mechanism that currently enjoys considerable local legitimacy.”

**Can You Meet Our Needs? Addressing Community Development Priorities.** Stakeholders at Newmont’s mine sites provided numerous examples of how the company is promoting local development in the communities in which it operates. Such efforts are crucial to Newmont’s social license to operate as community stakeholders expect that Newmont will generate value for their communities.

Carlin’s Supply Chain managers actively promote the local sourcing of goods and services for the mine. In Batu Hijau, the mine has a Local Business Initiative through which Newmont works to identify which projects can be serviced by local contractors. The contracts department at Batu Hijau then works with local contractors to help them meet Newmont’s requirements. Such purchasing initiatives can provide significant benefits to local stakeholders by helping to grow the capacity of local businesses.

With support from the IFC, Ahafo recently launched an initiative called the Ahafo Linkages Program that is designed to “actively support the development of micro, small and medium enterprises in the area around Ahafo Mine.” The program aims to “develop potential suppliers and local providers of goods and services to the mine; promote competitiveness and diversification in the local economy; and; develop local business associations and institutions that can help ensure the long-term sustainability of a local economy that is being transformed by mining.” Although the study team found that “it is still too early to assess the effectiveness of the Ahafo Linkages Program” it did note that the program “will certainly impact on mine community relations.”

Recently, Ahafo invested in a “Social Responsibility Forum,” which is a “broad-based forum for managing and investing community benefits from mining.” At the time of the study team’s visit, “the Forum was working towards establishing a Social Responsibility Agreement, which aims to underpin a legitimate and effective mechanism for responsible and sustainable investment in social infrastructure.” The study team observed that “this was a highly promising mechanism for institutionalizing sustainable forms of local development, contributing towards alleviating the pressures on local government and improving mine-community relations.”

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40 The Social Responsibility Agreement between the Ahafo mine and community stakeholders was finalized in June 2008.
**Who Are You? Defining Newmont’s Responsibilities.** As noted above, Newmont has struggled in certain operating contexts to define the scope of its responsibility for basic social and civil services. In Peru, the Nuevo Enfoque initiative has sought to identify the division of responsibilities between the company and the government. As noted by the Yanacocha study team, “New Focus stresses that the government is responsible for providing basic services, not the company. The company plans to avoid investing in infrastructure projects unless the government is significantly involved or manages the project.”

This strategy also seeks to inform community members that “the life of the mine is short, the reserves have been reduced, and production is decreasing.” Finally, the campaign focuses on “partnerships with government for most projects, large or small, implemented in the communities.”

Newmont’s effort, through the Nuevo Enfoque initiative, to define the roles and responsibilities of the company and the government seems to have had some success in educating community stakeholders regarding the company’s relative responsibility for social services. The Yanacocha study team observed that the company’s efforts were “well received by NGOs and many residents of the communities. They understood that the government should be the primary provider of social services.” Such efforts to educate community members regarding the demarcation between company and government responsibilities at an early stage in a mine’s life cycle would help to manage community expectations at later stages and limit misunderstandings that could lead to conflict.

4. **Recommendations and Opportunities — Suggestions for the Path Ahead**

- Foster a “values-based” corporate culture at the mine site level. Ensure that discussions of Newmont’s values and community relations goals are incorporated into strategic discussions and operational planning.

- Encourage mine sites to work with community leaders to identify locally-appropriate mechanisms to diffuse tensions around issues such as employment opportunities.

- Consult with community leaders regarding the allocation of community development funds, and the development of community development initiatives, such as local-sourcing programs to target specific groups and infrastructure projects.

- Ensure that engagements with stakeholders about community development initiatives are informed by the mine's SIAs in order to provide an objective basis for resource allocation determinations.

- Ensure that systems exist to record and respond to all commitments made by mine representatives to community stakeholders. Commitments should be carefully tracked and mine managers should be held accountable for following through on any commitments made.

- Ensure that stakeholder engagement efforts around community development funding and the current and future existence of employment opportunities are conducted in as transparent a manner as possible.

- Review stakeholder engagement practices at each mine site to ensure that these engagements are reflective of a strategic determination as to the mine site's appropriate level of responsibility for basic social services and infrastructure provision in the surrounding area.

- Ensure that community members have access to and are able to engage regularly with representatives of the ESR Department in formal and informal ways.
C. Managing Conflict Responsibly

Lesson 6: 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.

Lesson 7: Newmont must ensure that its operating sites have accessible and responsive grievance mechanisms.

Lesson 8: Management of the environmental impact of mining on water and other natural resources is directly linked to the management of community relations; Newmont must assess and respond to stakeholder concerns regarding both real and perceived environmental impacts of its operations.

Throughout this report, the Study Directors have observed that a certain degree of conflict between Newmont and community stakeholders is unavoidable. At times, Newmont is the direct instigator of conflict, especially when mine personnel act in a manner that is disrespectful toward or ignorant of the needs of community stakeholders. At other times, conflict arises in part because of the fact that Newmont’s activities are inherently disruptive to the physical, social, and economic environments in which its mines are located. In Section III of the report, the Study Directors set forth some of the conflict factors identified by International Alert as frequently present in the dynamics between mining companies and community stakeholders. The physical impact of mining, a history of state neglect, the use of security forces, inadequate consultation — all of these factors can cause or exacerbate tensions between a mine and community stakeholders.

Although Newmont cannot prevent all conflict, it can seek to mitigate conflict in two important ways: first, Newmont should actively seek to minimize the degree to which it is the instigator of conflict; and second, Newmont should identify and address conflicts in a systematic and expeditious manner. The Study Directors hope that readers find that the first point is addressed by each of the lessons in this report: Newmont must continue to improve the manner in which it engages with communities. Lesson 6 addresses the second point. It is important that Newmont have the internal capacity to engage in ongoing conflict identification and management. The lesson also highlights the fact Newmont should not seek to prevent stakeholders from “raising” conflict by exercising their right to protest against the company’s activities.

While Lesson 6 addresses Newmont’s identification of conflicts, Lesson 7 highlights the importance of providing community stakeholders the opportunity to identify areas in which they perceive their interests to be in conflict with a mine’s activities. Newmont should ensure that its mines have grievance mechanisms accessible to all stakeholders, and the company must be appropriately responsive to stakeholders who bring issues and concerns to the attention of mine management.

Finally, Lesson 8 addresses the importance of responding to stakeholder concerns about environmental issues. The perceived and actual impacts of mining on the environment are frequently the root cause of virulent conflicts between mines and communities. As a result, the Study Directors believe that it is important to address and highlight some of the conflicts around environmental issues that have developed between Newmont and community stakeholders.
Lesson 6: Newmont’s operating sites must engage in conflict identification and manage community concerns before open conflict arises, while respecting the rights of stakeholders to protest against the mine.

1. Why Is This Important?

Conflict occurs on a number of levels. In some instances these arise through an inability to resolve individual grievances satisfactorily. However, conflict may escalate into more public, symbolically powerful and destructive forms of collective action against the mine, putting lives and property at risk.

- Ahafo Study Team Report, Community Relationships Review

Conflict identification and management is crucial to the ongoing operation of each of Newmont’s mine sites. Although this report emphasizes that conflict is unavoidable, that inevitability does not provide an excuse for complacency. Newmont must ensure that its managers have identified and sought to understand the factors that lead to conflicts with community stakeholders and have plans to respond to and mitigate those concerns. In some cases, conflicts will stem from factors that can be relatively easily rectified: operational plans can be adjusted, or stakeholder communication efforts can be improved. In other cases, there may be issues such as lack of local employment opportunities that Newmont will not be able to resolve as easily. In all cases, Newmont must identify what it can do directly and indirectly to minimize the risks to its mines and to community stakeholders. Failure to identify and respond to the causes of conflict can ultimately damage a mine’s social license to operate.

It is important to note, however, that conflict mitigation is not the same as conflict prevention, and it should certainly not lead to conflict “suppression.” The right of community stakeholders to protest against a mine’s activities must be protected as long as there is not a threat of harm to the mine or its personnel.

2. What Risks Does This Lesson Address?

If Newmont’s operating sites engage in conflict identification and address community concerns at an early stage, they will be able to significantly reduce the likelihood of those concerns leading to open conflict. Conversely, if community concerns are not identified early on, and are left unaddressed for a prolonged period, there is a greater risk that stakeholder concerns may be expressed through more dramatic mechanisms such as protests, blockages, or other actions against the mine or the company.

In certain cases, public and/or private security forces may be called upon to deal with conflicts between a mine and community stakeholders. In some settings, this scenario can increase the possibility of increased conflict, and even violence. The potential for violence around mining operations is a factor that Newmont must carefully evaluate and manage. The company must be prepared to respond to both peaceful and violent protests in a manner that protects its assets as well as the right of stakeholders to raise their concerns without threat of physical harm.
3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

- Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

All of the management standards mentioned in this report address some form of conflict. Specific standards regarding SIAs, External Stakeholder Engagement and Reporting, and Risk and Opportunity Management are intended to address the potential for conflict and to minimize its likelihood and impact. Grievance procedures (as discussed in Lesson 7) are another essential mechanism for minimizing and resolving conflict. Newmont has adopted these standards and procedures to manage its operations effectively, safely, and in a manner that promotes positive community relations.

**CER Standard on Human Rights Awareness.** Newmont’s CER Standard on Human Rights Awareness provides that operating sites must develop a process to “identify all actual and potential human rights issues and impacts” associated with their operation, and must provide training to “raise awareness of human rights responsibilities with senior management, employees, contractors and suppliers including appropriate specific human rights training.”

**CER Standard on Security Forces Management.** Newmont also has a specific standard to guide the company’s response to conflict that requires actions by public or private security personnel. Newmont’s CER standard on Security Forces Management seeks to ensure that Newmont’s mining operations “provide safety and security within a framework that conforms to the Voluntary Principles on Security and Human Rights.” The standard specifically states that all contracts with security providers must include clauses requiring conformance with the Voluntary Principles.

The Security Forces Management standard provides that mine sites “must identify all issues and impacts related to their security forces” and subject such issues to a risk assessment process. All security personnel are required to be screened in such a manner as to identify any past involvement in human rights abuses. The standard also calls for “training and awareness” programs that ensure that “security force staff and contractors are aware of their responsibilities under the Voluntary Principles on Security and Human Rights.” Additionally, the standard requires individual mines to have a system for investigating and reporting violations of the Voluntary Principles. Mines are expected to conduct periodic assessments and monitoring of “security forces’ conduct and equipment to ensure adherence to The Principles.”

Newmont’s Security Forces Management guidelines set forth additional information regarding the company’s expectations about the behavior of security force providers. The following “guiding principles” are designed to assist mine managers: “the facility’s security forces should always demonstrate and promote respect of human rights in their dealings with all stakeholders, including employees, contractors, and local communities”; “any presence or use of security forces should be proportional to the threat”; “facilities should be proactive in seeking to understand their security forces issues and impacts and response when issues are identified or raised”; and finally, “in understanding the issues and impacts associated with having security forces it is necessary to consult with as inclusive as possible a range of stakeholders.”
Notably, although the standard requires management to have a formal process for identifying its security forces’ issues and impacts, the guideline provides that mines can additionally “produce a dedicated security forces risk register” or “use its established facility-wide risk management process.” The guidelines also direct that the risk assessment consider the following factors: identification of security risks; potential for violence; human rights records and reputation of public and private security forces, paramilitaries, and local and national law enforcement; the extent of rule of law in the operating context; equipment transfers; and the history and causes of any recent, current, or potential conflict in the operating context.

- Newmont’s Management System: How Is Newmont Driving Its Performance?

**Assessing Implementation of Standards.** Under the Five Star assessment system, external assessors verified the implementation of the Human Rights Awareness and Security Forces Management standards. According to the assessment criteria, a minimum “three star” performance rating for the Human Rights Awareness standard required a mine site to have “identified and documented its human rights impacts and issues.” A “three star” rating also required that “most senior personnel can demonstrate awareness of the facility’s human rights responsibilities.” A minimum “three star” performance rating for the Security Forces Management standard required a finding that “[t]here have been not recorded, investigated or reliable allegations of human rights abuses by the facility’s security forces during the assessment period.” The “three star” rating also required that “[m]ost security personnel can demonstrate awareness of their human rights responsibilities under the [Voluntary Principles].”

As noted previously, in the opinion of the Study Directors, the Five Star assessment system was inadequate for measuring the company’s performance in the area of community relationships.

**Accountability.** The study teams provided little information on accountability mechanisms regarding conflict identification and management. As noted above, however, all of Newmont’s management standards are designed to address conflict in some fashion, and thus accountability mechanisms discussed throughout this report are relevant to a discussion of conflict management.

At Batu Hijau, the study team reported that the mine maintains an “incident and resolution” register to monitor specific issues and concerns in the community. This register is referenced during the performance reviews of the External Relations Manager, the Regional Operations Director, and the Regional Senior Vice President, as well as other members of the ESR Department at the mine. The Batu Hijau study team observed, however, that it is unclear “the degree to which [these individuals] are held accountable for the effective resolution of conflict as compared to keeping the mine operating.” The study team at Batu Hijau also observed that “respect for human rights is an integral part of the job performance evaluation of the security team and external relations teams.”

**Conflict Identification and Management.** The Study Directors are aware that Newmont has recently decided that all sites should develop conflict identification assessments. Efforts to do so, however, have been put on hold during the CRR. The Study Directors believe that this process will be an important part of the mine sites’ approach to conflict management in the future. Conflict and/or human rights impact assessments help to identify and mitigate potential concerns that could lead to open conflict and the potential violation of human rights around the mine sites.

The sites currently exhibit varying degrees of sophistication in their approach to conflict management, and this is an area that will require additional attention from Newmont.
At Carlin, the study team found that, although the site already has a stakeholder mapping and risk analysis process in place, it does not have a system to identify risks that have evolved into conflict. The site also does not have a conflict-management plan or methodology in place. The study team observed that this may not be a high priority issue for the mine at this time, due to a lack of “open conflict” around the mine, but noted that the mine might be ill-equipped to address such conflicts in the future.

At Yanacocha, the mine has developed a process for monitoring potential and actual conflicts. The ESR Department is working to “gather information to determine which issues are becoming heated enough that they may escalate into a blockade or other action against the company.” The company then “attempts to gain a solid understanding of the basic causes of concern and interests” and to formulate a social and political strategy to address the community’s concerns. The study team observed that this is a change in the mine’s approach to conflict management, with one internal interviewee indicating that, in the past, the mine seemed to hope that small problems would “just go away.”

At Ahafo, the study team found that conflicts were not resolved in an “organized and systematic manner,” but noted that the mine is “in the process of developing a specific tool for conflict management.”

**Operationalizing the Voluntary Principles.** It is imperative that Newmont communicate its expectations to public and private security forces that may be called upon to provide security for its mine sites. Newmont’s contractual provisions require security forces to provide services in compliance with the Voluntary Principles. Newmont must also, however, ensure that these contractual obligations are operationalized effectively through training and ongoing assessments of compliance.

A number of the sites noted that security personnel had received specific training regarding human rights concerns and the Voluntary Principles.

At Batu Hijau, the study team observed that “the security, external relations and security contractor have all had training in human rights compliance. The security contractor reinforces that training during daily briefings.” This training is conducted by outside training personnel, not by the mine itself. Those who have completed the human rights training are given a “human rights awareness card” that they wear along with their security ID. The study team noted that those who have completed the training “seem to be genuinely proud of their accomplishment.”

At Yanacocha, the study team found that the company’s security department and FORZA, the security company employed by the mine, are trained regarding the Voluntary Principles. The study team reported that the mine’s Security department conducts internal human rights training, consisting of a review of the Basic Principles on the use of Force and Firearms by Law Enforcement Officials, the Universal Declaration of Human Rights, the Code of Conduct for Law Enforcement Officials, and an information sheet regarding the Voluntary Principles. FORZA conducts its own human rights training twice a year with its staff. Police personnel who are contracted by the mine to work on their days off attend a 90 minute training briefing when they arrive at the mine site.

Given the risks involved, it is important that Newmont carry out regular assessments of the human rights records of the security personnel with whom it works. Information should be kept regarding any incidents and investigations. Batu Hijau and Yanacocha use an electronic system to track incidents. This system should be evaluated for its effectiveness as a management tool and considered for use at other sites.

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41 The Yanacocha study team noted that this methodology is based on the “Manual para la construccion de la paz” by the Comision Andina de Juristas (March 2006).
• Community Relations and Community Development: What Are the Concerns?

Stakeholder Perceptions of Accountability. A significant issue for the mine sites is whether stakeholders perceive that security forces are held accountable for their behavior. This has been a major source of tension at Yanacocha, where violent protests have erupted in recent years stemming from a state of “continuous tension and frustration” between the company and local residents. In 2006, the residents of Combayo, a community near the mine, brought their concerns directly into the mine pit in a protest in which Isidro Llanos, a local farmer, was shot and killed. Stakeholders around Yanacocha have presented various reasons for the protest, many indicating that “the main objective was to obtain jobs, [and others] stat[ing] that the lack of communication and environmental concerns were underlying causes.” The Combayo protests, and particularly the death of Mr. Llanos, led to talks between representatives of the mine, the government, and the Combayo community.

The incident involving Combayo residents highlighted specific community concerns regarding the use of police and private security forces by Newmont. Stakeholders allege that they have been abused by police officers contracted by the mine. The Yanacocha study team observed that “[t]he use of police is damaging to the relationship with the communities. Public perception indicates widespread distrust in police officials, as many people identify them as being part of criminal networks involved in activities such as kidnappings or extortion.”

In 2007, tensions flared at Yanacocha once again when FORZA was accused of spying on Father Marco Arana and other members of GRUFIDES, a local organization that has campaigned against the mine. This incident led to demands by some stakeholders for Newmont to conduct an investigation into the security company’s activities and assume more responsibility for the actions of its contractors. After both the Combayo and the Marco Arana incidents, the study team found that stakeholders perceived that Newmont had failed to take sufficient responsibility on behalf of the mine or FORZA.

As discussed in Lesson 3, there are long-standing community grievances at Yanacocha many of which center on community perceptions that the mine has not taken responsibility for “past mistakes.” The Study Directors are aware that the atmosphere around Yanacocha is such that discussions around accountability and responsibility for any one incident are complicated by broader community resentment and lack of trust. Newmont should seek to provide a corporate response to stakeholder concerns regarding particular incidents and investigations: the specifics of such a response are beyond the scope of this report, but a sustained dialogue is required to repair the relationships between Yanacocha and its community stakeholders.

Other than at Yanacocha, the study teams did not identify specific issues of accountability with regard to the behavior of security forces.

Concerns Regarding Security Forces. It is not sufficient for security personnel to be committed to following the company’s standards. Ultimately, the commitments must withstand the particular dynamics of protests and other incidents, whether related directly to the mine or reflective of larger societal conflicts.

The activities of security personnel outside of their work for the mine may also inform community impressions. Indeed, these factors may cause incidents between community members and security forces to escalate in harmful ways. The more that Newmont management can know about community attitudes regarding security forces prior to incidents at which those forces might be called upon, the better prepared the company can be to minimize the potential for violence.
At Ahafo, there have been at least two incidents in which members of the public have been shot by Ghanaian police forces. The police are called, as required by law, when employees, community members, or property are believed to be under imminent threat. In both incidents, there were significant disagreements regarding whether the use of force was excessive or proportional and appropriate. Some stakeholders perceived that the mine gave instructions to the Ghanaian police to “curb popular protest,” and that this led to the confrontations. The study team observed that mine management believed that in the heat of the moment mine personnel had little control over the actions of the police. The study teams concluded, and the Study Directors agree, that “[t]he response of the company to these incidents suggests that it presently does not have appropriate mechanisms for conflict resolution.”

Site management should be aware of community fears and perceptions of security personnel. At Yanacocha, the study team found that communities in the Combayo area “have negative perceptions of the security forces due to the death of [Isidro Llanos] in August 2006.” The study team also reported that stakeholders believe that “the company’s security has specific qualities that do not allow them to treat neighbors well. They lack common sense. This has roots in the origins of their entry into Cajamarca. They were considered the elite and were arrogant. Today they are still not humble nor respectful.”

One stakeholder told the study team that security used “excessive force” in responding to incidents.

The Yanacocha study team also observed that Newmont has “generated a negative image by contracting police personnel to work for them on their days off. External stakeholders expressed their discontent with cases in which they have perceived the National Police of Peru as an entity at the service of the company or as defender of it in crisis situations.” In the case of the incident involving Combayo residents, “police who were already at the Yanacocha site for another project were called to the scene,” and the mine’s “security department believes that the police who were sent to deal with the situation were not adequately trained to deal with riot situations.”

Most notably, the study team at Yanacocha emphasized that many stakeholders expressed fear of Newmont and its security personnel. This atmosphere of intimidation is highly damaging to both the community and the company.

Where Does Conflict Get Discussed? The key factor in determining the degree to which conflicts will negatively impact a mine’s relationship with the community is whether these conflicts and tensions will be channeled effectively to public authorities. Where public authorities lack capacity or public trust, however, it is essential that Newmont provide mechanisms for the airing of grievances and the resolution of conflicts. The danger of not responding to community concerns was highlighted in the words of a community member at the Yanacocha mine: “Since they don’t respond to our concerns, we will have to resort to other measures such as a road blockade.”

At Yanacocha, stakeholders reported that the “mesas de dialogo”, or dialogue tables, that the company uses to address conflicts, “have no time limitations” and are “without a true resolution to the problems.” Stakeholders found them “to be biased, lacking legitimacy and only in favor of the company.” Although the Study Directors believe it is important that Yanacocha identify and address specific concerns with these dialogue tables, stakeholder reactions reflect a fundamental lack of trust between Yanacocha and local stakeholders. Rebuilding this trust, and thus the company’s capacity to address conflicts with stakeholders, will require an ongoing effort.

As discussed below, at other operating sites where public authorities do not provide an effective channel for conflict resolution, Newmont has been more successful in establishing platforms for resolution of grievances.
Crisis Management Plans. The Minahasa review reported that “the majority of interviewees concluded that in retrospect the escalated nature of events was…a result of pre-existing organizational conditions and decisions rather than external factors alone.”[^cclxxxv] The review also found that many interviewees believe that “if Newmont had been better prepared, had responded more strategically to events as they unfolded in the early part of the crisis and had enjoyed stronger relationships with key stakeholder groups, the crisis could have been better contained, if not averted in the first place.”[^cclxxxvi]

In reflecting on the Minahasa crisis, one internal stakeholder reported that “[w]e just hadn’t planned for something of this magnitude. We didn’t have a crisis management plan.”[^cclxxxvii] Other interviewees believed that “there appears to have been no co-ordinated exercise focused on the socio-political environment from a holistic or institutional perspective” and that without “rigorous and multidisciplinary risk assessment, there was no trigger for putting into place proactive strategies to address worst case scenarios.”[^cclxxxviii]

Crisis Management Capacity and Authority. Interviewees during the Minahasa review perceived that there was ambiguity regarding the respective roles of regional and corporate management in addressing the Minahasa crisis as it emerged. The review team concluded that “[t]his ambiguity appeared to negatively impact the organization’s ability to respond effectively to the crisis as lines of communication and areas of responsibility were unclear.”[^cclxxxix] The review team also suggested that “organizational arrangements in Indonesia further complicated lines of accountability.”[^ccxc] Internal stakeholders perceived that “people with liability had no control. Those with day-to-day responsibility had limited access to those with functional decision-making capability, and those with decision-making capability had limited engagement in local contexts.”[^ccxci]

Crisis Communications. From the review of experiences at Minahasa, internal stakeholders reported that it seemed, at the time, that the company was prepared to address kidnappings and chemical spills, but was not prepared to deal with a “reputational crisis.”[^ccxcii] Stakeholders felt that the company’s response to the situation at Minahasa was based mainly on “legal, public relations and technical functions with little community relations expertise involved in formulating those formal responses.”[^ccxciii] One legal action taken by the company was the filing of a defamation action against a local NGO representative. The Study Directors do not take a position on the legal basis for this action, but observe that it is not clear that the decision to take such action was made with due consideration to community relations concerns.

When addressing the Minahasa crisis, interviewees noted internal disagreements about how to respond to NGO allegations and media inquiries.[^43] They felt that some members of management maintained that responding publicly would draw more international attention to the company and the crisis, while others believed that an “aggressive” response would represent “anti-Indonesian behavior,” and could be further damaging to the company.[^ccxciv]

Local Knowledge and Relationship Building. As noted earlier, the Minahasa review found that “most interviewees believed that Newmont’s approach to relationships with key stakeholder groups was not strategic enough.”[^ccxcv] Many stakeholders believed that once the crisis was underway it was too late to establish the relationships that were necessary to address it.

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[^43]: Newmont has a CER standard on Media Relations. The stated purpose of the Media Relations standard is to “ensure that Newmont managed facilities effectively and proactively engage with the media at a local level, both in relation to balanced media coverage and in relation to the transparent and responsive communication of issues.” CER Standard on Media Relations. The Study Directors feel that media relations can play a key role in helping a mine manage its community relationships. However, this issue was not focused on by the study teams, and the Study Directors have not focused on it for the purpose of this report.
Government officials and institutions are a key stakeholder group. During the Minahasa review, many internal stakeholders at Minahasa reported that the company had “dysfunctional” and “problematic” relations with certain Indonesian government officials. Others suggested that the company lacked the internal capacity to fully appreciate and respond to the complexities of the Indonesian political landscape.

Newmont should ensure that it has the internal capacity necessary to build relationships with key local stakeholders. One key factor in building this capacity is the presence of local nationals in management positions. When discussing Minahasa, internal stakeholders reported that building relationships with stakeholders in Indonesia requires “particular and special attention,” and that Newmont did not always seem to understand the dynamics involved in maintaining relationships in Indonesia. Miscommunication across cultural divides can be a significant factor in exacerbating tensions between a mine and its community stakeholders, and local expertise can be a key asset in helping to mitigate inter-cultural concerns.

Local Knowledge and Understanding the Local Context. As framed by the International Alert report, there are various factors in the local operating environments that may increase the likelihood of conflict between a mine and its surrounding community stakeholders. Factors such as the capacity of public institutions and the history of mining in the region can impact a mine's relationship with its community stakeholders. The Waihi study team noted that “[m]any interviewees spoke about the significance of the background context and history to current relationships,” and, according to one interviewee, “you can’t divorce the current relationships [between the mine and the community] from its history…. [T]he relationship has evolved over a very long period of time.” The Ahafo study team found that the “broad historical perception of mining in Ghana” is framed by its colonial history and its “essentially negative social and environmental legacy for local communities.” The Ahafo team reported that this “[w]hilst this perception of the history of mining in Ghana may be debated, it still resonated strongly with some of the more critical contemporary community-based responses to the development of the Ahafo Mine.”

Newmont should ensure that it has the capacity to understand and respond to these external factors. Hiring local managers can be a key step in improving the company’s ability to understand and respond to particular characteristics of the local operating context.

Community Relations and Community Development: What Seems to Be Working?

Where Does Conflict Get Discussed? At mines such as Waihi and Carlin, the study teams found that Newmont’s operations were contextualized by strong legislative and regulatory frameworks that commanded a high degree of public confidence. The Waihi study team observed that this national framework establishes a critical platform for engagement and the resolution of issues. They also noted the “high degree of trust” that stakeholders had in the mechanisms and final decisions of the regulatory process.

At the mine site level, the Waihi study team found that the mine had “various mechanisms and processes which work to diffuse tension and community opposition and which, over the course of the mine’s life, has served [the mine] well.” The team observed that “[r]ather than relying just on a single mechanism, the operation employs a variety of communication and engagement processes” and that “this is evidence of a strategic approach to engagement.” Significantly, at Waihi, the study team found that it was “unlikely that company-community conflict…would ever escalate to unmanageable levels without either a significant change in NWG’s approach or a major change in the external environment.”
At Ahafo, there is less government capacity to address community concerns and conflicts with the mine, but the study teams found that a broad range of stakeholders agreed that the Social Responsibility Forum had “value as a mechanism for managing healthy mine-community relations.” The Ahafo study team observed that “[b]y channeling community concerns and frustrations through initiatives such as the Social Responsibility Forum and the Community Consultative Committee, Ahafo Mine is expecting to reduce the incidents of conflict and the potential for community frustrations to find expressions in unproductive ways.

The approach taken by the Ahafo Mine to “channeling” conflict through a mechanism by which it can be addressed — whether this is a public process or a private grievance mechanism — should underlie Newmont’s approach to conflict management at each of its operating sites.

**Approaches to Conflict Management.** Several site teams emphasized that Newmont is working to analyze and manage community conflicts before they lead to violent incidents. The ESR office at Yanacocha works to “gather information to determine which issues are becoming heated enough that they may escalate into a blockade or other action against the company.” Notably, the study team found that a number of commitments made to community stakeholders have gone unfulfilled. Newmont’s efforts to address issues before they lead to violent conflicts must entail a system for tracking and following through on commitments to the community.

At Batu Hijau, the study team observed that mine management has proactively sought to identify ways to avoid conflict. The mine “has a very good security regime which attempts to minimize confrontation while enabling the community relations professionals to deal with the underlying conflict.” Indeed, a “general principle of the security regime is to avoid confrontation and instead find alternative solutions to the conflict.” The “main function” of security personnel “when confronted with a conflict is to isolate, monitor and report on what is happening, handing over direct contact with the arrival of the community relations officers.” The study team found that “[p]rotocols as to when police need to become involved exist and are followed.” Notably, “[m]uch of the success of this program comes from the training given to the security personnel and drilling for various contingencies.” The team determined that “this method eliminates confrontation that could easily escalate into larger multivariate conflict as has been the case at other extractive industry sites around Indonesia.” The study team concluded that “the security paradigm and manner in which it is implemented is one of the best currently operating in Indonesia with its strong emphasis on avoiding confrontation and addressing the roots of conflict.”

The Study Directors believe that the conflict management initiatives at Yanacocha and Batu Hijau are significant and should be carefully studied by Newmont. Efforts to address root causes of conflict early on, and to isolate and minimize open conflict when it does occur, are important conflict management mechanisms that should be replicated at other sites.

### 4. Recommendations and Opportunities — Suggestions for the Path Ahead

- All sites should carry out conflict identification assessments. Conflict planning should also include an analysis of the capacity of existing public and private institutions to address stakeholder concerns. Site managers must be aware of the capacities of their local operating environments to address community concerns and conflicts.

- Site managers should work to identify the root causes of conflict in their operating environments and ensure that site strategic plans include targeted objectives to address these underlying concerns.
Conduct regular assessments of potential “worst case scenarios” that might have lasting and profound negative impacts on each mine’s community relationships and ensure that plans have been developed to respond to such situations.

Recruit locally for key management positions at the mine sites to ensure that each mine has personnel with specific personal knowledge of the local, regional, and national context.

Engage regularly with public and private security forces that may be called upon to provide security for mine sites regarding the company’s expectations and contractual requirements that services be provided in accordance with the Voluntary Principles.

Ensure that all security providers receive regular training regarding human rights and the Voluntary Principles. Mechanisms should be developed to assess the impact of these training sessions, and training should be modified as necessary.

Carry out regular assessments of the human rights records of the security personnel with whom the company works. Information should be kept regarding any incidents and investigations.

Incorporate human rights training into the general training provided to all Newmont employees during their site orientation and during their annual reviews. This human rights training should be vetted and approved by the corporate ESR Department pursuant to its functional role of managing the overall corporate approach to social responsibility issues.

Require human rights training for all key contractors and their employees who, although legally distinct from Newmont, are frequently perceived as Newmont employees by external stakeholders. A policy should be established to recognize the importance of contractor behavior to the site’s reputation.

Lesson 7: Newmont must ensure that its operating sites have accessible and responsive grievance mechanisms.

1. Why Is This Important?

Newmont’s systems and processes for managing community grievances are integral to its management of relationships with stakeholders. These mechanisms can help ensure that Newmont is accountable to the community for its actions. As noted in Lesson 4, tensions can develop in community relationships when stakeholders perceive that their concerns are not being taken into consideration. If Newmont fails to address stakeholder complaints in an effective manner, these grievances may come to undermine goodwill between the stakeholders and the mine. It is not enough, however, for Newmont to simply develop the capacity of company personnel to engage local stakeholders with respect to their concerns. At a more operational level, Newmont must develop and ensure the capacity of its management systems to capture and respond to community grievances so that stakeholders can identify for Newmont the issues that are of concern to them. An effective grievance mechanism entails a disciplined process of both receiving and responding to stakeholder concerns through the systematized allocation of responsibility and accountability.
2. What Risks Does This Lesson Address?

Grievance mechanisms provide a manner to channel conflict in ways that benefit both the community and the company. The danger of failing to respond to community concerns was highlighted by a stakeholder at the Yanacocha Mine: “Since they don’t respond to our concerns, we will have to resort to other measures, such as a road blockade.” Clear, accessible grievance mechanisms help to ensure that the company identifies and responds to community concerns before they manifest themselves as open confrontations that may pose a risk to the mine’s ability to operate.

3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

- Standards and Policies: What’s in Place? What’s Relevant? What’s Missing?

Newmont does not have a separate management standard on grievance mechanisms and procedures. The IMS standard on External Stakeholder Engagement, however, states that Newmont managed facilities shall maintain external stakeholder engagement processes that include dispute resolution and grievance mechanisms.

The Study Directors are not aware of specific tools or guidance documents that may have been provided to the sites regarding grievance mechanisms.

All of the study teams identified some form of grievance procedure for external stakeholders. At Carlin, the study team observed, “[t]he company has a clearly defined grievance mechanism for capturing written and verbal complaints and assuring resolution.” The study team reported that “[e]xternal stakeholders can submit complaints in writing to the External Relations Department at the regional office or verbally to staff at the mine, who then direct the complaint to External Relations.” Grievances and complaints are raised through both official and unofficial means at Carlin, and many community stakeholders indicated that they were comfortable speaking directly with Newmont personnel about their concerns.

The study team at Waihi reported that the mine has “a highly systematized process for responding to individual concerns via the CLO position and other relevant personnel such as the Property Manager.” Pursuant to the specific consent conditions governing the mine under New Zealand law, the CLO addresses community complaints and grievances regarding amenity issues. The CLO also serves as a central contact point for community complaints. At Waihi, the study team also noted that the mine has a 24-hour telephone line for community complaints. In addition, the mine has a complaints and corrective action database that allocates personnel responsibility for addressing specific tasks. The database stipulates responsibilities for specific departments and sets a timeline for addressing complaints.

At Batu Hijau, the study team observed that “the site has formal mechanisms for reviewing grievances, complaints and other interactions with stakeholders” and “[r]ates of resolution of issues are reviewed regularly to determine if additional action is required.” The stakeholder input and grievance mechanism was well-defined and “[s]tandard task sheets written in both English and Indonesian detail the process by which grievances should be recorded and investigated.” The study team found that “[t]he system seems to adequately capture the nature of the grievance. The system also works well in terms of keeping track of all of the grievances.” Notably, the database tracks case resolution and reports against established targets on a monthly basis: these case resolution figures are captured as critical performance indicators for the mine.
At Ahafo, the site maintains a complaints register that identifies the stakeholder who made a specific complaint as well as the mine's response. Despite the existence of this complaints register, however, it appears that the grievance process is not completely centralized; some stakeholder engagement programs have their own grievance mechanism. For example, the Vulnerables Program, which aims to provide a safety net for resettled households that are recognized as particularly susceptible to impoverishment, has its own grievance mechanism. This grievance procedure identifies point persons to whom verbal complaints can be made and provides for the submission of written grievances.

At Yanacocha, stakeholders can register complaints at the Public Attention Office ("Oficina de Atencion al Publico") in Cajamarca. Grievances can be registered verbally or in writing. After being filed with the Public Attention Office, the complaints are forwarded to the department relevant to the complaint. The manager of the Public Attention Office is responsible for following-up on the complaint. In the rural communities surrounding the Yanacocha Mine, complaints are received directly by mine personnel, and are registered by a designated individual.

- Newmont’s Management System: How Is Newmont Driving Its Performance?

**Accountability for Addressing Stakeholder Complaints.** A number of study teams reported that there were specific internal accountability mechanisms in place at the operating sites to ensure that stakeholder grievances were addressed in a timely manner. The Carlin study team found that employees are held accountable, through their PMTs, for the resolution of complaints submitted through the Complaint Register. At Batu Hijau, the study team reported that "case resolution is tracked and reported against targets on a monthly basis as one of the critical performance indicators. Case resolution is also one of the performance criteria in many of the job descriptions." Finally, at Ahafo, the study team found that the “well-defined grievance mechanism and process suggests that employees responsible for grievance mechanisms are held accountable for resolving low-level conflicts.”

In contrast, at Yanacocha, the study team reported that mine personnel were not held accountable for the resolution of stakeholder grievances, and that “there does not seem to be any formal mechanism in place to ensure that specific people within departments are held accountable for effective resolution of stakeholder complaints.” Notably, many stakeholder complaints were not transmitted to the Public Attention Office: accordingly, they remained untracked and unfulfilled. To avoid exacerbating the concerns expressed by community stakeholders at Yanacocha, the Study Directors emphasize that Yanacocha management will need to assume greater accountability for addressing grievances in an orderly and timely manner.

- Community Relations and Community Development: What Are the Concerns?

**Stakeholder Awareness and Perceptions.** Grievance mechanisms are only effective if stakeholders are aware of the mechanisms and have meaningful access to them. A number of sites raised concerns about stakeholder access to grievance mechanisms at the mines. For example, at the Batu Hijau Mine, the study team found that community stakeholders “know they can complain to Community Relations staff, but their knowledge about the formal mechanisms and procedures is limited.” Stakeholders could reference grievances they raised with the mine that were effectively resolved, but they could not explain the mine's grievance process. The study team at Batu Hijau also observed that no written receipts were provided to stakeholders who raised concerns with the mine, and found that the “lack of written receipt leaves stakeholders with uncertainty about their case as does the lack of a specific commitment or response. This increases anxiety and expectations about the case.”
Stakeholders at Batu Hijau also expressed their perception that Newmont is unwilling to address certain issues, including the level of local hiring and the possibility of rehiring community members who worked at the site during the mine’s exploration phase. Community members said that they raised several complaints about these issues, but did not receive a response. They also indicated that management told them they could not raise grievances about the mine’s community development foundation, Yayasan Olat Perigi, because it is an independent organization.

Stakeholder awareness of and access to grievance procedures is a significant concern at Yanacocha. The study team found that the majority of stakeholders with whom they spoke were not aware of the Public Attention Office, and observed that “the lack of awareness about the complaints office indicates that the complaint mechanism may not be effective in capturing all stakeholder complaints.” Notably, most rural stakeholders, even if aware of the Public Attention Office, submitted their complaints directly with Yanacocha personnel. Many of these complaints, however, were never formally registered. In addition, some stakeholders indicated that they had no direct way to speak to the company, and that the mine did not allow them to register their complaints.

Generally, the Yanacocha study team found that the formally established grievance system “remains deficient on a number of fronts.” The Yanacocha study team found that “information gathered from external stakeholders suggests that few people know the office exists.” In fact, the study reported that a number of stakeholders told them that “there is no direct way for them to speak to the company and that MYSRL does not allow them to register their complaints.” In addition, the study team observed that the system “does not seem to capture many complaints from rural communities surrounding the mine.” This seems to be due, in part, to the fact that “[i]nterviews with external stakeholders revealed that many people living in rural areas do not know where to go to register a complaint.”

The Study Directors believe that it is imperative that Newmont review the grievance procedures at its operating sites to ensure that these procedures include mechanisms for raising community awareness about these policies. Lack of stakeholder knowledge regarding a site’s grievance procedures can be just as damaging as not having grievance mechanisms at all.

**Responsiveness.** Stakeholders at Waihi raised specific concerns about the impact of Newmont’s recent management restructuring. Stakeholders perceived that the focus of the General Manager for Operations at the Martha Mine had narrowed, and that this would have a negative impact on the responsiveness of mine management to community concerns. The restructuring also caused anxiety among stakeholders because regional representatives are perceived as inaccessible (in part due to the time difference between New Zealand and Australia), and not as focused on local issues. As one stakeholder noted, “…people are asking whose door is open, when, and what do they know about Waihi?”

A similar concern was raised by Carlin stakeholders, who felt disconnected from Newmont staff in Denver. Stakeholders noted that the office in Elko is quite responsive, but “when the corporate office in Denver becomes involved in a situation, they ceased to feel that they were being treated with respect.” One stakeholder indicated that once the Denver office sought to address a concern, “it suddenly was clear to me that this was a big multinational, and it felt that way.”
At a number of mines, stakeholders raised concerns about the timeliness of the mine’s responses to grievances. At Yanacocha, stakeholders told the study team that “the company takes far too long to respond to their complaints.” Stakeholders also told the study team that staff turnover at Yanacocha had resulted in their complaints being “lost and left unresolved.” The manager of the Public Attention Office indicated that “there was no defined period of time in which he had to respond to complaints,” but that he usually gave departments 15 days to respond to grievances he forwarded onto them and, if there was no response, he would follow up.

**Who Is Not Participating?** Even when clear grievance procedures are in place, Newmont should not assume that these mechanisms are providing an adequate safety valve for the concerns of all community members. The company must be cognizant that some stakeholders may not be able to use, or be comfortable using, the existing procedures. For example, in Yanacocha, rural stakeholders are not using the Public Attention Office. Likewise, at Carlin, concerns have been raised that the Western Shoshone may not be using the grievance procedures. Newmont is not capturing the concerns of these stakeholders. Using stakeholder mapping, combined with an analysis of the complaints received, Newmont managers should try to identify the stakeholder groups that are not using its grievance mechanisms. With this information, Newmont should find alternative ways to productively engage with those community members and identify the best manner to gather and respond to their concerns.

Newmont must also recognize that raising a complaint against a major mining company can be an intimidating prospect for community members. As one Waihi stakeholder said to the Waihi Study team, it can be a “humiliating process…you imagine being a single person up against a global company and its lawyers, with no resources of your own….” Other stakeholders at Waihi stated that they were fearful of negative repercussions within their own communities as a consequences of raising complaints: “if people speak out they are branded as anti-mining fanatics or raving greenies, and shunned by people…. Newmont should try to ensure that its confidential mechanisms are as accessible as possible to stakeholders who may have fears about raising their concerns.

Failure to engage effectively with community villages at Buyat Pantai left the company with insufficient knowledge to respond to the Minahasa crisis. Newmont must be sure that it has the capacity and mechanisms in place to engage with and understand the grievances of all local stakeholder groups.

**Lack of Analysis.** The study teams reported that some mine sites employed processes to examine large-scale issues and trends, and that those that did so benefited from them.

The Carlin study team observed that “there is no process in place for major issues or recurring trends to serve as input to the mine plan itself — and thus opening up the possibility of more structural change in response to stakeholder concerns.” They also observed that “the Complaint Register identifies individual complaints, but there is no systematic process for sharing them across a broad range of departments, or implementing changes to operations in response to persistent stakeholder concerns. Likewise, there is no formal process to potentially modify the mine plan based on persistent and significant stakeholder concerns.”

In contrast, at Waihi, the study found that “monitoring and examining trends in complaints has led to a general awareness about patterns of complaints,” which in turn has led to specific changes in the mine’s operations.

The Study Directors believe that it would be beneficial for all of Newmont’s operating sites to identify and analyze trends in the grievances received. Such information will provide valuable input into the mine’s strategic planning for community relations.
Community Relations and Community Development: What Seems to Be Working?

Responsive Personnel on Site. One of the most significant factors in determining whether community stakeholders believed that Newmont was responsive to their complaints was the presence of specific individuals on site whom stakeholders knew would address their concerns. For example, at Carlin, stakeholders perceive that the Director of External Relations is very responsive and “genuinely concerned about the community.” Similarly, the Waihi study team reported that stakeholders commented favorably on the CLO, noting that this person was “approachable, personable, responsive and sensitive to the community.” As discussed earlier, strong individual leadership is not a substitute for rigorous management systems, but it is also important not to underestimate the value of ensuring that stakeholders believe “someone” at the mine site cares about their concerns.

Tracking Commitments. As discussed in Lesson 5, it is crucial that Newmont be aware of the commitments that it makes to community stakeholders. A number of Newmont sites have recently made the development of systems to track such commitments a high priority. At Yanacocha, for example, the study team found that management had compiled “a list of 120 commitments … through a review of internal files and meetings with community authorities.” Site representatives are now meeting with community stakeholders to address outstanding commitments. As part of the Nuevo Enfoque initiative, the mine also implemented “a new policy which does not allow employees to make commitments without documenting them and ensuring the government is participating in the execution.”

4. Recommendations and Opportunities — Suggestions for the Path Ahead

- Develop and implement clear, comprehensive, transparent, and robust grievance mechanisms.
- Customize grievance mechanisms to local needs, incorporating data gathered during the company’s SIAs. Grievance mechanisms should be culturally appropriate, and should be structured with an awareness of social divisions and power dynamics in the surrounding communities.
- Conduct regular assessments of each mine site’s grievance mechanisms to ensure that they are accessible to all potential stakeholders.
- Provide ongoing communication, in different types of public fora, as well as through media outlets, to community stakeholders about the existence of each mine site’s grievance mechanisms.
- Evaluate whether each site’s grievance system should incorporate the provision of mediation services. This determination will in part depend on the capacity of other public and private institutions to address stakeholder concerns.
Lesson 8: Management of the environmental impact of mining on water and other natural resources is directly linked to the management of community relations; Newmont must assess and respond to stakeholder concerns regarding both real and perceived environmental impacts of its operations.

1. Why Is This Important?

*It is our job to provide assurance and create confidence that the risks associated with mining will be managed responsibly, and that mining will create long-term value for host communities. Such assurance is essential to overcoming apprehension and building mutually beneficial relationships based on trust.*

- Wayne W. Murdy, [Former] Chairman and CEO, *Beyond the Mine – Values and Value*

One of the most significant concerns for communities residing in the vicinity of gold mining operations is the impact of mining on the natural environment. Mining operations have significant physical impacts on the natural environment. Community concerns about potential pollution, especially with regard to local water resources, as well as concerns about land and water access, can create conflict between stakeholders and a mine. This potential for conflict was highlighted by International Alert when it found that the commencement of mining operations in a region can lead to increased competition for such resources as land, roads, water, and food. Poorly handled interactions with community stakeholders regarding a mine's actual or perceived environmental impacts can be highly detrimental to the company's social license to operate.

Concern regarding even the possibility of pollution is an especially pervasive concern in communities around mining operations. Indeed, community relationships can be undermined by stakeholder fears that pollution has occurred, or will occur, whether or not such perceptions are grounded in fact. These concerns are inadequately addressed by mine managers who limit their explanations to reassurance that the mine is in compliance with applicable regulatory standards. To manage its community relationships effectively, Newmont must hold itself accountable to external stakeholders: a central feature of such accountability is a management approach that respectfully responds to stakeholder concerns and fears regarding the environmental impact of mining. The effective management of the environmental impact of mining and the effective management of community relations are inextricable and underscore the importance of Newmont's consolidation of the environmental and social responsibility functions within the ESR group.

2. What Risks Does This Lesson Address?

Failure to adequately address community concerns regarding actual or perceived environmental contamination has precipitated conflicts that have undermined both stakeholders' willingness to trust Newmont and the company's social license to operate.

Such conflicts have damaged the company financially and reputationally, and have a direct business impact. For example, community opposition to mining based on concerns regarding environmental impacts on water quality and quantity led Newmont to suspend its exploration activities in the area of Cerro Quilish, in Peru. Likewise, continuing concerns regarding the impact of a mercury spill in Choropampa, Peru have led to ongoing litigation. At Minahasa, community fears about tailing disposal ultimately resulted in a high-profile crisis for the company. Such incidents have convinced the Study Directors that Newmont must approach its dialogues with community members regarding environmental issues not only with honesty and transparency, but also with sensitivity with respect to stakeholder fears regarding environmental contamination.
The Study Directors note that Newmont has invested considerable resources in developing its environmental management systems. It is important that management confidence in the technical capacity of these systems not lead to “blind spots” with regard to the community relations considerations at stake when responding to any environmental issue at a mine site.

3. Building Community Relationships — An Evaluation of Newmont’s Capacity and the Effectiveness of Existing Systems

- Standards and Policies: What’s in Place? What’s Relevant? And What’s Missing?

Given the limited scope of the CRR, this report does not attempt to analyze the content or application of the various environmental standards and policies that govern Newmont’s activities.

Newmont’s IMS standard on External Stakeholder Engagement and Reporting states that Newmont facilities will “ensure that reports required by legislation and other obligations are completed and provided to relevant stakeholders on a timely basis.” It does not, however, address any specific ongoing dialogue with stakeholders regarding environmental issues.

Newmont’s processes for addressing community concerns and grievances were discussed in earlier sections of the report, and are also discussed in Lesson 6 in the context of conflict management. In addition to following the law, the guidelines of voluntary commitments, and the company’s internal standards, Newmont must ensure that stakeholders believe the company is responsive to their concerns about actual and perceived pollution from the company’s mining operations. The company must be committed to ongoing dialogue with stakeholders regarding environmental issues — particularly when external regulation is weak.

- Newmont’s Management System: How Is Newmont Driving Its Performance?

Many of the accountability measures and practices discussed in prior Lessons are relevant to Newmont’s engagement with community stakeholders regarding environmental concerns.

In terms of personnel capacity, a number of internal executive interviews reflected a need to balance environmental expertise with social and community engagement expertise. One Newmont executive commented that “We are heavily, heavily weighted on the environmental side; therefore, the social side does not give sufficient weight. Instead, there is a need for equal emphasis, importance, and resources provided on the social side as on the environmental side.” Even at the Project Director level, it was noted that although safety, community relations, and environmental issues were measured using the LEAD indicator program, “there was a lot more focus on environment.” As one executive explained, “the social side is more difficult to measure because it’s more difficult to put indicators on it to determine impacts or changes over time.”

The Study Directors do not have sufficient information to analyze the capabilities of particular Newmont personnel to effectively engage community stakeholders regarding environmental concerns. Individuals with environmental expertise may be perfectly capable of responding to such community concerns. Newmont does, however, need to assess its ability to address the underlying risks of community fear and concern. Stakeholder fears will rarely be lessened through the provision of “yes/no” answers and technical facts and figures: the company must ensure that its personnel have the capacity to engage effectively with stakeholders in a manner that builds trust and provides reassurance.

46 The Study Directors did not conduct an assessment of the company’s environmental performance.
As noted earlier, Newmont has integrated the management functions of environment and social responsibility within the company in recent years — creating the ESR group. Joining the environmental function with the community relations function is a key step toward improving the capacity of the company to understand and respond to community concerns regarding environmental issues in an appropriate way.

Finally, one lesson that emerged from the Minahasa review was that environmental information must be readily available to personnel at both the local and regional levels who might be called upon to address stakeholder concerns about environmental issues. Interviewees believe that a critical capacity issue for the company in addressing the Minahasa crisis was the lack of environmental information available to the company personnel in Jakarta and Manado who were addressing stakeholder inquiries.

• Community Relations and Community Development: What Are the Concerns?

One of the challenges of dealing with environmental issues is that Newmont must engage communities on multiple levels. The community must be protected from environmental harm through strict adherence to environmental standards and mitigation measures. Community concerns about environmental issues must also, however, be addressed in a manner that does not rely purely on testing results. Communities must be informed regarding quantitative aspects of environmental issues, to the extent that it is possible and appropriate, but must also be engaged in a manner that permits a dialogue to occur regarding fears and concerns.

**Water Concerns.** Concerns about water contamination are prevalent at many mining sites. The degree to which concerns about water depletion and water contamination affect the mine's relationships with stakeholders may be impacted by whether water is regarded by the community as a scarce resource. At Waihi, the study team found although “some local people have concerns about impacts on groundwater and the discharge of treated water into the river, there are high levels of rainfall and almost no competition for water rights.” The result, as the study team noted, was that “these considerations tend to limit the extent of community opposition on issues that might be highly contentious in other locations.”

At many of the sites reviewed by the study teams, stakeholders expressed high levels of concern about perceived water contamination and/or depletion. At Yanacocha, the study team found that “[t]he number one concern raised repeatedly by external stakeholders was related to the mine's impact on the environment,” and the stakeholders with the greatest concerns were “rural stakeholders who depend largely on water that flows through canals for irrigation.” The study team observed that “[t]he historic importance of water is exemplified through the highly organized manner in which local residents distribute and protect their water supply using ‘water user committees’ or comités de regantes.”

At Carlin, a region that is highly dependent on water for ranching, stakeholders raised the risk of depletion of regional water resources as a major community concern. In addition, environmental NGOs raised concerns regarding dewatering and the risk of water contamination by mercury and cyanide. The Carlin study team noted that “[i]n terms of dewatering, the major concern is whether Newmont’s rate of dewatering exceeds the natural recharge of the ground and surface water reservoirs and thus could pose threats to the availability of future water supply.”
Newmont must address community concerns about water in a proactive way. Water is essential for community livelihoods and survival, and Newmont's operations are water-intensive and also carry with them the potential for considerable contamination if safeguards fail. Local, national, and international debates about water rights, and particularly rights of access to safe water, will increasingly impact the operations of extractive companies in the future. Newmont must be prepared to address stakeholder concerns about water rights with an understanding of the importance of the issues at stake to stakeholders both within impacted communities and in the larger national and international environment.

**Failure to Address Community Fears.** At a number of mine sites, community stakeholders expressed their frustration that Newmont was unwilling to address environmental concerns in a non-defensive manner. Stakeholders repeatedly indicated that mine communications regarding environmental issues were overly "defensive," "legalistic," and "rigid." Some indicated that mine employees do not treat community concerns with respect. For example, at Yanacocha, stakeholders complained that the mine's environmental experts "talk down to locals" and "do not explain things in laymen's terms." Other stakeholders said that community concerns about environmental contamination were met with challenges to "prove it," despite the acknowledgement that community members do not have the resources or capability to analyze potential contamination.

The study team at Yanacocha found that the perception that mine management were being "unduly factual and rigid" led community members to conclude that "they are not really listening to us." The study team noted that residents might tell the mine, "'we believe our stream is contaminated,' and Newmont's response usually is, 'no, it isn't. We have the scientific tests and it can't be.'" Stakeholders perceive such a response to be a rejection and dismissal of their concerns, rather than a response to their fears. One stakeholder suggested that the company "design a culturally appropriate way to respond to their concerns without simply dismissing it."

Community members at Yanacocha also expressed concern regarding recent communications campaigns by the mine that they perceived as an effort both to deny responsibility for any loss or contamination of water and an attempt to blame problems regarding water supply on "other sources such as sewage, garbage, and informal mining." The perception by some community members that they were being blamed for problems with the water may have undermined any potential benefit that the mine sought to gain through the campaigns. Stakeholders observed that such communications efforts suggest that the mine still does not "get it" in terms of how to address community fears and concerns.

In the Minahasa review, interviewees reported their belief that management at the Minahasa Raya Mine was "orientated towards dealing with quantitative data and facts, rather than dealing with qualitative data including community perceptions." Based on feedback from the interviewees, the Minahasa review team concluded that "this technical orientation resulted in a tendency to avoid addressing perceptions about technical issues."

**Lack of Trust.** Stakeholders repeatedly complained to the study teams that they were being given incomplete or inaccurate information about the environmental effects of Newmont's mining operations. Lack of trust is a central problem for mining companies and community stakeholders. If community members do not trust the information they receive from the mine, they are likely to attribute negative environmental concerns to the mine. At Batu Hijau, the study team concluded that because community members did not understand which environmental impacts were caused by the project and which were not...any negative environmental events were attributed to the mine. The study team also found that "environmental testing data was not trusted as results were seen to always be favorable to Newmont and this was not perceived as credible."
Similarly, at Yanacocha, the study team reported that “[t]he company’s practice of simply stating it does not contaminate the water and then providing the water results, is not credible to stakeholders and further erodes trust.”

Community concerns can often lead to uncertainty regarding what incidents are attributable to mining operations. At Yanacocha, community members “raised concerns regarding animal deaths due to contaminated water, dust or other waste left by contractors or employees.” The study team reported, “[t]here is great uncertainty regarding the cause of these deaths and the mine has been handling these on a case-by-case issue.” Although a case-by-case approach may result in more precise determinations of the causes of specific externalities, it leaves many stakeholders uncertain and fearful, especially if there is a lack of trust underlying the mine’s relationships with the community.

In Ghana, the opening of the Ahafo Mine led to a significant local and international debate regarding the environmental risks of mining. This controversy was not mentioned by the study team as a significant factor in the mine’s current relationship with the community, but the study team did observe that “strong public perception of a long history of environmentally irresponsible mining practices in Ghana has fostered community fears over pollution.” The study team also noted that there are many community rumors about environmental impacts that may be factually untrue, but “whilst these fears may make no sense from a technical perspective, community-based fears over environmental risk may contribute towards defining mine-community relations on the basis of mistrust, misunderstanding and mutual suspicion.”

Management Blind Spots. Newmont continues to invest considerable resources into ensuring that the company’s environmental standards and performance are as strong as they can be. Newmont should be careful, however, to ensure that its efforts to instill a strong “environmental compliance” culture at its mine sites do not result in the dismissal of community concerns. The Minahasa review team concluded that “[t]here was considerable pride in the organization’s environmental track record.” Yet internal stakeholders also reported that the company’s approach to environmental compliance “left a gap when it came to community relations.” The Minahasa review team specifically noted that “[t]here appears to have been no formal operational-level social risk assessment that might have flagged the risk of perceived health impacts related to STP — the lead issue in the crisis — despite the ongoing complaints.”

Lack of Success of Mine Initiatives. Newmont has made a number of attempts to engage with communities regarding environmental issues. At Yanacocha alone, the mine has sponsored “Mesas de Mitigacion,” or dialogue tables to address environmental impacts, and has also help formed COMOCAs, or participatory water monitoring committees. These initiatives have had limited credibility with the community, however, in part because of an underlying lack of trust, and in part because community members do not believe they have enough information to defend their perceptions or address their fears. For example, at the COMOCAs, stakeholders observed that community members are “witnesses” to testing that they do not understand or trust. Stakeholders also expressed concern that COMOCAs participants were compensated by the company, although the company noted that this compensation was purely for the opportunity cost of the time spent participating.

When Newmont has changed its policy regarding the disclosure of environmental information, it has been difficult to re-engage the community after the fact. For example, at Yanacocha, the mine recently adopted a policy of transparency with respect to environmental monitoring results. The mine has “established an Information Centre in Cajamarca where the public can access information regarding the company’s operations (e.g. EIAs, studies, company reports). Also, each month MYSRL publishes in local newspapers and in radio

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47 Notably, the mine has stated that the COMOCA program is evolving and has adopted a more complex and sophisticated approach pursuant to which COMOCA participants will be provided additional background information to help them understand the monitoring tests and results.
broadcasts the results from its environmental monitoring activities. Yet, community members told the study team that they do not believe the information is sufficiently detailed, and they need more information than "a simple statement saying there is or is not contamination." As the study team in Yanacocha observed, the "lack of transparency in the past and exaggerated claims of 'zero environmental contamination' have decreased stakeholders' confidence in the company to provide balanced and transparent information.

The study team at Batu Hijau found similar frustrations and concerns among community stakeholders. Stakeholders reported that Newmont had arranged demonstrations and presentations to allay community fears, but that the efforts did not alleviate community concerns. One stakeholder reported that "the credibility of Newmont is 50%. People need evidence that the tailings are not toxic. An example was given at a demonstration in 2005 in Labuan Lalar. The community felt that their concerns about tailings were not addressed. Tailings are still a question mark." Another stakeholder reported that "we were invited to a presentation of monitoring results. One of the results was that fish bombing had caused depletion of fish. This is not true. Locals have been bombing fish since before Newmont. In the past there was a large catch from bombing. Now it is reduced."

The Study Directors believe that Newmont must engage community stakeholders in a manner that acknowledges both environmental changes that are the effect of Newmont's operations and environmental changes that are the consequence of other actors in the community. Some changes may be the result of natural fluctuations. Stakeholders may not understand which impacts are caused by Newmont, and may be quick to attribute negative events to the company, but this does not mean that their observations are faulty. They may see changes that Newmont does not see, and it is important for Newmont to engage with community members respectfully regarding their perceptions.

**Internal Communication.** The Minahasa review team found that internal stakeholders generally believed that the company did not have systematic mechanisms to provide key personnel the facts necessary to refute allegations regarding environmental impact and community health. The interviewees felt that there was extensive environmental data regarding the company's operations, but this information was not easily accessible to the people who needed it. One stakeholder reported: "It took us three months to just work out where all of the pieces of paper were. We didn't have all key correspondence in one place — people only knew bits and pieces of the puzzle." Another stakeholder observed that, "we had to compile data, evidence and documents before we could say something in the media. That took time. Information was everywhere, not together."

The inability to respond quickly to stakeholder allegations exacerbated an already bad situation for the company. The Minahasa review team reported that there was a strong belief among internal stakeholders that "if the company had been able to provide key stakeholder groups with access to information on the environment and community health in the early stages of the crisis, then the situation could have been better contained."

**Role of the Government.** Dialogues with community members about pollutants often take place in a context in which pollution is subject to legal standards, but government authorities lack the capacity or the political will to address such concerns. Furthermore, community members may not trust the government or its response to environmental issues. At Yanacocha, the study team found that "due to the public's distrust in the government's capacity to monitor and regulate the company's environmental impacts and in the company itself, any isolated incidents are considered major polluting events for external stakeholders and referred to as evidence for their concerns."
Community Relations and Community Development: What Seems to Be Working?

**Amenity Effects.** Management at Waihi was recognized as very responsive to community concerns about amenity effects. The study team for Waihi observed, "[g]iven the proximity of the open pit to the town, it is not surprising that amenity issues relating to the impacts of noise, dust and vibrations are a major focus at Waihi." They also noted that, "[t]he majority of interviewees indicated that the site usually makes a significant effort to understand and respond to their concerns [regarding] amenity impacts."

An example provided by the study team was the mine's response to an incident in July 2007 when a blast from the mine projected rocks outside of the perimeter of the mine pit. In response, the mine suspended blasting and notified relevant authorities and potentially affected community members. Stakeholders told the Waihi study team that, although the incident was "totally unacceptable," Newmont had been open and honest about the incident, both at the time it occurred and subsequently in information provided to the community following an investigation. Generally, "[t]here was clear evidence that responses [to stakeholder complaints] were timely and usually well received." The Waihi study team concluded that "in other contexts with less mature relationships, it is quite possible that such an incident would have generated more tension and concern in the community."

Similarly, at Carlin, stakeholders believe Newmont was responsive in dealing with the impacts of mining activities. The Carlin study team spoke with "a resident who twice asked the company to resolve issues affecting her family (well water and vibrations from blasting)" and found that she "was very satisfied with her interaction with company employees and their resolution of the problems."

**Role of Government.** A significant factor in Newmont's relationship with community members in Waihi and Carlin is the community's general trust that the government is effectively monitoring the activities of the mine. Interviews at Carlin found that local residents had a high level of confidence in the capacity of government regulators to address environmental concerns. The Carlin study team noted that government stakeholders reported that Newmont was accessible, responsive, and proactive in its engagement with government regulators. The Study Directors believe that Newmont's efforts to be responsive to government regulators help to foster a larger degree of public trust in the capacity of those regulators to protect Carlin stakeholders from environmental harm.

4. Recommendations and Opportunities — Suggestions for the Path Ahead

- Stakeholder engagement efforts should include specific assessments of community concerns about environmental issues. These assessments should seek to identify knowledge gaps as well as issues of trust that may interfere with the mine site's efforts to communicate regarding environmental issues.

- Environmental managers should work closely with community relations personnel to identify and develop engagement strategies around environmental issues of concern to the local community.

- Work with local environmental experts, including local NGOs, to develop strategies regarding how to address environmental issues of concern to the local community.

- Ensure that relevant environmental data is readily accessible to personnel conducting stakeholder engagement efforts.

- Ensure that stakeholder engagement efforts are consistent with corporate and mine-site guidelines regarding transparency.
A. The Ultimate Lesson: Managing Community Relationships Effectively is Critical to Newmont’s Operations

Newmont must approach the management of community relationships as it would any other integral facet of its business operations. Community relations concerns must be a top priority in all discussions regarding the company’s operations — whether those discussions are between members of the Board of Directors or between local mine managers. Newmont cannot afford to continue to operate within a management paradigm that sees “community concerns” as the responsibility of a single department. There must be an immediate shift in how community concerns are addressed and prioritized at the mine sites.

B. Newmont Must Reevaluate its Approach to Community Relations and Conflict

The high profile nature and magnitude of the reputational crisis spurred by events related to the Minahasa Raya Mine was a “wake up call” for the company regarding the importance of managing stakeholder relationships. The decision to relinquish the drilling permit at Cerro Quilish due to community opposition was also a high profile and costly incident for the company. These incidents serve as powerful anecdotal evidence of the need to prioritize community relations.

The Study Directors note that the decision to relinquish resources at Cerro Quilish, as well as the brief cessation of mining activities at Yanacocha due to the blockade at Combayo, are both cited in the “Risk Factors” section of the company’s Form 10-K annual report for FY 2007. The incidents were described under the heading “Our Operations Outside North America and...
Australia/New Zealand Are Subject to Risks of Doing Business Abroad. It is clear that Newmont management recognizes that there are risks posed by breakdowns in relationships with community stakeholders, but the Study Directors are concerned that Newmont has not always been successful in drawing lessons from past incidents in order to improve its community relationships in the future.

As noted throughout this report, wherever Newmont has operations it necessarily has relationships with community stakeholders. All of these relationships involve conflict. Newmont has the ability and the responsibility to manage its position with respect to the conflicts surrounding its mines. Assuming this responsibility means abandoning the notion that “community relationships” are the responsibility of a single department or individual, as well as the belief that Newmont can manage the risks associated with future conflicts without investing time and resources in long-term stakeholder engagement and relationship building.

When approaching the management of community relationships, Newmont cannot afford to view its operations in North America and Australia/New Zealand as “immune” from the types of community opposition seen in Peru and elsewhere. Although conflict may be less overt and disruptive in locations like Carlin or Waihi, that does not mean there is not significant conflict between the mines and surrounding communities. It certainly does not mean that Newmont is effectively managing conflict at these mining operations. Especially at its Carlin operations, Newmont is vulnerable to a lack of systematization that has left it ill-prepared to deal with sudden changes in the tone of community/mine relations.

Newmont must also realize that although conflict may be inevitable, and there will certainly be expressions of community opposition that Newmont cannot prevent, the company has the ability to manage its engagements with community stakeholders in ways that can help minimize the occurrence and destructive nature of such incidents. Newmont must seek to change the mindset of managers who view community opposition to a mine as a development that simply requires a company “reaction.” Newmont does not approach its other key business objectives reactively; to the contrary, it is proactive in its strategic planning and capacity building.

Changes in mindset require leadership and a clear statement of corporate priorities. The Study Directors believe that Newmont has demonstrated such leadership, in part through the very act of undertaking the CRR. Newmont has also developed clear statements of values and has, on paper, prioritized the business objective of maintaining a social license to operate. This leadership from the highest levels of the company will need to be maintained in order to strengthen the company’s capacity to manage community engagement effectively.

C. Assessing and Building Corporate Capacity to Manage Community Relationships

In an effort to provide practical guidance to Newmont, the CRR offers both overarching observations regarding the company’s community relationships and specific suggestions regarding the effective management of those relationships. In conducting the assessment, the Study Directors were guided by the four CRR objectives established by Newmont’s Board of Directors.\(^1\)

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\(^1\) Not only is it impossible to prevent expressions of community opposition, it is imperative to allow such expressions to occur safely and without undue interference. See Lesson 6.

\(^2\) In the “Risk Factors” section of the 2007 10-K, Newmont observes that “Our ability to operate successfully in communities around the world will likely depend on our ability to develop, operate and close mines in a manner that is consistent with the health and safety of our employees, the protection of the environment, and the creation of long-term economic and social opportunities in the communities in which we operate.” This statement is also reflected in the company’s Social Responsibility Policy. Newmont Mining Corporation, Social Responsibility Policy Guidelines (Issue Date: October 2003).

\(^3\) As set out in Section II, the four objectives for the CRR are:
Assess and describe the current relationships between the selected Newmont operating sites and respective communities, and the contexts in which these relationships have developed;
Conduct an assessment of future risks and opportunities to Newmont with regard to its relationships with local communities;
Analyze the relevance of existing company policies, systems, and controls, and their effectiveness in guiding the company’s community development and community relations programs and activities; and
Identify the impact of the company’s resources, capacity, and governance on the execution of policies and controls related to community development and community relations programs.
With these objectives in mind, the Study Directors drafted this report, especially Sections V and VI, to provide key observations regarding Newmont’s current relationships and future risks and opportunities, as well as “Lessons Learned” that respond to specific gaps and weaknesses in Newmont’s management of community concerns.

The Study Directors believe that Newmont’s existing standards and policies are generally very good. The Study Directors did not find significant community relations risks that Newmont had failed to anticipate or address in the scope and content of its existing IMS standards. Moreover, the external voluntary standards and multi-stakeholder initiatives to which the company has committed itself, ranging from the ICCM principles to the Voluntary Principles, reflect best industry practices.

At this point, Newmont does not need to prioritize the wordsmithing of standards, but rather needs to ensure that its management systems are capable of operationalizing the company’s standards and values to meet the business objective of building and maintaining strong community relationships. The eight “Lessons Learned” identified in Section VI highlight generalized tasks, systems, and priorities that would improve the company’s capacity to manage community relationships.

The Lessons were organized under the broad categories of Strategic Planning, Responsible Engagement, and Managing Conflict Responsibly. These categories helped demonstrate the linkages between the lessons and the systemic nature of the management concerns at issue. Each of these lessons reflect the Study Directors’ belief that Newmont’s management of community relationships must encompass:

- Responsible Stakeholder Engagement;
- Strategic Planning;
- Accountability; and
- Capacity.

**Responsible Stakeholder Engagement.** The Lessons in Section VI are intended to strengthen the company’s capacity to engage with community stakeholders and improve the underlying community relationships. Newmont must have management systems in place to identify stakeholders, assess their needs, and engage in dialogue regarding their concerns. All Newmont employees must treat stakeholders fairly, and in a manner guided by an established set of corporate values. These relationships must seek to establish trust; accordingly, Newmont must prioritize transparency and keep its commitments.

Newmont employees, as representatives of the company, must also be consistent in the messages they send to community stakeholders, irrespective of the attitude of a particular stakeholder toward the mine. All Newmont employees must be aware that strong community relationships are essential to the company’s ability to manage its day-to-day operations.

Ultimately, Newmont must recognize that it is accountable to stakeholders for its actions. Where accountability is not enforced through legal and regulatory mechanisms, there is nonetheless an underlying moral imperative to treat stakeholders fairly and in a manner that demonstrates respect for their needs and concerns.

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4 It is important to note that the Study Directors did not undertake a benchmarking exercise to compare Newmont’s standards and policies to the standards at peer companies or to international best practices. In moving forward, this may be an exercise that would provide the Board of Directors with valuable information in identifying any potential gaps.
Strategic Planning. The importance of strategic planning was specifically discussed in Lesson 1, but many of the lessons address Newmont’s capacity to develop and implement community relations strategies. To be effective, any strategic approach must be cross-functional: different functions at the mine site cannot be operating at cross purposes. The Study Directors cannot emphasize enough that community relations cannot be an isolated function within the company. All employees must regard the implementation of the company’s community relations priorities as an essential part of their jobs.

Furthermore, Newmont must have the information necessary to inform its strategic planning, and thus must conduct regular SIAs and risk assessments to prioritize the allocation of resources and develop clear performance goals. Newmont must also maintain ongoing dialogues with stakeholders to understand their concerns and check the validity of the company’s assumptions. The information from these assessments and dialogues must inform the company’s strategic planning exercises.

Finally, there must be strategic planning at both the corporate and the mine-site levels. This report offers many observations regarding the relevance of contextual factors such as government capacity, economic development profiles, infrastructural concerns, and the presence of institutions responsive to community concerns. These factors, and others, will need to be assessed for each mine site, and the assessments should guide the company’s site-specific strategic planning. Although it is important for Newmont to operate in a manner that is guided by consistent standards and values, there is not a one-size-fits-all approach to the management of community relationships. Each mine site must be sensitive to its context, and managers at each site must have the ability to plan for and respond to site-specific factors. In building its capacity to be responsive to site-specific concerns, Newmont should prioritize the hiring of local nationals for key management positions at the mine site and regional levels.

Accountability. As highlighted in Lesson 3, systems of internal accountability are crucially important to the effective management of community relationships. Newmont’s employees, and especially its managers and Regional Senior Vice Presidents, must be held internally accountable for implementing the company’s community relations goals in a manner guided by the company’s standards and assessed against identified performance indicators.

To establish effective systems of accountability, Newmont will need to develop key performance indicators and metrics for community relations performance appropriate to each of the major functional areas at the company. Newmont must have objective mechanisms for evaluating the performance of its employees in achieving the company’s community relations goals.

Capacity. Newmont must ensure that it has the personnel and resource capacity to implement its goals with respect to community relationships. Personnel capacity is multi-faceted. Training based on ongoing performance assessments and the goal of continuous improvement is a key mechanism for ensuring personnel capacity. Meeting capacity needs also requires ensuring that people have the resources necessary to implement the company’s goals: relevant resources include budget allocations to social assessment mechanisms that provide employees with the information they need to do their jobs effectively. It was outside the mandate of this report to compile or analyze data regarding Newmont’s corporate level or mine level funding for such social assessment mechanisms. As a next step, however, the company should conduct an analysis to ensure that it is committing sufficient resources to the personnel and processes needed to sustain Newmont’s capacity to manage community relationships.
Personnel capacity also requires ensuring that employees are informed about the company’s values and standards and required to take appropriate responsibility for implementing those values and standards. In addition it requires hiring the right people for the right positions. Newmont must ensure that it has personnel throughout the company who are knowledgeable about stakeholder engagement, social assessment, and community development. It must also ensure that it has personnel hired from the local and national community positioned to help the company respond to site-specific factors.

D. Final Observations

The Study Directors wish to reiterate their respect for the bold step that Newmont’s Board of Directors took in approving the CRR. They also wish to express their appreciation for the insightful and thoughtful guidance provided by members of the Advisory Panel during the course of the drafting of this report.

The review process involved extensive research efforts at five of Newmont’s operating sites around the world, as well as a review of the lessons learned at a recently closed site. This research provided a significant opportunity to assess the company’s relationships with community stakeholders and the risks and opportunities associated with those relationships. It also allowed for an assessment of the company’s current capacity to manage its community relationships effectively. This process led to the eight lessons identified by the Study Directors in the body of this report.

The research completed by the study teams and the drafting of this report were explicitly identified by the Board of Directors as the beginning of the CRR process. After this report is reviewed by the Board, and distributed to shareholders and stakeholders, it will serve as a platform for ongoing engagement with the communities that are central to its reflections and recommendations. As noted throughout this report, relationships are not built on the basis of standards and policies. Newmont’s managers and employees must reinvigorate their efforts to make community relations a key component of the company’s activities at its current and future mine sites. The Study Directors hope that this report will provide valuable guidance and serve as an appropriate basis for the crucial next steps in this process.
Section I – Executive Summary

i Newmont Mining Corporation, GLOSSARY, COMMUNITY AND EXTERNAL RELATIONS STANDARDS.

Section II - Introduction

i The shareholder resolution and the response from the Board of Directors are available in Appendix 3.
ii Newmont Mining Corporation, GLOSSARY, COMMUNITY AND EXTERNAL RELATIONS STANDARDS.
iii Associated Press photograph as published in Greg Griffin, Newmont Mining begins to close Peru site over protests, The Denver Post (August 29, 2006).
v Photograph from AFP/GETTY IMAGES (OCTOBER 25, 2007), available at http://www.daylife.com/photo/0edNg4v42geHL.
vi The shareholder resolution and the response from the Board of Directors are available in Appendix 3.

Section III – CRR Methodology and Overview

i The shareholder resolution and the response from the Board of Directors are available in Appendix 3.
iv INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 213.
v INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 213.
vi INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 213.
vii INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 213.
viii INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 213.
ix INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 213.
xi INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 215.
xii INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 215.
xiii INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 215.
xiv INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 215.
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xvi INTERNATIONAL ALERT, EXTRACTIVE COMPANIES AND CONFLICT: AN OVERVIEW, Appendix 9, at p. 215.

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i NEWMONT MINING COMPANY, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY COMMITTEE CHARTER.
i Newmont Mining Company, Environmental and Social Responsibility Committee Charter.
ii Newmont Mining Company, Environmental and Social Responsibility Committee Charter.
iii Newmont Mining Corporation, 2006-2008 Esr Strategic Plan.
iv Newmont Mining Corporation, 2006-2008 Esr Strategic Plan.
v Newmont Mining Corporation, Statement Of Values, Appendix 6B.
vi Newmont Social Responsibility Policy And Guidelines, Appendix 6A.
vii Newmont Social Responsibility Policy And Guidelines, Appendix 6A.
viii IMS STANDARD ON RISK AND OPPORTUNITY MANAGEMENT.
ix IMS STANDARD ON EXTERNAL STAKEHOLDER ENGAGEMENT AND REPORTING.

Section V – Site Selection and Summary of Site Findings

i Map provided by Newmont Mining Corporation.
ii Figure provided by Newmont Mining Corporation.
iii Figure provided by Newmont Mining Corporation.
iv Map provided by Newmont Mining Corporation.
Newmont Mining Corporation: Global Review of Community Relations – Site-Based Assessment of Newmont Waihi Gold (Nwg), Study conducted September 2007 (January 2008), Appendix 1A, at p. 11 (hereinafter “Waihi Narrative Report”).

Waihi Narrative Report, Appendix 1A, at p. 12.

Waihi Narrative Report, Appendix 1A, at p. 11.

Photograph provided by Newmont Mining Corporation.

Waihi Narrative Report, Appendix 1A, at p. 19.

Waihi Narrative Report, Appendix 1A, at p. 17.

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Assessment Template for Waihi Narrative Report, template on file with Study Directors (hereinafter “Waihi Assessment Template”).

Waihi Narrative Report, Appendix 1A, at p. 21.

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Map provided by Newmont Mining Corporation.


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Photograph provided by Newmont Mining Corporation.

Carlin Narrative Report, Appendix 1B, at p. 35.


Carlin Narrative Report, Appendix 1B, at p. 43.

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Assessment Template for Carlin Narrative Report, template on file with Study Directors (hereinafter “Carlin Assessment Template”).

Carlin Narrative Report, Appendix 1B, at p. 41.

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Map provided by Newmont Mining Corporation.


Photograph provided by Newmont Mining Corporation.

Batu Hijau Narrative Report, Appendix 1C, at p. 68.

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16 Batu Hijau Narrative Report, Appendix 1C, at p. 76.
17 Batu Hijau Narrative Report, Appendix 1C, at p. 80.
18 Map provided by Newmont Mining Corporation.
19 Photograph taken by Radhika Sarin, FIAN, available at Earthworks mining photo database
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20 Photograph taken by Radhika Sarin, FIAN, available at Earthworks mining photo database
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21 Photograph taken by Radhika Sarin, FIAN, available at Earthworks mining photo database
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22 Global Community Relations Review: Site-Based Assessment of Ahafo Mine, Ghana, Study conducted October 2007 (October 2008), Appendix 1D, at p. 98 (hereinafter “Ahafo Narrative Report”).
23 Ahafo Narrative Report, Appendix 1D, at p. 92.
24 Ahafo Narrative Report, Appendix 1D, at p. 94.
25 Ahafo Narrative Report, Appendix 1D, at p. 100.
26 Ahafo Narrative Report, Appendix 1D, at p. 102.
27 Ahafo Narrative Report, Appendix 1D, at p. 102.
28 Ahafo Narrative Report, Appendix 1D, at p. 99.
29 Ahafo Narrative Report, Appendix 1D, at p. 104.
30 Ahafo Narrative Report, Appendix 1D, at p. 95.
31 Map provided by Newmont Mining Corporation.
34 Photograph provided by Newmont Mining Corporation.
35 Newmont Community Relationships Review: Yanacocha Mine, Peru, Study conducted October 2007 (October 2008), Appendix 1E, at p. 120 (hereinafter “Yanacocha Narrative Report”).
36 Yanacocha Narrative Report, Appendix 1E, at p. 120.
37 Yanacocha Narrative Report, Appendix 1E, at p. 122.
38 Yanacocha Narrative Report, Appendix 1E, at p. 142.
39 Yanacocha Narrative Report, Appendix 1E, at p. 128.
40 Yanacocha Narrative Report, Appendix 1E, at p. 141-142.
41 Yanacocha Narrative Report, Appendix 1E, at p. 130.
42 Yanacocha Narrative Report, Appendix 1E, at p. 138.
43 Map provided by Newmont Mining Corporation.
44 Newmont Community Relationships Review, Scope of Work — Internal Review of the Minahasa Case and Key Related Community Relations Challenges.
45 Newmont Mining Corporation: Global Review of Community Relations – Organizational Learnings from the Minahasa Case Study, Study conducted April 2008 (MAY 2008), at p. i (hereinafter “Minahasa Case Study Report”).
46 Report on file with Study Directors.

Section VI – Managing Relationships with Community Stakeholders: Lessons Learned

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3 IMS Standard on Program Commitment and Leadership.
4 IMS Standard on Program Commitment and Leadership.
5 IMS Standard on Program Commitment and Leadership.
6 CER Standard on Social Impact Assessment.
7 CER Standard on Social Impact Assessment.
8 Newmont Code of Business Ethics & Conduct.
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10 IMS Standard on Program Commitment and Leadership.
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12 Study Directors’ Notes from Executive Interviews. Notes on File with Study Directors.
13 Study Directors’ Notes from Executive Interviews. Notes on File with Study Directors.
14 Study Directors’ Notes from Executive Interviews. Notes on File with Study Directors.
15 Study Directors’ Notes from Executive Interviews. Notes on File with Study Directors.
16 Carlin Narrative Report, Appendix 1B, at p. 44.
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Site-based Assessment of Newmont Waihi Gold (NWG)
March 2009

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Disclaimer

This document reflects a qualitative risk assessment of social factors in the general area adjacent to the mining operation being evaluated. This document reflects the views, opinions and experience of the individual assessors based on the information available at the time of the assessment. As such, the assessment does not necessarily reflect the views or positions of Newmont Mining Corporation. The quotes by stakeholders that are included in this report as illustrative of the community relationships were chosen at the sole discretion of the authors.

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Consortium on Community Building and Responsible Resource Development — ConCord

This project was conducted under the auspices of The University of Queensland's Consortium on Community Building and Responsible Resource Development (ConCord).

“It's hard to earn community trust. It's certainly worth protecting, but it's easily lost.”

— Local stakeholder, Waihi
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1 Introduction

1.1 Purpose of the Assessment

As part of Newmont Mining Corporation's global review of community relations, two senior researchers from the Centre for Social Responsibility in Mining (CSRM) travelled to Waihi for five days from 17th – 21st September 2007 to undertake a site-based assessment of relations between local stakeholders and Newmont Waihi Gold (NWG).

The purpose of the assessment was to review NWG's stakeholder engagement mechanisms, systems and processes, and capture stakeholder perceptions about NWG's community relations performance. CSRM was required to submit a two-part report including a completed pro-forma assessment template and a narrative component (this report) discussing key findings. Reflecting the objectives of the global review and the specific purpose of the site-based assessment, Sections 2 – 5 of this report address the following key questions:

- What is the context within which NWG's relationship with the local community has developed, and what are the implications for current relationships?
- What are the main strengths in NWG's approach to community relations?
- What are the main gaps, issues and future risks for NWG’s relationship with the local community?

1.2 About CSRM

CSRM is an independent research centre located within the Sustainable Minerals Institute at The University of Queensland (UQ), Australia. CSRM was established in 2001 with funding support from UQ and the Queensland Government. Its charter is to promote socially responsible practices in the minerals industry and facilitate progress towards sustainable development objectives. A statement of CSRM’s independence and impartiality in relation to this assessment is provided in Appendix 1A-1.

1.3 Brief Overview of Newmont Waihi Gold (NWG)

Newmont acquired NWG in February 2002 as part of the Normandy Mining acquisition. NWG operations now comprise the Martha Mine open pit and the Favona underground mine and exploration activities both near the mine and within the region.

Waihi is located 150 kilometres southeast of Auckland in the Waikato District on the east coast of the north island of New Zealand (NZ), and hosts the NWG operations. The town of approximately 5,000 people is situated in a scenically attractive rural area at the base of the Coromandel Peninsula, a popular tourist destination. Waihi has a long association with gold mining, and the town is in extremely close proximity to the Martha Mine open pit (some houses are located within metres of the upper benches), which has operated since 1988. Mining of the pit was set to end in 2006, but activities were extended through a stabilisation program on the southern pit wall. At the time of undertaking the review, the site had commenced communication and consultation about a feasibility study associated with potential east and west cutbacks which would further extend the Martha Mine.
The processing plant, tailings dam and water treatment facilities are located two kilometres from the Martha Mine in a rural area. Ore is transported by conveyor to the plant where gold and silver are extracted using a cyanide recovery process. The water treatment plant discharges excess water into the Ohinemuri River.

The Favona underground mine is situated near the Martha Mine, adjacent to the processing plant, and has been operational since 2006. The company is investing heavily in exploration in the near mine area as well as further afield. At the time of the review, exploration drills were easily observed in the pit, on private residential properties and in public places, such as the local school grounds.

1.4 Methods and Sample

The NWG case study was undertaken through a combination of desktop research and interviews with external stakeholders and NWG employees. A Methodology and Assessment Template was provided to CSRM by the Study Group Director and used as a reference. While the template was prescriptive, the other materials were provided as guidance only. CSRM adjusted the tools (e.g. interview protocol, letter of introduction) to suit the Waihi context.

Stakeholders were selected by CSRM based on key risk areas identified through independent desktop research, which included media scans and web searches of publicly available information such as social impact assessments, and a review of site documentation including risk registers, stakeholder maps, incident and complaints reports and meeting minutes. Further documentation requests were made during the assessment. This process resulted in a list of material\(^1\) issues and incidents considered during the assessment which included, but was not limited to:

- amenity issues (noise, dust vibration) and associated grievances;
- property matters, including cracks, subsidence concerns and values;
- Iwi land, water and cultural rights;
- public health concerns;
- activities re: south wall stability cutbacks;
- mine closure;
- exploration activities, near mine and further afield;
- potential east-west cutbacks;
- a recent fly-rock incident; and
- a blasting overpressure issue at Favona.

\(^1\) Guidance for the selection of material issues was provided in the overall study methodology. The required emphasis on material issues, incidents and risks may have resulted in a slight bias towards aggrieved stakeholders, and stakeholders with specific issues, rather than providing a broad spread of stakeholder perspectives. However, this reflects the terms of reference for the project.
A total of 32 external stakeholders were interviewed for the purposes of the review, comprising 14 men and 18 women. More than half of the interviewees were residents in Waihi or nearby (e.g. Waihi Beach and Golden Valley). The remainder included local Iwi groups, government representatives, local media, a former employee and other independent consultants/researchers (see Table 1).

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Number of interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local and nearby residents and businesses</td>
<td>18</td>
</tr>
<tr>
<td>Independent parties (non-local researchers/mediators/consultants)</td>
<td>7</td>
</tr>
<tr>
<td>Government representatives (regulatory and political)</td>
<td>3</td>
</tr>
<tr>
<td>Iwi groups</td>
<td>2</td>
</tr>
<tr>
<td>Former employees</td>
<td>1</td>
</tr>
<tr>
<td>Media</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

Table 1: Interviewees per stakeholder group

CSRM conducted most face-to-face interviews with external stakeholders in a private room in Waihi’s Information Centre, located in the main street. One interview was conducted at the home of a local resident, two at local business premises, five via phone and one via email. There were no Newmont personnel present for any of the external interviews.

Face-to-face interviews were arranged by NWG at the request of CSRM. CSRM asked that all stakeholders contacted by NWG receive information about the review process, even if they refused an interview (see Appendix 1A-2). As a result, one stakeholder contacted CSRM directly, but chose not to participate formally. Several opportunistic interviews were arranged by CSRM in Waihi. In the end, CSRM arranged nine and NWG set up the rest.

A series of internal interviews and three focus groups involving more than 40 NWG employees were conducted. Participant observation of meetings and internal processes also formed part of the review methodology. Discussions with site personnel were held in NWG offices.

The study had approval from The University of Queensland’s Ethics Committee.

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2 Iwi is analogous to that of a Māori tribe or clan, and refers to a larger grouping of tribes with a common ancestor.
Appendix 1: Narrative Reports

1A: Martha Mine, New Zealand

Background Context

Many interviewees spoke about the significance of the background context and history to current relationships. One interviewee said: “... you can't divorce the current relationship [between the mine and the community] from its history ... the relationship has evolved over a very long period of time”. The following sections discuss some of the contextual factors that have coalesced to influence company-community relations for NWG, from broader socio-political and economic factors through to local considerations.

2.1 National

With an estimated resident population of 4.24 million, NZ is a relatively affluent country with reliable roads, power and transport networks, access to markets, and a strong tourism industry. The country has experienced a decade of sustained economic growth. One interviewee said: “[the broader social and political context of NZ] has helped set a positive tone for Waihi as it contemplates its post-mining future”.

The country has a stable political environment, with low levels of perceived corruption according to Transparency International’s Corruption Perception Index 2006. NZ is governed through a parliamentary democracy system, which includes representation of smaller political parties, such as the Greens and Maori Party. In effect, this provides a mechanism through which minority voices can politicise their issues, as seen by the Green Party’s support of one group’s concerns relating to the link between mining and health issues in Waihi.

NZ has been in the forefront globally in instituting social welfare and human rights legislation and has ratified the UDHR. The country also has an international reputation for being ‘clean and green’, requiring industry to operate to high environmental standards. There is a comprehensive and progressive suite of legislation that covers mining and resource development. Under the Resources Management Act (RMA) 1991, decision-making processes for mineral development occur at the local level. Consultation with local communities and Maori is mandated. The NZ model results in a local, consultative approach to resource development as compared with many other jurisdictions. One Iwi interviewee said: “…if we didn't have the RMA, issues would have escalated … [the RMA] got Māori to the table.”

Maori people comprise 14.6 per cent of the total resident population of New Zealand, and 25.9 per cent in the Waikato region. The Treaty of Waitangi provides Maori groups with recognition as custodians of the land and rights to ownership of land and properties. The Treaty itself has a contested history and complex status in NZ law. Failures to uphold its principles are acknowledged, but it still provides a foundation for the recognition of Maori rights. The Waitangi Tribunal provides an avenue through which Maori may pursue their grievances against the Crown for breaches of the Treaty. Various Iwi in the Waihi area are pursuing claims against the Crown, rather than against the mine itself. Many interviewees – NWG personnel and external stakeholders alike – explained that the Treaty has also served to engender a national “culture of conciliation” informed by the Maori focus on dialogue as a way to resolve issues. Interviewees believed that in some ways, this culture has influenced company-community relations at Waihi by providing a basis for discussion between opposing parties as a way to reach common ground.

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3 All population data sourced from New Zealand’s national statistics office, Statistics New Zealand.
NWG is a significant contributor to the local Waihi economy. While it is the single largest private employer (approximately 360 direct and contractor employees), other industries include dairy farming and horticulture. The district council estimates that mine-related activity comprises in the order of 25-30% of the local economy. With a high percentage of local employment and a turnover rate significantly lower than in other parts of the industry, NWG therefore represents an integral and stable part of the local economy. The town has a relatively low socio-economic decile rating, with higher than average proportions of both elderly residents and young people. One interviewee reported the socio-economic rating as 9 (out of 10), comparing it with a rating of 5 for Waihi Beach, a more affluent community on the coast where some mine employees choose to live.

Waihi has a long history of gold mining, which provides some historical validity to the mine’s presence – mining is a part of the town’s past, present and future identity. The modern Martha Mine has been in operation for 20 years. In this sense, the mine is a ‘known entity’ to the town, part of the landscape. Recently Waihi rebranded itself as NZ’s “Heart of Gold” and the Prime Minister announced a project to develop a Gold Discovery Centre to further bolster the local tourism industry. As a historical mining town, with generations of miners in some families, there may be a heightened degree of tolerance to some of the downsides that come from mining.

Although size is irrelevant to some residents, the Martha Mine open pit has a relatively small footprint compared to other open cast gold mines around the world. The topography is such that the pit is not immediately visible from the main street and most local properties, despite the fact that it is just metres from several homes. There is a popular beach ten kilometres from the mine that is unaffected. While some local people have concerns about impacts on groundwater and the discharge of treated water into the river, there are high levels of rainfall and almost no competition for water rights. Overall, these considerations tend to limit the extent of community opposition on issues that might be highly contentious in other locations.

Waihi is a peaceful town to visit, but it also has a history of conflict, division and controversy associated with its gold mining history. Iwi recall stories of the early gold rush when Europeans claimed the land. One stakeholder said: “In those times, miners had arrogance. There was cyanide in the river, and that impacted the entire social structure, all the way downstream. Those practices were acceptable to miners at the time, but not to us.” These memories still serve to inform the Iwi’s association with mining at Waihi. The labour movement is also said to have started in Waihi with violent strikes, widely considered to be the most significant industrial action in the history of NZ’s labour movement.

There was significant community opposition to the 1987 consent process, including strong protests from environmental groups. One stakeholder said: “[at one of the early consent hearings] the room was split – you were either anti- or pro-mining. It was black and white. You don’t see that so much these days.” Much controversy also surrounded the 2001 subsidence event, when a house close to the Eastern end of the open pit collapsed overnight into a subsidence crater associated with old underground mine workings. Subsequent events saw a number of people resettled and a period of uncertainty about land stability and property values in areas of previous mining activity, as described by several of those interviewed for this study. In hindsight, these key events have served to focus attention and energy on the importance of community relations in establishing a social licence to operate.
2.3 Summary

Broadly speaking, the national context provides NWG and local people with a stable political environment within which to live and work; a rigorous and sustainability-oriented legislative framework to regulate corporate behaviour; and a national culture that encourages dialogue between groups with different perspectives. Various avenues are available for aggrieved and concerned parties to express opposition and seek redress for grievances about mining development and human rights, including for the Māori.

It is important to acknowledge that there are a number of individuals and groups that continue to have concerns regarding the impacts and activities of NWG. While the national context facilitates engagement processes, several interviewees emphasised that opposing or mounting a legal challenge against a multi-national company can be a costly and stressful exercise for individuals. One stakeholder who opposed a resource consent said: “...I found it to be a humiliating process ... you imagine being a single person up against a global company and its lawyers, with no resources of your own...” Others indicated that they had objected on principle “with a view to ensuring that appropriate constraints were set ... There is a need to protest to ensure that conditions are balanced.”

In summary, the national and local context lends itself to accommodate a mining operation, although its presence remains difficult for some affected community members.
3 The Current Community Relations Landscape

There are certain issues which were prominent in both the interviews we conducted and the background research. While not exhaustive, the following list summarises the main focal points of much of the community relations activity undertaken by NWG. Issues which arise from these areas are then explored in the following sections.

3.1 Amenity Issues

Given the proximity of the open pit to the town, it is not surprising that amenity issues relating to the impacts of noise, dust and vibrations are a major focus at Waihi. Both community members and NWG employees recognised the stresses imposed on some individuals in living and coping with amenity issues on an ongoing basis: “I know what it’s like to live with something that is stressing you out, affecting your health”. NWG has purchased some properties, and there is anecdotal evidence that people have chosen to leave town as a result of the amenity issues. Some more specific episodes of amenity issues have arisen with drilling activities in town, noise from machinery around the tailings dam and process plant, and overpressure effects from the development of the Favona decline, but these have tended to be more limited in duration and locality.

The local Hauraki District Council has responsibility for ensuring that amenity issues are managed according to consent conditions and relevant regulations. There was evidence of an effective and appropriate relationship between the mine and the council in this regard.

A group of residents living around the perimeter of the Martha pit formed the Distressed Residents Action Team (DRAT) and have campaigned against the impacts of the mine for a number of years. More recently, DRAT and NWG have negotiated a proposal (the Amenity Effect Programme or AEP) to establish individual compensatory agreements for residents located in defined areas, but at the time of the site visit this had yet to be signed off.

3.2 Community Engagement and Development Process

Prompted by the council in 2003 to engage with the community on the topic of the impending closure of the Martha open pit, NWG convened the Waihi Community Consultative Committee (WCCC)\(^5\). The engagement of independent facilitators and a self-selecting process for individuals and groups who wished to be involved resulted in a relatively large group being constituted, representing many sections of the Waihi community. The focus on mine closure and the development of a vision for Waihi in 2020 has encouraged a longer term and more strategic approach, although NWG does use the forum to test operational issues and ideas with the community from time to time. The group renamed itself the Waihi Community Vision (WCV) following the development of the 2020 Vision, and also established the Vision Waihi Trust as a vehicle to facilitate the realisation of associated projects. NWG continues to fund the facilitation of the WCV process, and also provides the basic operating budget for the Trust which enables the employment of a full time Chief Executive Officer.

The WCCC/WCV process was slow to start and several groups were initially suspicious of the company. Most of the original participants have remained in the process, although some have found it harder to be actively involved in meetings. The process has been difficult for some, and required a high degree of patience, especially with the adoption of a consensus decision-making model. There is a sense that momentum is now being achieved with several recent projects. One interviewee said: “Over time the same people have stayed with the process, although some people have hit the wall and come close to quitting. The last 2-3 years have seen an increase in the level of enthusiasm and an emerging sense of vibrancy.”

\(^5\) Several interviewees referred to previous engagement processes, generally viewed as less successful.
When asked about inclusivity, almost all those interviewed felt that the WCV had as broad a representation as could be realistically achieved: “Overall, [the level of inclusivity is] fine ... there is broad involvement from a cross-section of the community, but it’s not as inclusive as it could be.” Potential gaps identified included the area of Iwi representation (including the Waihi Community Marae), who although included were often not present. The WCV process is currently undergoing a review (as required in its charter), and different views were expressed as to its current performance and effectiveness. However, the collective approach that has emerged over time appears to be a major feature of the community relations landscape at Waihi: “The WCV has been a brilliant tool for growing Waihi and making us less dependent on the mine”.

3.3 Mine Closure

The Martha open pit operation was originally planned to close several years ago, but a series of additional cutbacks including the south wall stability cut have extended this date. Preparing for mine closure has therefore been a major focus of the community engagement process, as described in the previous section.

There is a healthy cynicism amongst many in the community to the mention of closure of the Martha open pit: “The mine will never close” and “This is the third farewell cut.” In recent months NWG have deployed exploration drills at both the east and west ends of the pit. During the research team visit, NWG initiated a community update process to inform people that there was potential for further cutbacks in both locations. The communication indicated that the mine would undertake further drilling and move towards full feasibility studies. However, it also indicated that neither project would proceed without “broad community support”. The western cutback could require relocation of a major road and school.

3.4 Relationship with Māori groups

As described, the NZ context imposes certain requirements regarding engagement with Māori groups. The site is in active communication with the various Iwi who claim land, water and cultural rights in the area of NWG’s operations and activities, and has memoranda of understanding in place with most (although not with the Ngati Tamatera). Notwithstanding this history of engagement, the position of some Iwi groups, particularly the Ngati Tamatera who are the custodians of what used to be Pukewa (i.e. Martha Hill), is clear – they prefer no mining on their lands.

NWG is also engaged via the WCV process with the Waihi Community Marae, which represents a local forum for Maori people living in the town who are not associated with local Iwi groups. In addition, Māori are represented in the NWG workforce, although the mine does not track the number as an indicator because it is viewed as inappropriate in the NZ context.

3.5 Exploration

Newmont has been open about its desire to keep operations in the Waihi area going as long as possible, and this position has been re-inforced by statements from successive NWG General Managers. The regional potential for development of further deposits has also been emphasised by senior Newmont personnel. There is therefore an active exploration program aimed at extending the life of the Martha and Favona operations, as well as looking for targets further afield.
The community relations aspects of these activities include dealing with individual landowners regarding access for geological surveys and drilling. Under NZ legislation landowners have rights to refuse access for such activities, and this has occurred more frequently as exploration activities have moved further afield. In addition, there are communication processes regarding exploration programs such as that currently being undertaken at the ends of the Martha pit. Noise concerns regarding drilling activities being undertaken in built-up areas have been an issue, with some drills operating limited hours and others being fully containerised to reduce noise levels.

3.6 Regional Restructure

While this topic relates to a recent and discrete internal change, several issues associated with it were raised by many of the people with whom we spoke. The organisational restructure has seen changes in reporting relationships, with key roles relevant to this review including the External Affairs Manager reporting to Regional Managers based at corporate regional offices in Perth, Australia. The senior role on site has been changed from a General Manager covering all functions to a GM – Operations, although it is understood that dotted line relationships still remain to the other functional areas.

At the same time, common processes such as purchasing and employment have also been centralised to Perth*, resulting in a perception of a loss of local control.

* Some of these changes pre-dated the regional restructure.
While some residents experience distressing adverse impacts and have specific concerns about the mine, NWG was engaged in some form with all aggrieved parties interviewed for the purposes of the review. The vast majority of external interviewees, whether impacted and affected or not, commented that there had been an improvement in their relationship with the mine in recent years. Reasons for this improvement are attributed to the following strengths in NWG’s approach to community relations.

4.1 People

Over time NWG and previous owners have recruited local people with established networks to work in the Community Relations and External Affairs areas. These key individuals have now worked at the operation for many years, and are generally well-known and respected by many in the community. They are also accessible to different sections of NWG, with evidence of effective relationships between different sections of the organisation with external links (e.g. the Environment Department.).

Another factor of note is the strong influence of a series of prominent General Managers, two of whom were repeatedly mentioned by those we spoke to for their active and positive involvement in community affairs. Many in the external community attributed changes in the mine’s approach since 2002 to these individuals. Until the recent organisational restructure, community relations at Waihi appear to have been a major focus for the site General Manager. Many external stakeholders also observed that local people, rather than expatriates, hold senior and key positions – three out of the last four General Managers have been NZ nationals, which was seen by some interviewees as a strategic move on the part of the company to ensure positive community relations.

4.2 The Waihi Community Vision (WCV) Process

It was clear from the interviews we conducted that the WCV process has significantly and positively influenced the development of relationships between NWG and various groups within the community. While the Waihi Community Vision is now viewed by many as a community-owned collective initiative, the continued support of NWG through funding the facilitation process and also providing financial support to the Vision Waihi Trust is important. This represents a strategic investment in capacity-building, and several NWG employees continue to attend WCV meetings.

The process has allowed those with specific concerns about the impact of NWG’s activities such as DRAT and the Social Development Group to engage with the company and others groups, and to initiate and seek broader support for community projects.

4.3 A Suite of Engagement Methods

NWG has various mechanisms and processes which work to diffuse tension and community opposition and which, over the course of the mine’s life, have served NWG well. Rather than relying just on a single mechanism, the operation employs a variety of communication and engagement processes, from traditional “PR,” through to a more developmental approach such as the WCV process. This is evidence of a strategic approach to engagement. One interviewee observed: “As much as I dislike it, I can see how well they use their systems and PR to get them what they want.” A relevant and recent example involved the processes which surrounded the relocation of the Cornish Pumphouse, a heritage-listed building under threat due to subsidence around an old shaft and proximity to the edge of the Martha open pit.
NWG involved the WCV, stakeholder reference groups and a range of media in managing the relocation process. The end result, with the relocated building now providing a major focal point for the town and potential future development, generated more social capital than was initially anticipated. One interviewee said: “Moving the pumphouse (even though it was part of the resource consent) became a source of pride for the community.”

Several people did comment on the silencing of dissenting voices: “... if people speak out they are branded as anti-mining fanatics or raving greenies, and shunned by people...” In some ways, the high level of engagement and support associated with collective and public processes (such as the WCV and public hearing process) can unintentionally serve to isolate those opposed to the operation.

4.4 Culture, Systems, and Resources

The site encourages a social licence to operate culture, which has been developed through strong leadership from the previous two GMs, in addition to on-the-job training and coaching in community liaison. There is regular and repetitive reinforcement about the site’s community orientation through internal communication mechanisms. In addition, NWG has a suite of well-established and formalised policies, processes and procedures for community relations, many of which were developed through stakeholder consultation – e.g. the protocols for engagement with Iwi groups. While there are some gaps, implementation in the area of community relations was evident.7

The External Affairs Department is well resourced, with several experienced staff and well-defined areas of responsibility. Historically, community relations came under the banner of environment, but the departments were split three years ago, largely in recognition of the importance of community relations to the operation. The department has its own budget and a representative on the site management team. The Company Liaison Officer (CLO) position is a regulatory requirement, stipulated as a consent condition. While the site has no choice but to respond to and manage community concerns, NWG has developed a very systematic approach in this area that is embedded within site processes and is highly regarded by many interviewees.

4.5 The Management of Day-to-Day Amenity Issues

The consent and permitting process for all operations has established specific limits for amenity effects. However, the Resource Management Act also requires a response to nuisance effects which might be below the limits, making “beyond compliance” in this area a necessity. The mine has developed specific mitigation plans which extend to gradual shutdowns of operations under adverse conditions. It has also a highly systemised process for responding to individual concerns via the CLO position and other relevant personnel such as the Property Manager. There was clear evidence that responses were timely and usually well received.

Many stakeholders commented that the CLO was approachable, personable, responsive and sensitive to the community when they raised issues. The CLO position has the power to shut the pit even if the site is operating within consent limits – this is rarely seen at other mining operations. While internal interviewees acknowledged the tension involved in stopping production processes, it was apparent that there was a level of maturity across the site which recognised the importance of responding to community concerns. This was also evident in the interactions with principal contractors who are also impacted by such events.

7 NWG has consistently scored well in CR in Newmont’s annual Five Star Assessment review process.
5 Gaps, Issues and Future Risks

It is unlikely that company-community conflict in Waihi would ever escalate to unmanageable levels without either a significant change in NWG’s approach or a major change in the external environment. However, the research did suggest some areas of weakness and potential future risks focussed around the following issues.

5.1 “The mirage of closure”

Renewed uncertainty over the date for closure of the Martha open pit has the potential to destabilise some current stakeholder relationships. Further extensions provide continued employment and economic support for the town, but also delay the implementation of some of the closure projects agreed as part of the WCV process, most notably the development of the lake in the pit. While mining companies are used to dealing with uncertainty in pit limits, this may be harder for some sections of the community, particularly those directly impacted by existing amenity concerns. In addition, further delays in closure are unlikely to be supported by the Iwi (see 5.2 below). Defining, measuring and interpreting “broad community support” under these circumstances will not be straightforward.

5.2 “Until the mine closes, our traditional values are undermined.”

The potential for conflict to emerge from different worldviews – traditional and corporate – is ever-present, and is recognised as such by the mine, at least at a conceptual level. This dynamic tension has recently been amplified by the potential east and west cutback options that would further extend the mine life. On the one hand NWG says it recognises the cultural significance of Pukewa, and the need for Iwi to have due recognition and a clear closure timeframe so that the healing process can commence, yet on the other hand it seeks to extend the life of the mine. As with many other mining locations around the world, sitting in the background of current relationships with Iwi is the “next generation”. One stakeholder indicated that the next generation of Iwi have seen limited benefit from mining on their traditional lands and have heard nothing but negatives about its impact on culture, and are “...spoiling for a fight...”. However, for the moment, the Iwi chose to pursue their grievances “...through legal means, rather than just scrapping with the mining company.” Several external interviewees commented specifically that they considered that NWG could do more in progressing their relationships with Iwi groups.

5.3 “Whose door is open, when is it open, and what do they know about Waihi?”

The recent regional restructure with changes to reporting arrangements has created uncertainty both within NWG and the broader community. “The message and the subsequent perception is that the high level of personal engagement that the community has had at senior level from within the operation will no longer be there.” People understand that the new GM Operations role has less direct input into community relationships, but are looking for “the man on the ground who makes decisions.” There is also a perception of a corresponding decrease in communication.

Specific concerns were expressed about the ability of the mine to make decisions which support the local economy. There were mixed comments about the impacts of Newmont centralising functions such as purchasing, but there were indications of concern in the community, e.g. “There have been cases where they don't follow their own policy, it has been happening in recent years, and gets the town buzzing when they see contracts let out of town which could be awarded locally.” A related issue concerns employment processes, with an example of a large number of local applicants for new positions in the mill receiving no feedback at all when forced to use the online application process. Several of those interviewed saw the sum of these issues as an indication of Newmont pulling back from previous levels of commitment to the Waihi community.
NWG has recently been exploring further afield, and holds exploration permits in the Coromandel Peninsula. Newmont have been open in the past about the potential for further economic deposits in this region, but there is already some evidence of opposition from local landholders. Opposition groups such as Coromandel Watchdog were active in arguing against the initial re-opening of the Martha mine in the mid-80's, but have been less involved in recent years. Any proposals to establish another operation in the Thames/Coromandel district is likely to result in some of these stakeholders re-engaging in the process. Several people observed that NWG had gained credit in the eyes of the regional community for the management of the existing operation in Waihi, but emphasised the importance of communication. One interviewee said: “The Coromandel is a political hot potato. But, their performance in Waihi will stand them in good stead for elsewhere. But, it will also depend how things are rolled out and communicated. If all of a sudden things are upon people, this won’t go down well.”

NWG’s strict consent conditions and focus on amenity impacts does tend to narrow the site’s interpretation of “social licence to operate” to amenity considerations. While the site is aware of other issues, it does not systematically capture and track non-amenity issues raised (usually verbally) by external stakeholders (e.g. issues about local procurement, supply and employment, and broader public health concerns). There was evidence of some uncertainty within NWG as to how to progress some issues raised informally by community members — these issues appear to be dealt with (or not) through informal internal channels rather than being captured and managed. This puts NWG at risk of not addressing non-amenity issues before they escalate.

The development of the Amenity Effect Programme (AEP) represents a significant effort by NWG and members of DRAT to work towards a positive outcome for impacted residents. However, during discussions with community members on the subject, two principal concerns emerged: firstly, that the payments represented “shut-up money” which would in some way restrict their ability to speak out on amenity issues in the future. In one of the weekly Update communication releases, NWG indicated that “The AEP is offered by NWG to qualifying residents as a goodwill gesture and NWG expects reciprocal goodwill on the part of the resident”. Secondly, concern was expressed that the program would focus only on those that complain the loudest, and the silent members of the community who have lived with impacts for years without complaining would not be recognised. Managing further communication and administration of the Amenity Effect Programme will require considerable effort to ensure that the desired positive outcomes for residents and NWG are not undermined by these issues.
Over the last five years, NWG has built stable and mature relationships with most stakeholder groups at Waihi. There was broad support for the mine across the external interviewees involved in this review. Individuals would rationalise and trade-off issues as they spoke, acknowledging adverse impacts on the one hand, and the mine's efforts in addressing them on the other. Many also emphasised the positive impacts of the operation, particularly the economic significance to the town. On balance, NWG usually ended up on top, although this was not a universal view. One stakeholder summarised it as follows:

“... NWG has crafted a compromise with the local community. There are impacts and effects, but they support, sponsor, donate, hold events, create opportunities ... it's by design, but they have worked to be seen as 'responsible'. Plus, they've been responsive when people raise issues. It's a package – on balance they are acceptable to most people.”

While there are many factors influencing this process, the following stand out:

- The national legislative and cultural framework establishes a critical platform which commits NWG, council and stakeholder groups to engage on and resolve issues relating to mine impacts.

- Key people including recent general managers, the CLO and other positions in the External Affairs Department have had a critical influence on relationships. Community relationships at Waihi appear more dependent on background context, individual people and site culture than on the systems used to support the area, although certain system elements such as the complaints database are well developed and underpin the overall approach.

- The evolution of the original Waihi Community Consultative Committee into the collective community development process embodied in the Waihi Community Vision and the Vision Waihi Trust has been distinctive and influential.

Notwithstanding the generally positive view, there was an undercurrent of concern apparent in several interviews regarding perceived changes in NWG's approach:

- Some described a shift in approach to community relations processes such as the WCV: "Actually the new regional structure doesn't work so well for the community, or for building community relationships."

- Observations were also made about a reduction in the level of communication: “NWG always used to be good at communicating pro-actively with the community, perhaps less so now.... not necessarily to do with the company or a deliberate strategy, but staff seem to be overloaded and stretched, with not enough time for this aspect.”

The question is whether these changes are significant enough to affect relationships, social licence to operate, and the future of NWG in the region, or are just part of the complex dynamic of operating in a potentially expanding mining context.

Overall NWG remain in a strong position with most stakeholders. The thoughtful and reflective comments made during interviews indicate that many in the community are keen observers of NWG communications and actions. Acknowledging the progress made in the last few years, one participant concluded the discussion with the following comment: "Overall, they are committed to operating responsibly. But, they are locked in now. If they want to continue mining, they can't back off – that would be really, really damaging."
Statement of Independence and Impartiality

The Centre for Social Responsibility in Mining (CSRM) is an independent research centre, located within the Sustainable Minerals Institute at The University of Queensland (UQ), Australia. CSRM was established in 2001 with funding support from UQ and the Queensland Government. Its charter is to promote socially responsible practices in the minerals industry and facilitate progress towards sustainable development objectives.

The CSRM has an Advisory Board containing a mix of University and external members. External members are invited to join on the basis of their individual expertise and experience and participate in Board processes in a personal capacity, rather than as representatives of organisations. The functions of the Board are to:

1. provide strategic advice on the work program of the CSRM;
2. help identify research and funding opportunities;
3. provide feedback on the quality and utility of the CSRM’s work;
4. review the general financial performance of the CSRM and provide advice to the University and the SMI Board, through the Executive Dean of the EPSA Faculty and the Director of the SMI respectively, on any budgetary matters that the Board considers relevant; and
5. monitor and oversee the performance of the CSRM against its Strategic Plan.

Christine Charles, Regional Director, Environment & Social Responsibility Australia and New Zealand, Newmont Australia has been the Chair of the Advisory Board of the Centre for Social Responsibility in Mining (CSRM) since October 2006.

All advisory groups and committees within the University of Queensland are advisory only to the Vice-Chancellor and the University. Responsibility for all actions and decisions taken by the CSRM rests with the Director and the University, not the Advisory Board. In particular, the Advisory Board has no power, and has not sought to assert any power, to direct CSRM to conduct – or not conduct – specific research or to vet reports or other publications.

CSRM personnel involved in Newmont’s Global Review of Community Relations have conducted project work for Newmont from time to time on a full-cost basis. Newmont does not provide any form of ongoing financial assistance to CSRM.

David Brereton
Professor and Director
Centre for Social Responsibility in Mining
Dear Sir or Madam,

The Centre for Social Responsibility in Mining (CSRM) at the University of Queensland is undertaking an evaluation of the relationship that Newmont Waihi operations has with the local community.

Two CSRM researchers will be in Waihi from 17th – 21st of September to undertake interviews with nearby residents, community members, company personnel and other interested parties. I would like to respectfully ask you for some time to carry out an interview with you regarding Newmont’s Waihi operations.

The Waihi study is part of a global review of community relations being undertaken by the owners of the company at five Newmont mine sites in different areas of the world, including New Zealand.

While the study is fully funded by Newmont, we are independent researchers at the University of Queensland and are not employed by Newmont. You can find out more about CSRM at the following address: www.csrm.uq.edu.au.

All interview data will be kept confidential to the CSRM assessment team. Your name will not be linked to any opinions, comments or suggestions in the report. We would like to include your name on a list of all people interviewed as part of the study, but we can provide full anonymity if you prefer. While we would greatly appreciate your input, your participation is completely voluntary and you are free to withdraw from the interview process at any time.

A final consolidated report on the evaluation of this site will be produced and you will receive a copy. The information gathered from your interview and from the other interviews around the world will be used to build an overall picture of the community relationships at this and other Newmont mines. Staff from the Newmont Waihi operations will be in contact with you to determine your willingness and availability to meet in the week that I will be in Waihi. Alternatively, you can contact me directly on either of the numbers below or send me an email to arrange an anonymous and confidential discussion, either in person or over the phone.

Yours sincerely,

Dr Deanna Kemp  
_Assessment Leader for Waihi_  
Senior Researcher  
CSRM

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Site-based Assessment of Carlin Operations, Nevada
Acknowledgements

BSR would like to express its appreciation to all of the community members, government officials, business people and nonprofit organizations who took time from busy days to share their candid thoughts with us in the stakeholder interviews. We also appreciate the support received from Newmont staff in Elko, Carlin and Denver – particularly the Regional External Relations Department – in providing us with company documentation and their own perspectives on the Carlin Operations’ community relations activities.

Disclaimer
This document reflects a qualitative risk assessment of social factors in the general area adjacent to the mining operation being evaluated. This document reflects the views, opinions and experience of the individual assessor based on the information available at the time of the assessment. As such, the assessment does not necessarily reflect the views or positions of Newmont Mining Corporation. The quotes by stakeholders that are included in this report as illustrative of the community relationships were chosen at the sole discretion of the authors.

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Business for Social Responsibility
BSR helps its member companies integrate sustainability into business strategy and operations through consulting, research, and convenings (www.bsr.org).
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I. Introduction

Assessment Purpose

This report was prepared by Business for Social Responsibility (BSR) as an independent assessment of Newmont Mining Corporation's community relations practices at the Carlin gold mine in northeastern Nevada. It forms part of the global Community Relations Review being conducted by an independent study group on behalf of Newmont at a total of five mining sites worldwide: (1) Yanacocha Mine in Peru; (2) Ahafo Mine in Ghana; (3) Martha Mine in New Zealand; (4) Batu Hijau Mine in Indonesia; and (5) Carlin Mine in Nevada.

The global assessment will be made public and presented to Newmont's shareholders. It is being conducted in fulfillment of the Shareholders Resolution passed at Newmont's April 24, 2007 Annual Meeting requesting that the company conduct an independent assessment of its community relations practices worldwide and report back to shareholders.

The Newmont Board of Directors supported the shareholder resolution, which passed with 92% approval, and established the following four objectives for the global community relations review:

- **Company's Current Relationship with Local Community**: Assess and describe the current relationships between the selected Newmont operating sites and respective communities, and the contexts in which these relationships have developed.

- **Future Risks and Opportunities**: Conduct an assessment of future risks and opportunities to Newmont with regard to the company's relationships with local communities.

- **Company Policies, Systems and Controls**: Analyze the relevance of existing company policies, systems and controls and their effectiveness in guiding the company's community development and community relations programs and activities.

- **Company Capacity**: Identify the impact of the company's resources, capacity and governance on the execution of policies and controls related to community development and community relations programs and activities.

These four objectives guided the work of BSR at the Carlin Mine, and the assessment teams at the other four Newmont sites worldwide.

Assessment Methodology

BSR began preparation of this report with background research conducted from San Francisco during August and early September, 2007. The research included an overview of the economic importance of mining in the State of Nevada, research on external stakeholders in the Elko, Carlin and Reno areas, as well as an introductory review of some of the key issues around the mine appearing in the local and national press. These issues – particularly indigenous land claims and environmental concerns expressed by some local and regional stakeholders – served as background for the in-person interviews to be conducted in Nevada in late September.

The research also included a review of select company documents – such as maps of the Carlin Trend and surrounding population centers, risk registers, external relations guides, Performance Management Trackers (PMTs) and the previous Five Star Assessment of community relations.
BSR then dispatched two consultants to conduct in-depth personal interviews with internal and external stakeholders at the Carlin site in northeastern Nevada during September 17-21, 2007. In preparing for the interviews, Newmont regional staff in Elko provided BSR with an initial list of suggested candidates for both internal and external interviews. BSR chose candidates from this list, and added its own candidates to make up the final interview list. Newmont’s External Relations Department in Elko arranged all internal interviews, while BSR arranged all external interviews. The two BSR consultants drove themselves in unmarked rental cars to all internal and external interviews.

The interviews were structured conversations, not statistically valid surveys, lasting approximately one hour each. The consultants utilized one interview template with a total of four questions for internal interviews and another with 12 questions for external interviews. (See Appendix 1B-1 and 2 for copies of the internal and external interview templates.) At the beginning of each interview, interviewees were given a letter of introduction prepared by BSR (See Appendix 1B-3 for a copy of the letter.) and a brief verbal description of the shareholder resolution and global Community Relations Review. They were told that their responses would be confidential and that they would receive a follow-up copy of the present report from Newmont. Interviewees were asked at the close of each interview if they could suggest additional stakeholders for BSR to interview as part of this process.

Interviews were completed with a total of 12 Newmont employees representing regional staff in Elko and operations at the mine site. Interviews including a total of 35 external stakeholders were completed in Elko, Carlin, Spring Creek and Reno. The external interviews represented a variety of stakeholder groups – including elected officials, government regulatory agencies, schools and colleges, health authorities, employee unions, industry and business associations, community groups, Indigenous peoples, and environmental NGOs, among others.

This mix of internal and external stakeholders was chosen to capture a broad range of perceptions regarding Newmont’s community relations practices, both internally and externally.

Follow-up phone interviews were conducted by the BSR consultants upon their return to San Francisco in late September and early October 2007 with select internal and external stakeholders to clarify points discussed in person or to request additional information.

Overview of Carlin Operations

The Carlin Operations are located at the northern tip of Eureka County in northeastern Nevada. The site is situated directly off of Interstate 80, approximately equidistant between Reno (270 miles to the west) and Salt Lake City (250 miles to the east). The Carlin Operations are composed of a number of open pit and underground gold mining facilities, heap leach pads, a roaster, milling operations, associated infrastructure and ancillary facilities.

The Carlin Operations were Newmont’s first discovery and open pit mine in Nevada. It began production in 1965, and currently includes several surface and underground operations. New exploration has extended the original 15-year life of the mine on various occasions. The current estimated life of the mine is through 2014 at present production levels, and through 2022 at reduced levels. However, these dates could be significantly extended depending on the discovery of new deposits. Two projects are being permitted on the Carlin Trend currently, Genesis and Emigrant.
In 2006, Newmont reorganized its Nevada operations around a regional management team responsible for multiple sites, complemented by reduced teams at each site. This reorganization created five main regional functions – namely Operations, Business, Legal, Environmental and Social Responsibility, and Human Relations. In the case of the Carlin Operations, there is no longer a General Manager on site, but rather a Nevada Surface Operations Manager, a Nevada Underground Operations Manager and a Nevada Process Manager at the Carlin site.

Newmont also owns the TS Ranch, located on approximately 500,000 acres of land off of both sides of Interstate 80 for approximately 25 miles west of Carlin. It is an operating, for-profit cattle ranch. There is also a large coal-powered power station sited on the ranch that will start operation in 2008 providing power to the majority of Newmont’s Nevada operations and additional power into Nevada’s grid.

About BSR

BSR’s mission is to create a more just and sustainable global economy by working with companies to establish more responsible business practices, innovation and collaboration.

Since 1992, BSR has been a leading provider of socially responsible business solutions to many of the world’s leading corporations. Headquartered in San Francisco and with offices in Europe and China, BSR is a nonprofit business association that serves its 250 member companies and other Global 1000 enterprises. Through advisory services, convenings and research, BSR works with corporations and concerned stakeholders of all types to create a more just and sustainable global economy. To maintain the ability to provide objective advice to our diverse clientele, BSR refrains from endorsing standards or legislation, and does not engage in rating company performance on CSR.

BSR’s Energy & Extractives Program has advised mining, oil and gas companies on CSR issues since BSR’s inception. The Program has developed extensive industry knowledge and a wealth of practical tools to help companies worldwide improve their CSR performance. Consulting work has included projects in the Americas, Europe, Africa and Asia. This work has focused on CSR issues such as strategy design, social risk and opportunity assessments, stakeholder engagement, reporting and indicators, community development, corporate trainings and conflict resolution.
II. Background Context

Local

The town of Carlin (population approx. 2,1001), located six miles south of the operations, is the nearest population center and is home to many of the company's employees. The main commercial center closest to the mine is the city of Elko (population approx. 17,000), located 26 miles due east of the Carlin Operations off of Interstate 80. Elko is the seat of Elko County, and is home to Newmont's regional office, the vast majority of the local suppliers, many employees and several of the government regulatory agencies responsible for oversight of the operations.

Newmont recently chose Elko to site a new, large Shared Services Distribution Center, which will create additional jobs and economic activity by providing office and warehousing space for key suppliers. Many workers also live in the city of Spring Creek (population approx. 10,500), located nine miles south of Elko.

The operations have a total of 1,900 direct employees. The population numbers alone suggest the importance of the company in the economic and social lives of the local community. For example, assuming one spouse and two children for just half of the direct employees suggests a total of nearly 5,000 people directly dependent on the Carlin Operations, which would represent nearly 15% of the total combined populations of Elko, Carlin and Spring Creek. Supplier employees and their families surely represent a comparable number. The region has another large gold mine operated by Barrick Gold Company, and various smaller mining operations.

Regional

Nevada is a state with a long tradition of mining, dating back to the mid 1800s and settlers' movement into the American West. Today mines – operating, closed and abandoned – are familiar landmarks around the state, and many towns and cities are dependant on mining for their economic survival. This long familiarity, combined with mining's economic importance to the state, makes for an environment very favorable toward mining.

(1) Economy
Mining's contribution to Nevada's economy is significant2. In 2006, the value of mineral output in the state increased by 38 percent to a record $5.1 billion. Taking into consideration the industry's direct and indirect economic impact, mining accounted for $9.1 billion – or roughly 10% – of the state's Gross Domestic Product (GDP) in 2006. That same year, mining's combined direct and indirect employment reached approximately 75,000 jobs, up 7% over 2005. Total taxes paid by mining companies to state and local governments totaled $190 million.

The value of gold output alone was $3.8 billion in 2006, accounting for 75% of total mining output and placing Nevada as the fourth largest gold producer worldwide (behind South Africa, Australia, and China).

(2) Governance
Nevada is widely recognized as having world class legal, judicial and regulatory frameworks for mining. There are clearly defined mining and land-management regulations, reporting requirements and dispute-resolution procedures. Environmental and land-use regulations in Nevada are highly developed and rigorously enforced by state and federal agencies. However, social regulations and dispute-resolution mechanisms are less common.

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1 Total population figures for Elko, Carlin and Spring Creek drawn from US Census Bureau's 2000 Census and updated 2006 estimates (www.census.gov).
BSR’s interviews suggested that legislative and regulatory corruption are not viewed as significant issues of concern for external stakeholders at Carlin, and that there is a high degree of trust in both the mechanisms and final decisions of the regulatory process.

(3) Indigenous Peoples

The Western Shoshone are one of three divisions of the Native American Shoshone tribe. The tribe’s relationship with Newmont in Nevada is significantly influenced by the tribe’s conflictive relationship with the US Government over land ownership in the region.

The roots of this conflict date back to 1863 to a peace treaty, The Treaty of Ruby Valley, which was signed between the US Government and representatives of the Western Shoshone tribe. The Treaty included key provisions about land use, namely: (1) Ensuring safe passage of white settlers and ceasing hostilities against emigrant trains and mail/telegraph lines; and (2) Allowing construction of railroad lines, mineral exploration and operation of mines, and timber mills, and establishment of mining or agricultural settlements in “Shoshone country.”

Today, the key point of dispute is that the Treaty never explicitly stated that the Shoshone conveyed land title or gave away ownership of their lands. According to the Shundahai Network, a Shoshone activist group, the lands in question are an area of some “43,000 square miles (about the size of Honduras) bounded by western Nevada, southern Idaho, eastern Utah and the Mojave Desert in southeastern California.”

In the 1950s, the Indian Land Claims Commission (ICC) – which was established to compensate Indians for lands that had been ceded to the US – identified a specific date in 1872 at which point the Western Shoshone lands had been taken by the US. The ICC subsequently valued 26 million acres of Western Shoshone lands at the 1872 price of $24 million. In 1979, this financial award was placed in a Department of Treasury account where it remains today (steadily increasing with interest) because the Western Shoshone refuse to receive the payment.

The Western Shoshone Defense Project (WSDP) represents some members of the Western Shoshone. The WSDP mission is to “affirm Newe (Western Shoshone) jurisdiction within Newe Sogobia (Western Shoshone homelands) by protecting, preserving, and restoring Newe rights and lands for present and future generations based on Newe cultural and spiritual traditions.” The WSDP describes its activities in the following words, “As an indigenous grassroots organization, we are taking the lead to educate and organize for the protection of Newe Sogobia by defending Newe rights. We are guided by Western Shoshone traditional and tribal leaders, a Newe advisory board, and the Western Shoshone National Council, the traditional Western Shoshone government.”

According to the WSDP, some members of the tribe oppose the government payment on several grounds. “The traditional Western Shoshone opinion is that land cannot be bought and sold; it is one’s mother and source of life. Furthermore, Shoshone opposition to the ICC process includes the fact that the ICC stepped out of its jurisdiction when it chose a date of taking of Western Shoshone lands; the ICC was set-up to compensate for lands that had already been taken. The money awarded for Shoshone lands did not give justice to its true value; even mining companies pay between $2.50-$5.00 under the 1872 Mining Law for these same lands.”

3 Shundahai (www.shundahai.org/newesogobia.htm).
4 Western Shoshone Defense Project (www.wsdp.org/landri.htm).
In 2004, the U.S. government authorized payment of $145 million to the tribe for the transfer of 25 million acres to the United States. Seven of the nine tribal councils (including the Elko Band Council) within the Western Shoshone Nation passed resolutions opposing the legislation. In March 2006, the Western Shoshone achieved international acknowledgement of their dispute when the United Nations Committee on the Elimination of Racial Discrimination (CERD) urged the US Government to take action to resolve the dispute in a way that “complies with the [tribe’s] rights” and, in the interim, the government should freeze any plans for land privatization and desist from land use activities that are being carried out without consultation or despite protests from the tribe.
III. Current Community Relations Landscape

Strong Relationships

Carlin Operations has a strong social license to operate and enjoys a remarkably positive relationship with the local community. Communication with external stakeholders is fluent, complaints infrequent, and conflicts virtually non-existent. Newmont employees are perceived as active participants in the community, and both company and employees make significant financial contributions to community development programs. Furthermore, many stakeholders acknowledge Newmont’s involvement in multi-sector economic development initiatives – such as the Elko County Economic Diversification Authority (ECEDA) and the Northern Nevada Partnership for Mining Sustainability – and perceive it as a positive effort to support long-term economic sustainability.

The apparent level of trust between company and community is remarkable, and external stakeholder interviews, with few exceptions, were overwhelmingly positive. In general, stakeholders believe that Newmont lives up to its corporate values and principles. Various stakeholders referred to the company as a “law abiding citizen” and “trusted partner” in the interviews. In addition, the Director of External Relations was repeatedly mentioned by name as being accessible, proactive, trustworthy and genuinely concerned about the community.

Overall, the local community has high expectations for engagement with the mine. Be it through structured company-level mechanisms or informal employee-level conversations, community members expressed their expectation of an ongoing dialogue with the company.

Various stakeholders mentioned the satisfaction they feel when they believe that their concerns and suggestions have been taken into account in Newmont’s decision making. This continual engagement is requisite for maintaining and growing the current trust that exists between company and community.

Weak Relationships

Although the majority of Newmont’s relationships are positive, we did identify opportunities for further strengthening, particularly with two key stakeholder groups: (1) the Western Shoshone Defense Project, and (2) Environmental NGOs.

These two stakeholder groups voiced a desire to receive more communication and attention from Newmont. Further, there were specific issues that these groups felt Newmont needed to engage with them in additional detail. Representatives of the Western Shoshone Defense Project expressed their concern over land ownership – not only around the Carlin Operations but throughout the entire State of Nevada. Environmental NGOs highlighted their continued interest in engaging with the company on potential impacts from dewatering and water contamination by mercury and cyanide as key issues.
IV. Current Strengths

The company’s success in developing a strong social license to operate can be attributed in part to Nevada’s traditionally pro-mining culture – particularly in Elko, which depends so heavily on mining for its existence. However, ample credit need also be given to Newmont’s regional management team for making community relations a priority, proactively reaching out to key stakeholders well positioned to influence the larger community, and effectively leveraging an already positive context into an even stronger social license to operate.

The following section highlights five areas that are illustrative of the company’s currently strong community relations program at the Carlin Operations, as evidenced by comments from a total of 47 internal and external stakeholders interviewed, in addition to a review of company policies and management systems.

Contribution to Quality of Life

Most community members clearly believe that they enjoy a higher quality of life because of the presence of the Carlin Mine. External stakeholders interviewed, with few exceptions, recognized the company’s significant positive economic impact in the Elko region in terms of direct jobs, supplier jobs and indirect services.

Community members also recognized that the company has made an important contribution to general quality of life in the region through enhanced physical infrastructure (such as electrical coverage, phone service, cable and internet, roads and bridges) as well as improved education (at the primary, secondary and college levels), professional services and retail shopping.

Trust and Transparency

The company has policies and procedures to promote transparency in both internal and external communication. For example, employees at the regional office and the mine site receive training in the Partnering Against Corruption Initiative (PACI) to which Newmont subscribes worldwide. In addition, the company produces a quarterly newsletter which is widely distributed to external stakeholders. Also, the local newspaper, the Elko Daily Free Press, reports extensively on mining in the region, and has a very positive relationship with Newmont. No local stakeholders expressed concerns regarding a lack of information regarding the company or the mine operation. As various stakeholders expressed in the external interviews, “If I need something, I pick up the phone and call ….”

This perception of trust and accessibility was generally shared by the government regulatory agencies as well. Government interviews provided examples of both proactive company actions to correct certain instances of non-compliance and expeditious company responses to agencies’ administrative procedures. For example, one regulator explained how Newmont once took it upon itself to inform the agency that the company had accidentally provided them with contaminated soil samples. The company decided on its own to redo the entire soil sampling at significant additional cost and delay to the company, and reported the incident to the regulatory agency.

Various regulators cited the example of how the company proactively communicated the Gold Quarry Slide in 2006 to the appropriate regulatory agencies (even beyond those required by law) and then worked with them over the following months to clean it up and learn from the incident to avoid such events in the future. Other
government agencies gave examples of how they requested compliance information and how the company responded satisfactorily, providing the information in a timely manner and responding to their questions. Last, corruption does not appear to be a significant issue of concern for internal or external stakeholders at Carlin. Not a single interviewee brought the subject up in the interviews, and company documentation does not make inordinate reference to corruption as would likely be the case if it were a widespread or persistent problem.

Complaint Management

The company has a clearly defined grievance mechanism for capturing written and verbal complaints and assuring resolution. Another indication of the company’s positive community relations is the small number of complaints registered each year at the mine. In the first nine months of 2007, only six complaints were registered (five of which were from Carlin residents regarding blasting). External interviews included one community member who had registered two formal complaints with the mine (including one of the Carlin blasting complaints above), and she expressed her satisfaction with the company’s expeditious and effective resolution in both cases.

External stakeholders can submit complaints in writing to the External Relations Department at the regional office or verbally to staff at the mine, who then direct the complaint to External Relations. The importance of following up on complaints is emphasized in the supervisor training, and the complaint form is available on the company’s internal intranet.

Employee Involvement

External stakeholders clearly view Newmont and its employees as involved in the community and committed to its development. Many community members commented in the interviews that this is more than an issue of policies and procedures, but rather one of a “company culture.”

“It’s rare to see a community board without a Newmont representative. That’s not the case with the other mining companies.”
- Business person

The company’s regional management and External Relations Department have developed an effective network of carefully cultivated contacts representing a broad range of government and community in the Elko region. Company representatives from the regional office serve on various community boards, such as the Elko Chamber of Commerce, Elko County Economic Diversification Authority (ECEDA), Northern Nevada Partnership for Mining Sustainability, Northeastern Nevada Regional Hospital, and Ronald McDonald House, among various others.

The external interviews indicated that the community recognizes this as an expression of company values, and appreciates the company’s contributions in terms of management expertise, community contacts and financial support. Meanwhile, the company appears to rely heavily on this network to provide external input to both its operational decisions and community investment program.

Internal interviews with company employees also demonstrated that community involvement is not limited to regional management. Staff and hourly employees at the mine site and their families are also active leaders in a variety of community organizations, such as the Boys and Girls Club, school associations, children’s sports teams, hunting and fishing clubs, and others. The company and its personnel clearly are integral members of their local communities in Elko and Carlin, and the degree to which the company and its personnel are seen as valued members of the community is noteworthy.

Lastly, employee participation in raising funds for the United Way is impressive. Approximately 70% of Carlin employees donated to the United Way in 2006, with their donations matched one-to-one by the company.
Community Investment

In addition to the United Way, the company also has a structured community investment program, focusing on the following eight programmatic areas: (1) Education; (2) Under-served populations; (3) Youth; (4) Recreation; (5) Environment; (6) Art, music & culture; (7) Civic enhancement; (8) Health & welfare. Similarly, Newmont’s TS Ranch has identified two key areas for its own community programs: (1) Youth; (2) Agriculture.

The internal Community Investment Committee meets monthly to review community requests for funding against these eight investment criteria and is responsible for management of company funds. External Relations prepares an annual breakout of how funds were invested that year and distributes it in written and electronic form.
V. Gaps, Issues & Future Risks

Based on external stakeholder perceptions and our own internal analysis of the Carlin Operations, this section identifies three areas in which the company could potentially leverage current successes and further strengthen its community relations. The first area addresses what we believe to be gaps in underlying management systems and their impact on external relationships and issues, both short-term and long-term. The second area makes suggestions to strengthen external relationships with three groups in particular – environmental NGOs, Indigenous peoples, and the local Hispanic community. The third area suggests development of a strategy to integrate long-term economic sustainability into current business operations in the face of inevitable mine closure.

Enhanced Stakeholder Engagement

The external interviews suggested that relations with the following three stakeholder groups in particular would benefit from more focused attention by the company: 1) Indigenous peoples; 2) Environmental NGOs; 3) Local Hispanic population. The following sections identify some of each group’s key issues of concern as well as suggestions for more fully responding to them.

(1) Indigenous Peoples

Some members of the Western Shoshone feel that the company disregards their traditional beliefs regarding use of the land and that the company is closed to dialogue around their claims to land ownership.

An initial discussion between Newmont and members of the Western Shoshone began in April, 2005, when representatives of the Western Shoshone Defense Project (WSDP – See Section II: “Background Context” above) and the Wells Band of the Te-Moak Tribe met with company officials the day before the Annual Shareholders Meeting. This initial meeting became an incipient dialogue process with five meetings over the subsequent 12 months.

These initial discussions branched out from the most contentious land issues to cover other concerns with more possibilities for short-term progress, such as modifications to better align Newmont’s land-management practices with traditional Western Shoshone beliefs regarding the land. In 2007, the company supported the Elko Band’s proposal to the federal government to expand the Elko Indian Colony by 366 acres. Newmont also worked with Great Basin College to designate three college scholarships backed by Newmont funding for Native American students from Northern Nevada, namely Western Shoshone.

The Te-Moak Tribe, which comprises four Western Shoshone bands, held Council elections in October, 2006. Newmont’s perspective is that the then Chairwoman of the Wells Band requested that the dialogue process be put on temporary hold until after the elections. The Chairwoman was reelected to the Council, but not as Chairwoman and had to seek other employment. The company felt that it was difficult to restart the dialogue process afterwards. However, the Western Shoshone Defense Project saw the temporary hold as an arbitrary suspension of the dialogue. They also expressed their interest in re-initiating the dialogue.

Whatever the perspective, it seems that all parties are interested in jump starting the dialogue again and this could be a fruitful opportunity for enhanced engagement with this important stakeholder group.
In addition to the difficulties encountered in maintaining this dialogue, our internal interviews with a broad range of company managers suggested a general lack of knowledge of, or interest in, indigenous culture, and a lack of awareness of growing popular sentiment worldwide for Indigenous peoples’ claims. In the interviews, none of the managers mentioned the recently adopted United Nations’ Non-Binding Declaration on the Rights of Indigenous Peoples or the Universal Declaration of Human Rights. Both of these declarations could potentially result in increased public support for indigenous land claims and lead to reputational risks for the company.

Given the international recognition of the Western Shoshone’s dispute with the U.S. Government, and the United Nations’ opinion on their claims, this stakeholder group warrants resumption of an enhanced engagement strategy.

(2) Environmental NGOs

Environmental NGOs represent an important external stakeholder group. Some of these NGOs have important concerns regarding the Carlin Operations environmental impact. Some regional organizations are based in Reno, and share a set of common concerns around environmental issues, such as dewatering, mercury and cyanide. In terms of dewatering, the major concern is whether Newmont’s rate of dewatering exceeds the natural recharge of the ground and surface water reservoirs and thus could pose threats to the availability of future water supply. In terms of mercury and cyanide, they are concerned that toxic releases at Carlin may exceed permitted levels and could be resulting in environmental hazards to the surrounding communities.

They feel that the company is not proactive in releasing environmental data and that they receive material and complete information only if they know beforehand exactly what to ask for – in which case they feel confident in the information that they are receiving. They cited the issue of perpetual environmental treatment at the Rain Mine as one issue in particular where they wanted more information.

Some regional stakeholders also raised concerns regarding Newmont’s support of the University of Nevada at Reno (UNR). This is an important concern because it strikes at the heart of external stakeholders’ perception of the company’s transparency and consistency in its community relations activities. One stakeholder mentioned that a donation of $500,000 to the Mackay School of Mines was briefly rescinded (for less than 24 hours) after UNR published a report that linked mining and mercury emissions. The company’s position is that the donation was momentarily withheld to point out company perception of bias and lack of science in report.

However, the revoking of the donation under such conditions raised concerns regarding trustworthiness, free speech and the conditionality of Newmont’s support to the university. Another stakeholder, although not specifically mentioning the donation issue, also expressed concern that financial support of the university was indeed conditional on the university showing support for Newmont. We did not find evidence either to support this or to disprove this.

(3) Hispanic Population

Some regional stakeholders raised concerns as to whether or not Newmont is seeking out the Hispanic population for hiring. Hispanics now account for more than 20% of Elko County’s population, and represent the fastest growing ethnic group. In the Elko region, they represent a significant percentage of new hires for local companies. It appears that this trend will continue, if not increase, in the foreseeable future. The Hispanic population represents a significant recruitment pool for the company. Also, given that more than one in five local residents in the Elko region are Hispanic, they also represent a significant group of beneficiaries of Newmont’s community investment.

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5 Dewatering is a term used to refer to pumping, draining, filtering or any other technical process to remove groundwater or surface water from a site, usually for construction or industrial use. In the case of Carlin, Newmont uses dewatering techniques to clear mining operations of water and access the mineral deposits. Mercury occurs naturally in the ore body, while Cyanide leaching is perhaps the most common method used in industrial gold extraction today. In cyanide leaching, the ore is crushed and mixed with a solution containing cyanide. The cyanide in solution dissolves the gold from the ore and is then separated from the ore. The gold can then be “harvested” from the solution in the form of a precipitate.
While hiring numbers suggest that the Hispanic population is aware of job opportunities at Newmont, the company could do more to proactively reach out to this important group.

Management Systems

Newmont is widely praised in the Elko region for its community relations performance, and the strength of the relationship between company and community – with few but important exceptions noted below – is remarkable. Much of this success appears to be the reflection of an ingrained company culture in External Relations, and the result of personal leadership provided by the regional management team and the External Relations Department.

However, the community relations program has not been systematized and converted into management policies and procedures that will assure its continued success independent of changes in the external environment or the transition of individuals to new responsibilities within the company.

The following are examples of specific areas in which community relations could be more effectively systematized within the company.

(1) **External Trends Analysis**
Currently, the external environment at Carlin is very supportive of mining. However, lack of systematization could leave the company exposed if the external environment changes and new risks appear. For example, if the price of gold falls significantly in the coming years and layoffs occur, this will upset some local community members. The “boom and bust” cycle of the industry was one of the most commonly expressed concerns in the external interviews. Many cited the difficulty of the last downturn of the industry, when layoffs did take place in the Elko region.

While local stakeholders mostly did not express concern about environmental issues such as mercury emissions – indeed, many stated their belief that environmental concerns were sometimes overblown – few expressed an understanding of these issues. In some cases the interviews suggested the perception on the part of some environmental NGOs that they have to know precisely what information to ask for in order to receive it from Newmont.

Moreover, there are no systems in place to consider stakeholder concerns in the context of the mine plan or the company’s overall strategic plan. Interviews with employees suggested that external stakeholder input is still not effectively incorporated as a criterion to inform basic company strategy, except informally. So far, that has not been a necessity because complaints have focused on isolated incidents. This may not hold true in the future – for example, if there were a significant environmental incident or if Indigenous people won additional land rights.

(2) **Risk Registers**
There is ample evidence that the company is aware of, and is adequately responding to, external risks posed by safety issues around operations in the local community (speeding, cell phone use while driving, traffic accidents, etc.), ranchers (dewatering, land leases, etc.) and media (misrepresentation in local media, unauthorized representations by company employees, etc.). However, there appears to be less awareness of risks posed by environmental NGOs (dewatering, mercury, cyanide) and Indigenous peoples (reputational risks over indigenous land claims), both of which may pose a greater risk in the future.
There is little systematization in terms of community relations policies, procedures, monitoring and control. The company has recently revived its Risk Register and is currently in the process of updating its Stakeholder Map and NGO Strategy. These tools identify high-risk external stakeholders but there is no analysis of which company functional areas have the highest impact on those stakeholders, or which should be prioritized for special training, support or monitoring and evaluation. The registers currently provide little description of the stakeholders or their issues of concern, and someone who was not directly involved in their creation may find them difficult to fully understand from just reading the matrices.

The company maintains a Complaint Register, though formal community complaints are remarkably infrequent (only six registered in the first nine months of 2007). The Complaint Register identifies individual complaints, but there is no systematic process for sharing them across a broad range of departments, or implementing changes to operations in response to persistent stakeholder concerns. Likewise, there is no formal process to potentially modify the mine plan itself based on persistent and significant stakeholder concerns. Performance against the Complaint Register is not tracked in performance management trackers (PMTs), although the limited number of complaints per year makes this less of an issue.

Moreover, the company does not have one unified Commitments Register to track commitments made by all departments and all levels of staff, either verbal or written.

(3) Training
Employees at the regional office in Elko seem well trained to engage with external stakeholders in a constructive manner. The company provides comprehensive community relations training for new supervisors in the External Relations Department. Likewise, the General Manager of the TS Ranch was clear that he sees community engagement as central to his job.

However, hourly employees at the mine receive relatively little community relations training, ie. a 1 ½- hour overview of social responsibility as part of their 4-day on-boarding class and 1 hour out of 10 hours in their annual refresher training. No community relations training is provided specifically to suppliers and/or subcontractors which have interaction with the community.

Moreover, the company has not analyzed which departments – and which functions in those departments – have the most frequent contact with external stakeholders or most impact on their issues of concern. For example, a delivery truck driver would probably have more day-to-day contact with the local community than an accountant at the mine site. This type of functional analysis would help the company quickly prioritize which departments and functions should receive additional community relations training and support.

(4) Succession Planning
The assessment found that External Relations managers almost instinctively know how to reach out to local stakeholders and respond to their most important issues of concern. However, the process is highly dependent on a handful of people in the company, particularly the Director of External Relations. There is little succession planning to respond to scenarios such as promotions, reassignments, or departures from the company of such key people. Also, opportunities may not be fully leveraged for this handful of managers to share their experience and community contacts with other corporate departments and the mine site in day-to-day operations.
(5) Performance Management

Performance management and accountability systems for employees and suppliers are not fully developed. Community relations appears as a criterion in the Performance Management Trackers (PMTs, which apply only to managers) of only regional staff but not management staff at the mine site. Community relations is not a criterion in the evaluations of hourly employees, suppliers or subcontractors at the mine site. No examples were provided of employees or suppliers being rewarded or sanctioned purely on the basis of their community relations performance, though examples were given in the case of production and safety.

Regional staff is held accountable for risks that appear in their PMTs, but no one is held accountable for mapping all risks from the registers to strategic plans or specific workplans to assure follow-up on all risks identified. For example, comparison of the risks identified in the Risk Register and the two most relevant PMTs (Regional Director Environmental and Social Responsibility and the Director of External Relations) suggests that Indigenous peoples’ and NGO risks may not be adequately represented in their PMTs. Likewise, the interviews provided no examples of employee rewards or sanctions – at regional office or site level – related to follow-up on social risks identified (unlike production or safety).

The mine does have clear policies and procedures for exploration on sacred sites, which include sanctions for non-compliance. However, our interviews did not identify examples of situations in which employees were indeed sanctioned for non-compliance. (They did provide one example of an incursion to a sacred site in exploration that led to an investigation.) In our interviews with members of the Western Shoshone, they questioned more generally whether appropriate steps are being taken to protect sacred sites.

(6) Integration of Mine Site Into Community Relations

Community relations seems to suffer from a “silo effect” in which community relations culture and systems are concentrated at the regional office in Elko. There appears to be little cross-functional integration of community relations into mine, supplier or subcontractor operations. This isolation appears to limit not only the amount of community feedback reaching the regional office, but also the breadth and efficiency of implementation of community relations policies and procedures at the mine site.

Overall, the company has well developed production, environmental and safety policies but does not have similar policies for social inclusiveness, sustainable development and/or other community relations areas. For example, in an interview at the mine site, a manager easily broke out the safety program into its clearly defined components of training (on-boarding, annual, specialized), regular safety meetings, inspections and performance evaluation. However, when asked if the company’s community relations program has any such structure, the manager replied that it does not at the mine level and that community relations are handled at the regional office in Elko.

External stakeholder concerns are well communicated among regional staff in Elko. They are also communicated to senior management in Elko through External Relations’ regular time in weekly management meetings and in the Quarterly Business Reviews. However, there does not seem to be a corresponding mechanism for communicating suggested resolution of these issues out to the mine site, and soliciting their feedback and involvement in identifying trends over time.
Economic Sustainability

Newmont's involvement with two important multi-sector initiatives demonstrates the company's desire to promote economic sustainability in the Elko region. Achievement of this goal would be greatly facilitated by a comprehensive strategy more fully integrated into Newmont's business strategy and operations, focusing on sustainability of the region after mine closure.

(1) Current Efforts
External stakeholders recognize Newmont's efforts in supporting the Northern Nevada Partnership for Mining Sustainability and the Elko County Economic Diversification Authority (ECEDA). Stakeholders seemed to agree that both of these are initiatives are important, credible and worthy of company support.

The Northern Nevada Partnership is an outgrowth of the Northeastern Nevada Stewardship Group, initiated by the Bureau of Land Management in 1998 to bring together multiple stakeholder groups to manage land-use issues. During 2003-2007, the group transformed into the Northern Nevada Partnership and broadened its scope to address economic diversification and sustainability beyond mine closure.

ECEDA is another multi-sector group dedicated to attracting new businesses, both mine and non-mine related, to the Elko region. ECEDA's strategy is to leverage Elko's location at the crossroads of major trucking and rail lines, and its engineering and management capacities, to promote the city as a regional economic hub. Newmont will assume the presidency of ECEDA's Board of Directors in 2008.

(2) Need for Sustainability Strategy and Metrics
The Northern Nevada Partnership and ECEDA are both important initiatives. However, what appears to be lacking is an overall strategy for how Newmont intends to promote long-term economic sustainability in the region after the mine closes. For example, there is no one strategy that integrates these initiatives with the company's community investment program, United Way funding, management participation on community boards and employee leadership of community groups.

Many stakeholders expressed concern over what will happen when the mine closes. Some (especially environmental NGOs and the WSDP) expressed strong concerns regarding the mine's long-term sustainability and its impact on quality of life in the region, citing the lack of sustainability of the mining industry in general as well as significant environmental concerns. In particular, the depletion of water was cited as one of the most pressing concerns for a region whose traditional ranching economy is highly dependent on water.

"It's good to have them here. It's going to be sad when they're gone."
- Government official

The purchasing function at any mine has a tremendous potential to support the creation of new small businesses in the local community. In the case of the Carlin Operations, the purchasing department (known as Supply Chain) actively promotes local sourcing of goods and services for the mine. However, it has not taken the next step to develop a strategy of how to support new businesses in its supply chain or how to specifically target vulnerable groups (such as women, Indigenous peoples, Hispanic groups, people with disabilities, etc.) with special terms and conditions to promote business generation among these groups. Such targeted purchasing would help to strengthen the economy in Elko by broadening the mine's supplier base and making it more inclusive.
As previously discussed, the company has prioritized eight programmatic areas for community investment. However, there does not appear to be a clear definition of what each of these investment areas means, or how they relate to the company’s economic sustainability strategy or the Northern Nevada Partnership and ECEDA initiatives. Regional staff are held accountable through their PMTs for decisions of the Community Investment Committee but systems to assure employee accountability for continuity of investment in these areas year over year appear weak.

Lastly, it is difficult to measure the company’s full contribution to community development because there are no metrics in place to measure medium- and long-term impact. Current metrics focus on budget inputs but do not include all aspects of employee volunteer time in the community – both through formal company programs as well as through employees’ own personal commitments at the community level.
VI. Final Observations & Conclusions

The Carlin Operations enjoy a strong social license to operate and remarkably positive community relations. While some of the credit owes to the “mining friendly” external operating environment, the skill and dedication of the mine’s External Relations Department must also be recognized as a key driver of this success. Communication with external stakeholders is fluent, complaints infrequent, and conflicts virtually non-existent.

The external stakeholder interviews suggested five areas as illustrative of the mine’s successful community relations program:

1. **Contribution to Quality of Life:** Most community members are convinced that they enjoy a higher quality of life because of the presence of the mine.

2. **Trust and Transparency:** Stakeholders believe that the company lives up to its corporate values and principles, and many refer to the company as a “law abiding citizen” and “trusted partner.”

3. **Complaint Management:** Complaints at the mine are few and far between, but when something does go wrong, the company has a clearly defined grievance mechanism for capturing complaints and assuring speedy resolution.

4. **Employee Involvement:** Community members view the company and its employees as involved in the community and committed to its development. Many referred to this commitment as a matter of “company culture” versus mere public relations.

5. **Community Investment:** The company has a structured community investment program, focusing on eight clearly defined programmatic areas.

The challenge facing the mine is how to take a strong social license to operate in generally fair weather, and “weather proof” it against possible downturns in the external environment or inevitable shakeups among company personnel. This really boils down to a question of prudent risk management. The following three areas are recommended as key to more proactively managing social risk around the mine:

1. **Management Systems:** The mine’s community relations program is quite successful. However, it has not been converted into management policies and procedures that will assure continued success independent of changes in the external environment or the transition of key staff to new positions within the company.

2. **Economic Sustainability:** While the company is investing time and resources in multi-sector sustainability initiatives, such as the Northern Nevada Partnership and ECEDA, it still does not have an integrated over-arching strategy that guides all of its efforts for sustainability. Likewise, it does not have clear metrics to demonstrate to internal and external stakeholders alike the tangible impact of its sustainability initiatives.

3. **Enhanced Stakeholder Engagement:** Three stakeholder groups were identified as key opportunities to improve stakeholder engagement, namely Indigenous peoples (the Western Shoshone), environmental NGOs and the Hispanic population. While each group would like to see enhanced engagement and response by Newmont around specific issues related to the Carlin Operations, the Western Shoshone are considered the most significant gap in the mine’s current community relations efforts.

Addressing these three areas would go a long way in making the Carlin Operations an “all weather” operation.
Appendix 1B-1: Internal Interview Questionnaire
Newmont Global Community Relations Review
Internal Interview Guide

Introduction:

Present introductory letter from CEO. Answer any questions that may arise.

Stakeholder interview questions:

1) What are some of the mine's significant accomplishments in community relations?

2) What are some of the opportunities for improved community relations?

3) What are some of the community relations risks facing the mine?

4) What management systems does the mine have in place to identify and respond to community relations issues?

5) Is there anything else you would like to add?
Appendix 1B-2: External Interview Questionnaire
Newmont Global Community Relations Review
External Interview Guide

Introduction:

Present introductory letter. Answer any questions that may arise.
Confirm verbally that the stakeholder agrees to be interviewed.

Stakeholder interview questions:

1) Do you believe the Carlin Operations has any (positive or negative) impacts on you and your community?
2) How would you describe your relationship with Newmont mining company?
3) If the relationship is positive, why has it been positive? If negative, why?
4) Where do you get your information about the company and their operations? If it comes directly from the company or through media paid by the company, do you believe / trust the information they provide to you? Why or why not?
5) Do you find that the site understands your concerns and addresses them in a satisfactory manner?
6) Have you ever lodged a complaint against the mine? Was it resolved effectively?
7) Do you believe that your quality of life and the community's quality of life has changed or will change with the presence of the mine?
8) What do you think were the reasons behind the XXX conflict in XXX date? What action could (or should) the mine have taken to prevent or limit this conflict? What should the mine do in future to prevent similar such conflicts from arising?
9) Do you know if the site's employees or security forces have ever used excessive force with community residents? If so, why and what happened?
10) Does the site keep its commitments? Do they follow the law?
11) Have you participated in any training or other activity to improve knowledge and understanding between the community and the company? Was it effective?
12) Who else should we interview who would have an interesting perspective on the site's relationship with the community?
The following text was presented to external stakeholders at the beginning of each interview in the form of a letter of introduction by BSR:

Dear Interviewee:

We are carrying out an independent evaluation of the relationships that Newmont has with its communities. We would like to respectfully ask you for some time to carry out an interview regarding the Carlin Operations. We are not Newmont employees. We are completely independent of the Newmont site and are preparing our evaluation for the owners of the company.

Newmont is carrying out this evaluation at five mine sites in different areas of the world. The information gathered from your interview and from the other interviews around the world will be used to build an overall picture of the community relationships at this and other Newmont mines.

A final report on the final evaluation of this site will be produced and you will receive a copy. It will be distributed by a Newmont employee and he/she will ask you to sign a receipt that you have received the report.

All of your comments will be kept confidential. Your name will not be linked to any opinions, comments or suggestions made in the report.

We thank you in advance for your time in answering our questions which are part of a larger evaluation of the community relations of Newmont Mining Company.

Signed by Business for Social Responsibility
Disclaimer

This document reflects a qualitative risk assessment of social factors in the general area adjacent to the mining operation being evaluated. This document reflects the views, opinions and experience of the individual assessor based on the information available at the time of the assessment. As such, the assessment does not necessarily reflect the views or positions of Newmont Mining Corporation. The quotes by stakeholders that are included in this report as illustrative of the community relationships were chosen at the sole discretion of the authors.
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Introduction

1.1 Purpose of the Assessment

As part of Newmont Mining Corporation’s global review of community relations, three assessors traveled to West Sumbawa, West Nusa Tenggara, Indonesia for six days from 22nd – 27th October 2007 to undertake a site-based assessment of relations between local stakeholders and the Batu Hijau mine of Newmont Nusa Tenggara (NNT).

The purpose of the assessment was to review NNT’s stakeholder engagement mechanisms, systems and processes, and capture stakeholder perceptions about NNT’s community relations performance. NNT was required to submit a two-part report including a completed pro-forma assessment template and a narrative component (this report) discussing key findings. Reflecting the objectives of the global review and the specific purpose of the site-based assessment, Sections 2–5 of this report address the following key questions:

- What is the context within which NNT’s relationship with the local community has developed, and what are the implications for current relationships?
- What are the main strengths in NNT’s approach to community relations?
- What are the main gaps, issues and future risks for NNT’s relationship with the local community?

1.2 About the Batu Hijau CRR Team

Dr Catherine Macdonald, Team Leader
Community Development Consultant
Social Sustainability Services
Albany, Western Australia

Dr Catherine Macdonald has been working in the community development and social impact field for 20 years, more than half of that spent in the mining sector, with experience in the bureaucratic, academic and private sectors. She has adapted Participatory Rural Analysis (PRA) research methods so that they can be used for the practical purposes of enabling rural, subsistence agricultural communities to devise their own community development plans.

Macdonald has provided social impact/community development advice to extractive industries projects in Australia, China, Ghana, Indonesia, Mali, Mongolia, PNG, Senegal and Tanzania. She has conducted audits of the social/community programs for resource projects in several of these locations. She is an accredited trainer experienced in developing staff capacity to deliver participatory consultation programs. Her doctorate was in modern African social history, focusing on Tanzanian women’s changing roles in the community. She also speaks French, Swahili, Malay (Indonesian), Dutch and Sinhala.

She has been principal author of two publications on community relations and development issues in the minerals sector. The first is Developing New Approaches for Stakeholder Engagement in the Minerals Sector for the Mining Minerals and Sustainable Development (MMSD) Australia project in 2002. Macdonald also led the team preparing the World Bank/ICMM Community Development Toolkit, published in 2005 as part of their Pioneering New Approaches in Support of Sustainable Development in the Extractive Sector project. She has managed her own consultancy since mid-2005.
Arian Ardie, Team Member
Strategic Risk Consultant
Pacific Century Limited
Jakarta, Indonesia

Arian Ardie has been working in Indonesia for more than 15 years. He specializes in providing strategic risk management and mitigation services primarily for corporate clients in the extractive industries. He has also designed integrated social strategies and sustainability programs for some of Indonesia’s largest investors, both foreign and domestic.

Ardie has conducted strategic risk assessments for companies in the oil and gas, mining, pulp and paper, and palm oil industries. These assessments have taken place across Indonesia from Aceh to Papua and most major islands in between. He also has experience managing community relations and development field staff in remote locations. During his career he has developed strategic communications strategies on behalf of his clients and acted as primary spokesperson for the domestic and international media. He also speaks German and Indonesian.

Luciana Ferraro, Team Member
Social Development Consultant and Certified Translator
Bali, Indonesia

Luciana Ferraro has worked in the mining and oil industry in Indonesia in the fields of community relations; project implementation; capacity building; monitoring and evaluation; and the delivery of training programs.

Having lived and worked in Indonesia for 30 years, she has traveled and worked extensively throughout the country—often in conflict zones—and is a certified freelance English–Indonesian translator and interpreter. She also speaks five other languages. In addition to her translation and interpreting work she consults and acts in a coordination role for a variety of health, education and women empowerment programs including in Timor Leste as Editor and Translator for CAVR (Truth and Reconciliation Commission).

In addition to her linguistic qualification Ferraro holds a degree in South-East Asian Studies with majors in Indonesian History and Indonesian Politics. Her particular interest is to bring attention to the plight of IDPs and poor communities in Indonesia through photography.

1.3 Brief Overview of Newmont Nusa Tenggara Batu Hijau Mine

Batu Hijau is an open pit gold and copper mine, located on the island of Sumbawa in the eastern part of the Indonesian archipelago. The mine is located in a hilly area six miles inland to the east and 9 miles to the north from the sea.

The mine operates under a fourth generation Contract of Work1 from the central government created in 1986. The original CoW covered an area of 1,127,134 covering parts of the islands of Sumbawa and Lombok. The Batu Hijau ore body was discovered in 1990. The Amdal (Environmental Impact Study) was approved in October of 1996 and construction commenced in May 1997.

The mine became operational in December 1999.

---

1 Contract of Work is a mining exploration and exploitation agreement between the Indonesian central government and the mining investor.
Currently the mine project area covers 87,540 hectares. As of December 2006 there were an estimated 888,685 million tons of ore. At that time the total estimated reserves were:

- Copper = 8,927 Mlbs (million pounds);
- Gold = 9,542 Kozs (Kilo ounces); and
- Silver = 30,173 Kozs (Kilo ounces).

- The mining rate as of that date was 712,000 tonnes (784,000 tons) per day, with an annual rate of 250 million tonnes (286 million tons).

- The mining complex has an associated power plant capable of generating 157.9 megawatts from a combined 112-megawatt coal plant and a 45.9-megawatt diesel fired plant.

- There is also a port facility with multiple wharves capable of handling up to 800,000 tonnes of concentrate per year.

- The tailings from the operations are disposed of using a system of Sea Tailing Placement. They are discharged into the sea at a depth of 125 meters from whence they descend into a deep-sea trench with a seabed at 3,000 or more meters below the surface.

1.4 Methods and Sample

The Batu Hijau Community Relationships Review Team used several methods for identifying and contacting stakeholders. For the external stakeholders, a desktop review of available documents was conducted. These included previous external assessments as well as internally generated documents identifying key stakeholders. Based upon the desktop review, the team asked the Batu Hijau Community Relations team to specifically identify the following stakeholders.

List of external stakeholders needed for Community Relations Review

- Directly affected villages according to the Andal study;
- Most impacted villages according to Company (if different from above);
- Top 5 “local” suppliers;
- Top 3 “international” suppliers especially anyone that has a presence on site;
- 3 resolved community conflict cases;
- 3 unresolved community conflict cases;
- NGO partners locally, if any; and
- Company-identified leaders including:
  › community;
  › adat (traditional cultural leaders);
  › religious;
  › women's groups;
  › farmers’ groups; and
  › fishermen's groups.
Those names were then used as the basis for initial contacts made in the communities in Sumbawa by our team logistics officer. He visited Lombok and Sumbawa twice to make arrangements for our field visit. His first visit was at the beginning of Ramadan (the Islamic fasting month), in order to advise Government officials of the forthcoming review visit and to enlist their support, to make initial contacts with community representatives, and to locate independent transport and accommodation options. He also used his own network of contacts to identify useful and interested stakeholders.

A second visit was made at the end of the fasting month, the week prior to the field work, in order to confirm appointments and bookings.

Upon the team’s arrival in Sumbawa, additional appointments were made in each community by means of ‘snowballing’ or asking initial contacts with whom else we should speak. By use of this method an extensive number of external stakeholders were contacted and interviewed.

During the field visit, a total of 80 external stakeholders were interviewed in the course of 28 meetings. Several of the meetings were group meetings grouping people of similar interests; these included local fishermen, women’s groups and village leaders. The meetings are summarized Table 1-1.

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Number of Interviews</th>
<th>Number of Interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local villagers including village head</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>Fishermen</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Government—provincial, district and sub-district</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>NGOs and local associations</td>
<td>7</td>
<td>30</td>
</tr>
<tr>
<td>Religious leaders</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Local business people</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Former employees</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28</strong></td>
<td><strong>80</strong></td>
</tr>
</tbody>
</table>

Members of eight different communities impacted by the mine were interviewed. Stakeholders were also interviewed in the district capital of Taliwang, located an hour’s drive away from the mine site and the sub-district capitals of Jereweh and Sekengkong.

Newmont staff were not present for any of the external interviews and people felt very free to be critical of the company. The team is not convinced that the interviews would have been any less objective and independent had the Newmont site staff been allowed to make the initial appointments. As described, additional independent contacts were made and branched out from the original list to ensure that a broad range of stakeholders were reached. Interviews were conducted at locations chosen by the interviewees to increase their comfort level. This meant that in many cases they also brought along additional people to the interviews.
The quotes cited in this report are the opinions of individuals, or, where cited, the sense of the meeting at which multiple people were present. They are a reflection of stakeholder perceptions but are not a scientific sampling of opinion. The perceptions cited by individuals may not be an accurate reflection of the efforts or policies of the company, but in the opinion of the reviewers reflect opinions or insights of which the company should be aware and have been included for that reason.

With respect to making independent arrangements for transport and accommodation, in reality, the only difference this made was to increase the team’s logistical workload. The team stayed at an offsite hotel which is independent of the mine and indifferent as to who makes the booking. The transport company is separate from Newmont but does most of its business with the mine and therefore has its offices and staff accommodated on the mine site. With one major economic driver in a remote, developing economy, the amount of actual independence from the mine is limited. It was good for the team to have its own cars and drivers rather than Newmont vehicles, but the bookings could have been made by the mine.

For internal stakeholders, the organization chart for the mine was reviewed. From this, a list of positions whose occupants we chose to interview was developed. The site then provided the names and made appointments with those people.

The team held focus group meetings composed of junior community relations staff and contractor employees. Managers did not attend interviews with their subordinate staff and employees expressed very frank opinions. Some of the meetings with community relations and community development staff were conducted offsite to create an atmosphere more conducive to critical discussion.

A total of 35 internal interviews were conducted with 48 people at the mine site, in the provincial capital of Mataram on the island of Lombok and in the Jakarta offices of the company and related Newmont companies. The interviews were conducted with anyone whose functional responsibility included interaction with the broadly defined community. This included such groups as the security, human relations, procurement, training, exploration and environmental departments in addition to the more obvious departments such as community relations, government relations, public relations and community development staff. Several major contractors were also interviewed.
2 Operating Context

Indonesia is a challenging environment in which to operate a business: the real risks of operating are significant and the perceived risks even greater. The risks must be mitigated if possible and otherwise carefully managed. Failure to do so can lead to multivariate conflict at the national, regional and local levels. To best understand the risk, the overall context of operating in Indonesia must be examined.

Many superlatives can be applied to Indonesia: the fourth largest country by population, the third largest democracy, the country with largest number of Muslims; the largest archipelago nation etc., and all fit.

Indonesia is now recognized as a stable democracy within the ASEAN region. After the fall of the autocratic Soeharto regime, successive presidential administrations have been democratically elected. Susilo Bambang Yudhoyono, the current president (2004-2009), was the first elected by direct popular vote and has the record for receiving more votes than any other candidate in all democracies. The rise of democracy has been achieved not only at the national level, but at all sub-national levels including the provinces and districts, which have increasing authority under a series of decentralization laws.

A series of problems still exist for the government and are often cited as deterrents to foreign investment. These include a continued culture of corruption, a weak judiciary which results in legal uncertainty and a parliamentary process which has not resulted in effective legislation.

Indonesia is rich in natural resources. It contains the third largest tropical rain forest, after Brazil and the Congo Basin; it has the largest number of endemic species of birds in the world; and it is home to many large and well-known endangered species of animals such as the orangutan, Sumatran tiger and Sumatran elephant as well as a host of lesser-known species.

The country also has rich mineral resources. It has been the largest producer of tin, has one of the largest gold deposits in the Grasberg mine, and has significant nickel and coal resources as well as the copper and gold such as that found in the Newmont Batu Hijau mine.

2.1 Legal Considerations

The mining industry, although still strong in terms of output, has suffered in recent years due to poor government policy. A survey in 2003 ranked Indonesia 27th out of 35 countries in terms of attractiveness for investment in mining, despite abundant mineral resources. A mining investment framework once touted as one of the best in the industry languishes as Parliament continues to debate a new mining bill which will eliminate the system. The new draft bill also calls for significantly increased authority for the regional government, mandated local smelting and a permit system which is split between exploration and exploitation. All of these are seen as having the potential to impact negatively on the development of the mining sector. Other issues such as the ban on open pit mining in protection forests, mandated divestment and legal uncertainty have significantly reduced the amount and scope of new exploration and development in the mining sector.

The mining industry is regulated by the central government. Constitutionally, the mineral resources of Indonesia belong to the people and these interests are safe-guarded and managed by the state. The first mining law enacted in 1960 maintained this principle. The principle was maintained when the law was replaced in 1967 by Law No. 11 of 1967 which is the base mining law still in place today.
Mining concessions are specifically regulated through Contracts of Work (COW) between the central government and the mining investor. The legal basis for COWs is contained in the law. The COWs have gone through several revisions each referred to as a generation, the last being the 8th generation.

Each generation of COW has somewhat different provisions and changes with the government’s desire at the time to attract foreign investment into the mining sector. All of the rights and responsibilities of the COW holder are contained within the COW. The COW is for a specific mining project and thus the project is “ring-fenced”. In practice, it means that assets of the concession are clearly identified and valued. Each contractor can also only “own” one COW; thus, any additional projects by an investor must be part of another company.

The COW includes all the necessary permits and clearly defines the obligations, responsibilities, taxes and royalties to be paid by the contractor. The basic terms of the COW were adjusted as a mechanism to attract additional investment into the sector over time. This system prevailed until 1999 with the passage of the law on regional autonomy (Law No. 22/1999 regarding Regional Government, replaced by Law No. 32/2004) and the related law on revenue and fiscal balancing (Law No. 25/1999 as amended by Law No. 33/2004 on Monetary Balance between the Central and Regional Governments).

These laws increased the level of authority of district and provincial governments over natural resources. They also increased the level of revenue derived from taxes and royalties on natural resources within the district or province. It necessitated the rewriting of a whole series of laws including the one on mining.

The government first drafted a new bill in 2001 and sent it to parliament for passage. The bill has been languishing in parliament ever since. During 2007, the bill was prioritized for passage and has received increased attention from both the government and parliamentarians as a result.

There are a number of significant differences between the existing system and that which is contemplated by the new legislation. The greatest difference is that the COW system will be replaced by a system of business mining permits (IUPs) administered by central, provincial or district governments depending upon which geographical jurisdictions the area of work covers.

The mining industry has identified several major problems with the permitting system that is expected to replace the COW system. One of the problems is that the permits are split into two phases, one for exploration and another for exploitation. This compares to the COW system where all of the permits were encapsulated in one contract. In practice, this could lead to significant bureaucratic bottlenecks and opportunities for corrupt bribe seeking officials. The length of the permits has also been shortened again providing rent-seeking opportunities.

The draft legislation highlights several of the concerns faced not only by the mining industry, but by foreign investors in general. This includes legal certainty.

‘Legal certainty’ refers to the ability of investors to be able to enforce their contract rights as written. The lack of legal certainty is one of the main concerns of both existing and potential investors. The lack of certainty comes from several sources, first from the line ministry responsible for regulating the specific industry. The Ministry is given significant latitude in terms of interpreting existing laws and this can have potentially negative impacts on the investor. Regional and sub-regional governments can also contribute to legal uncertainty by adopting policies and laws counter to what has been adopted or agreed to at the national level.
Appendix 1: Narrative Reports

1C: Batu Hijau Mine, Indonesia

Operating Context

There are also examples of legal uncertainty arising as a result of policy or regulations of ministries which do not have direct control over a mining concession, but which can still have significant impact on it. The Ministry passed a law banning open cut mining in protection forests. Although well intentioned, the law had the impact of halting many mining projects which were already in the process of being developed. The ban was initially applied retroactively even though there were several instances where government officials had changed the forestry designation in an attempt at rent-seeking. The ban was eventually clarified with a small number of companies being exempt, but it served to undermine confidence in the government.

2.2 Security and Operational Considerations

There is still a strong perception that operating in Indonesia poses a significant security risk. The riots in May 1998 that led to regime change, the subsequent radical Islamic terrorist bombings in Bali and Jakarta, ethnic and religious violence in Ambon, the Moluccas and Sulawesi, and the low intensity separatist movements in Aceh and Papua, all contributed to the perception. Despite significant improvements in the overall security situation — in large part due to increased professionalism by the police and military — a negative perception still remains and is reflected in the travel warnings still posted by the US, Australian, British and Canadian governments. The peace agreement in Aceh in the aftermath of the earthquake and tsunami is a positive example of conflict resolution by the central government. Radical Islamic terrorism remains a threat, but increased government vigilance has lowered the threat with the arrest and prosecution of hundreds of suspects since the first Bali Bombing in October 20, 2002.

During the Soeharto era, investors, both local and foreign, often found themselves subject to protection and other rackets run by the police and military. There have been continuing attempts at improving the professionalism of both the police and the military. This has included the separation of the command of the two security forces, with the police taking the leading role in domestic internal security. The police force has also focused on improving capacity and reducing corruption within its ranks. Although still prevalent, corruption is slowly being addressed within the ranks of the police.

Nevertheless, corruption remains a major concern of foreign investors. Indonesia continues to rank in the bottom 20th percentile in the Transparency International ratings coming 143rd out of 180 countries. Of the countries in this review, Indonesia ranks as the most corrupt, with Ghana and Peru ranked 69th and 72nd respectively, all behind New Zealand at number 1 and the United States at number 20. Although eradicating corruption is a main goal of the Yudhoyono administration, progress has been limited primarily due to the lack of an effective judiciary, itself plagued by corruption and limited capacity.

Operating within home country anti-corruption laws such as the Foreign Corrupt Practices Act remains a challenge for all foreign investors in Indonesia. Hundreds of specific permits are necessary to operate a large scale mine site, each potentially a source of revenue for a corrupt official. Strict internal policies and ethics codes against corruption can help the investors operate, but it also can lead to curtailed or stalled operations if bribes are not paid.
Concerns about human rights violations still persist. Many date back to unresolved or unaddressed issues from the Soeharto era during which there were numerous cases of unlawful detentions, torture, kidnappings and other human rights violations against freedom of assembly, labor rights and indigenous rights. During the Reform era (the political era after the fall of the Soeharto regime and the Asian financial crisis characterized by political, economic and financial reforms), the record has improved, as evidenced by certification of improvement by several countries including the United States. There are still problems, the most prominent being the case of Munir, the human rights activist, who was killed on a Netherlands-bound flight operated by the state-owned carrier, Garuda. Complicity by foreign investors in any human rights violations—although alleged by some NGOs and activists—has never been proven nor widely believed to be true.

A key social risk factor for any Indonesian investment — particularly in mining — is the acquisition of land rights. Throughout the Soeharto era, corrupt interests abused land ownership rules for their own ends, and a corrupt judiciary often served to exacerbate matters by issuing erroneous or unclear verdicts in land dispute cases. Even today, in some instances, the central, provincial and district governments issue contradictory rulings and dispute their respective jurisdictions. Criminal land fraud cases have also been commonplace, whereby a land owner resells rights for a single plot of land to multiple buyers, who may remain unaware of the fraud for many years. The settlement of land by squatters, who may have been occupying the land for generations, contributes yet another dimension to land-right problems, especially in peri-urban areas. Due to persistent corruption in key agencies, such as the judiciary, the National Land Agency (BPN) and the Public Works Ministry, investors often face difficulty in resolving disputes in a fair and timely manner. Under new leadership, BPN is improving its performance in certifying land plots throughout the country, but an estimated 70 million plots need certification, and BPN has been capable of processing fewer than one million per year in recent years. Consequently, much of the land in Indonesia lacks legally certified titles (known as “sertifikat”), and these lands may be the object of dispute.

Ethnic and tribal conflicts still occur in Indonesia. Home to hundreds of distinct tribal and ethnic groups, each with their own culture and language, there is always the potential for conflict. For the most part, the conflict does not manifest itself violently, but it can flare up especially with additional external provocation. Examples in the last five years include: the Dayak–Madurese conflict in Kalimantan; the inter-religious conflict in Ambon, the Moluccas and then Sulawesi; and, the tribal conflict in Papua. Several of the most recent incidents of tribal conflict in Papua have occurred in and around the mining concession of Freeport. The conflict in the area has been exacerbated by significant in-migration and the blurring of traditional tribal boundaries. Foreign investors for the most part have not been the target of the ethnic and tribal conflicts but their operations have been negatively impacted.

2.3 The Locale of the Batu Hijau Operations

The island of Sumbawa, on which the Batu Hijau mine is located, sits in the middle of the string of islands that make up the province of West Nusa Tenggara (NTB). A couple of islands to the East of its famous neighbor, Bali, Sumbawa is east of the Wallacea line, giving it a climate far different to that found in the more tropical islands of Sumatra, Java and Borneo.

Its greatest physical feature is Mount Tambora, which erupted in 1815 — the largest volcanic explosion in modern recorded history. That eruption helped to shape the general landscape of the island.
The Batu Hijau mine site is located in the south-west corner of the island. Prior to the development of the mine site, this was one of the least developed and least populated parts of the island. The mine site is within the recently created district of West Sumbawa, with the district capital in the town of Taliwang, an hour's drive from the mine site. The previous district capital of Sumbawa Besar is about six hours away from the mine. New sub-districts of Jereweh and Maluk have also been created in addition to the existing one of Sekongkang. This means that the most immediate government institutions which have jurisdiction over the mine site's operation are very new and are still building their internal capacity to govern and provide services to local constituents.

Construction on the mine site and associated infrastructure started in 1996. Prior to that time there were only a number of small villages and hamlets each with fewer than 500 people. Today those villages have grown into towns with populations exceeding 5,000 people. The total population of the district is 80,000 with about 30,000 living in the 12 communities directly impacted by the mining operations. The local inhabitants call themselves Sumbawans and speak a language called the same, in addition to the national language of Indonesian. These people are thought to have migrated from either Lombok or Sulawesi during the last 150 years. Paved roads, electricity, an active market area, schools and clinics exist in most of these villages. Much of that infrastructure has either been provided either directly or indirectly by the company.

Sumbawa has traditionally been one of the poorer islands of Indonesia in line with the poor economic prosperity of its province, NTB. The average monthly income in NTB is the lowest of all provinces in Indonesia; about 32% less than the national average. Due to poor infrastructure, the formal sector is quite small and the majority of people are subsistence farmers and fishermen. The rest of the economy is based upon trade with most of the traded goods coming from other larger islands. The subsistence levels along with government subsidies on basic commodities ensure that there is not large-scale starvation, but it is not sustainable in the long term.

The dry climate has limited the amount and scale of agriculture in the area. Limited gathering of forest crops occurs. Fishing is still a primary occupation for some of the inhabitants in the area. The company actively supports all of these activities by allowing access to traditional resources found in the undeveloped concession area.

The Batu Hijau mine is the only international commercial scale mine on the island of Sumbawa or generally within the province. Its presence and the higher wages paid by the company and its contractors has created strong expectations within local communities.

Significant revenue is generated for government through taxes and royalties, but they do not necessarily immediately translate into benefits for local communities. The central government will collect both the taxes and royalties paid by mining companies. Taxes are kept by the central government and then allocated back to provinces and districts through a general block grant, which is based upon population and then a specific development grant determined by the government. Royalties and land rent are collected by the central government, but shared with the producing district, other districts and the province. The specific share that accrues to each level of government is listed in Table 2-1.

The level of revenue accruing through land rent and royalties is small compared to the amount of the taxes that are collected. Typically, the rents and royalties will only be a percentage of the total amount paid by the company, especially during years in which the base metal prices are high. Local governments also complain that, even if they stand to accrue larger amounts from royalties, the central government will as a result provide less funding through the specific development allocation in order to equalize their total earnings with that of other districts.
The Newmont Batu Hijau mine operates in a challenging environment. It faces a number of generic Indonesia country risk issues as well as risks specific to the mining sector and its remote location on the island of Sumbawa in the province of NTB. These risks, if not mitigated or properly managed, can lead to conflict with its stakeholders at the national level and within the communities in which it operates.

The greatest risks faced by the company at the national level come from legal uncertainty, corruption and the draft mining bill in parliament. At the local level the company operates in a remote underdeveloped area where it is the main source of employment and revenue, creating significant expectations. The local government at the district and sub-district level is newly established and is still developing its capacity to govern and provide services.

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Central</th>
<th>Province and District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Rent</td>
<td>20%</td>
<td>16% Province</td>
</tr>
<tr>
<td></td>
<td></td>
<td>64% Producing District</td>
</tr>
<tr>
<td>Royalties from exploration and exploitation</td>
<td>20%</td>
<td>16% Province</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32% Producing District</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32% Other Districts</td>
</tr>
</tbody>
</table>

*Source: Alm, David and Indrawati, Sri Mulyani, “Decentralization and Local Government Borrowing in Indonesia”, 2001 (Powerpoint presentation)*
3.1 Availability of Jobs

The lack of jobs for all that seek employment is one of the biggest issues that the local villagers have with the project. In terms of provision of local employment many stakeholders perceive that Newmont has not fulfilled its commitments, e.g., there were complaints that only 30% of locally-available jobs were given to “local-locals” while the company’s commitment is to 60%. The commitment from the company is that 60% of the jobs would go to local people which is a definition that includes anyone from the province of NTB. Local-local people, those from the within the district of Sumbawa Barat are given priority for jobs, but they must still qualify for the position.

The complaints about local employment are widespread, including in the local press; and this issue was widely raised by all village-based stakeholders. Employment by the company is highly sought and the jobs are valued. Jobs with contractors are also highly prized although they are seen as lesser to those with the company.

The company has succeeded in achieving their stated goal of 60% local hire although a number of contractors are still working to achieve theirs. According to the latest company data 33% of employees are local-local and an additional 30% are local for a combined total of 63%. At issue is what defines “local” those that live closest to the mine believe it should apply only to them and not to people from the district capital, an hour’s drive away or on Lombok the next island over.

The problem has worsened as the mine reached steady state and the amount of infrastructure development jobs has been reduced. The very low levels of turnover, less than 1% according to the latest HR estimates, further increases the problem of unlimited demand for a very finite number of jobs.

A local village leader commented that:

“If we do not work for Newmont we cannot survive. The economic impact is too high.” He went on to make the following points:

- To avoid a social gap, non-Newmont locals should receive special attention.
- The company says 60% of mine workers are local. This is not true; at most it is 30%. Newmont must be honest and review data on who is really local.

The issue is especially poignant for youth in the community. Although they may have higher levels of education than their parents, they lack the experience which the company and contractors now demand as a basis for hiring.

A local NGO worker warned that local youth unemployment poses a serious risk:

“Newmont requires 3–5 years experience for recruitment but [the local youth] have just completed senior high school and they are not eligible. This is a time bomb.”

A company representative stated:

“There is no hiring policy that requires 3-5 years experience. Experience required is based on the job and level of the job. Base level entry jobs don’t require 3-5 years experience. The problem is not the experience requirement but the low turnover and therefore the lack of openings.”

2 “Local-local” is a term created to mean people who live in the district of Sumbawa Besar, now split into two districts, Sumbawa Barat and Sumbawa Besar. Although the company made its commitment to “local” hire there is still a persistent perception that it made the additional commitment to “local-local” hires.

3 In this report, direct quotes from individuals are shown in italics. Notes taken at group meetings or interviews with individuals which are not quoted verbatim are shown as bullet points.
3.2 Gap Between Living Standards of Newmont Employees and Others

The standard of living has improved and this is generally acknowledged. However, the cost of living has risen to the extent that those who do not directly benefit from Newmont are excluded from many things and subject to higher prices for most goods and services in their community. A greater gap between rich and poor is perceived.

A senior Batu Hijau manager complained that “social jealousy” exists from those who are not directly benefiting from the mine, in spite of an overall improvement in living standard. This underscores the importance of targeting wider community development programs, in partnership with government and other donors, to include those currently being excluded from mine-related prosperity.

Many of the Community Development (CD) programs produce measurable tangible benefits in terms of quality of life and human development. These include the successful improvement of agriculture through the construction of irrigation dams and the provision of better health and educational infrastructure.

The higher prices of goods and services place a burden on non-mine related businesses, which have to compete with the mine and its contractors for the available goods and services including labor.

Soaring metal prices in the international marketplace have knock-on effects including in the labor markets. Freeport, which operates the largest mine in Indonesia, negotiated huge pay increases, up to 300%, in the face of labor unrest and strikes. This has become the standard by which other labor agreements are judged. Even several of the international contractors commented that they are not able to keep up with wages paid by the company as they are selling services and equipment, not gold and copper.

The general sentiment expressed at a meeting of village heads was that:
- There is a social gap in development and housing;
- Local Newmont employees do not want to mix with local non-Newmont people; and
- The situation is worse with outsiders.

A fisherman said:
“The cost of living has increased. In the past we could get things for a handful of rupiah, now it is all expensive.”

And this was reinforced by comments made at a community group meeting:
- There is high inflation in the communities around the mine area.
- There is social jealousy between local Newmont employees and non-employees.

A local NGO worker agreed:
“The quality of life has improved but everything is more expensive. “

Most of the government officials also cited local inflation as one of the major impacts of the mine.
3.3 Lack of Transparency of Community Development Expenditure and Environmental Monitoring Data

External stakeholders generally considered that Newmont communicated with them in a culturally appropriate manner. A number of sections of the community, e.g., Benete fishermen, Tongo and Goa villages and a contractor all said that they no longer wanted any input from NGOs as they did not trust them, felt used and preferred not to have the third-party intervention. This demonstrates that they feel able to communicate directly with the company, an indication of a level of trust.

However, information from the company and even its consultants, such as universities conducting environmental testing, is not necessarily trusted. Specific instances were the data concerning local employment numbers (are those being counted as “local” really local?) Also, environmental testing data was not trusted as results were seen to always be favorable to Newmont and this was not perceived as credible.

A local NGO leader commented:
“The credibility of Newmont is 50%. People need evidence that the tailings are not toxic. An example was given at a demonstration in 2005 in Labuan Lalar. The community felt their concerns about tailings were not addressed. Tailings are still a question mark.”

A village head at a peer meeting explained:
“When information is given about tailings, Newmont says they use a foam (as a reagent) but do not explain the composition of the foam.”

The regional NGO representative of a national NGO said:
“We were invited to a presentation of monitoring results. One of the results was that fish bombing has caused deple-
tion of fish. This is not true. Locals have been bombing fish since before Newmont. In the past there was a large catch from bombing. Now it has reduced. That is a fact.”

3.4 Perceived Impacts, Lack of Understanding and Information About Actual Impacts and Mitigation Plans

Many stakeholder comments revealed that people did not understand which impacts were caused by the project and which were not, with the result that any negative environmental events were attributed to the mine. There was a widespread lack of understanding about what is contained within the tailings. People may have been given explanations many times, but interviews demonstrated that many people still do not adequately understand all of the important issues.

Perceptions about tailings:
A village head at a peer meeting commented:
“The tailing issue is a time bomb. What is inside the tailings is not known.”

Another village head complained:
“The leaves on fruit trees dry up and fall off. That never used to happen. People say it is the impact of the tailings. It is a perception but this has been the case for the past 5 years. There are fewer fish. In the past fishermen could get 10 kg of prawns per month. Now they get only 2 kg. There is less water in the wells. In the past there was plenty of water between September and October. But not now.”
Perceptions about royalties and community investment:
A senior government official said:
Royalties do not give added value to the area because the central government reduces its support proportionally so that in the end the revenues of KSB (the sub-district) are no higher than those of Bima, where there is no mine.

and

Newmont makes an effort to understand the concerns but it does not see them very clearly yet. For example, Freeport invests US$64 million each year in Community Development while Batu Hijau invests only US$5 million. People do not understand; they only see the [size of the final] figure. Newmont needs to provide better information to the stakeholders about that issue.

There is no understanding of the relative sizes of the projects being compared, how much revenue each generates, nor how the Community Development allocations are spent.

Perceptions of unfulfilled promises:
Ex-exploration employees, who now have no jobs, have the impression that they will be taken care of by Newmont and that they are only ‘resting’ (some since 1998). They are unclear about what is to happen to them.

Verbal commitments made by former and current senior management have not been followed up by their successors, according to some fishermen.
4 Current Strengths

Overall, Batu Hijau mine is managing its relationships to an adequate level. A more concerted and comprehensive stakeholder engagement plan and capacity-building and motivational efforts among field staff could take the site’s performance to a higher level.

As with any major resource extraction project in a remote underdeveloped location, there are disaffected people who do not agree with the project. The majority of stakeholders however seem to be satisfied with the performance of the company in its communities. The site attempts and for the most part succeeds in maintaining relations with all impacted stakeholders.

The site places a premium on maintaining its social license to operate with a minimum amount of conflict. There are open lines of communication with key stakeholders in the community. The company's overall success is attributable to a number of factors.

4.1 Articulated and Internalized Values

The values of the company are well articulated by the company and have been widely internalized by all members of the site team. This is evidenced by the ability of employees and managers to quote the values of the company. The values are printed on a credit card–sized card, and a number of Newmont personnel from the Regional Vice President to line managers and employees proudly displayed their copy without being prompted.

Annual training for all employees reinforces the core values of the company. Performance bonuses are also contingent upon living the values in the workplace.

4.2 An Effective Security Regime

The company has a very good security regime which attempts to minimize confrontation while enabling the community relations professionals to deal with the underlying conflict. The company security department sets the policy and procedures, but the provision of security services is outsourced to a national company.

The security company is contractually obligated to provide its services in compliance with the Voluntary Principles on Human Rights and Security. This joint industry–government voluntary standard has established guidelines which help companies achieve good security practices which are compliant with international human rights standards.

A general principle of the security regime is to avoid confrontation and instead find alternative solutions to the conflict. Much of the success of this program comes from the training given to the security personnel and drilling for various contingencies. Their main function when confronted with a conflict is to isolate, monitor and report on what is happening, handing over direct contact with the arrival of the community relations officers. Protocols as to when police need to become involved exist and are followed. Brimob, the police rapid response team, which historically had a poor record is no longer stationed on Sumbawa. This method eliminates confrontation that could easily escalate into larger multivariate conflict as has been the case at other extractive industry sites around Indonesia.
4.3 Well-Designed and Well-Built Infrastructure Projects

The company has been very effective at delivering infrastructure development to the local community. A number of these projects have come as a result of community consultations while others were developed based upon company and external assessment of community needs. These projects are often bid out to local contractors for completion, but are still under the overall quality and engineering management of the company. This ensures that the end result is often of a quality and design superior to equivalent infrastructure provided by local and regional government. The excellence in this area is consistent with the overall engineering excellence of the company.

4.4 Compliance and Objective Tracking

The site has well-implemented systems for tracking compliance with its values, commitments and self-created performance objectives. This enables managers to keep track of the progress their department is making towards meeting its commitments and performance objectives.

At times the heavy emphasis on tracking feels as if boxes are being ticked rather than actual work being done. However the careful record keeping provides a very objective basis for the evaluation of what has been accomplished.

The individual tracking systems roll up to the Five Star Compliance System. Employees and managers are very conversant in the requirements for compliance, although the individual objectives are not always directly tied to the larger corporate compliance commitments.
Operating in the Indonesian context has a higher degree of risk than operating in other parts of the world, especially those countries where there is a high degree of legal and legislative certainty. Consequently, the potential for business interruption or significant reputational risk must be considered in operational plans for the Batu Hijau mining site.

There are several contextual challenges which the company must attempt to manage or at least manage its exposure to the risk of impact. The most urgent of these is legal uncertainty. The greatest potential for legal uncertainty comes as a result of the mining bill currently in front of parliament. Several of the provisions, if passed and seen to apply to the company (if its current contract of work is not “grandfathered” in under the new law), could negatively impact the company and its operations. It is difficult for a foreign investor to lobby the legislative process, but it can make its concerns heard through trade associations, the embassies of major shareholders, directly to its stakeholders and on an informal basis to the legislators through dialog.

5.1 Operational Expediency Versus Long-Term Sustainable Development

Regardless of the successes mentioned in the previous section, there is a strong perception among various segments of the community and also among some of the community development and relations staff that they are not engaging in sustainable participatory development. There is too much focus in the External Relations program on the main Community Relations goal of “keeping the mine operation running”. The Department is inadequately resourced with community development professionals, so the overall program tends to be weighted towards the promotion of good relationships at the expense of long-term sustainable development.

Newmont has a highly-developed system of policies, guidelines, procedures and forms for encouraging adherence to corporate standards and consistency across the board. This is effective in ensuring that all staff are familiar with corporate expectations of their behavior. The Assessment Team had some concerns that the imperative to fill in the forms was starting to become more important than the actual functions that the procedures were designed to support. For example, the filling in of the Community Input Registers seems to be focused on achieving numbers of entries and, especially, numbers of resolved enquiries. As grievances are combined with other enquiries, it was also not clear how many entries were complaints and how many were of a more general nature. Although the entries are categorized into groups such as health and education for analysis, we did not see evidence of qualitative review that could lead to resolving the causes of the enquiries. In other words, reflection upon why the registers need to be completed and how they could be used to improve community relations was not evident.

People are concerned about what will happen to the economy and environment when Newmont leaves. There is no level of comfort about the long-term sustainability of community development programs. Many programs (particularly those that are small-scale and agricultural) are perceived as being too short to produce the desired sustainable outcomes and some involve outright dependency, such as electricity provision — where Newmont subsidizes the provision of electricity by donating a number of barrels of fuel per month to Tongo village.

Community members are aware of the need for sustainable programs, for example, a village head stated: “We must do our utmost to become independent because one day the mine won’t be here any more. We already feel independent and as long as we have irrigation we are fine.”
An example of programs not being sufficiently well-targeted at community development needs is revealed in the following quote from a local fisherman, part of a fishing focus group:

“NGOs [working with Newmont] taught us how to repair an engine. They used one of our standard engines to demonstrate. Even our children can repair those… we can teach the trainers how to repair them. The women are taught to make snack food but after the training the trainers go off and do not help us with capital. What they are doing is training for the sake of training.”

5.2 Community Relations and Development Department Resources

The Community Development Department is not able to achieve its full potential because it is under-resourced. There has been no Community Development Manager for a number of years and there appears to be no sense of urgency to fill this position.

The absence of a highly-skilled, appropriately-trained and experienced community development professional at the head of the community development team results in some lack of direction and motivation. There are good officers in the Community Development team, but they appear to lack the support and leadership that could enable the promotion of truly sustainable development perspectives and methods in the community programs.

There are some gaps in capacity and the morale of the Community Relations / Development teams so that they are not fully engaged in developing and inspiring trust and co-operation with their community neighbors. Although they are doing nothing significantly wrong, there is considerable scope for enhanced performance in this area, which we assess as underrated by the mine.

Community demands and expectations are high and staff are unable to satisfy the level of complaints. The community does not necessarily believe that the staff are already working at full capacity to meet their needs and demands. The community does not necessarily believe that staff could not make further efforts to meet their needs/demands.

For all these reasons, a great deal more investment on staff development is necessary, especially for those who are dealing directly with the community. The training, capacity and morale-building programs that will be needed should not be provided only for supervisors in the expectation that they will pass the knowledge on. At this stage, direct inputs to staff motivation and performance are required.

An External Relations staff member expressed the opinion:

“Community Development should not be under External Relations but under the General Manager directly. External Relations build relations just sufficiently to obtain a social license to operate. Community development is a long-term activity.”

With respect to the professional standards of the Community Organisers (COs), the contract staff hired in the villages to facilitate projects, this staff member:

“Community Development Community Organizers are not sufficiently qualified for the job. Community Development and Community Relations is where the “local quota” [of employees] ends up. There are cultural and educational challenges and a shortage of good staff.”

Another local NGO member commented:

“Newmont is not in a position to keep its commitments because it is short of staff.”
5.3 Social Impact Assessment and Integrated Social Impact Management Planning

**Baseline Data**

A major concern is the lack of both baseline data and predicted impacts on the villages. The socio-economic baseline information contained within the *Amdals* (Environmental Impact Statements) is fairly sketchy. One *Amdal* was produced for the mine and another for the power plant and port facilities. There are a number of obvious deficiencies. Although, the towns of Maluk and Benete, were just *dusuns* (hamlets) at the time of the original assessments and therefore received minimal attention, it is now obvious that they have been the most directly impacted, for both the better and the worse.

Some of the baseline data which could have been collected for those villages includes basic standard of living data such as average caloric intake, and available skill sets in the villages. There does not seem to be a roster of initial inhabitants in the villages. The lack of this information makes it difficult to determine who were the most vulnerable in the communities existing at the time of commencement of the project and therefore who should be “compensated” for the negative impacts of the project.

Although it is too late to conduct true “baseline” studies, new and more comprehensive data could be collected even now — a “secondary baseline.” This could be done in the context of planning for the anticipated mine closure in twenty-plus years and the development of an integrated world-class mine closure plan. It could also be done in the context of divestment, as the company wants to take a community baseline before its shares and potential operational control are diluted.

**Impact Assessment**

There is evidence that the company, in terms of infrastructure as well as through training, education and health initiatives, has sponsored a significant amount of community development. What is less clear is the degree to which these projects have benefitted the original inhabitants, the most vulnerable groups and directly impacted villagers. In addition, it is difficult to measure the amount of change in the impacted communities, which has clearly been considerable.

The lack of predicted impacts in the original assessment documents also means that there does not seem to be a comprehensive social impact mitigation and management plan. Various components of such a plan exist, but they are not integrated and are not judged against any particular set of baseline data.

The lack of a comprehensive process for identifying impacts related to stakeholders has significant consequences for the mine site. First, the inability to tie company development efforts to specific impacts upon specific stakeholders leaves the company vulnerable to calls for “compensation” for perceived impacts. Secondly, it creates tensions between villages in that it is not obvious why a particular village might be getting a better project than another might. Thirdly, it creates resentments in the other direction, when a village closer to the mine site is seen as getting the same as a more distant village seemingly less impacted. Fourthly, it is not possible to fully and specifically identify stakeholders and differentiate them by impact. Thus, it is difficult to determine who the most vulnerable might be, let alone whether their needs are being met.

As a result, it is difficult for the site to manage expectations from stakeholders, as there is no explicit link between development assistance and impacts.
Stakeholder impact identification has also not been updated in light of changes that have been brought about by the development of the mine. We take the position that the data is very old and reflects a time before the full impacts of the mine were felt upon the community. As a result the mitigation actions being taken are also deficient as some of the most crucial impacts are not being mitigated currently. This will create problems in the future at the time of mine closure.

An example of an impact not contemplated during mine development was the inflation that has come about as a result of the higher wages being paid to a part of the local population. Since it was not specifically identified during the Amdal process, it is not a variable that is constantly and consistently monitored. Many stakeholders have identified this impact as a major problem, both for consumers as well as for other businesses operating in the area.

It should be noted that the site currently seems to be meeting its commitments. It also seems to be able to manage the overall process, but in the context of “keeping the mine operation running” (the number one stated function of the Community Relations Department).

**Impact Management Plan**

The absence of a plan also has consequences. It becomes difficult for the company to demonstrate that it is managing its impacts as compared to giving corporate handouts. It also makes it difficult for it to manage the expectations of almost everyone, as there is not a consistent basis for the community development programs, which the company does undertake.

Further consequences are evidenced by the lack of transparency concerning the amounts of community development budgets. The mine does not want the specific details of the community expenditure publicized, as this would have the potential to create jealousies among the various communities. While this may be true, the mine needs to be able to explain an objective basis for the way in which its community expenditure is allocated between communities. Without greater community involvement in the allocation and design of community development expenditure plans, there will continue to be limited understanding of the rationale for distribution of the funds and a lack of shared ownership of the decisions made.

Without an integrated social impact assessment and management plan, incorporating clear community development plans developed jointly with communities, and shared transparently with stakeholders, the mine will continue to experience pressure applied to community relations staff to acquiesce to demands with discretionary actions. Community input into the planning and implementation of this program is essential.

A determination needs to be made regarding the priorities of the company. If the main priority is maintaining production with minimal disruption, then the current system will be sufficient. If Newmont wants to become an industry leader in sustainable production then changes will need to be considered.

Stakeholders in the Batu Hijau area are unfamiliar with the type of sustainable community development plan being recommended here and therefore made few comments directly related to this aspect.

However, a local NGO staff member stated:

“A regional strategic plan is required. Change is good but the concept must be clear to all.”
Another local NGO worker commented about post-closure sustainability:
“The gold might be gone but the gold remain[sic] inside us and, to achieve that, Newmont must prioritize and intensify education for the new generations in the communities surrounding the mine.”

5.4 Comprehensive and Integrated Communications

Many stakeholders commented that information from Newmont was inconsistently available and was not always spread widely enough among the communities. Although the Suara Batu Hijau company newspaper did reach certain people, many others said they did not receive it. Community Relations offices do not have standardized bulletin boards with up-to-date information. In addition, the Assessment Team did not see significant levels of communications coordination between the national, provincial, and local External Relations teams.

A regional journalist advised:
“More, targeted information from Newmont would make the community want to defend it.”

Communications were often not presented in an appropriate manner for conveying financial and technical information to the local community. This was particularly reflected in the high number of people saying that they did not understand what was in tailings, which caused them some concern about safety. A number of stakeholders also stated that they did not know what was in the concentrate Newmont shipped out and were therefore suspicious that it might contain hidden gold.

A village head said:
“Newmont holds information sessions once a year. These meetings should take place every six months and there must be evaluation so that the wishes of the people are correctly communicated and addressed.”

A fisherman in the fishing focus group commented:
“We have been invited to the mine. We have received information about the tsunami. We don’t understand about chemicals. We don’t accept NGOs in our community. The information from the company is always positive: there is no waste, the environment is good. Those things we do not understand. We have never seen tailings. We have enough trouble just making a living.”

A village leader said:
“Every time Newmont needs to communicate, community leaders and NGOs are invited. Information flows well except for about tailings. It is the most discussed issue by the fishers, all the way to Taliwang. People believe that tailings flow all the way there. When information is given about tailings, Newmont says they use a foam (as a reagent) but do not explain the composition of the foam.”

A local government representative made the following comments about Newmont’s communications:
“Newmont shares information on infrastructure/construction but employment information is unclear. We hear from the media about work vacancies. There is an ‘annual’ information meeting but it doesn’t happen every year. Newmont is not sufficiently transparent; only certain selected people obtain information.”
5.5 Company Sponsored YOP Foundation as a Social Delivery Mechanism

There were many complaints about lack of information about how the Yayasan Olat Perigi (YOP), the company-supported community foundation, is managed and how its program funds are allocated. Many complaints centered on the small size of the capital grants distributed by the Foundation, claiming that they were insufficient for starting viable businesses, others that only existing successful businesses were given funds, in addition to placatory grants given to people complaining about Newmont in order to pacify them.

On the whole, the range of complaints highlighted three sets of issues. First, the desire for a more highly structured, transparent and well-communicated method of distributing Foundation funds. There seems to be a gap of understanding as to the basis on which funds are allocated and how they are accounted for. Second, the issue of the sustainability of the grants, activity that they mean to stimulate and how this can be improved. Third, the desire of community people to be involved directly in the decision-making regarding Foundation programs. They want to be central to any long-term, development programs and have a sense of ownership in them.

A YOP representative commented that:
*In a quarter, we assist between 370 and 400 recipients and of these 15 to 20 are “fire-fighting” projects.*

**Comments made about YOP**

Village government representatives commented:
- YOP in Jereweh does not distribute funding correctly.
- The projects funded are not of primary need.

A community religious leader said:
*“Newmont trusts the foundation [YOP]. Whoever shouts loudest gets something.”*

A village leader complained:
*“Only YOP has programs. Two months ago I asked YOP to provide assistance data in my village so that we can monitor and ensure equity. No response.”*

A local contractor commented at length:
*“Newmont should audit YOP. YOP has been involved in corruption. YOP purchases goods in Mataram and charges double to Newmont. Senior staff have been “playing.” Cows purchased for Rp 800,000 were sold to Newmont at Rp5 million/head. Recipients defaulted on repaying inflated prices. YOP and its management need to be reformed. YOP gives Newmont a bad name. In 2005 an independent team audited YOP. Now the senior staff are afraid to “play.” Nonetheless it should be audited every 6 months.”*

5.6 Community Involvement in Monitoring and Evaluation

Participatory planning exercises, which are considered to part of best practices for program monitoring, evaluation and adjustment, as well as for the initial planning stage, seem to have declined over the past few years.

Declining participation by the community in the development process can lead to a divergence of interests...
between the company and the community, increasing the potential for conflict. Community members may not realize that there are possibilities for them to become more involved in planning and monitoring and they have therefore not asked specifically to be involved. Nonetheless, several external stakeholders expressed a preference for greater community involvement in program planning, monitoring and co-ordination.

A village head said that he would like training in village development planning.

A local government staffer commented:
“Newmont does not coordinate sufficiently with the kecamatan [sub-district government].”

Further, concerning environmental issues, they said:
- The meeting regarding the extension of the tailing permit was held in Mataram (the provincial capital, on another island). The village administration was not invited.
- The community would like to be invited but tailing matters are still not transparent.
- The community demands a social contract before the tailing permit is extended.

5.7 Use of Existing Community Institutions

There were many comments from stakeholders, both internal and external, that the Village Development Committees established by Newmont a few years ago were not functioning effectively. They had no organic role or purpose except for an annual process of providing input to both the government and Newmont when agreeing to the annual Newmont community development plan, signed as an agreement between the company, the government and certain representatives of the community. Both internal and external stakeholders recommended that it would be more productive for Newmont to work through the existing village committee system, in which there is a people’s representative body or BPD (Badan Perwakilan Rakyat) at even the lowest level of community organization and these committees then feed their input up to higher levels. If Newmont Community Development personnel could work at the grassroots level with the existing local committees, and then follow the planning process up through the levels of government, this would lead to an integrated tripartite community development planning process, far more likely to produce sustainable development outputs.

As explained by a local NGO representative:
“There is a KPD (Village Development Committee) composed of local community figures and they are all involved. The committee has 30 members: 3 per village in 10 villages. There are no women on the committee. There should be no need for this institution as the village already has a BPD. All KPD discussions in the end go to infrastructure because most of the members are business people. However, Newmont, with all its faults, is still better than the local government.”
5.8 Divestment

Under the current Contract of Work, the company is obligated to divest 51% of its shares to the government or its appointed national agent. The process of divestment has the potential to cause significant conflict at the national, provincial and local level. The shares are a highly sought after commodity and have for other companies been the subject of intense lobbying and bidding to acquire them. It is likely that the district government of Sumbawa Barat either alone or in combination with the neighboring district of Sumbawa Besar and province of NTB will acquire some or all of the available shares. There is also the possibility that a national business group might acquire the shares in partnership with the local governments or directly if allowed to do so by the government.

The potential exists that Newmont will no longer have operational control of the mine when it no longer controls the majority of shares. Under such a scenario, the operational standards including those relating to community relations and development could be changed or lowered putting the company at reputational risk. Public news accounts indicate that the site management team is actively managing these risks.
Overall the relationships between Newmont at the Batu Hijau mine and its community are positive. A broad range of stakeholders and stakeholder groups have stated that they are better off with the presence of the mine in their area. The company and its employees seem to genuinely value positive relations with the people and the communities in which they operate. The relationships and the manner by which programs are implemented can at times be formulaic and narrowly focused on keeping the mine operating rather than on the sustainable development of the community. This rigidity is not a major source of conflict. Tensions exist with certain groups in the communities, but seem to be within the normal range of what can be expected from a large development project in a remote area.

The security paradigm and manner by which it is implemented is one of the best currently operating in Indonesia with its strong emphasis on avoiding confrontation and addressing the roots of conflict.

The site team is very good at implementing infrastructure development projects such as the irrigation and clean water systems. Outsourced programs such as the malaria eradication program are very effective and have broad positive impacts, although their sustainability without company support is doubtful.

The company will continue to face challenges to its operations in Batu Hijau. With some of these challenges the company will have a high degree of control over its outcome.

Managing the expectations about employment will remain one of the key challenges for the company. Much of the conflict to the degree that it exists can be traced to employment issues and expectations.

Human resource development and capacity building for good governance are going to be vital for the continued success of the company. This will need to be accomplished within the company and supported among the company's external stakeholders. Especially important will be the development and maintenance of professional working relations with provincial, district and sub-district level government. Many of the government officials who have the greatest impact on the mine's operations are new to government. A gubernatorial election will take place this year with the governor being directly elected for the first time.

Moving from compliance to sustainability in community development is going to be one of the greatest challenges of the company. Moving in that direction will lessen the potential for conflict, which will increase as the project moves closer to mine closure.

The mandated divestment process creates uncertainty for the company. The most significant question is if Newmont will be able to maintain operational control after the divestment is completed in 2010. To the degree that it can it will be able to self determine its relationships with the community.

Legal uncertainty is also a random factor which could negatively impact relations with the larger community. There are a number of ways which the uncertainty could manifest itself to the detriment of the company. Specifically managing this risk is difficult but it is highly dependent upon maintaining good relations across the range of stakeholders including at the national level.
References


ii Asia Times Online, Bill Guerin, Indonesian government can’t bury mining conflicts, January 10, 2004


iv Ibid

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vii Watkins, Gaylord and Kardono, A. Supriyani, Indonesian Mining Law, July 2005

viii Watkins, Gaylord and Kardono, A. Supriyani, Indonesian Mining Law, July 2006

ix Selected Social Economic Indicators of Indonesia, Central Bureau of Statistics, March 2007
Site-Based Assessment of Ahafo Mine, Ghana
March 2009
This document reflects a qualitative risk assessment of social factors in the general area adjacent to the mining operation being evaluated. It reflects the views, opinions and experience of the individual assessors, based on the information available at the time of the assessment. As such, the assessment does not necessarily reflect the views or positions of Newmont Mining Corporation.

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1 Introduction

This assessment considers the state of mine-community relations at Newmont’s Ahafo Mine in Ghana. It was commissioned by Newmont’s shareholders in 2007 and is intended to serve as a case study to contribute to Newmont’s Global Report on Community Relations. The primary audience for the Global Report is the Environment and Social Responsibility (ESR) Committee of Newmont’s Board of Directors. The report will also be made available to the public. The principal aim of this assessment is to identify and describe some of the major characteristics of the evolving relationship between Ahafo Mine and the community in the mining area. The purpose is to reflect on developments to date, as well as gaps, challenges and future risks to the mine. By focusing on site-specific aspects of the mine-community relationship, this assessment seeks to contribute to Newmont’s ongoing efforts to improve relations with communities that are affected by its operations.

Synergy Global Consulting Ltd, a social and developmental consulting company with offices in United Kingdom and South Africa, developed this particular case study of the Ahafo Mine in Ghana. Paul Kapelus, a Senior Consultant at Synergy, led the study. His expertise lies in the area of corporate – community relationships and strategies with a focus on mining, oil, infrastructure development and finance. Graeme Rodgers, an Associate Consultant with Synergy, supported the research process. His interests and research expertise lie broadly in the social consequences of displacement, resettlement and the impacts of rapid social change.

The methods employed to undertake the study included a detailed review of available published and unpublished material, examining literature from the public domain as well as internal documents from the Ahafo Mine, Newmont Ghana Gold Limited (NGGL) and Newmont in general. The assessors also conducted a field visit to the Ahafo Mine site in October 2007. Interviews were conducted between 6 October 2007 and 12 October 2007 with a broad range of stakeholders, mostly in and around the Ahafo Mine site. These stakeholders included Newmont employees, representatives from affected local communities, government officials as well as representatives of international development and advocacy organisations. In total, the assessors conducted 45 interviews, which included the perspectives of at least 71 key informants.

1.1 The Role of National and International Civil Society Groups and Media Agencies

In addition to the various locally-based community stakeholders, a number of NGOs have also made an important contribution towards shaping community perceptions of the Ahafo Mine. These organisations have advocated actively on behalf of the local community, and have responded to various complaints and allegations of violations of rights, attributed to the Ahafo Mine. For example, at the time of the assessment concerns have been raised in the media regarding:

- A claim of excessive use of force by police and military personnel in responding to community protest action against the employment policies of the Ahafo Mine in 2005;
- Arrest of representatives of the Wassa Association of Communities Affected by Mining (WACAM) and Oxfam America in the Yamfo community on the 27th of November 2006;
- Accidental discharge of human waste matter from the mine’s treatment plant into the Asuopre Stream in Kenyase, a tributary of the Tano River in 2005;
- Accidental drowning of two local residents in the mine’s water storage facility in 2005; and
- An allegation of an increase in mosquitoes and malaria due to the mine’s damming of the Subri Stream.

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1 A more detailed discussion of the methodology is in Appendix 1D-1.
Appendix 1: Narrative Reports
1D: Ahafo Mine, Ghana
Introduction

Such complaints received a lot of public attention at the time, appeared in the press and were highlighted in media statements released by key NGOs, including WACAM and the Food First Information and Action Network (FIAN). In 2005 and 2007 FIAN issued statements suggesting that the Ahafo Mine was in violation of a range human rights, including the right to food and water, inadequate compensation, environmental destruction, and devastation of natural heritage. The mining industry in Ghana has also been accused of taking up large tracts of land, especially good agricultural land. WACAM claims this has negative impacts on livelihoods of communities that are relocated. Specific to the community near the Ahafo Mine, WACAM stated:

“Kenyase and its environs had been very important areas for food and cocoa production. The people in the Kenyase area were self-sufficient in food production before the mining operations took their lands and for some of the people to become beneficiaries of food aid to survive after the four years of losing their lands to Newmont depicts a story of a mourning community since rice is not the staple food for the area.”

Since the finalisation of the fieldwork for this review, WACAM has also released a statement about the impact of mining companies on food security, and specifically mentions the Ahafo Mine as undermining food security due to its use of the land for mining purposes. The media statement can be accessed at http://www.fian.org/news/resources/documents/others/mining-related-human-rights-violations-ghana/pdf.

Although many of the specific incidents that have been raised by NGOs have impacted on mine-community relations at certain times, many of them did not appear in the course of this assessment to strongly influence the mine-community relationship in an enduring manner. Information on the company’s responses to such allegations and its various programs related to these issues can be found on the company’s website.
Located along the Gulf of Guinea and bordering the countries of Cote d’Ivoire, Burkina Faso and Togo, Ghana is recognised as one of the more politically stable states in the West African region. But despite being richly endowed with natural resources, much of this potential remains undeveloped. Ghana’s economy is based strongly on subsistence agriculture, with much of the rural population depending directly on subsistence cultivation for their primary source of livelihood. For many rural families, externally-resident migrant remittances (including those payments from family members residing elsewhere in Ghana, as well as those who have migrated outside of Ghana) also make an important contribution to household incomes.

In 1957, Ghana was the first country in sub-Saharan Africa to achieve full independence from colonial rule. Although established as a parliamentary democracy at independence, Ghana was subjected to a series of military coups and alternating military and civilian governments over the decades following independence. Eventually, in 1992, the national constitution was restored and Ghana has enjoyed a period of political stability since then.

Although Ghana is better off than many other countries in the conflict-prone West African region, it still faces extensive development challenges. Ghana is characterised by high levels of poverty. In common with many other developing countries, public infrastructure and the institutions of governance are not well developed, especially outside of the main urban centres. In rural areas, where institutions of state are at their weakest, traditional chiefs take on an important if informal role in local governance, particularly in matters relating to land and some civil and family issues. This role is recognised formally by the national government, reflecting a strong and proud tradition of indigenous political office that has been in place since long before imposition of the colonial order.

Owned and operated by Newmont Ghana Gold Limited (NGGL), the Ahafo Mine is a recently developed greenfield site that began operating in July 2006. It is located in the Brong Ahafo Region, which is one of ten administrative regions in Ghana. Brong Ahafo is almost 40,000 square kilometres in area and home to approximately 1.8 million people2. The mine is located approximately 290 kilometres by road from the national capital of Accra and approximately one hour’s drive from the regional administrative centre of Sunyani. Ahafo is the first large-scale mine to be developed in the region. Prior to the development of the mine, the local economy centred principally on small-scale commercial farming and subsistence agricultural production. This remains the case even with the mine being in existence. During this assessment, NGGL was in the process of seeking to expand the company’s mining interests in Ghana to include a second phase of the Ahafo project as well as develop new mining operations at Akyem in the Eastern Region. The present assessment did not examine these additional sites directly but did consider their impacts on mine-community relations at the existing Ahafo operation.

The development of the Ahafo Mine has initiated rapid and unprecedented social and economic changes within the local community. This includes the development of new employment opportunities, increasing economic opportunities, changes to existing patterns of settlement and movement and new challenges to local community representatives and civil society organisations. The broad array of (positive and negative) experiences of such a profound change (and responses to such experiences) has collectively contributed towards shaping what is described in this assessment as an evolving “mine-community relationship.” It is important to bear in mind that the mine is new and the mine-community relationship is still in the process of being forged. Furthermore, local social institutions (including local government as well as civil society groups) are also still in the process of adjusting to the profound changes brought about by the presence of a large scale mining operation. This represents a considerable opportunity for the Ahafo Mine to establish and entrench its relationship with the local community in positive and productive ways.
In the course of conducting the assessment, it became clear that some stakeholder responses to mining at Ahafo were framed in terms of a broad historical perception of mining in Ghana as implicated in a colonial practice, extracting wealth from colonised countries and leaving an essentially negative social and environmental legacy for local communities. Whilst this perception of the history of mining in Ghana may be debated, it still resonated strongly with some of the more critical contemporary community-based responses to the development of the Ahafo Mine. From Newmont’s perspective, investing in Ghana signals an explicit intent to “move beyond” the colonial legacy of mining and to establish a more equitable and legitimate basis for interacting with local communities. As illustrated below, a number of mine initiatives signal an explicit intention to develop sustainable practices and equitable partnerships between the mine and the community. The development and maintenance of a productive mine-community relationship depends to a large extent on NGGL’s ability to realise this aim.
The main themes that comprise the current mine-community relations landscape at Ahafo Mine may be summarised in terms of the following issues:

1. A high local demand for employment on the mine;
2. Ongoing claims for compensation for mine-related impacts;
3. The Ahafo Mine’s role in promoting local social and economic development;
4. Identifying legitimate community representatives and institutions; and
5. The mine’s protection of the environment.

Each of these issues is discussed separately below.

3.1 A High Demand for Local Employment

During the construction phase of Ahafo Mine, NGGL employed up to 4,500 people. 47% of the total labour force over this period was drawn from local communities. NGGL employed approximately 1,199 people directly at the Ahafo Mine at the time of research. NGGL has endeavoured to ensure 100% of unskilled positions are filled with local people, in order to build local skilled capacity over time. Furthermore, at the time of research, contractors working for the mine also generated approximately 1,593 jobs. Many of these positions were also held by persons presented by local community leaders as “local” to the area.

All stakeholders, including the Ahafo Mine, highlighted access to employment as the most important local issue in shaping mine-community relations. Community expectations are high and mine employment opportunities are limited. Furthermore, as many positions at the mine demand specific technical and professional skills, the local community is currently largely limited to competing for unskilled labour opportunities emanating from the project. Consequently, there are acute levels of competition over access to the limited local opportunities generated by the Ahafo Mine. NGGL employees reported that, during the construction phase of Ahafo Mine, approximately 13,000 applicants competed for 700 low skilled or unskilled jobs. Some of those employed on a temporary basis during construction acquired skills that enabled them to secure more permanent positions, either directly with NGGL or with one its operations contractors. However, a significant number did not, leading to enhanced senses of frustration.

Organisations representing specific stakeholder interests, such as youth interests for example, expressed particular concern over limitations in both the number of employment opportunities, as well as the quality of those employment opportunities (for example, the degree of job security, prospects for skills development, etc.). Stakeholders also expressed concern over the procedures for determining employment selection, which appears to be a significant potential issue that is discussed in more detail below.

As the mine has developed, Ahafo has come under strong pressure to ensure that limited opportunities for unskilled labour on the mine (and indirectly through mine contractors) are made available exclusively to “locals.” This is based on the principle that those who endure and accommodate the most immediate disruptive impacts of mining operations should receive preferential access the local social and economic opportunities that derive from mining. Importantly, this principle of identifying potential workers on the basis of their being recognised as “local” appears to enjoy widespread legitimacy and support at the community level. However, as one might imagine, the criteria for separating “locals” from “non-locals” are not obvious and have had to be worked out through a negotiated process over time. Given the levels of competition for local work opportunities, it is
unsurprising that this has drawn significant interest from a broad range of stakeholders that have contributed
towards shaping it. Whilst the Ahafo Mine does not have a strong stake in the precise basis upon which people are
validated as “local,” it recognises that it has a crucial interest in ensuring that this process enjoys a high degree of
transparency and legitimacy at the local level.

Initially, the local validation process relied strongly on individual endorsement of applicants by the local
chiefs. This proved to be somewhat controversial within the local community, with some stakeholders claiming
that chiefs used their influence on the mine employment process to promote those individuals that they
favoured, rather than people who were “real” locals. In response to these claims, the Ahafo Mine supported
the development of a more broad-based community validation process that incorporated community input
beyond the chiefs. This led to a more elaborate procedure, whereby a prospective applicant would have to get
a standardised application form endorsed by the local chief, a youth leader and a District Assembly member
(elected local government representative). The endorsed document was then handed over to the External Affairs
Department of NGGL for applicants to be confirmed (by verifying signatures against specimens). The mine
would then select successful applicants randomly, as and when positions became available. Despite containing
some checks against earlier concerns over potential abuse and manipulation, this procedure for local validation
and employment selection was still subject to community suspicion and allegations of corruption. Stakeholders
had questions about the status of some successful applicants who were endorsed as “locals” and over what they
perceived as a correlation between individuals with local influence and the randomness of their being selected.

At the time of the assessment, in an attempt to enhance the legitimacy of the local validation process, the Ahafo
Mine has promoted an even more elaborate process that was developed in conjunction with relevant stakeholders.
A new system of local validation, called the NGGL Local Workers inventory, was being explored and developed
at the time of research, which involved getting an application form signed by the local chief, youth leader and
Assembly member, with each providing a separate endorsement of the applicant’s claim of being a “local”\(^3\).
The document is then deposited into a locked transparent box that is kept in a secure place. The box is locked
with three locks. The local chief, a mine representative and a youth representative will hold the key for each
lock separately. When a position (or positions) becomes available, an open community meeting will be called
around the box and each key holder will open each lock in turn and in public. A person will then be selected
randomly from a public audience (the exact method for this selection process is unclear) and asked to draw out
four application forms from the box. These four applicants will then be asked to step forward in full public view.
A representative from the mine or contracting company then chooses one of the four for the position based
on an interview, on the basis of their specific job requirements. The remaining three forms are returned to the
transparent box for reconsideration when other positions become available. The highly structured nature of the
employment validation process reveals just how sensitive this issue is in the local context.

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\(^3\) The exact basis of their individual determination process is unclear. One prominent stakeholder admitted that people were designated as “local” more on the basis of agreement over good standing
within the community than rigid objective criteria, such as residential presence, place of birth or ethnic identity. Recently, however, the mine has reported that stakeholders involved in the local valida-
tion process have reached a more precise agreement over the exact definition of a “local” and that this has been encoded in a formal agreement.
The tensions that exist over employment has not only created acute competition but also anger over the changes in ownership of the mine with claims that there was no recognition for previous service. These tensions have occasionally developed into conflict. In 2006, for example, a group of protesters sought to prevent buses from transporting workers to the site. According to Ahafo Management, the protestors were claiming that they should have also been employed. The protest became violent, leading to one person being shot by the police. Whilst this incident did not have anything directly to do with the employment validation process discussed above, it illustrates how high the stakes are around the limited local employment opportunities offered by the mine and how potentially explosive the politics may become.

Local concerns over employment are not limited to competition over access to unskilled jobs, which is being partially managed by the local validation process. Some stakeholders also expressed frustration over the realisation that many locals have little chance of securing more lucrative and permanent skilled positions. This has led to calls, particularly from representatives of youth organisations, for Ahafo Mine to promote local skills development. On this issue, one of the chiefs noted:

“We don't only want unskilled jobs. We want the jobs with skills.”

Making the same broad point, a youth representative observed:

“If we can only access unskilled jobs then Newmont must not be surprised when we become galamsey [illegal] artisanal miners.”

3.2 Compensation for Mine-Related Impacts

The construction of Ahafo Mine over the last few years has had an inevitable series of impacts on the lives and livelihoods of people living in the area. In recognition of this, NGGL has developed a range of policies and procedures to compensate people for losses suffered as a result of mining. The major need for compensation arose in the light of the substantial land access and resettlement that was required in order to make way for the development of the mine site. This has led to an ongoing programme of compensations as part of a systematic land access / resettlement process. Beyond resettlement, members of the local community are also compensated on a more ad hoc basis, usually for specific and accidental damage caused by mining operations, for example damage to crops. Whilst many such claims for compensation are resolved easily, some have developed into protracted disputes that may impact negatively on mine-community relations.

Many of the major direct social impacts of mining development arose from the resettlement, relocation and compensation of 1701 households (approximately 10,000 people). People were relocated from the land acquired by the Ahafo Mine from two primary traditional areas, Ntotroso and Kenyase 2, both of which are in the vicinity of the mine. In consultation with the affected community, NGGL ensured that people who were resettled remained within their traditional ‘stool land’ area. However, resettlement still resulted in people moving from scattered and relatively spread-out hamlets into fairly concentrated township-type developments, leading to profound changes in patterns of everyday life. Despite being resettled recently, there were positive signs to suggest that the resettlement sites were developing into vibrant new communities, as indicated in Figure 1.

*See Ahafo Mine's Resettlement Action Plan for a definition of these terms and a full discussion of resettlement (http://www.newmont.com/en/operations/ghana/ahafo/docs/resettleplan.asp). Currently, approximately 1,701 households have been affected in total, of which 399 were resettled directly.*
Resettlement is recognised widely as a highly complex process that is subject to a broad range of social and economic risks over a long period of time. Even in situations where resettlement is financed sufficiently and planned and implemented according to the highest globally accepted standards, the process usually unfolds in ways that cannot be predicted at the start. Whilst certain unplanned and unanticipated aspects of resettlement are not unusual in relatively large projects like the Ahafo Mine, they may contribute to resettlement being experienced as even more disruptive and traumatic, thereby destabilising productive mine-community relations. At the Ahafo Mine, some of the processes that impacted the resettlement experience and shaped mine-community relations have included the following:

1. **A “fast-tracked” resettlement schedule:** In common with many other large-scale development projects, resettlement at Ahafo also ended up being fast-tracked in order to keep up with other aspects of project development. This led to a situation whereby some people were relocated before the completion of their replacement homes. Others were resettled before they were able to secure sustainable access to alternative agricultural land.

2. **The involvement of the International Finance Corporation (IFC):** The IFC became involved in the Ahafo Mine from 2005 onwards. This brought in a specific interest and experience of resettlement, which the Ahafo Mine was able to incorporate into the refinements of a resettlement process that was already underway.
3. **Shifting from compensation to development:** Early resettlement planning documents suggest a strong emphasis on working out a fair and comprehensive model for compensation together with the Livelihood Enhancement and Empowerment Programme (LEEP). This is an appropriate starting point. However, as the resettlement process unfolded, it led towards additional development-focused initiatives that looked at livelihood restoration and enhancement beyond the direct replacement of property for those who had been resettled. These initiatives ranged from projects that promote local entrepreneurship to programmes that address poverty and specific forms of socio-economic vulnerability. Local residents generally welcomed the inclusion of these programmes. However, the appearance of such programmes raises new issues that have needed to be addressed, such as questions over criteria for eligibility.

4. **Dissatisfaction over compensation arrangements:** Some stakeholders expressed dissatisfaction over the form and terms of the compensation they received for loss or damage to property in the course of being resettled. The most common complaint in this regard related to the Mine's decision not to compensate people for land that was lying fallow at the time of resettlement. Whilst this was in accordance with national practice and the current interpretation of the law relating to such compensation, it proved extremely unpopular and appears to be a source of ongoing dissatisfaction within the community. At the time of the assessment NGGL was exploring ways of resolving the issue through implementation of the new Minerals and Mining Law of 2006. At the time of the assessment, measures to implement this aspect of the new law were still being debated at the national level.

5. **The loss of compensation payments:** Some stakeholders expressed dissatisfaction over the fact that in the process of turning land-based assets into cash, they effectively lost access to the compensation that they received for their property. This occurred directly, in some cases, for example where compensation payments were delivered to people through accounts in a local bank that collapsed. This led to substantial losses for affected individuals and families. In other cases, stakeholders suggest that in the course of receiving compensation in cash for immovable assets, certain more vulnerable members of the household experienced a loss of access to entitlement. For example, a young woman from the Ola resettlement area described how the resettlement process had enhanced her family’s dependence on her husband’s wage-earning potential. Like many other families affected by resettlement (see Resettlement Action Plan) her family had generated their livelihood mainly through small-scale farming prior to being resettled. With the development of the Ahafo Mine, the woman’s husband secured employment over a fixed period (possibly during construction, but this was not clear). Since the termination of his contract, he had not managed to regain employment. However, movement into the resettlement village had increased the family’s use of cash-based services. Without direct access to productive land and with the loss of the husband’s employment, the family had applied to be recognised as “vulnerable”, but apparently without success. They were also participating actively in one of the mine-sponsored programmes to restore access to land for resettled households. At the time of the interview, the programme was still in the early stages of development and had not yet yielded benefits for participants in the programme. Despite receiving compensation (as well as limited access to highly sought after employment opportunities, in this case) this example shows how the socio-economic changes brought about by resettlement had a differentiated impact on the roles and expectations.

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5 NGGL indicates that the use of the local bank was part of their effort to support local business. They indicate they made good on the losses experienced by the Project Affected Peoples.
of household members. In this case, these changes appear to have constrained the economic autonomy of the young woman and enhanced her dependency on her husband. The frustrations associated with these changes were exacerbated by her husband's ongoing struggle to secure employment after resettlement. In another case, an older woman living in a nearby resettlement area described how her husband's loss of important documents related to resettlement benefits had cost the family access to new land resources. Although the researchers were unable to independently verify the facts of these claims, the woman's narrative points to a clear frustration over her perceived losses associated with the resettlement experience, which were experienced outside of the formal compensation framework. Whilst these examples and scenarios cited here might not be the result of any improper action on the part of the mine, these situations may lead to frustrations that contribute significantly towards undermining positive mine-community relations.

6. **Impacts of not being resettled:** In accordance with current best-practice resettlement standards, NGGL sought to limit the number of people who were displaced. However, two communities that have ended up remaining relatively close to mine operations have expressed dissatisfaction over the ongoing impact of the mine on their everyday lives. The first refers to a village nearby the mine site that has had access roads and paths restricted by the construction of the mine's water storage facility. In recognition of this disruption, the mine has arranged a complimentary bus service between the village and major centres. However, some stakeholders claimed that this was insufficient and unsustainable. Residents of another neighbourhood situated relatively close to the open pit have claimed that blasting in the pit is causing people's houses to crack. Following independent technical investigations, the mine has largely rejected much of the basis of this claim, leading to an ongoing dispute and high levels of dissatisfaction amongst some individuals. In this case, some affected stakeholders suggested that the only permanent solution to their plight was to be resettled.

The points outlined above highlight how the dynamics of resettlement have impacted on mine-community relations, particularly with regard to local perceptions of the scope of the mine's responsibility to compensate the local community. This is not intended to be a comment on the resettlement process per se, which is beyond the scope of the present assessment. Considered in isolation, the issues raised in each point can be managed fairly directly. However, when considered together, in the context of large-scale resettlement, they collectively contribute towards defining a mine-community landscape as characterised by significant levels of community uncertainty, disruption and mistrust.

3.3 Ahafo Mine's Role in Stimulating Local Social and Economic Development

The Ahafo Mine's positive relationship with its external stakeholders derives in part from the mine's ability to promote local and economic development, beyond direct mining operations. The assessment team identified the following themes related to broader community development, which impact significantly on mine-community relations:

- Access to supply contracts and the possibilities of local entrepreneurship;
- Questions over NGGL's responsibility for social infrastructure; and
- The role of the Ahafo Mine in stimulating civil society and local politics.
Local expectations over the potential economic spin-offs from mining are very high and simply cannot be met directly by the Mine. Such high expectation persists alongside limited local capacity (at present) to service the needs of the mine to the standard required by Newmont. Ahafo Mine has responded to this tension in part by developing the Ahafo Linkages Programme, in partnership with the IFC. In essence, this programme actively supports the development of micro, small and medium enterprises in the area around Ahafo Mine. Over three years, the programme aims to: develop potential suppliers and local providers of goods and services to the mine; promote competitiveness and diversification in the local economy, and; develop local business associations and institutions that can help ensure the long-term sustainability of a local economy that is being transformed by mining.

Whilst it is still too early to assess the effectiveness of the Ahafo Linkages Programme in terms of its stated aims, the implementation of this programme will certainly impact on mine community relations. First, the generation of new economic and developmental opportunities raises the inevitable question of entitlement. Like the issue of employment, discussed above, mine contracts and other benefits are framed strongly within the community as local entitlements to be protected from outsiders. Local stakeholders expressed resentment of outsiders coming in and taking over these opportunities. For example, in October 2006, the local community protested against a gardening/landscape contractor from Accra being hired. The protest led to the contract being cancelled and local registered companies were invited to tender for the contract. The contract was subsequently awarded to a company owned by a group of chiefs. NGGL indicates that local registered companies of the area were invited to tender, that included companies owned by Chiefs, on the basis that the workers to do the work would all be locals and local companies would get the opportunity rather than a company that had originated or had a base in Accra.

In the course of the development of the Ahafo Mine, some local entrepreneurs invested speculatively in certain initiatives that they anticipated would meet new opportunities from mining demand. These included the construction of guest houses in the local community and poultry rearing. Some individuals who made such investments expressed disappointment at their inability to access the mine market and some expressed resentment towards what they perceived as unfair policies or unrealistically high standards of service expected by the mine. Such speculative and risky local ventures are likely to continue outside of the framework of the Linkages Programme and may continue to impact negatively on mine-community relations, if investors continue to be disappointed. This issue may be addressed, at least partly, through the Ahafo Linkages Programme.

A number of stakeholders raised the issue of the extent to which local chiefs that own companies should be privileged in accessing mine contracts. During meetings and discussions, some chiefs supported the idea that the mine should consider their positions in society, in the awarding of local service and supply contracts. Some objected to what they regarded as Ahafo Mine's efforts to grant contracts on the basis of fairness, competence and transparency. They felt that competing with their "subjects" undermined local cultural relations contributed towards eroding the authority of the chiefs. As one chief noted:

"We don't want people to treat us like employees."

Another added:

"[We need] some little royalties. They [Newmont] should look after us."

From a community relations perspective, this is a very difficult issue and requires balancing respect for the traditional power structures within the community and the maintenance of equality of opportunity.
Beyond promoting local economic opportunities, and in common with mining operations in many developing contexts, there appears to be significant community expectations that NGGL will take responsibility for the development and maintenance of social infrastructure, such as water supply, sanitation, schools and clinics. Indeed, in many meetings with community residents and representatives, stakeholders provided the assessment team with a list of such projects that they would like to see implemented by the mine. Whilst mine management recognises the pitfalls of assuming the functions of a local authority in the area, the mine is also under pressure to supplement an inadequate infrastructural base in the short term, in order to sustain its operations and promote community interests.

Local government officials responsible for maintaining social services reported a sense of being marginalised from mine-related activities. Some pointed to the close relationship that the mine has established with local chiefs as part of the reason for this. Furthermore they found it increasingly difficult to keep up with increasing demands for services by local constituents, which is partly fuelled by the rapid development of the mine. An employee of Ahafo Mine summed up the relationship between Ahafo Mine and the local government as a “relationship of expectation” – with the mine expecting the government to fulfil the normal functions expected of a local government, whilst the local government expected the mine to help meet an obvious shortfall in its current capacity.

To date, the Ahafo Mine has not taken a prominent role in providing social services to the local community. The mine has committed to supporting local government and traditional authority in their respective duties to provide such services. To provide such support, NGGL has invested strongly in the Social Responsibility Forum, which is a broad-based forum for managing and investing community benefits from mining. At the time of research, the Forum was working towards establishing a Social Responsibility Agreement, which aims to underpin a legitimate and effective mechanism for responsible and sustainable investment in social infrastructure. As the agreement has not been finalised yet, it is not possible to determine the effectiveness of this initiative. However, all stakeholders involved with the process report that this was a highly promising mechanism for institutionalising sustainable forms of local development, contributing towards alleviating the pressures on local government and improving mine-community relations.

Even though the Social Responsibility Agreement was still in development at the time of the assessment, a broad range of stakeholders expressed confidence in its potential value as a mechanism for managing healthy mine-community relations. By channelling community concerns and frustrations through initiatives such as the Social Responsibility Forum and the Community Consultative Committee, Ahafo Mine is expecting to reduce the incidence of conflict and the potential for community frustrations to find expressions in unproductive ways. The success of this will depend on the ability of the Forum and the Committee to operate independently, transparently, inclusively and with a broad community mandate.

3.4 Identifying Legitimate Community Representatives and Institutions

As outlined above, the development of Ahafo Mine has occurred alongside ongoing interactions and negotiations between the mine and the local community. The establishment of specific patterns of interactions that have evolved over time impact on mine-community relations in the following areas:

- Increasing tension between the youth and traditional authorities;
- Marginalisation of local government; and
- Promoting the establishment of new legitimate community structures.
As noted in the preceding section, from the early stages of development, the Ahafo Mine positioned local chiefs as the most important intermediaries between the mine and the community, although attention was given to regional government and local government via the District Assembly. Given that chiefs take on an important role as “custodians of the land” in Ghana, this was arguably a reasonable and appropriate starting point. However, such a close working relationship that evolved between the mine and the chiefs has also prompted new tensions and debates that have impacted on mine-community relations. Some stakeholders claimed that privileging of the local chiefs (and those that fall under the chiefs’ patronage) amounted to chiefs being “bought off” by the mine in return for their approval of various aspects of mine operations. There were also suggestions that the land resources transferred to the mine, through the authority of the chiefs did not have a broader community benefit. Other stakeholders were more accepting of this as a culturally appropriate model for mine-community relations.

With the development of mining at Ahafo, the local social category of “youth” appears to be increasingly significant with regard to community relations. Youth organisations expressed the view that whilst they had a significant interest in the mine, the chiefs did not always represent their interests. Over the course of advancing the specific youth agenda, youth representatives acknowledged a growing tension between themselves and the chiefs. Some blamed the mine for pursuing a “divide and rule” approach and exploiting differences between the two interest groups. Whilst tension between the youth and the chiefs extends beyond the realm of the mine, reflecting broader aspects of social change in Ghana, the resources represented by the mine offer an additional incentive for these local politics to be played out.

Whilst the traditional authorities and the youth organisations interacted regularly with NGGL employees, representatives of local government expressed a strong sense of marginalisation from the Ahafo Mine. Some expressed a sense of not really knowing what was going on at the mine. For example, with reference to the pressure that the emergence of the Ahafo Mine has had on the local government’s ability to manage waste, one representative commented:

“I see no cordial relationship between the District Assembly and Newmont. I have never sat down together with Newmont.”

Whilst this may be a deliberate overstatement, in order to make a point, other representatives of local government expressed a similar sentiment of being ignored or marginalised by Ahafo Mine. They also reflected frustration more directly over the fact that mine-related activities were leading to increased pressure being put onto their existing capacity without any concrete support or enhancement of such capacity.

Once again, perhaps the most promising mechanism for addressing the concerns over conflict and marginalisation pertains to the Social Responsibility Forum. As mentioned above, the agreement at the basis of this forum was not yet finalised and will be the outcome of an extensive process of consultation between Ahafo Mine and affected communities at all levels of Ghanaian society. It promises to represent an important guiding document and institutional arrangement for managing community dynamics and working towards balancing the interests of various stakeholders. However one should bear in mind that these are still “early days.”
3.5 Ahafo Mine’s Protection of the Environment

As a new mine that has been developed from the outset according to current standards of environmental protection, the Ahafo Mine claims a strong record of environmental responsibility despite some relatively minor environmental incidents, which have been addressed promptly. Unlike other more established mining areas in Ghana, Ahafo has not directly inherited a track record of poor environmental management. However, despite the Ahafo Mine’s positive record so far, a strong public perception of a long history of environmentally irresponsible mining practices in Ghana* has fostered community fears over pollution.

Local fears over the environmental risks of mining have sometimes found expression through rumour. For example, some residents expressed the view that the dust thrown into the air as a result of blasting would render rainwater undrinkable. Others suggested that the mine may have “cut corners” in order to reduce costs and placed the community at greater risk by, for example, only partially lining the tailings dam. Whilst these fears may make no sense from a technical perspective, community-based fears over environmental risk may contribute towards defining mine-community relations on the basis of mistrust, misunderstanding and mutual suspicion. The Ahafo Mine’s ongoing efforts to promote awareness and education around environmental issues are intended to address these concerns.

* Reflected periodically in the Ghanaian press, for example.
4 Current Strengths

Following the highly summarised descriptive account of the major issues which were identified as shaping the community relation landscape at Ahafo, this section draws out the current strengths in Ahafo Mine’s approach to managing these issues. These are summarised as follows:

- A strong and ongoing recognition, from the start of construction, of the importance of promoting a positive relationship between the Ahafo Mine and the local community. Such a conscious and proactive approach has contributed significantly towards establishing a solid base for good community relations over the life of the mine.
- An encouraging and demonstrable record of investing in positive community relations on the basis of core values of fairness, transparency and participation.
- A strong and informed recognition of the complexity of social issues and the necessity for ongoing management of these issues. This is evident, for example, in NGGL’s substantial commitment to establishing and participating in the Social Responsibility Forum and ongoing efforts to ensure that resettlement is successful in the longer term.
- A commitment to broader community development, beyond the direct impact of mining operations.

These overall strengths are enabled by a number of factors. First, these include the absence of a direct negative historical record of Newmont operations in Ghana and of large-scale mining in general in the Brong-Ahafo Region. This has allowed Newmont to begin operation with a relatively “clean slate” and establish community relations in a positive manner. However, the Ahafo Mine is unable to escape a rather more negative general historical legacy of mining in Ghana, suggesting that the mine may still need to convince some of the more critical interest groups of its value as a community asset.

Second, and perhaps most importantly, Ahafo Mine has demonstrated a strong commitment to community relations through a highly motivated and effective External Affairs Department. The success of this department was evident in extensive positive feedback from stakeholders on this department’s performance. There was widespread agreement amongst people consulted that members of the department responded to community issues in a manner that was prompt, professional and courteous. This experience was evident, even in situations where community members may have been frustrated over the outcome of Newmont’s response to their concerns. The effective functioning of the External Affairs Department constitutes a major strength in promoting positive community relations at Ahafo Mine and reducing the social risks outlined above.

Related to the above, Ahafo Mine has also exhibited considerable flexibility in its approach to managing community relations. Such flexibility involves incorporating important lessons learned from past practice and enabling practices and systems to change and adapt in response to new insights and a changing environment.

By investing in community development projects that extend beyond the narrow impacts of its mining operations, Ahafo Mine is positioning itself as an active contributor towards building and strengthening social and developmental institutions at all levels. Initiatives like the Social Responsibility Forum, the various “Flagship Projects” of the mine and the Ahafo Linkages Programme stand out as impressive examples of such investment. Although in many cases the mine has initiated these programmes, it has also taken care to ensure that other local interest groups are also invested in them.

7 See a description of these projects at http://newmontghana.com/index.php?option=com_content&task=view&id=15&Itemid=32
5 Gaps, Issues and Future Risks

Ongoing gaps, issues and future risks to community relations at Ahafo Mine relate mainly to the following three areas:

- Managing the high demand for local employment and expectations of community benefit;
- Ensuring that resettlement is successful in the longer term; and
- Managing potential resistance to mining in Ghana.

The assessment above suggests that the mine is aware of all three risk-areas and is currently engaged in a range of initiatives to reduce their potential impact on mine-community relations. This section summarises the current situation.

Perhaps the single greatest community-relations challenge lies in managing a desperately high demand for local employment. This challenge is likely to persist over the life of Ahafo Mine, requiring constant attention. Despite the best efforts of the mine and associated community initiatives, such as the Social Responsibility Forum, it is generally accepted that Ahafo Mine will not be able to meet the high demand for local employment directly in the foreseeable future. The failure to manage this ongoing demand would promote resentment towards Ahafo Mine and increase the potential for conflict to develop within the community. Indeed, frustration over local employment can be traced to the core of many of the mine-community relations issues mentioned above. It is therefore crucial that procedures for securing local labour consistently enjoy strong legitimacy at the local level. Existing practices suggest that the mine is already acutely aware of this and has already developed proactive and innovative strategies for confronting the challenge.

The local employment validation procedure (discussed above) has evolved over time and is the product of intensive mine-community interactions. This highly participatory process is recognised by mine employees as beyond the direct control of the mine and reflective of broader community values and “ownership” over the process. This approach has certainly contributed positively towards ensuring community investment in the management of a very difficult and delicate issue. However, the unqualified endorsement by the mine of a resultant employment eligibility process that privileges access to opportunities by “locals” (however the concept may be defined) may enhance certain risks to mine-community relations. Because the validation of people as “local” is inevitably an imprecise and unwieldy basis for selection, it will always be open to manipulation, reinterpretation and controversy. This may promote unhappiness and conflict in certain instances, particularly amongst stakeholders who feel that their definition of “local” is not taken into account. It must be noted, however, that this is not the case at present, and points to a potential future risk. Furthermore, acts of excluding employment applicants for unskilled jobs simply on the grounds of being “non-locals” may run contrary to Newmont's commitment to fairness and to avoiding practices of unfair discrimination. For example, one could argue, from a human rights perspective, that all Ghanaian nationals (as well certain categories of non-nationals in the country) are entitled to apply for employment opportunities on an equitable basis. Once again, this is a complex issue where the legitimate protection of the interests of those most affected by mining operations needs to be balanced against the rights and entitlements of others.

In highlighting the risks associated with Ahafo Mine's privileging of “local” access to employment opportunities, this assessment is not suggesting rapid change to current practice. Despite its limitations, the local validation process is a functional mechanism that currently enjoys considerable local legitimacy. It is also the outcome of a significant collective effort to address a very difficult issue, which should not be simply discarded. Unilateral attempts by the mine to simply “undo” or reverse what has been achieved to date may even create more community relations problems than it would solve.
A second important risk-area relates to resettlement. As noted above, Newmont has invested considerably in planning and implementing resettlement to a level that aspires to meeting the highest international standards, and even surpassing these in some areas. However, a relatively successful resettlement process in the short term (in socio-economic terms) does not guarantee that the experience of resettlement will not impact negatively on future mine community relations. It is important to bear in mind that the social, economic and cultural impact of resettlement extends far beyond the physical relocation and reconstruction process. Social reconstruction after resettlement occurs over many years, perhaps even generations. In the case of Ahafo Mine, community-based expressions of dissatisfaction with resettlement-related compensation and benefits suggest an ongoing risk to future mine-community relations. At present, this risk appears to be relatively low and the Ahafo Mine appears to be managing this risk by responding promptly and systematically in terms of formal obligations and agreed frameworks. However, meeting these obligations does not always meet the expectation of the community, leading to residual expressions of dissatisfaction with the mine. In response, the mine has often chosen not to re-negotiate the terms of compensation but rather to address such dissatisfaction through new development initiatives. By separating these new initiatives out from issues of compensation, the mine is able to address community concerns without promoting a “culture of compensation” and without providing an incentive for people to express dissatisfaction with the terms of their compensation (with the hope that they may get a better deal). The success of this approach will depend on the ability of broader development initiatives to satisfy the demands of those who feel that they were not compensated adequately.

A third important area of risk to community relations at the Ahafo Mine relates to the question of resistance to mining in general. In common with many other parts of the world, particularly the developing world, advocacy organisations and civil society groups are questioning the extent to which large-scale mining undertaken by private corporations leads to sustainable long term benefits for host societies. In some instances, these appear through campaigns organised on a national or even international level. In other instances, resistance develops out of local frustrations related to specific issues. Ghana is no different and the respective costs and benefits of mining are debated in various contexts, such as the national press. These debates and the organisations that participate in them contribute positively towards creating an open society based on freedom of expression and opinion. They also serve a “community watchdog” function by helping to ensure that mining companies like Newmont are held to the highest standards of social and environmental responsibility. The expression of these debates should be interpreted as a sign of a healthy and vibrant social environment. However, resistance to mining can also escalate to a point that may undermine positive and productive mine-community relations, sometimes to the point that it may compromise the mine’s ability to operate effectively. Fortunately, there have been few such instances for the Ahafo Mine to date.

At present, the potential threat of community resistance to the Ahafo Mine appears to be less ideologically driven and more related to site-specific issues, such as employment, the impact of blasting and ongoing fears over environmental contamination. These issues are already being addressed in a number of ways, such as through the Social Responsibility Forum and the various other points of structured contact between the mine and the community. Managing the risk that resistance poses to good community relations at the local level, involves working towards an ideal where there is widespread and accurate understanding of mine activities as well as strong accountability on the part of all interest groups. As noted above, the Social Responsibility Forum shows promising potential as a powerful vehicle for realising this ideal and reducing the potential for resistance to impact negatively on the community relations landscape.
Final Observations and Conclusions

In reviewing Ahafo Mine’s efforts to develop and improve mine-community relations, this assessment has highlighted four broad challenges for improving mine-community relations:

- Ensuring that employment eligibility procedures are fair and legitimate;
- Addressing claims of compensation adequately;
- Ensuring the legitimacy of community representative forums; and
- Limiting the potential for resistance to mining.

In addressing the areas highlighted above, the Ahafo Mine should be especially careful to ensure that mine-community activities remain in line with the range of values that guide Newmont operations and practices. This is not always as clear and straightforward as it seems, especially where processes that may be initiated and endorsed by the Mine are explicitly and intentionally “community led” and therefore productive in ways that are beyond the direct control of the mine. Most significantly in this regard, there exists inherent tensions within the local validation process that may reflect certain inconsistencies with the values of equality, non-discrimination and fairness. Expressions of dissatisfaction over compensation also need to be addressed in a sustainable and creative manner, beyond the precise terms of compensation. Resettlement is a complex experience and sense of disruption and violation extends beyond the replacement of physical property. Similarly, in the light of the dynamic social changes in Ghanaian society, the mine should constantly question whether the Social Responsibility Forum is truly reflective of a sufficiently broad range of community interest groups. Even though there may be broad acceptance of the current status quo (with regard to employment eligibility and the composition of the Social Responsibility Forum, for example) the Ahafo Mine could contribute more proactively towards strengthening these mechanisms in line with the values that guide the mine and Newmont in general.

In conclusion, despite some very difficult and complex interactions with the community, some of which are described in Section 1.1, the Ahafo Mine has established positive community relations over the period of mine construction and the initial operational period. This is particularly evident in the proactive and leading role taken by the mine in promoting the Social Responsibility Forum, the Ahafo Linkages Programme and various other mine-community initiatives. It is particularly encouraging to note the Mine’s willingness and ability to incorporate lessons learned into its practice and to strive to improve its approach to managing healthy community relations. In going forward it is important that internal management systems are robust to enable the mine to manage the issues effectively. This will require ongoing investment into the continuous improvement of the management systems through review and development. This is largely the result of a vibrant, informed and engaged External Affairs Department. In an effort to move beyond the more negative aspects of Ghana’s mining history and the colonial legacy in general, the Ahafo Mine should continue to pursue an approach to community relations that enjoy a strong sense of legitimacy within the local community, as well as a willingness to recognise and respond to the profound social and economic changes brought about by mining. The Mine is in the very early stages of a long relationship with the community. The relations will have to mature and settle down in order for the Mine and the community to gain most from each other’s presence. But it is likely, as with most mining operations, conflicts will emerge in the years to come. The community and the Mine need to ensure that they can resolve these conflicts without them becoming violent. The role of the Ghana security agencies/police in this regard is critical and it will be important for Newmont to engage them to ensure that they understand the implications of the use of force on Mine – community relations. The Ahafo Mine as well as other state and non state actors will need to account, in the future, for the social impacts and how they are managed. This commitment to future accountability is a key component of forging positive relationships between the Ahafo Mine and the community.
Appendix 1D-1  Methodology

The Ahafo Mine assessment was undertaken through the evaluation of existing published and unpublished material related to the Ahafo Mine and the analysis of interview material generated on a site visit. The existing literature that we considered included:

- Newmont corporate policies;
- NGGL site policies and management principles;
- NGGL internal reports;
- Independent assessments of NGGL activities;
- Reports of independent organisations on Newmont activities in Ghana; and
- Press reports.

Most of the literature considered was made available to the assessors by Newmont and the company provided access to any additional documentation requested. The assessors were granted access to an internet site where all reports were collated. The assessors accessed further documentation through internet searches and other reports obtained in the public domain.

Shortly before starting the project, the assessors were advised to arrange site-based interviews independently of Newmont and the mine site. In order to facilitate this sudden requirement, the assessors enlisted the assistance of Mr. Andrew Adonkor, an independent Ghanaian consultant based in Accra. Working closely with Mr. Adonkor, the assessment team initially identified broad stakeholder categories at local, national and international level that may have an interest in mine-community relations.

In order to ensure that the assessors considered all major stakeholders Mr. Adonkor enlisted further special assistance from two important stakeholders, namely the Executive Director of Guards of the Earth and the Vulnerable (a local NGO) and the moderator of the Social Responsibility Forum. These strategically placed individuals helped to cover any gaps in identifying stakeholders and also assisted in setting up some interviews. However, their involvement obviously enhanced the risk of biasing the sample towards the respective spheres of influence of these individuals. Members of the assessment teams judged that this risk did not pose a major threat to the assessment.

Once the team had identified the most important stakeholder categories, Mr Adonkor set up interviews with selected representatives in advance of the assessment. The selection of particular stakeholders from a wider pool was determined by the assessors’ judgement of the potential contributions that they could make towards realising the goals of the assessment. The selection was, however, also limited by a range of additional factors. These included:

- **Availability of stakeholders:** This was an important limiting factor, given the last minute disruptions to our preparation time (see above) and relatively short time between finalising planning and the field visit. The team was unable to conduct at least three interviews because stakeholders were unavailable.
- **Willingness to engage with the assessment:** All interviews were conducted on a voluntary basis. The sample was therefore biased towards the perspectives of stakeholders that are willing to engage productively with mine-related activities. Although the assessors did not experience any open reluctance to participate in the assessment at first hand, NGGL employees informed us that at least one local NGO which had adopted a strategy of avoidance of any mine-related activities.

We therefore conducted interviews on the basis of a non-representative stratified sample.
The mine site visit was conducted by two assessors, between 6 October and 12 October 2007. Both assessors spent four days at the mine site and surrounding communities, followed by two days conducting interviews in Accra.

Shortly after their arrival on site, the assessors participated in a preliminary meeting with staff from NGGL's department of external affairs, arranged by NGGL. This was an essential introductory meeting that did not impact on the independence of the assessment process.

Interviews with stakeholders were conducted with individuals as well as in small groups. In some instances, the assessors specifically requested to conduct interviews on a group basis, whilst in other cases, stakeholders decided to bring additional persons into the interviews. Unless the presence of additional interviewees was perceived to be disruptive or counterproductive, the assessors tolerated their presence and incorporated their perspectives as additional potential stakeholders. In the majority of cases, assessors conducted interviews independently of one another. However, in a few instances, both assessors were present at the same interview.

All persons interviewed (interviewees) were informed of the purpose of the assessment and it was made clear that their participation was voluntary. Interviews were conducted either in English or Twi (or a combination of both), depending on the preference of the interviewee. Translation assistance was provided by individuals (both teachers) who had previously worked with the independent assessors of the resettlement process. All interviews were recorded by the assessors in written form, in the presence of interviewees. With expressed permission from interviewees, we also made audio recordings of selected interviews. This was done in order to ensure that specific information was captured accurately.

In addition to formal interviews, the assessors also conducted one informal focus group with NGGL employees at the site. This was conducted in order to identify and isolate staff-specific issues related to mine-community relations.

Although it would have been ideal for the assessors to approach all interviews in the same manner, this was not always possible. For example, traditional authorities sometimes demanded what was referred to as respect for “protocol” as a condition for participating in the assessment. This involved providing small gifts of money and alcohol in advance of meeting with the chiefs. This was a long-established local cultural practice in Ghana the area that, which NGGL has endorsed in the course of their interactions with the local traditional authorities. This raised a significant dilemma for the assessment team, which sought to engage with stakeholders on an equitable basis. The assessors decided that a failure to respond to the established system of chiefly “protocols” could compromise the involvement of the traditional authorities in the assessment and limit its effectiveness.

In one instance, assessors had to provide a small gift of alcohol to a chief (a standard symbolic gift). In two cases the assessment team made a small protocol payment of cash directly to meetings where one chief was present. In another case, an interview with a group of chiefs was only agreed upon if each chief was provided with compensation for travel costs incurred in order to be present at the meeting. This payment was consistent with NGGL and other organizations practices with the chiefs and were made directly by a Newmont representative that was not directly linked to the assessors. This was deemed to be a necessary compromise in order to incorporate an important perspective on community relations.
Whilst all aspects of site interviews were arranged independently of Newmont and NGGL, it was necessary for the assessment to rely on the company for vital logistical assistance. This included arranging transport and accommodation in Ghana and providing contact details of some potential interviewees. In Accra, on the night of arrival the assessment team stayed in the Eastgate Hotel. In Sunyani the assessment team stayed in the Eusbett Hotel. The assessment team did not use Newmont vehicles or drivers. In providing such assistance, NGGL respected the need for the assessment to be overtly independent from everyday encounters between the mine site and the local community. On the final night of the assessment, the assessment team were accommodated in the NGGL Guest House in Accra.

As noted above, this assessment was conceived originally as an exercise to be conducted independently of any influence from Newmont, at both a site and corporate level. However, as the assessment process evolved, Newmont staff members played a stronger role than originally envisaged in contributing towards the assessment presented here. Following the development of an initial draft report, Newmont staff asked for the report to be structured differently in terms of a generic framework that was suggested by Newmont. The assessment team determined that this would not compromise the integrity of the report and agreed with this request. In the course of this restructuring process, the assessment team also engaged more intensively with Newmont staff at a site and corporate level over the content and tone of the revised report. It should be noted that other stakeholders did not have the same opportunity to contribute towards shaping the final product presented here. However, in spite of these important changes to the original terms of reference and assessment design, the assessors do not feel that this has compromised the integrity of the report.
Disclaimer

This document reflects a qualitative risk assessment of social factors in the general area adjacent to the mining operation being evaluated. This document reflects the views, opinions and experience of the individual assessors based on the information available at the time of the assessment. As such, the assessment does not necessarily reflect the views or positions of Newmont Mining Corporation. The quotes by stakeholders that are included in this report as illustrative of the community relationships were chosen at the sole discretion of the authors.
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1.1 Purpose of the Assessment

As part of Newmont Mining Corporation's Community Relationships Review, three senior researchers traveled to the Yanacocha site in Peru from October 10th through the 19th, 2007 to undertake a site-based assessment of relations between local community stakeholders and Minera Yanacocha (MYSRL). The purpose of the assessment was to review MYSRL's local community engagement mechanisms, systems and processes, and capture stakeholder perceptions about MYSRL's community relations performance. This report was requested by and has been written for Newmont’s Environmental and Social Responsibility Board Committee. As part of this request, the assessors were required to submit a two-part report including a completed assessment template and a narrative component with a specific organizational structure. As per Newmont's request, Sections 2 – 5 of this report address the following key questions:

- What is the context within which MYSRL's relationship with the local community has developed, and what are the implications for current relationships?
- What are the main strengths in MYSRL's current community relations practices and systems?
- What are the main gaps and future risks for MYSRL's relationship with the local community?

1.2 Authors

Minera Yanacocha's assessment was led by Bernarda Elizalde. Assisting her were Melissa Whellams of CBSR and Christina Sabater. Our bios are found in Appendix 1E-1.

1.3 Overview of Minera Yanacocha (MYSRL)

Minera Yanacocha is jointly owned by Newmont Mining Company (51.35%), the Peruvian company, Compañía de Minas Buenaventura (43.65%), and the corporate arm of the World Bank Group, the International Finance Corporation (IFC) (5%).

The Yanacocha mine is the largest gold producer in South America. The site, located in the Province of Cajamarca, Peru consists of six open pit mines, four leach pads and three gold recovery plants. It began production in 1993 and is expected to continue through to 2018, although the life expectancy of the mine depends on the company’s ability to identify new areas to explore and mine. The mine employs over 8,000 workers (this includes full time contractors), the majority of whom live in the town of Cajamarca and the many small neighboring communities that surround the mine. According to the company, over 56% of workers are from the Cajamarca Department (named after the town).

The minesite's day to day operations are overseen by managers on site. However strategy, policy and coordination across the functional areas are governed by a regional structure. Final accountability lies with the Regional Vice President for South America who is based in Lima, Peru. Five Regional Group Directors report to him. Regional groups include: Operations, Environment and Social Responsibility (ESR), Legal, Human Resources, and Executive Business. The Government and Public Relations Manager reports to the Regional Vice President, but does not have a regional function.
Onsite, the ESR Director manages both the External Affairs (EA) Department and the Environment Department. The EA Department is led by one manager and comprised of about 70 employees divided into two major areas - the Social Development and Mitigation area, and the Institutional Relations and Cajamarca Communications area. The Social Development and Mitigation area is responsible for all interactions with the rural areas, while the institutional relations and communications department is responsible for all stakeholder relations with NGOs, the city of Cajamarca, regional governments and external communications, including media.
This assessment focuses on the current nature of the relationship between Minera Yanacocha and its neighboring communities. However, it would be difficult to comprehend the full extent of the current situation without an understanding of the larger context within which the relationship exists. The following sections provide a description of the national and local contexts that shape today's corporate-community relationship.

2.1 National Context

Mining is an important industrial sector in Peru, comprising 6.8% of the country's GDP and approximately 62% of its export revenue in 2006.1 According to both pro and anti-mining interviewees, the country's laws are generally favorable towards metallic mining and the country actively seeks foreign investment in this sector. Critics of the industry repeatedly voiced two major concerns regarding Peru's governance structure to regulate mining. Firstly, they are concerned that the Ministry of Energy and Mines, the political and administrative entity with primary responsibility for overseeing the mining industry, is conflicted in its dual role of industry promoter and regulator of industry practice. Secondly, they are concerned the country's environmental regulations are not strict enough to prevent the mines from contaminating the environment.

To address the first concern, the government has recently reassigned the role of overseeing legal compliance to another entity called OSINERGMIN. However, both critics and supporters agree that OSINERGMIN is under-resourced and has not yet been empowered to act as a credible enforcer of existing legal requirements.

Regarding the second concern, the Peruvian government has tried over the past few years to strengthen its structure for protecting the environment. For example, the “Consejo Nacional del Ambiente” (CONAM) was created to provide advice on how to enforce existing environmental protections. However, according to the stakeholders interviewed, this agency has lost credibility primarily due to the existing gaps in the environmental standards for emissions and effluents.

These efforts at reform are hampered by the general and longstanding lack of confidence the Peruvian people have in their government. In October 2006, The National Council for Public Ethics conducted a National Survey on Corruption. Opinions gathered from this survey, from more than 500 people in the area of Cajamarca, revealed that corruption is one of the problems that most worries citizens and leads to a lack of credibility in government. It is even a greater area of concern for citizens that the institutions that are called upon to fight it, such as judicial powers and the National Police are also perceived to be corrupt.

The low credibility in the government, coupled with the perception that the government is an ally of the mining company, give people reasons to believe that the government cannot effectively monitor and regulate the mining industry. They worry that the government lacks the capacity to defend their rights. Repeatedly, the assessors heard from external stakeholders that whenever any authority expresses itself in favor of mining or a mining company, they perceived that s/he must be receiving a kickback or other direct benefit from the industry (i.e. s/he has been “bought” by the company).

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1 According to the US State Department Fact Sheet on Peru, 2006.
Despite the lack of public confidence in government, the assessors found two governmental institutions that were held in high regard by NGO representatives and community members. These were the Consejo de Ministros (Council of Ministers), that helped broker the Combayo conflict negotiations and the Defensoría del Pueblo, an autonomous institution created to defend the Peruvian people's constitutional and human rights when violated by the government. It is positive that the company has recently worked with these two entities to promote transparency and resolve conflicts.

The government has established two vehicles to ensure that mining projects give back to the neighboring communities. The first is the Canon Minero, a royalty structure that takes a percentage of mining royalties paid to the central government and redistributes them to local and regional governments where the mine is located. The dollar amount paid by MYSRL to the Department of Cajamarca through the Canon has increased dramatically in the last four years from US$15,255,000 in 2003 to US$112,026,000 in 2006 due to increased production and increased gold prices. A recent company press release stated that Canon proceeds will likely decrease in 2008 since Yanacocha's production is expected to decrease.

Despite the dramatic increase in Canon proceeds, the high gold prices led to strong demands from national NGOs and mining communities to raise taxes on mining revenues. In order to satisfy stakeholder demands while meeting its contractual obligations with mining companies related to tax stability, in 2007 the government created a voluntary trust known as the "Programa Minero de Solidaridad con el Pueblo." Each province with mining companies is creating its own local and regional trusts. The Cajamarca trust, managed by a technical committee comprised of representatives of MYSRL, government and civil society, commits mining companies to contribute an additional percentage of revenues to the region over the next four years. Participation is temporary; it can be extended for a total of five years and will be in force as long as mineral prices remain above a threshold agreed by the government and the company. When prices drop below threshold levels, contributions to the Fund can cease. It is designed to allow companies to share a greater portion of their revenues during times of prosperity, but avoids creating a new permanent tax that would be a deterrent to investment in general, particularly during times of low metal prices. In 2007, MYSRL committed in a written agreement to contribute US$21,838,572 of an estimated US$45 million in projected revenue over the next four years. How these funds are managed will be a key factor in building trust among stakeholders in mining companies. Due to the lack of credibility in the government and in the corporate sector, NGO stakeholders have indicated that they will carefully watch the disbursement of the funds and the development of projects to determine if they are truly serving the population's interests and needs.

The Voluntary Fund and other programs instituted by the government are the outcome of a well-developed and highly organized national civil society that is able to pressure the government to change. Peru has several local non-governmental organizations that are well funded, organized and have a strong ability to mobilize the masses using the internet, mobile phones and other mechanisms. Several of these organizations have influenced government policy, led anti-mining protests and contributed to the stoppage of the Tambogrande and Majaz projects. Organizations that focus on mining and its impacts are diverse. Some are ardently anti-mining, while others promote a more constructive critique of mining and its positive and negative impacts.
2.2 Local Context

The purpose of this assessment is to review the mine’s relationships with local communities. For this assessment, the local communities are defined as the urban core of the town of Cajamarca and the rural communities located near the mine’s infrastructure (open pits, plants and administration buildings) and along the mine’s transportation routes. Using this broad definition, Yanacocha’s stakeholders can be divided most generally into urban and rural stakeholders and this division will be used to describe the local context encountered by the assessors.

2.2.1 Urban

All of MYSRL’s pits and operations are located wholly within the Region and Province of Cajamarca. The capital of the Province is also named Cajamarca and has a population of 135,000.4 The City of Cajamarca has a long history that predates the Spanish conquest. It is the site of the famous capture of the Inca ruler, Atahualpa, by the Spanish. Once captured, the Inca ruler reached a written agreement with the Spanish that he would fill a room with gold and silver in exchange for his freedom. Despite honoring his end of the agreement, the Spanish murdered Atahualpa and officially marked the end of the Inca Empire. Mining critics often cite this historical footnote. They state that North American mining companies are carrying out the “second conquest” on behalf of foreigners in search of gold. More practically, this event has placed Cajamarca on the tourist circuit (though secondary to the more well-known Cuzco/Machu Picchu circuit).

The town of Cajamarca has traditionally been the center of the agriculture activity of its surrounding rural communities. Agriculture (particularly milk production) played the most significant role in the regional economy and still continues to be the number one source of employment in the Department of Cajamarca. As a result, great importance is given to water quality and quantity, animal well-being and land access. Since the arrival of Minera Yanacocha (or MYRSL as it is known in its Spanish acronym) in the early 1990’s, mining has become the greatest revenue generator for the region and has been a major economic contributor to the city of Cajamarca and the surrounding areas. Other important, but somewhat less established industries, include commerce, manufacturing, and construction.

2.2.2 Rural

Since 1960 Peru’s population has been primarily urban; however, the Department of Cajamarca defies this trend with 76% of its population living in the rural areas as of 2005.5 This rural population is organized around villages, or “Centro Poblados” and most are dedicated to agricultural activities. According to MYSRL, the immediate impact area of the mine includes an estimated 152 villages (this does not include the transportation route, such as the towns of San Juan and Choropampa which are also considered in this review). This large number of villages surrounding the mine leads to great complexity in terms of logistics and the need for extensive community relations.

These villages usually have a local authority. Sometimes these villages are surrounded by a smaller cluster of houses organized by family or extended families. These clusters, called “cacerios,” belong politically and culturally to the organization of the town, despite their distance (which may be one or more kilometers) from its hub. When community meetings are convened, families from kilometers away attend.

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The ethnicity of these residents is considered mestizo, a mix of Spanish and Amerindian. Even though some international non-governmental organizations have stated that the rural residents may be indigenous or of indigenous descent, these residents do not self-identify as such. The International Finance Corporation and the Instituto Nacional de Cultura (the Peruvian National Institute of Culture) both corroborate this finding and thus international standards related to engagement with Indigenous Peoples do not apply.

To add to the complexity of the rural landscape, each village is different and may require a different engagement strategy and culturally appropriate engagement mechanisms. For example, the credibility of the local authority varies depending on the community. Interviews with Bellavista Baja, for example, demonstrated that the residents trust their local authority. They meet weekly to make joint decisions and the authority is expected to carry them out. If the mine were to meet with the authority, they trust that this authority would inform the residents in their weekly meeting. On the other hand, in interviews conducted with residents of Combayo, the assessors found that they do not trust their local mayor and would be suspicious of any meetings between the authority and mine employees. They preferred that the mine's employees meet with the community as a whole.

The main economic activities for these villages are subsistence farming, agriculture and dairy production. Nestlé and FONCREAGRO have organized the individual farmers so they can sell their fresh milk on a daily basis. These farmers place a high value on good land and water availability to boost their production.

Overall, the rural population is very poor and up until the arrival of the mine had little access to potable water and electricity. Health care and schooling services are highly deficient. Due to the lack of basic state services to the rural population, the company tried to fill the void. MYSRL has developed extensive programs that provide economic and social development services for its neighboring stakeholders and, according to some community members and Cajamarcan NGOs, it assumed the government's role of service provider.

2.3 History of MYSRL in Cajamarca

There are several landmark events that have influenced the current relationship between the company and its stakeholders and are key to understand the overall context for this assessment. As mentioned in the previous section, the purpose of this study is to analyze the relationship between the community and the company at the time of the onsite assessment. However, during the interviews with NGOs, government, and other stakeholders, they commonly and repeatedly referred to the company's past conflict situations as a starting point to describe their relationship with the company (or of the company and the local communities as in the case of national external interviewees). Most interviewees premised their discussion regarding the current relationship with the company on past experiences. Almost all stakeholders mentioned the phrase “past mistakes” to describe the company's past challenges or landmark events that they perceive shape the current relationship between the company and community. Below is a brief description of the events these stakeholders referred to, along with the key controversial aspects of each event. This report does not attempt to explain these events, but will elucidate how they affect the company's current relationship with the community.

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6 The scope of this report did not allow time to determine the reasons for the varying degrees of credibility.
7 FONCREAGRO is a social program led by Minera Yanacocha and Nestlé.
The most common relationship-influencing factors described by external interview participants were:

(1) Poor Initial Engagement with Local Communities
The company's entry into the area didn't have a substantive engagement with the rural and urban communities. The failure to provide local residents with much information was, according to MYSRL, partly due to the fact that its owners, Buenaventura and Newmont, were not aware of the large size of the deposit. According to interviews with the managers of the project, they did not believe the company would operate in the area for a long time and thus they did not find a need nor did they have the time to establish a long term relationship with local stakeholders.

It has been widely cited in third party evaluations, Newmont Five Star\(^8\) Assessments and stakeholder interviews that when Buenaventura and Newmont first arrived to develop the mine, exploration and early construction teams allegedly damaged water canals and private property without proper consultation and timely mitigation. To this day, residents in the rural areas mention these broken canals like if it were yesterday. In addition, management and employees' attitudes clashed with the local populations. External stakeholders attributed this clash due to employees' arrogant attitudes. Examples cited included references to rural residents as "indios" and "cholos" ("Indians" or "hicks", both derogatory terms in Peru).

As described by rural community members, this arrogant and elitist attitude extended to local residents who were hired as employees and immediately began earning a very high income relative to others in the community, even higher than government officials or those who had much higher levels of education. Essentially, mine employees formed a new social class within Cajamarcan society. Mentions of arrogant or elitist attitudes from some interviewees were: "some employees don’t get out of their cars to talk to us", or "they do not greet us when they come to our community, they just do what they need to and leave." According to local residents interviewed, a significant portion of these employees would 'flaunt' their new found economic status, clashing with traditional social structures. It was also mentioned that when local stakeholders criticized the site for its employees' attitudes, the company (and its employees) responded with a defensive attitude, rather than encouraging employees to change their behavior.

These attitudes compounded the resentment building in the rural residents due to the alleged damage caused to their water canals and private property by the company’s exploration and construction workers. This resentment and distrust can still be felt today among the rural community.

(2) Mercury Spill
In 2000, one flask containing mercury (a by-product of the mining process) leaked as it was being carried by a contractor’s truck through the towns of Choropampa, San Juan and Magdalena. Some local residents picked up this mercury and took it home. A number of these residents subsequently suffered from mercury poisoning.\(^9\) While it is beyond the scope of this assessment to arrive at conclusions related to the spill or regarding the company’s actions to address the spill’s impacts, it is pertinent to point out that residents of Choropampa continue to mention the spill when asked about MYSRL’s community relations. The incident did prompt the company to make improvements in the transportation of mercury and all hazardous materials (which are

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* Five Star Assessments are evaluations conducted by external assessors hired by the Newmont corporate office.
now the international standard), to improve communication protocols with local authorities in regards to emergencies or the handling of hazardous materials in the event of a spill, and to conduct emergency response training in communities along its transportation corridor. However, despite these improved measures, the money spent and the roundtables with the IFC\textsuperscript{10}, the Choropampa residents interviewed continue to worry about the long-term health impacts of their exposure to mercury and do not trust the company to fully resolve their concerns. As one local stakeholder mentioned “We would like the company to take more responsibility on this incident, we are not feeling well… we are sick and afraid.” Some of the victims have filed lawsuits against the company for damages related to the incident.

(3) Quilish

In 2004, MYSRL decided to voluntarily suspend its exploration activities in the area of the Quilish mountain and had to reclassify 3.7 million ounces of gold in proven and probable reserves to non-reserve mineralization in response to strong stakeholder opposition. Opponents to the exploration and potential mine development were concerned about potential environmental impacts, and more particularly with the potential water contamination. The Quilish mountain is considered the source of the town’s water supply; and residents fear that any mining in this area would affect the water quality and quantity of their supply. The suspension was well-received by the opposition and lowered tensions significantly in the town of Cajamarca. These protests highlight the community’s concerns regarding water contamination.

(4) Death of Isidro Llanos

In 2006, the residents of Combayo held a protest against the mine that turned violent and resulted in the death of Isidro Llanos, a resident of Combayo. The Defensoría del Pueblo (the local Ombudsman) carried out several investigations to attempt to clarify the events that occurred during the conflict. Stakeholders presented differing reasons for the protest. Many interviewees said that the main objective was to obtain jobs, others stated that lack of communication and environmental concerns were underlying causes. As a result of this protest, MYSRL, the national government (specifically the Council of Ministers) and the community of Combayo held a series of talks that led to written agreements. The assessors found some dissatisfaction within local communities towards these agreements, as exemplified by the following comment: “In the conflict of blocking the mine, we feel used because now the mayor is the one who is well off economically [not the community as a whole].” This quote exemplifies the perception in Combayo that the community has not benefited as much as the local authorities from the agreements reached with the company. Some local community members claim they were used by local leaders just to satisfy personal interests and not to answer or address the community’s concerns and disagreements.

The government has determined that the police is responsible for the fatality, however they are still investigating to determine specifically who was responsible for the shot. Newmont is currently apprised of the government investigation and cooperating as asked.

\textsuperscript{10} As a result of the spill, the IFC organized a series of roundtables to address the spill and any longterm effects and programs.
Oxfam America has requested a more proactive involvement with a separate investigation led by Newmont. Many external stakeholders believe that Newmont is also accountable for the police’s actions due to its cooperation agreement with the police. The cooperation agreement does state that police personnel stationed near the area are paid during their shifts providing security for the mine’s installations, certain employee residences and transportation caravans. Meanwhile, MYSRL employees do not believe that police actions were Newmont’s responsibility since the police acted on their own accord and in their duty as police officers.

(5) Allegations of Illegal Monitoring of GRUFIDES’ and Father Arana’s Activities
In 2007, the mine’s security company, FORZA, was accused of spying on Father Marco Arana and other members of the GRUFIDES organization, one of the most prominent activist organizations against the mine. According to the government, their investigation into whether FORZA was guilty of the alleged illegal monitoring has been shelved due to a “lack of motive.” NGO stakeholders such as Oxfam America-Peru have led calls for MYSRL to conduct its own investigation in the matter and take more responsibility for its contractor’s performance and behavior.

Some individuals, identified as anti-mining activists by interviewees, have met untimely deaths through car accidents in 2007. A few rural stakeholders blamed these deaths on Minera Yanacocha, stating that the company caused the car accident or ran over the pedestrian. These deaths coupled with the monitoring activities and Llanos death, have instilled fear in the rural population. Several interviewees refused to give us their names for fear of reprisal. These may be the initial signs of a culture of fear and suspicion that is growing among the rural communities.

(6) Unfulfilled Promises and Commitments
External interviewees repeatedly mentioned that the company has a long list of unfulfilled commitments and that the mine’s inability to fulfill its promises regarding social development and environmental protection has, more than any other issue, eroded the communities’ trust in the company. Reasons cited for this problem were staff turnover, lack of adequate systems to record promises made, and inadequate employee communication. Internal interviews also noted that sometimes employees were forced to make concessions and promises under community pressure and, as a result, they did not think through all the consequences of such promises. For example, an electrification project was promised to one community without considering the costs of such a project. The company’s efforts to address this situation are discussed below.

(7) Staff Turnover
The EA Department has experienced a high level of turnover among its managerial staff. For example, there have been at least five EA managers in the last six years. The Department has also been restructured so that employees’ roles are shifted often. Each change in management and structure leads to a perception of different philosophy and methodology for engaging with stakeholders. Local community members find it difficult to get used to new “faces” and new ways to engage or maintain a close relationship. External stakeholders interviewed found that these changes contributed to the problem of unfulfilled commitments (as mentioned above) and resulted in a lack of consistent messaging. For example, through a review of past community relations’ documents and interviews with employees the assessors learned that five years ago the key message was “to obtain a social license,” then it was to obtain a “good reputation,” then “social viability.” Today the key message is to obtain an “ability to operate.” Each message may
only vary a little bit in its content, but the changes are confusing internally and externally. Media relations seemed to suffer the greatest shifts back and forth from limited to extensive engagement with the local press and radio and then back again.

Since the first quarter of 2007, the EA Department has implemented a new strategy called the “Nuevo Enfoque” or New Focus. This New Focus centers on the following objectives: partnership with government, engagement, and co-financing. This report will discuss this new strategy and its effectiveness to date.

(8) Increased Mining in the Area

Another factor affecting company-community relations, which may become more important in the next few years, is that other mining companies are exploring in the area and may soon begin operations. Stakeholders did not provide much information about these companies; however, one stakeholder expressed concern that they were hiring employees that had been fired by Newmont and, as a result, may repeat the same “mistakes.” Internal employees suggested that the profile of these companies is still low because they are not yet operating. Only Compañía Minera Antamina (a copper mine which does not operate in the immediate vicinity) was mentioned by a number of interviewees as an example of a mine with good community relations, though not perfect. Reasons provided for good company-community relations included:

(1) Antamina communicated its plans well from the start;
(2) Antamina was transparent; and
(3) Antamina encouraged greater community participation in the decisions that affect them.

2.4 Summary of Context

Most internal and external stakeholders agreed that, in general, the lack of credibility of the Peruvian government, coupled with its weak legal and oversight structures does not provide impartial mechanisms to resolve disputes among parties and ensure accountability for wrongdoing. External stakeholders, overall, find that this lack of governance favors the company and might lead to impunity for environmental damage (particularly water contamination). Internal stakeholders on the other hand, find that the lack of a credible government led to an unstable operating environment.

The past incidents involving the lack of engagement upon entry, arrogant attitudes, the environmental spills, alleged police abuse and unfulfilled promises have engendered resentment towards and distrust and fear in the company. It was notable the number of stakeholders who mentioned past grievances as a key factor in the current relationships with the company. These interviewees feel that these “past mistakes” or legacy issues have not been resolved adequately. Most local community members, rural stakeholders and stakeholders interviewed at a national level agreed that without this resolution, the company has little room for acceptance within the community and even less room for any errors or mistakes with their new external relations programs.
3. The Current Community Relations Landscape

During the interviews with internal and external stakeholders, the assessment team learned that the relationships between MYSRL and its surrounding communities are characterized by several specific issues that the company has begun to manage with specially designed systems and programs. These are summarized below.

3.1 Concerns About Environmental Contamination

3.1.1 Key Concerns Mentioned

**Water quality and quantity:** The number one concern raised repeatedly by external stakeholders was related to the mine’s impact on the environment, especially on water quality and quantity. Most concerned were rural stakeholders who depend largely on water that flows through canals for their animals and crops. The historic importance of water is exemplified through the highly organized manner in which local residents distribute and protect their water supply using “water user committees” or comités de regantes.

**Deaths of animals:** Stakeholders also raised concerns regarding animal deaths due to contaminated water, dust or other waste left by contractors or employees. There is great uncertainty regarding the cause of these deaths and the mine has been handling these on a case-by-case issue. For obvious deaths, such as caused by a vehicle accident, the company settles directly with the owner of the animal. If the cause of death is less obvious, then the company works with the SENASA (the Peruvian government authority in charge of this area) to analyze the animal. If the SENASA demonstrates that the cause of death is related to the mine, then the company will pay for the animal. According to government staff, it is difficult to determine cause of death because the autopsies are difficult to conduct when the animal is received too late. Government representatives believe that this inconclusiveness has left some animal owners dissatisfied. According to MYSRL, the company has a procedure to report dead animals to SENASA and only in few cases does the specimen arrive too late. Neither party was able to provide specific numbers for the occurrences. Regardless of the absolute numbers, it was clear to the assessors that the animal deaths are a source of concern for rural residents since they perceive that the company does not satisfactorily handle these incidents.

**Post closure environmental impacts:** Stakeholders also mentioned issues related to site remediation after closure. As the company begins to mention that its reserves are dwindling, stakeholders are increasingly concerned with the mine’s closure plans and what the area will look like after the mine has left. The company has a mine closure demonstration project which is open to visitors on the mine tour. The few stakeholders who mentioned the program found it positive.

3.1.2 MYSRL Programs Designed to Address Water Concerns

MYSRL has a variety of programs designed to address concerns related to water quality and quantity.11 For example, to deal with the community’s number one concern, MYSRL created a mitigation and water management program for the five major river basins impacted by the mine. The company has established Mesas de Mitigacion, which are Dialogue Tables created in communities as an initiative to address the environmental impacts of the mine. These Dialogue Tables have provided some economic benefits through short-term mitigation projects. However, there were three main critiques presented by internal and external stakeholders. One NGO stakeholder noted that the Mesas don’t include all water users, such as women.

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*This report does not address all of the environmental programs that MYSRL may have. We only include those related to managing the relationships with the communities.*
Rural stakeholders mentioned that discussions have been characterized by a strong sense of distrust. For example, many days would be spent discussing how many nails a certain building required. In addition, rural stakeholders perceive that the company bribed representatives of the group to obtain agreements. Finally, internal interviewees criticized the short-term nature of the Tables and suggested that the company should either shut down the Tables or shift their focus from short-term mitigation to long-term sustainable development efforts that would reduce dependency on the mine.

In addition to these specific mitigation measures, the company has gone beyond its legal requirements to address water concerns. For example, to address the disappearance of lagoons and water (either perceived and/or actual), the company provides alternative sources of water to communities. The company has also brought potable water to 80% of surrounding communities and intends to reach 100% within the foreseeable future. The company is also starting to work together with some communities to develop water collection and storage systems. For example, an old mining pit has recently been converted into a reservoir for distribution to residents during the dry season. The company is also developing systems that are less technical so that rural residents can build and maintain them themselves. Most rural stakeholders interviewed were very pleased with these water collection efforts.

Despite these Dialogue Tables and infrastructure programs, MYSRL has not been able to reverse the residents’ perception or concerns regarding water contamination. Perception surveys note that only 3% of 505 people surveyed believe that Minera Yanacocha is very “worried about taking care of the water” (21% believe that the mine is slightly worried, the rest believe that the mine is not worried).

Complaints about “possible” water contamination by Yanacocha were also repeatedly mentioned by interviewed stakeholders. For example, stakeholders point to the Ingetec Report12 and SEDACAJ’s water quality monitoring results that indicate that metals in the water exceeded permissible limits at certain times, as proof of the contamination. Due to the public’s distrust in the government’s capacity to monitor and regulate the company’s environmental impacts and in the company itself, any isolated incidents are considered major polluting events for external stakeholders and referred to as evidence for their concerns.

In 2007, the company generated two public relations campaigns in an effort to change this perception. One was focused on the quantity of water issue and the other focused on the general concerns regarding quality of water. External stakeholders interviewed perceive that these campaigns communicated that the mine is not responsible for any loss or contamination of water, and that the blame for any water problems lies with the residents and the government of Cajamarca. In general, the company’s official response to allegations of water contamination and scarcity is that it does not contaminate or affect the water supply of the rural or urban communities. It is unequivocal in its messages and points to other sources of contamination caused by residents in an effort to provide facts for the discussion.13 However, these facts do not seem to change perceptions. According to some local and rural stakeholders, in light of the mitigation impact agreements and water quality monitoring results, this campaign suggests that the company still does not “get it” when it comes to acting responsibly. As a result, the same interviewees found that the company ends up further engendering suspicion and a lack of trust in whatever positive actions the company might be taking. According to MYSRL, the company knew that this campaign would not be wholly positively received. However, the managers felt it was important to “put the facts out there.” Despite external perceptions, the company’s intent is not to “place blame elsewhere, but to frame the issue so that constructive dialogue could occur on the issue of water in Cajamarca.” Based on assessor interviews, early indications are that the negative perceptions of the campaign may actually impede the very dialogue the company desired and further erode the trust in the relationship.

13 Sourced from: MYSRL Water quality campaign brochures and posters.
As noted in the Context section, the distrust that exists between the company and most external stakeholders causes anti-mining stakeholders to zero in on any misstep on the part of MYSRL. There is little room for error, as exemplified by the agreement between SEDACAJ and MYSRL. SEDACAJ, the city of Cajamarca’s potable water company, had complained to MYSRL that the water discharged by the company contained sediments and metals which the SEDACAJ’s water plant was not equipped to treat. In order to address the problem, MYSRL paid the extra treatment expenses and drew up an agreement with the company to help buy equipment, conduct studies, and construct sedimentation dams. While an apparently laudable action, some stakeholders criticized the agreement for containing a clause that prevented the water company from divulging technical or program-related information to the public before notifying MYSRL. This raised doubts about the transparency of the company’s efforts and increased the perception that MYSRL was manipulating a public entity, the water company, to “keep quiet,” in exchange for equipment and funds to upgrade its facilities. This perception persists even though the results are published regularly in local newspapers.

Another program designed to address the perception of water contamination is the COMOCA program (the Spanish acronym for participatory water monitoring committees). There is one COMOCA for each basin. These committees include representatives of the community water users and the company. Together they test samples of water. The general results are then passed on to the local community members.

Stakeholders pointed out that while laudable as an attempt to demonstrate to local residents in tangible and practical ways how the company is acting responsibly in relation to water quality, there are three reasons why these COMOCAS have not been as effective in building trust between the communities and the company as MYSRL had anticipated:

1. the community members participating in the COMOCAS are paid by the company to pay for the opportunity cost of their time away from work or their families;
2. little training is offered to the COMOCA members, thus the community members’ roles are effectively limited to witnessing samples being taken from the monitoring points; and
3. there is no credibility in the results provided as the analytical results are made public, but they are not detailed (e.g. levels of heavy metals, etc. are not provided). They simply say whether there was “contamination or no contamination.”

MYSRL has responded to these concerns by stating that the nature of the program is evolving from a more basic approach (with basic levels of interpretation and training) to a more complex and sophisticated approach that involves the COMOCA participants in understanding the entirety of the tests and results.

It is beyond the scope of this study to determine whether the mine affects the water quality or quantity in its area of impact. What is pertinent to this assessment is that stakeholders perceive that the mine is affecting both water quantity and quality, and that the company is focusing on addressing the facts and not the stakeholders’ perceptions. The company’s practice of simply stating it does not contaminate the water and then providing the water results, is not credible to stakeholders and further erodes trust. In the words of one rural stakeholder: “We appreciate the [economic] support the company has given us, but the problem with the water and the lack of explanation erodes our relationship.” Until the company gains credibility in the eyes of most external stakeholders, it will not be able to engage in a constructive dialogue on the water issue. The challenge lies in focusing directly on programs that will address the distrust and increase credibility through transparency, humility and continual engagement.
3.2 Rapid Growth

Stakeholders describe the town of Cajamarca before the 1990's as a sleepy town where its residents enjoyed the countryside and held several festivities throughout the year. This image was radically changed with the arrival of the mine. The mine brought with it an influx of workers and investment that stimulated economic growth and led to housing and small business development. Today the city is home to a number of hotels, amenities, and suppliers which serve the mining industry. A notable number of external stakeholders stated that the mine has provided employment opportunities and contributed to economic development.

However, along with this positive development, some urban stakeholders mentioned that the mine has also brought some negative consequences to Cajamarca such as increased delinquency, crime, noise pollution, traffic, population growth and prices. Demographic reports state that the Cajamarca Province increased its population from 168,234 inhabitants to 277,376 from 1981 to 2005.14 Rural stakeholders perceive that Cajamarca and its public services were not prepared for this population increase. For those who benefited from the mine’s arrival (employed local community members and contractors), they saw these inconveniences of rapid growth as the price to pay for development. However, residents who do not have any commercial relationship with the company resent the mine for causing these inconveniences. Some stakeholders mentioned that the company should have helped the city better prepare for the mine’s impacts by expanding its roadways, its sewage and water treatment systems and other government services taxed by the surge in population.

A few stakeholders mentioned that their quality of life or the quality of life in Cajamarca had improved since the arrival of MYSRL. For example, a couple of external stakeholders mentioned that there is now greater agricultural productivity through some of the projects supported by the mine’s community foundation, Asociación Los Andes de Cajamarca (ALAC), and there is also increased development of local businesses. Other stakeholders mentioned that there are now a greater number of services available to people in Cajamarca. However, the majority of external stakeholders interviewed said that their quality of life had either not changed or had decreased since the arrival of MYSRL as there has been an increase in water contamination, a reduction in the quantity of water available for agriculture, and rapid and unplanned growth of the rural and urban areas.

Methods to address concerns: In order to mitigate the impacts of its employees and operations on the area, Minera Yanacocha has established a series of socio-economic development programs. In 2005, the company worked with Cajamarcan NGOs to develop participatory development plans with 136 communities. The implementation of these projects varies across the communities. The company has also focused on providing potable water to the communities. To date the EA staff estimates that about 85% of the population now has potable water. In addition, ALAC invests in local social service organizations to increase their capacity, effectiveness and reach. Some local NGOs have criticized these programs for being too piecemeal and for not being sustainable once foundation support ends.

According to EA staff, the Canon Minero is intended to be the vehicle through which the local governments could obtain money to address these impacts. As a result of the Canon monies, a large hospital was built in La Encañada and the Cajamarca square was renovated. The sustainability of some of the investments has been questioned both by internal and external stakeholders, and MYSRL developed a pilot project with the IFC to improve how monies are spent in Baños del Inca. Similar projects are proposed for La Encañada.

There were mixed opinions regarding who is responsible for addressing the rapid growth. Some stakeholders mentioned that the mine is the cause of rapid growth and therefore, the responsible party. However, other stakeholders stressed the need for government to address these issues given that government provided the permits for the mine to operate. MYSRL’s New Focus stresses that the government is responsible for providing basic services, not the company. The company plans to avoid investing in infrastructure projects unless the government is significantly involved or manages the project.

3.3 High Expectations Regarding Sustainable Development

Most stakeholders concurred that MYSRL has brought jobs and business opportunities to the City of Cajamarca and its surrounding villages. However, opinions regarding the mine’s impact on regional development and its sustainability are mixed. Critics point out that the province as a whole has not experienced a significant reduction in poverty, while supporters point to evidence of economic growth, such as the emergence of new shopping centers, and movie theaters. Stakeholders’ views of who is responsible for the progress or lack thereof were also mixed. Some blamed the government’s inability to carry out development projects and others criticized the company. Regardless of where they placed the blame, all stakeholders had high expectations regarding job creation and development; and most felt that these expectations were not met.

These expectations are rising even more since the announcement of the increased proceeds from the Canon Minero, and the funds from the new Voluntary Trust Fund. Due to the large amounts of money that are quoted in the media, the residents feel that everyone should profit directly from the mine or these funds. In addition, rural stakeholders continue to want jobs as either direct or indirect workers for the mine. Many internal interviews believe the reason for most social disturbances and roadblocks are these job expectations.

In 2007, the company adopted the New Focus strategy which aims to manage high expectations and concerns regarding dependency in two principal ways:

1. Communicating through the media and face-to-face that the life of the mine is short, the reserves have been reduced and production is decreasing. As a result, fewer contractors and employees will be needed, fewer profits will be earned and hence less investment will be transferred to communities through the Canon Minero and the social development programs.

2. Focusing on partnerships with government for most projects, large or small, implemented in the communities. The objective is to ensure that MYSRL is not the sole funder and that the government uses the Canon funds for development projects.

Based on stakeholder interviews, the assessors gleaned that the focus on partnership is well received by NGOs and many residents of the communities. These stakeholders understand that the government should be the primary provider of social services. However, there were some individuals who feared that the timeline for projects would be lengthened significantly because government acts slowly. There is a risk of frustrations rising from delayed projects.
3.4 Unfulfilled Commitments

Both rural and national NGO representatives highlighted the company's weak ability to fulfill its commitments. Internally, the EA staff acknowledges that these unfulfilled commitments have been a problem in the past and they are working to improve. The company concludes that the lack of fulfillment was caused by staff turnover and not tracking verbal and written promises made. Unfulfilled commitments were one of the main complaints of rural community residents interviewed. Interviewees gave several examples of unfulfilled promises such as classrooms and water collection services. When asked why they did not register their complaint with the Public Office (where the grievance mechanism registers all complaints), they stated that they did not know of the office.

To address these issues, the EA Department has made a big effort to capture all the verbal and written commitments and develop plans to fulfill them. A local NGO suggested that all “libros de actas” (minutes and agreements with communities) held by the communities could be reviewed to ensure that all commitments were compiled accurately. The site has recently made commitment tracking and fulfillment a priority. A list of 120 commitments was compiled through a review of internal files and meetings with community authorities.

Despite these corporate efforts, the high expectations regarding jobs and development, coupled with unfulfilled promises, result in frustration and a tense relationship between the community and the company. Sometimes this frustration leads to protests demanding jobs and economic opportunities (some which have turned violent such as Combayo).

3.5 Employee-Community Interactions

It is against the backdrop of high expectations, unfulfilled commitments and environmental concerns that mine employees interact daily with urban and rural residents.

3.5.1 Urban Stakeholder Relationships with Employees are Improving

Most contact at an urban level takes place between the thousands of mine employees and contractors that live or stay in Cajamarca and the residents of the city. Some external stakeholders do find that the personal relationships with MYSRL employees have improved compared to the employees from the first few years of construction and operation of the mine. Employees do not flaunt their wealth as much as they used to. Instead, urban stakeholders stated that the miners seemed to be ashamed of their employment and would not mention it or discuss it with their neighbors. However, this shift in attitude has not translated into a general belief that the site is respectful of the community. The behaviors of any department, employee or contractor not aligned with the company's principles obfuscate the efforts of the company to engage with its stakeholders.

For most external stakeholders, there are no differentiations between the company's employees, or contractors, thus this leads to the perception that any person directly related to the company “is” the company. With so many employees and contractors in the area, negative behaviors and activities are bound to occur. Interviewees relayed several stories of employees or contractors driving irresponsibly, and fighting with neighbors. This situation consequently leads to the general perception, as stated by almost all interviewees that the company does not integrate well into the community.

According to some external stakeholders, this lack of integration with residents created a divide and low level tension between mine employees and non-employees.
Minera Yanacocha has developed a Statement that commits the company to “respect the community, its traditions and customs.” All employees are required to carry a copy of the Statement on their identification card. However, internal interviewees could not explain what this Statement meant in general or to them in particular. The site has plans to include training on a Code of Conduct, but assessors were not able to see a draft of this Code and nothing was in place as of the date of the assessment.

Internal interviews revealed that MYSRL has recognized that employees are sometimes the first to think that the mine contaminates or causes negative impacts and are thus not proud to be working for the company. In response, the company has developed an Annual Review to try to change employee perceptions. The Annual Review is a training program given to all employees and contractors geared towards improving their perception of the company.

The site also began conducting mine tours for its employees and contractors to familiarize them with the company's operations and projects, and to demonstrate the company's responsible mining practices. MYSRL employees have also initiated a project called “Catedral” whereby the employees provide and implement ideas on ways to improve MYSRL’s image in the community. There is also encouraging anecdotal evidence of integration by employees of some departments in rural communities and by the EA staff in the urban areas.

At an institutional level, the mine engages with urban civil society institutions through its social development programs and its foundation. Representatives of these organizations praised the company for its collaborative relationships that are slowly starting to build some trust.

3.5.2 Rural Stakeholder Relations

Due to the large number of rural communities, it is difficult to generalize about the company’s relationships with these communities. As such, this section focuses primarily on the characteristics of the company-community relationships repeated most often by interviewees.

**Limited engagement:** Interviews with rural stakeholders suggested that there is little contact or engagement between the mine employees and the rural communities. The most common statement was that the communities were ‘not visited often’ by the company. Indeed internal employees corroborated the perceptions that the company does not visit rural communities often, unless active negotiations are taking place. It is easier for EA staff to receive authorities in their offices in Cajamarca, rather than to go visit them in the various communities. There was evidence that the community authorities, who often had second homes in town, even favored meeting with the company in town.

It was also notable that several of the stakeholders interviewed were not willing to give their names for the assessments. When asked why, most stakeholders responded that they feared retaliation from the company for their negative comments. The events surrounding the alleged monitoring of GRUFIDES activities and the sudden deaths of certain anti-mining activists have led to fear among some rural residents. Though this fear did not seem widespread at the moment, if left unchecked, it could become pervasive and further hinder the company’s efforts to build trust and credibility.

**Lack of knowledge of community culture, or inappropriate engagement mechanisms:** In addition, stakeholders mentioned that MYSRL personnel did not ‘know’ the community well. It appears that appropriate intercultural engagement mechanisms and methodologies are not used to engage the rural communities. One common concern was the company’s engagement with only with a few community leaders or authorities. For example, despite the village of Combayo’s repeated requests for MYSRL to convene the entire community when planning...
or negotiating mitigation measures for the loss of its spring pools, the Carachugo Progress Report states that agreements were reached only with the authorities regarding their approval of the Carachugo expansion. Assessors viewed the agreements between MYSRL and the communities impacted by the Carachugo project the agreements reviewed are not for impacts for the Carachugo project as a whole, but rather for a very specific element of the project impacts — specifically the draining of 2 small lagoons that will be covered by the expanded leach pad. These agreements are brief, and are signed mainly by men and sometimes only by the community authorities. They promise in-kind donations to each community impacted. However, they do not detail the decision-making process for allocating these funds to projects. (The accords do state that the money will not be given in cash (only in kind)). However, given the lack of credibility that most authorities have, this is an area of concern and may be the source for discontent with the impact of corporate investment. The company has stated that it consults with authorities and community leaders first before engaging the community more broadly. However, the community residents interviewed did not see evidence of the broad community engagement, as of the date of the assessment.

**Corporate timing vs. social processes:** The difference between a corporate mining culture and a culture of rural farmers was also a source for concern. MYSRL’s managers are subject to the pressures led by the short term financial market demands for profits and additional production. These demands at times have led to rapid operational growth that did not take into account the community’s social processes. The most dramatic example of this culture clash occurred early on in the construction process where canals were disrupted without proper consultation of the affected communities. Today, EA staff mentioned that they still feel pressure from the operations group, but communication and coordination between the two groups is improving.

**Use of divisive tactics:** Some rural stakeholders interviewed also complained that the company would exploit divisions among community members by promising some members donations or employment. For example, in one community near the mine, negotiations with only one community leader regarding a compensation package were perceived to elevate his status and influence, while de-legitimizing and weakening the authority of the other three elected community officials. It is perceived by external stakeholders that the company manipulates communities and neutralizes opposition to its plans. These efforts further erode the trust in the company and its engagement efforts.

**Unfulfilled promises:** Internal company reports also confirmed that rural communities are frustrated with the lack of fulfilled commitments and broad community engagement. Before working on new programs or projects, external stakeholders want attention paid to past promises or issues.

With the New Focus, the intention is to increase visits to the rural communities and to make decisions only in community assembly. This decision was only made recently and the assessors were unable to see how well the change was working.

One exception to the critique of the company was the community contractors. They were highly complimentary of the company’s willingness to hire them. Some controversies exist with the allocation of contracts, but overall, the rural residents were very appreciative of the jobs provided through direct hiring and indirect employment through contractors.
3.5.3 Ex-Landowners

One important sub-group of the rural community is the landowners from whom the company purchased its land. Almost all ex-landowners live in Cajamarca and many stated that they expect to have their lands back following mine closure.

Following land purchases, MYSRL developed a social support program for ex-landowners which include the provision of employment opportunities within the mine site, assistance in developing new businesses, education and training, and health services. The assessors found that the ex-landowners have mixed opinions of their relationship with the company. Interviews with some ex-landowners revealed that their relationship with the company has brought them long-term benefits and that they are better off now than they were before they sold their land. For example, one ex-landowner commented, “We are grateful to the mine because they helped us to have our own business.” At the same time, other ex-landowners expressed that they should have been provided with more employment opportunities “I haven’t benefited much because I have no job.” Others mentioned that the sale of their lands was not negotiated fairly “we didn’t get what was verbally offered.”

Assessors also heard criticism of MYSRL’s support program for ex-landowners for creating dependency on the mine. Interviews with ex-landowners suggested this criticism may be warranted as one interviewee noted “If the mine leaves, we won’t have any other good opportunities to develop.” In other words, the interviewee perceives that the mine’s activity has not led to sustainable development or generated alternative means of economic activity.

Finally, interviews with external stakeholders suggested that MYSRL’s support program for ex-landowners has created a division among community members. There is a perception among external stakeholders that MYSRL treats former land owners better than other stakeholder groups. According to some of those interviewed “there is only work for those who sell their land to Yanacocha.”

Overall, with the division between mine workers and non-mine workers in the urban communities and the need to improve the company’s engagement in the rural communities, there appeared to be two main issues regarding the relationship between the company and the communities. The first is characterized by a continuous level of tension between the communities and the mine and an “us vs. them” mentality. The second is a general dissatisfaction among the rural population with the company’s failure to involve them in making decisions that affect them. Almost all internal interviewees mentioned that planning was an area of weakness for the site. Long term participatory planning and follow through in particular were the greatest areas of concern. This latter group of rural residents warned that if there was no change only a violent action, such as occurred in Combayo, would get the company’s attention.

3.6 Social Conflicts That Turn to Violence

The continuous tension and frustration that interviewees say characterizes company-community relations is at times punctuated by moments of violence. In moments of deep frustration, community residents, sometimes led by anti-mining activists, may choose to protest directly against the mine. These protests have taken various forms including: road blockades, trespassing onto mine property, and vandalism of mine property. Though these protests can take place on a weekly basis, the most notable social disturbances that have become international news include the protest by Combayo residents and the protests against the Quilish project.
The EA Department is trying to avoid violence and work stoppage by analyzing and addressing conflicts at their early stages. They gather information to determine which issues are becoming heated enough that they may escalate into a blockade or other action against the company. The company attempts to gain a solid understanding of the basic causes of concern and interests. As part of the analysis, past unfulfilled commitments are evaluated and a social and political strategy is formulated to try to avoid setting additional commitments. This new conflict resolution process is important since the new policy is to avoid capitulating to external manipulation and false interests. The company has learned to make the interests on all sides transparent so authorities cannot negotiate for personal benefit and avoid bribery cases. As of the date of the assessment, October 2007, the staff believed that they had avoided one incident using this process and did not capitulate to demands.

Because the conflict resolution process has only been recently established, internal communication still plays an important role in identifying and addressing external conflicts. Internal interviews revealed that a lack of internal communication across departments presents a weakness in the system. For example, if the company's security does not communicate all of its information regarding community stakeholders, then the EA records may be incomplete. Not having the field records available renders the analysis of the information potentially inaccurate.
4 Strengths

4.1 New Focus

Though it is still in the early stages of implementation, the EA Department’s New Focus strategy is a positive step towards building trust and ensuring sustainable development. For example, the mine is becoming more transparent by publicizing its donations in local newspapers and submitting reports to the local Ombudsman office regarding its progress on fulfilling commitments with communities.

The New Focus strategy also seems to be well received by external urban stakeholders. Results from the focus groups used to test the strategy point to a positive reception of the philosophy of partnership with government. To date, the most effective examples of government-mine partnerships are with large scale projects. The authorities, in particular, are pleased to play a larger role in the company’s community development projects. One example cited is the PIASSA project that will provide improved potable water to the municipality of Baños del Inca. The government is providing the majority of the funds. The Chonta Dam is another project that is being partly funded by MYSRL but managed by the government.

Rural stakeholders have been less receptive of the New Focus and point to past unfulfilled commitments, and lack of broad and meaningful community engagement, as key obstacles to moving forward in a new way. They want to make sure the company fulfills these commitments first and engages with them broadly and directly before involving the government.

Of note is the fact that the company has presented to, and discussed with, the community this New Focus and philosophy. The conclusion drawn from these community validations is that the company should focus on fulfilling past commitments and meaningful dialogue with the communities (not just with authorities, but with all community members at a grassroots level).

4.2 Company’s Efforts to Fulfill its Commitments

According to MYSRL employees, in the past EA staff made verbal commitments that were not fulfilled either because they were not tracked or because the person responsible left the company. In 2007, the most recent External Affairs manager spent significant time going through company records and meeting with stakeholders to compile a list of all the commitments made to communities. Once compiled, the company will meet with each community to validate the commitments, agree on how they will be fulfilled and then implement the decisions. One of the most important performance indicators for the year is the percentage of fulfilled commitments. They hope to have 70% percent fulfilled by the end of 2007. In addition, the company has incorporated a new policy which does not allow employees to make commitments without documenting them and ensuring the government is participating in the execution. In Bellavista Baja and El Triunfo, stakeholders noticed a change in the way management was working and were hopeful that this new effort would lead to fulfilling the promises from many years past. In Ventanillas de Combayo, the company’s employees found a sign made by the locals saying “No a la violencia, sí al diálogo” (Say no to violence, yes to dialogue). The assessors found that this sign indicated that the community found dialogue a positive vehicle for change not violence. However, there were some complaints in other communities that the company was going back on some of its promises. For example in Porvernir, Combayo, according to stakeholders the company had promised to build three classrooms, but due to decreased production and revenue, it would only have money for two classrooms. (According to the company, the project budget was not reduced. When the community shifted its request from a road to four classrooms, the company informed the community that the budget allocated for the road was only enough for two classrooms.)
4.3 Coordination Between the Operations Group and External Affairs

In the past, the Operations group and the EA Department did not have a fluent communication and were on different time tables. As a result, the Operations group would enter communities that the EA Department had not yet engaged with and surprise community members with new exploration or construction activities.

In the past year, there has been greater collaboration between the operational and external affairs departments. Examples of these collaborations are: weekly staff meetings where all areas participate and mention the key highlights for the week, weekly directors meeting where ESR director discusses the key areas of concern with other directors, and Ad-hoc meetings on specific issues such as exploration. However, an employee mentioned that, despite existing mechanisms, MYSRL’s effort to communicate from one department to another is more a result of individual employee’s interest than of a corporate culture that promotes team work.

Additionally, to address this issue, in 2007 the Group Executive of Operations for the mine has created a risk assessment that includes social risks as key risks for the Operations group. In his mind, without addressing the social engagement risks first, the Operations group cannot operate. Moreover, the EA Department meets regularly with the other department to discuss new projects and to determine if these projects have any associated social risks.

Currently, the EA Department is communicating well with the Operations group. To date, this new coordination has produced at least one successful outcome. Before beginning work on La Quinua Pad, the Operations group conferred with the EA Department. The EA staff knew that the area was sensitive and stated that they would engage and prepare the ground with the communities; however, they needed construction to be postponed until fall of 2007. According to internal interviewees, this date caused a set back in several production and operational timelines, but it was honored. The EA staff used stakeholder mapping methodologies, among others, to successfully prepare the ground and mitigate negative impacts of the proposed construction. Construction commenced during this onsite assessment and, according to the staff, there were no protests. Assessors did not hear of any protest in the media or otherwise. This demonstrates a first step towards improving coordination between the two departments. It is still too early to determine if this coordination has or will become standard practice and is not dependent on the individuals involved.

4.4 Stakeholders Encouraged by Progressive Groups Within MYSRL

The EA Department’s strategic planning with input from the community, along with the Operations department’s awareness of the importance of community engagement, point to two major behavioral shifts. Some national and rural stakeholders as well as internal interviewees perceive that these behavioral shifts reflect positive changes led by progressive groups within the company. Though some stakeholders saw the company as a monolithic entity, the majority of stakeholders recognized that the company was made up of individuals, each with their own philosophies and methodologies. They favored working with the more progressive individuals who valued engaging with the community. One stakeholder suggested that the company investigate how it might better promote the more progressive behaviors (such as visiting communities to listen to concerns, meeting regularly with national NGOs) and discourage the less socially responsible behaviors (such as arrogance, unwillingness to respect and listen to stakeholder concerns, lack of transparency).
4.5 Social Development Programs

Several urban stakeholders asserted that the mine's presence has led to several positive impacts such as increased jobs and employment opportunities. In addition, these stakeholders pointed to the value of the educational program “Concurso del Saber.” This program that honors school children through a competition was well received, even by opposition groups. Several of ALAC’s programs were also highly regarded by the NGOs who were implementing the programs. Since its inception in 2003, ALAC has produced approximately 10,000 jobs and 280 small businesses which — according to the mine — are all still operating. As stated by ALAC, one of its strategic objectives is to strengthen business capacities, which is being accomplished through the contribution to the generation of knowledge, skills and attitudes to promote enterprises and the creation of local sustainable and competitive companies. The selection of projects is through tenders, for example in 2006, four projects out of 34 won grants that year, among them: the Museum of the Cajamarca cheese, Sustainable management of medicinal plants for biotrade. It also reports that it made possible for over 6,000 people to gain better technology for their activities.
5 Gaps and Future Risks

Despite these strengths, it is not clear if the New Focus and the improvement in policies and practices are permanent or substantial enough to make a permanent difference in company-community relations. Stakeholders are wary due to the perception of some continued negative behaviors. Such negative behaviors are outlined below.

5.1 Stakeholders Negative Perception of Employees’ Attitudes

Though overall the personal relationships with employees are improving, external interviewees provided several examples of employees continuing to project elitist or arrogant attitudes and look down on stakeholders, especially rural residents. An example of these attitudes is a complaint directed towards EA personnel who drove up to communities in a large truck and did not get out of the vehicle to meet with the residents. Instead, they rolled down their window and expected the local authority or other residents to walk up to their truck and meet with them.

There was also a perception that EA Department employees only visit their communities when they need something such as a signed agreement or support for a project. Several local community members mentioned that the company’s employees never visit the community just to build the relationship or help out with a community need.

It is not clear what programs the site has in place to improve employee behaviors in the community. The company has a Statement of Commitment that mentions Yanacocha’s commitment to social responsibility. However, most employees and contractors interviewed believe that their social responsibility relates to recycling and picking up trash, not their impact on local communities.

The Annual Review, which is the most important training for employees, does not address the need to improve employee behavior. Rather, according to the company, the Annual refresher was designed to address the employees’ low morale caused by all the bad things that are said in the community about Yanacocha. The idea of this training was to make them realize that most of the attacks received are based on perceptions and not on real information and that they have nothing to be embarrassed about, but be proud of working in Yanacocha.

A review of the training program by the assessors found that its tone is very defensive. For example, the training requires that the trainee provide examples of contamination if s/he believes that the company contaminates. The training seems to assume that if the trainee can’t come up with an example, the mine must not contaminate. It also seems to address more environmental issues, than social issues. Pre and post tests of the training program seem to indicate that the training does improve the trainee’s perception of the company.

The site does not conduct a comprehensive evaluation of the Annual Review to determine how effective the training has been at changing behaviors in the community. However, anecdotal evidence suggests that overall behaviors are improving with the exception that some employees are too defensive when responding to external concerns regarding water contamination or lagoons drying up. External stakeholders interpret the defensive nature as making light of local stakeholders’ perceptions. Given the importance of the community’s water concerns, these negative behaviors affect the relationship with communities.

The 2007 perception survey conducted by MYRSL indicated that the negative perception of the company persists. The survey found that only seventeen percent of the population in the impact area has a positive perception of MYRSL and its environmental and community relations efforts, while forty-four percent have a negative perception. Thirty-six percent have a neutral perception. These numbers have not changed drastically since the last survey.
5.2 Allegations That the Company is Reconsidering Exploring Quilish

Members of the company management established a lot of trust when they announced that they were going to halt their exploration of Quilish. However, stakeholders are noticing that the company is starting to talk about exploring Quilish again. One stakeholder noted: "Now, however they are starting to waffle again, saying 'maybe we will mine it someday.' Who is going to trust them when they try this again? No one."

5.3 Negative Upper Management Behaviors Affect Corporate-Community Relationship

5.3.1 Response to FORZA Allegations

The company's public statement regarding FORZA's alleged monitoring activities of anti-mining activists is a disappointment to urban national stakeholders and has led to fear among rural and activist stakeholders that they will also be persecuted/monitored if they speak or act against the mine. The company's official stance is to distance itself from the issue and allow the government to resolve it. To date there are few stakeholders alleging that Newmont or the mine had any involvement in these monitoring activities. However, as seen by most external interviewees at a local and national level, FORZA is the mine's contractor and as such is considered the mine's responsibility. The government's investigation had been shelved without resolution at the time of the assessment due to lack of evidence. The case remains unresolved in the eyes of many of the external urban and national stakeholders who fear that the case will be closed with impunity. For rural stakeholders, this is further evidence that feeds their perception of the power that MYSRL and FORZA have over the government, and a further display of the inequality between large mining companies and small rural communities.

Interviews with employees indicated to the assessors that the company remains divided on the issue. For example, several managers favoured a public investigation of FORZA and a potential withdrawal of their contract and expressed frustration regarding the public statements made by the company.

5.3.2 Lack of Alignment with Social Responsibility Commitments

Some managers are not clear about the company's corporate social responsibility policy. There were several examples where employees felt that community relations were considered solely the EA's department responsibility, not the duty of all management. One top executive stated: "I am not from the EA Department; I can't talk to you about social responsibility."

Furthermore, the same managers' views of what a corporate-community relationship should look like did not align with the Statement of Commitment that encourages a positive relationship with its stakeholders characterized by "dialogue…respect… [and] building consensus." One top manager stated: "the relationship between Yanacocha and the communities is purely commercial. They expect that we provide jobs, income generating projects and social projects." This lack of alignment can lead to negative stakeholder relations as suggested by the stakeholder who stated that "it was the manager's actions that ruined Yanacocha's image with the local stakeholders."
The mine does not have a functional system to ensure that all executive managers are socially responsible. The mine's Statement of Commitment clearly does expect all employees to comply with the commitments made in the statement. However, training about this Statement and overall social responsibility is limited. Regional executives were required to take a leadership development course that included a portion on corporate social responsibility, however not all of the mine's management had to take this course. The Annual Review, meant for all employees including management, does not stress this aspect of the mine's social responsibility and it is not clear what kind of daily or regular reminders about the Statement are integrated into management decision-making (much like health and safety meetings and systems for the mine). Accountability for poor performance in the community relations and social responsibility area was also questioned by internal and external stakeholders alike.

Several employees (and three key external stakeholders) stated that there are two different philosophies within Yanacocha. One employee explained: "What is the final goal or objective; is it just ounces of gold or responsible ounces of gold?"

These two philosophies are exemplified by the different cultures among upper management. One culture is perceived as being more traditional (that is, vertical) in its approach to decision-making, as well as being much more focused on legal compliance, as opposed to getting positive social results through transparent, respectful and slower moving social processes. The 2004 clash between Yanacocha and the city of Cajamarca over Cerro Quilish, which led to a loss of exploitation rights to 3.7 million ounce in reserves, was given as one example of this more vertical style of doing things.

On the other hand, the other more responsible culture is considered by both internal and external stakeholders to be more socially aware, more open to working with existing local social practices and processes, and more heavily influenced by international best practice in relation to socially responsible mining. This difference in corporate cultures seems to have contributed to a lack of internal unity of thought and approach in regards to how to integrate social issues and processes into mine planning.

While it was beyond the scope of this assessment to delve into this cultural clash to identify its roots, there were enough individual exceptions to the typologies presented above that the assessors prefer to characterize it as one between those managers who understand and are committed to a social responsibility approach and those who are not.

Most national stakeholders were aware of the differences between more socially responsible individuals and less socially attuned managers within the company, and they hoped that the individuals in tune with a more socially responsible approach vis a vis the community would be given more decision making power than they had to date. One external interviewee did not agree to a full interview since s/he believed that an 'executive management review' was warranted for Yanacocha — and not a community relations review — in order to produce change.
5.3.3 New Organizational Structure Reduces Onsite Decision Making Power

As of the first quarter 2006, the local organizational structure changed, reflective of the overall, worldwide changes in the Newmont management structure. The site no longer has a general manager. Instead it has a Regional Vice President for South America in charge of the Bolivia and Peru operations. This Vice President manages the different Group Executives at a site/regional level who are responsible for five general functional areas: Operations, Environment and Social Responsibility (ESR), Human Resources, Legal and Business. These Regional Group Executives, in turn, are responsible for cascading lines of responsibility down through their functional area at the mine site. Therefore, on-site, there is no longer one person, such as a Mine General Manager, with overall accountability for all functions. Instead, there are five functional areas each with their respective managers who must work collegially to resolve differences and advance their functional plans. Differences that cannot be resolved at the site level are passed to the regional level for discussion and resolution. As a result, there is less accountability on site and decision-making power is centralized at the Regional office.

This centralization of power is worrisome for stakeholders who believe that the regional office lacks accountability for social issues such as community protests and complaints regarding the mine. Specific national stakeholders believed that the corporate office does not hold the mine's executive management accountable for poor performance in the community relations and social responsibility area since the same managers who have were present when the company made “past mistakes” continue to hold their positions or to be part of the company.

5.4 Engagement Practices with Rural Communities

The company’s efforts to engage rural communities continue to be a challenge for the company and a source of their strongest opposition. Several issues were mentioned:

Issue of the representativeness of authorities: Most rural stakeholders mentioned that the company does not know how the community is organized and how to best approach them. Community members of Comayo, Muyoc, Tres Tingos, Zuro, Km 23 1/2, and Chilimpampa, all stated that there is no direct relationship between the residents and the company. All decisions are alleged to be made with the authorities, who have varying degrees of legitimacy.

Site employees have demonstrated through meeting minutes that with the New Focus there is a strong effort to broaden the participation of the community through assembly meetings.

Limited good neighbor engagement efforts: Residents from these same rural communities stated that the company only approaches them when they need something like a permit approval or as a response to community protests. When engagement did occur it was characterized as arrogant. For example, staff would drive up to the village in their large trucks and roll down the window expecting the resident to walk up to them. Some of the stakeholders suggested that a permanent communication mechanism would be helpful to build a continuing relationship and avoid the need for a violent stance to gain attention. When the mine needed community approval, it would not have to start from scratch, but would have a mechanism for dialogue.

Interviews with personnel from the social development group corroborated these findings. They stated that in 2008, they plan to spend a significant portion of their time out of their offices in the communities talking with the local residents. However, it was not clear what engagement mechanisms would be used to systematize this plan and if they will be appropriate for these communities.
Lack of information: As a corollary to the minimal engagement perceived by rural stakeholders is the lack of information about the mine and its impacts. Either due to the opposition’s campaigns or overall lack of information, rural residents believed that the company was contaminating the environment and did not know of positive development projects located in their communities or neighbouring communities. Most residents mentioned that only ex-landowners benefited from the mine through jobs or other social investment.

The EA staff understood the need to continually engage these rural communities that neighbour the mine or are located along the transportation route. The company’s challenge lies in identifying culturally appropriate engagement mechanisms for each village and then implementing these mechanisms in a transparency, humble and respectful manner.

5.5 Accountability for “Past Mistakes”

The mine and its foundation have provided several new projects to the communities including water storage options and social development programs. These programs, however, are met with scepticism since the communities still resent and don’t trust the company due to past mistakes. As one stakeholder put it: “Minera Yanacocha has improved its relationships with the community, but some resentment still remains.” Based on information gathered in interviews, the resentment appeared to stem from a feeling that there has not been accountability for past mistakes. Stakeholders repeatedly mentioned that they wanted to prevent any type of impunity for the company. Instead, they hoped that the company would take more responsibility and hold itself accountable for each of its past mistakes. For example, national stakeholders called for a Newmont-led investigation to adequately address the allegations of spying against FORZA.

The Choropampa case is extremely sensitive and difficult to assess in this report due to the current litigation brought against the company. Currently, the company has no active engagement efforts in the area of the spill that also includes the towns of Magdalena and San Juan. According to the company, “plaintiff counsel from the United States has repeatedly requested that Yanacocha refrain from any activities that would result in engagement with their clients.” The company has interpreted this to mean that limited engagement in these communities is not possible.

In its July 2000 report, a commission contracted by the International Finance Commission concluded that, “it is anticipated that the [sociological and psychological] impacts of the spill will continue to be felt in the local communities long after the initial symptoms of mercury poisoning present themselves” and that “MYSRL should develop a long-term strategy to recover community confidence based upon due consideration of the impacts of the company on the Cajamarca region.” The Exit Report prepared by an Independent Evaluation Team for the Office of the Compliance Advisor/Ombudsman (CAO) stated the Dialogue Tables held did not have legitimacy among the population and did not resolve the conflict effectively. Meanwhile, the company currently does not engage with any of the communities in the area. A great risk and challenge lies in reverting the situation, once the litigation is over, and engaging closely with the communities affected by the spill.

5.6 MYSRL’s Messages Lack Credibility

In general, the official communications released by the company are defensive in nature and do not help bridge the gap and build trust with the external community. Moreover, blanket statements that the company does not contaminate at all lack credibility among the Cajamarcan population, particularly given personal knowledge that some lagoons have dried up or trout have died due to the mine’s operations.

Newmont is perceived to take an unduly factual and rigid approach to resolving problems. This is perceived by community members as, “they are not really listening to us.” For example, the local residents might say, “We believe our stream is contaminated.” Newmont's response usually is, “No, it isn't. We have the scientific tests and it can't be.” One stakeholder suggested that the company should “design a culturally appropriate way to respond to their concerns without simply dismissing it.” There is no confidence in the water monitoring committees: “the people involved in the analysis are paid by MY.” Hence, there is the perception that the company and the water committees are corrupt.

It was also found that many external stakeholders do not trust information provided by other sources such as the media because they believe that a number of journalists are paid by MYSRL to write favorable articles about the company. Moreover, the majority of stakeholders interviewed indicated that they do not trust results published by MYSRL from its water monitoring activities because the company is not transparent with the results. According to stakeholders interviewed, MYSRL simply states that there was or was not contamination that month, rather than disclosing the detailed findings. Or, as cited in the SEDACAJ example above, the company retains the right to review the results before they are disclosed. Though laudable in its efforts to promote disclosure, these missteps further erode trust and the company’s credibility.

This lack of trust is affecting their engagement efforts in the rural communities. A local authority from one of the communities visited explained that meetings attended by the company are small in number compared to the general community assemblies. Few want to talk about the company or listen to its messages.

One stakeholder summarized his perception of the company’s defensive attitude as follows: “They [the company and its employees] are almost afraid to admit discussion of things or alternatives beyond what is required because that would open up too much of a discussion which would be time consuming. The company gives up and says, ‘And besides, everyone will be mad at us anyway.’” This may be true in the short term. But the resulting perception is that they are concerned only about themselves and not paying attention to the fundamental issues of trust, credibility and the long-term relationship.

5.7 Lack of Internal Communication and Coordination Among Departments

Though the Operations group and the EA Department coordinated well with the La Quinua Pad construction, most efforts are still not coordinated. The mine site does not seem to have an overarching company-wide management system for community relations; it is largely organized by the EA Group which sometimes engages other departments on an ad-hoc basis. Furthermore, due to the past mistakes conducted by the EA Department, there still seems to be lingering mistrust in the department and its ability to engage effectively with the community. As a result, other departments who see the need for greater contact with the community plan their own engagement programs with little or no help from the EA Department. The exploration department only recently started working with the EA Department. As of the date of the assessment, some joint meetings were held to share information and coordinate activities. However, departments are still wary and, according to internal interviews with the exploration group, a few successes like the La Quinua Pad will be necessary before this coordination becomes regular and consistent.
5.8 Human Rights Concerns are Increasing

With the death of Isidro Llanos during the Combayo protests and the allegations of FORZA monitoring activities on activists, the anti-mining activists’ focus is shifting from environmental concerns to human rights allegations and concerns.

The clash between Combayo residents and the mine that led to the death of Isidro Llanos has raised some concern regarding the use of police and private security forces to protect mine property.

Activists are detailing MYSRL and FORZA’s actions through videos, photos and news articles. Examples are the photographs of the room where the alleged monitoring activities were taking place with pictures of the activists targeted on the walls. They are publishing these on the internet through various sites such as youtube.com. The company denies the allegations. However, rural residents are starting to fear their corporate neighbor. Several interviewees refused to give us their names due to fear of reprisal.

In addition, the legacy concerns regarding water contamination and supply are starting to be framed by NGO opposition in terms of water rights, using human rights language. No longer are they using the traditional environmental arguments, but also using arguments related to the protection and violation of human rights.

MYSRL has formally recognized its human rights obligations through its 2007 Statement of Commitment that states that Yanacocha will “Act in accordance with the Universal Declaration of Human Rights and the Global Compact Brief.” Newmont is also a signatory to the Voluntary Principles on Security and Human Rights. However, the assessors identified two gaps with relation to human rights:

a) Lack of human rights training for most management and employees: Formal human rights training has yet to be incorporated into the company’s training program for management and employees, although management assured the assessors that it was in the process of being developed. This training would be most effective if it addresses the key human rights that are questioned with relation to the mine — in particular cultural, social and economic rights (not just civil and political).

Training related to the Voluntary Principles on Security and Human Rights is currently provided to all of MYSRL’s own security personnel; however, this training focuses on the standards and not their interpretation.

b) Contracting of Peruvian police forces for additional protection of the company’s land and installations: MYSRL has a contractual agreement with the police to provide security in the event an unlawful situation takes place in or near the mine’s property. The use of police is damaging to the relationship with the communities. Public perception surveys indicate widespread distrust in police officials, as many people identify them as being part of criminal networks involved in activities such as kidnappings or extortion.

When asked whether they thought MYSRL’s security personnel had used excessive force with residents of the community, a number of stakeholders perceived that there was often mistreatment on the part of police officers. Specifically, they mentioned the death of Isidro Llanos (see section 2.3(4) for more details) and the large number of police and guards brought in when there was a social disturbance. The police’s actions during the August 2006 Combayo protest have led to alleged human rights abuses for which the company could ultimately be held accountable.

17 The Voluntary Principles of Security and Human Rights are an international voluntary standard that guides multinational companies on how to interact with private and public security companies.
The company’s security department and FORZA are trained on Voluntary Principles. However, according to internal interviews, police who arrive on site in an emergency have not been trained on these Principles, though the company does have a contractual agreement with them. Furthermore, internal interviewees stated that many officers are not adequately trained to deal with riot situations and FORZA and the police would benefit from improved, third party, training about the Voluntary Principles.

This issue is a risk for the company since security-related human rights incidents are the number one cause of tort lawsuits under the Alien Tort Claims Act (ATCA) of the United States.

5.9 Contractors

Contractor management has been a continuous challenge for the company. The mercury spill near Choropampa, San Juan and Magdalema was caused by a contracted trucking company and the more recent allegation of illegal monitoring of anti-mining activists were led by the mine’s private security contractor. As noted above, several national and local external stakeholders found that MYSRL should be held fully accountable for these major incidents.

Furthermore, over 65% of the complaints registered at MYSRL’s Public Attention Office are related to contractors. The most common complaint is the lack of payment of wages. The company takes each complaint and addresses it with the contractor in question; however, there is a perception among stakeholders that the company does not strictly regulate contractor performance nor take responsibility for their contractor’s behavior or mistakes. “We don’t like to work for contractors because they don’t pay on time.” The assessors noted an exception summarized in the following quote: “MYSRL did take responsibility for some contractors that inadvertently killed some animals with some aluminum foil that was left behind. MYSRL paid for the animals. However, it upset the residents that MYSRL paid quietly as if they are trying to hide something. They should be more transparent.”

One large group of contractors consists of small businesses set up by rural community residents. The number of these contractors grew to be so large that, according to internal interviews, the site found it impossible to manage them all. As a result, the company has instituted a new policy that sets requirements for companies to work for MYSRL. It is expected that the number of companies accepted to work for the mine will drop from a few hundred to less than a dozen. According to contracts personnel, the desired outcomes of the change are a higher performance standard, less time needed to oversee contractors and improved professionalism from the contractors. The EA Department recognized that this new policy may lead to frustration from small businesses that cannot comply with the regulation and disappointment among rural residents who were hired by these small businesses. However, at the time of the assessment, the mine did not have a program or plan in place to mitigate or manage the impacts of this new policy.

5.10 Grievance Mechanisms and Conflict Resolution Processes

MYSRL captures stakeholder grievances through its Public Attention Office in the city of Cajamarca. This Office is responsible for compiling, addressing, and responding to all registered complaints using a sophisticated Microsoft Access Database program. Complaints may be registered through a written notice or verbally — if the complainant submits a verbal complaint directly to the Public Attention Office. All complaints are forwarded to their respective departments. There is a procedure that requires follow up with the departments to ensure that the complaint has been addressed and (whenever possible) a sign off by the complainant to state that he/she is satisfied with the resolution.
This formally established grievance mechanism responds to a number of stakeholders’ concerns particularly those related to contractor payments; however, it remains deficient on a number of fronts. Firstly, information gathered from external stakeholders suggests that few people know the office exists. In fact, a number of stakeholders the assessors spoke to said that there is no direct way for them to speak to the company and that MYSRL does not allow them to register their complaints. In the absence of a well-known complaint mechanism, some stakeholders suggested the need to resort to other, more disruptive means to express their concerns and dissatisfaction: “Since they don’t respond to our concerns, we will have to resort to other measures such as a road blockade.”

Secondly, the Public Attention Office seems to capture complaints people have about MYSRL contractors and employees; however, it does not seem to capture many complaints from rural communities surrounding the mine. Interviews with external stakeholders revealed that many people living in rural areas do not know where to go to register a complaint. The office is located in the city of Cajamarca, and people who live in communities around the mine tend to register complaints directly with the EA Department or with personnel at the Km 24 office. The EA Department registers these complaints in the incident register, but there is no formal process to follow through as there is with the complaints registered at the Public Attention Office. The lack of a formal process for follow through may be contributing to a poor response time to complaints. Some stakeholders from rural communities mentioned that it takes the company far too long to respond to their complaints. Others said that complaints are often lost or left unresolved due to high staff turnover in the EA Department. As mentioned above, the Social Development department has developed a new conflict resolution process that incorporates data and information regarding concerns, complaints and other low level negative issues into a mapping system that alerts the company. This system is not linked to the grievance mechanism and focuses more on the rural areas. There are weekly reports on each area of potential conflict that discuss the sources of the conflict, the company’s actions and results. However, it is not clear how the individual complaints are resolved using this conflict analysis.

Thirdly, the company’s complaints records indicate that employees are not held accountable for complaints that are left unaddressed. One employee keeps record of which complaints are pending and which complaints have been resolved within the grievance mechanism. However, there is no formal mechanism in place to ensure that specific people within departments are held accountable for the effective resolution of stakeholder complaints registered at either the Public Attention Office or at the EA Department’s offices.

Though these mechanisms are in place to avoid full blown conflicts, they do not prevent them all. Both internal and external stakeholders seemed dissatisfied with MYSRL’s mechanisms for conflict resolution. Those grievances that become wholesale conflicts are managed through Dialogue Tables or Mesas de diálogo, and dialogue with authorities. According to mine employees, these mesas have no time limitations without a true resolution to the problems. Additionally, external stakeholders find them to be biased, lacking legitimacy and only in favor of the company. In major conflicts, such as Combayo in 2006, the national government has participated through the Consejo de Ministros, and the Defensoría del Pueblo. However, these are very high level and only address conflicts at a very advanced stage.
Final Observations and Conclusion

Due to actual and perceived “past mistakes,” the MYSRL has little margin for error in the eyes of its stakeholders. Both pro-mining and anti-mining stakeholders are extremely critical of any move that the company makes.

The lack of functional and robust systems to manage these stakeholder relationships (such as the faulty grievance mechanism and the unstructured rural engagement) and the existing void in leadership regarding social responsibility issues, increase the risk and likelihood that errors will be committed. Most recently the company seems to be improving its image and performance through a disciplined implementation of its New Focus strategy and increased coordination between Operations and EA. However, there are still unanswered stakeholder concerns that the company needs to address in order to truly win back its stakeholders’ trust.

“MYSRL is a case study for all to learn how difficult it is to regain trust after it’s lost.”

-Urban stakeholder
Bernarda Elizalde (Team Leader)

Elizalde is an Ecuadorian by birth, presently living in Vancouver, Canada. She has a BSc in Biological Sciences from the Pontificia Universidad Católica in Quito, Ecuador. She also has an MSc in Environmental Sciences from the University of Wageningen in Wageningen, The Netherlands with a particular emphasis on Environmental Impact Assessment and Environmental Function Evaluation. She also has experience in working with local communities on: public consultations, base-line socio-economic studies; community sustainable development projects; Environmental Impact Assessments related to mining projects; socio-economic evaluations of environmental functions; recovery of wild genetic resources; and ecosystem restoration and native plant establishment.

She has worked on mining projects in Latin America related to the construction of effective working relations with impacted communities, stakeholder engagement and strategic stakeholder assessments and conflict resolution strategies. She has also co-led multiple convenings, bringing together Indigenous peoples and company representatives to discuss mutual issues; facilitated engagement between companies and communities at the local level; advised corporate staff on strategy and operationalizing policy; conducted trainings for company personnel on stakeholder mapping and community engagement, social risk and opportunity assessments, as well as promoting responsible attitudes towards the environment for workers and local residents. She has spoken at several national and international seminars and conferences on mining and CSR-related themes.

Christina Sabater

Christina Sabater is an independent consultant who focuses on international socio-economic development and corporate social responsibility. Christina has particular expertise working in Latin America in the extractive and energy industries. Her independent consulting services include: ongoing community stakeholder engagement strategic planning; long term, sustainable poverty reduction strategy development; social management assessments; stakeholder engagement training for employees; assessments of a mining company’s contribution to a community’s sustainable development; non-governmental organization partnership development; social risk and opportunity assessments; and Stakeholder mapping and analysis (http://ses.avanzar.biz). She has conducted over twenty social risk and management assessments throughout the world.

Before working as an independent consultant in 2003, Christina worked as a Manager at Business for Social Responsibility (BSR), a business association that focuses on ethics, environmental and social issues. At BSR she helped agricultural, extractive and information technology companies in Latin America develop their sustainable development and corporate social responsibility strategies and programs. Christina’s work with the social sector started over ten years ago while managing a grass roots economic development non-profit in Puerto Rico. She holds an MBA from the Kenan-Flagler Business School at the University of North Carolina and an economics degree from Yale University. She is a co-author of several publications including the “Minera El Desquite Report: Esquel, Argentina” (in English).
Melissa Whellams

Melissa works at Canadian Business for Social Responsibility (CBSR) as a corporate social responsibility (CSR) Advisor for the extractive industries. She has conducted extensive research on global mining companies’ community investment and stakeholder engagement practices, particularly in developing countries. She has worked on various projects in the areas of community stakeholder engagement, social risk assessment, multi-sector partnerships in community development, stakeholder mapping and analysis, CSR training for employees, and CSR performance measurement and reporting. Melissa has also assisted a number of CBSR member companies to develop CSR strategies and programs in Canada, Latin America, and Eastern Europe.

Prior to joining CBSR, Melissa worked as a Business Analyst for a Canadian oil and gas company, a Micro-Credit officer for a micro-finance organization in Ecuador, and as an independent consultant. Her interest in both business and international development led her to study a graduate degree in International Development, with a focus on corporate social responsibility. As part of her thesis she spent three months in Peru and Bolivia researching how a mining company’s CSR practices can contribute, or not, to local sustainable development. She is fluent in Spanish and French. Melissa has a B. Comm in International Business and an M.A. in International Development Studies. She presently resides in Vancouver, Canada.
Appendix 1E-2: Guide for External Stakeholder Interviews

Introduction:

Present introductory letter. Answer any questions that may arise. Confirm verbally that the stakeholder agrees to be interviewed.

Stakeholder interview questions:

1) Do you believe the mine has any (positive or negative) impacts on you and your community?

2) How would you describe your relationship with Newmont mining company (or appropriate site name)?

3) If the relationship is positive, why has it been positive? If negative, why?

4) Where do you get your information about the company and their operations? If it comes directly from the company or through media paid by the company please ask: Do you believe/trust the information they provide to you? Why or why not?

5) Do you find that the site understands your concerns and addresses them in a satisfactory manner?

6) Have you ever lodged a complaint against the mine? Was it resolved effectively?

7) Do you believe that your quality of life and the community’s quality of life has changed or will change with the presence of the mine?

8) What do you think were the reasons behind the XXX conflict in [date]? What action could (or should) the mine have taken to prevent or limit this conflict? What should the mine do in future to prevent similar such conflicts from arising?”

9) Do you know if the site’s employees or security forces have ever used excessive force with community residents? If so, why and what happened?

10) Does the site keep its commitments? (If no immediate answer, perhaps prompt with public donations, environmental commitments, etc) Do they follow the law?

11) Have you participated in any training or other activity to improve knowledge and understanding between the community and the company? Was it effective?

12) Who else should we interview who would have an interesting perspective on “the site’s” relationship with the community?
Internal Interviews Total: 46
External Interviews Total: 99
- Stakeholders from the communities: 54, Communities total: 13
- Stakeholders from Cajamarca: 25
- Stakeholders from Lima: 20
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ALAC</td>
<td>Asociación de los Andes de Cajamarca (Minera Yanacochas foundation in Cajamarca)</td>
</tr>
<tr>
<td>COMOCA</td>
<td>Community water monitoring committees</td>
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<tr>
<td>CONAM</td>
<td>Consejo Nacional del Ambiente (National Environmental Agency)</td>
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<tr>
<td>EA</td>
<td>External Affairs</td>
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<tr>
<td>ESR</td>
<td>Environment and Social Responsibility</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporate, part of the World Bank</td>
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<td>MYSRL</td>
<td>Minera Yanacocha</td>
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<tr>
<td>NGO</td>
<td>non governmental organization</td>
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<tr>
<td>OSINERGMIN</td>
<td>New agency created to oversee the mining and energy industries</td>
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<tr>
<td>SEDACAJ</td>
<td>City of Cajamarca’s potable water company</td>
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<td>SENASA</td>
<td>Government authority in charge of handling animal deaths</td>
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The MYSRL assessment was carried out through a combination of desktop research, an extensive document review and onsite interviews. The assessment team evaluated site documentation provided by the company (such as policies, procedures, reports, minutes, and public relations brochures) as well as publicly available reports and information. The onsite portion of the assessment was conducted from October 10th to the 19th, 2007 and consisted of eight days of interviews with external stakeholders, contractors and mine employees. The assessment team had complete autonomy to interview any stakeholder deemed necessary and it was requested early on that the assessors remain as independent as possible from Newmont while collecting the data.

The initial stage of the assessment process involved creating a comprehensive list of potential interview participants by:

- Identifying stakeholders whom site employees considered to be the most important positive and negative stakeholders in terms of having the most influence on the project;
- Reviewing the grievances lodged against the company through formal corporate mechanisms, or through blogs, internet or publicly available articles, and selecting a sample of persons who had made these complaints;
- Reviewing company reports, media articles, and internet sites to identify a number of major incidents between the company and the community and selecting villages and stakeholders affected by these incidents;
- Including stakeholders and local villages that participated in MYSRL’s economic development programs;
- Reviewing a map of the site and selecting a sample of villages or towns nearest the mine and in different geographical locations;
- Reviewing the site risk assessment and Social Impact Assessment to determine which stakeholders were considered to be most greatly affected by the risks of the operation and selecting a cross-section of these stakeholders to be interviewed; and
- Reviewing news reports from NGOs and activist groups and selecting some of the stakeholders mentioned in these reports.

The comprehensive list of potential external interview participants was then categorized by the type of organization or group, main areas of concern and level of influence and favorability (critical, neutral or positive). The list was narrowed down by selecting a cross-section of stakeholders who represented the various groups, issue areas and levels of influence. The final list was validated with two external stakeholders located in Peru: one a critical stakeholder, the other a Director of a non-profit organization that works on corporate social responsibility issues in the mining sector.

In order to ensure the independence of the data collection, all interviews, with the exception of two,18 were scheduled by the assessors or a local person hired by the assessors. As part of the interview process, the assessors asked each interview participant who else they thought should be interviewed. To the extent that time permitted, the assessors added these people to the list and conducted the interviews on site or by phone.

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18 These two interviews of high ranking government officials were scheduled by the site after several attempts by the assessor to schedule them were unsuccessful.
Internal interviews were selected depending on the information needed. For specific information regarding the mine's programs and policies, assessors spoke to the individuals responsible for carrying out the program or policy. Due to time and availability, the assessors were not always able to triangulate the information gathered from one particular employee. To gather general information and perceptions from the employees and contractors, the assessors selected a random group of employees available at the camp and in the offices visited.

In total, the assessors interviewed 99 external stakeholders and 46 internal stakeholders.

Every effort was made to communicate the independence of the assessor team to the stakeholders interviewed. Assessors used their own transportation and scheduled the interviews through a local resident who had knowledge of the communities, but was not a mine employee.

For the external interviews, the assessors used a list of general open ended questions regarding MYSRL's community relations practices, and tailored it according to the issues that were relevant to the interview participant (See Appendix B). Internal interviews were conducted using a separate questionnaire designed to learn more about the mine's community relations programs and policies.

The following report is a reflection of what the assessors heard and observed during the assessment process in October 2007. This report does not provide specific advice or recommendations. In order to facilitate the “comparative value” of the narrative report from each of the sites assessed for this Community Relationships Review19, Newmont developed a generic structure and asked the teams from each site to write our report using this structure. This structure included guidance on broad headings for sections, some of the content that was to be included, and examples of the general tone and level of detail desired. In the course of the report writing process, the assessment team also engaged more intensively with Newmont staff at a site and corporate level over the content and tone of the report. It should be noted that other stakeholders did not have the same opportunity to contribute towards shaping the final report presented here.

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19 In addition to Minera Yanacocha, the Ahafo, Martha, Carlin, and Batu Hijau mines have been assessed as part of this review.
Appendix 2: Self-Assessment by the Study Directors
The Study Directors have provided overview assessments and descriptions of the current relationships between the selected operating sites and surrounding communities. These overviews are set forth in Section V. In Section VI, the Study Directors have provided significant detail regarding specific aspects of these relationships in the process of framing lessons applicable to the whole company. The descriptions include overviews of the contexts in which these relationships have developed.

The Study Directors relied primarily on the work of the study teams in describing the current relationships between the operating sites and community stakeholders. The Study Directors have not provided substantial descriptions of the broader literature addressing the sites. The Study Directors have reviewed outside material providing perspectives, historical analyses, and criticisms of each site. For the purposes of this report however, the Study Directors decided to rely primarily on the work of the Study Teams — understanding that these relatively brief inquiries could not be expected to provide comprehensive overviews of all the factors defining the relationships between Newmont and community stakeholders, but also feeling that these inquiries were sufficient for the larger purposes of the CRR.

Overall: The Study Directors feel that they were able to meet this objective based on the methodology of the CRR and the time frame available.

Throughout the report, but especially in Section VI, the Study Directors have highlighted both current and future risks to Newmont with regard to its community relationships. In terms of opportunities, the Study Directors have identified broad opportunities for the company to make changes in how it manages community relationships. At the local level, the study teams sought to highlight specific opportunities for each site in their narrative reports. The Study Directors did not devote significant time to framing potential management opportunities at specific sites, but rather sought to provide larger lessons and opportunities applicable to all of Newmont’s operating locations.

Overall: The Study Directors feel that they were able to meet this objective based on the methodology of the CRR and the time frame available.
### Project Objective

Analyze the relevance of existing company policies, systems, and controls, and their effectiveness in guiding the company’s community development and community relations programs and activities.

### Assessment Against Objective, November 12, 2008

In response to this objective, the Study Directors looked primarily to corporate-wide policies, systems, and controls. The work of the Study Teams did not provide comprehensive or specific descriptions of site-specific policies, systems, and controls at the respective mine sites. Frequently, study teams indicated that a policy was in place to address a particular concern, but did not identify whether that policy was tied to a site-specific operating procedure or was identical to, or guided by, a corporate-wide standard or policy.

The Study Directors feel that they were able to address the “relevance” of specific policies, systems, and controls, but were limited in their ability to address the “effectiveness” of specific policies due to lack of information about site-level implementation. That said, the Study Directors feel that they were able to highlight both successes and failures with regard to the effectiveness of Newmont’s broader approach to community relationships.

**Overall:** The Study Directors feel that they were able to address the relevance of corporate-wide policies, systems, and controls. The Study Directors were limited in their ability to address the effectiveness of site-specific policies, systems, and controls based upon the nature of the information gathered by the study teams. This limitation highlights a mismatch between the research approach of the study teams and the objectives of the CRR.

### Identify the impact of the company’s resources, capacity, and governance on the execution of policies and controls related to community development and community relations programs.

The Study Directors were able to provide information regarding the impact of Newmont’s institutional and personnel capacity on the execution of policies and controls related to community development and community relations. The Study Directors were able to discuss the impact of training, accountability measures, and management structures. The Study Directors were unable, however, to comment on key components of the “resources” that Newmont has dedicated to community relations at the mine sites. The Study Directors do not have any information on budgets for ESR personnel and programs at the various mine sites, nor do they have specific information on the numbers and specific expertise of mine site personnel.

**Overall:** The Study Directors were able to provide information on key, but not all, significant resource, capacity, and governance issues relevant to the execution of policies and controls related to community development and community relations. The methodology of the CRR limited the ability of the Study Directors to comment on issues as budget and the specific expertise of mine site personnel.
Proposal No. 4—Stockholder Proposal Requesting a Report Regarding Newmont’s Community Policies and Practices

The Company has been advised that the following resolution and statement in support thereof may be presented by or on behalf of a beneficial owner of shares of the Company’s common stock at the Annual Meeting of Stockholders. The name and address of such beneficial owner, together with the number of shares of common stock held by such beneficial owner, will be furnished by the Company, to any person, orally or in writing as required, promptly upon the receipt of such request.

“NEWMONT MINING 2007

Whereas
Several Newmont projects in developing countries have been undermined by community protests over the years. A pattern of community resistance to the company’s operations, especially in Peru, Indonesia, and Ghana, raises concerns about issues such as the company’s mining waste disposal practices, the potential for water pollution, development on sacred sites, and community resettlement.

In November 2005, police shot and killed one farmer and injured three others near Newmont’s Akyem mine in Ghana, after a protest calling for additional compensation for crops. In a response by Newmont, the company later acknowledged that it “did not heed early warnings in the villages that the situation could escalate.”

In April 2006, villagers burned Elang exploration camp on Sumbawa Island, Indonesia, temporarily suspending operations. Last year, exploration was also suspended temporarily after residents asked the company to hire more community members and purchase more local supplies, according to the Denver Post.

In November 2004, the company removed Cerro Quilish from the mine plan and reserves of Minera Yanacocha, in which Newmont holds majority interest, after community protests against exploration activities resulted in a sustained blockade to the mine. Yanacocha asked for its exploration permit to be revoked, primarily due to increased community concerns. According to the firm’s 10-K Annual Report 2004, it reclassified 2.0 million ounces of gold from “proven and probable” to “mineralized material not in reserve.” Yanacocha’s operations manager said in a BBC news article that the company failed to understand the magnitude of the community’s concern.

In August 2006, local residents blocked access to Yanacocha for six days, briefly shutting down the mine over concerns related to job security, water protection, and community investments. The blockade followed a series of clashes between protestors, security guards, and police, during which one farmer was shot to death, according to Inter Press Service.

On February 17, 2006, The New York Times reported that Newmont agreed to pay $30 million to Indonesia in a settlement of a civil lawsuit in which the government argued that Newmont had polluted a bay with arsenic and mercury, making villagers sick.
Resolved
That shareholders request that a committee of independent board members be formed to conduct a global review and evaluation of the company’s policies and practices relating to existing and potential opposition from local communities and to our company’s operations and the steps taken to reduce such opposition; and that the results of that review be included in a report (omitting confidential information and prepared at reasonable cost) that is made available to shareholders prior to the 2008 annual meeting.

Supporting Statement
Newmont Mining's success depends not only on receiving legal permits and licenses, but also on the acceptance and cooperation of the communities it affects.

Board Recommendation

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THIS PROPOSAL FOR THE FOLLOWING REASONS:

The Board of Directors has established the Environmental, Health and Safety Committee, a standing committee of the Board, which is comprised of at least three independent directors. The Committee is charged with overseeing a wide variety of Company policies and practices designed to achieve environmentally sound and responsible resource development. Therefore, it is well-suited to review and evaluate the Company’s policies and practices relating to its engagement with host communities around its operations. In conducting its review and evaluation of such policies, the Committee will also evaluate any existing and potential opposition to Newmont’s operations from those communities. The results of that review will be included in a report (omitting confidential information and prepared at reasonable cost) made available to the stockholders prior to the 2008 annual meeting of stockholders.

In particular, the Committee will meet at least twice a year to (a) review the effectiveness of the policies and systems for managing community risks associated with the Company’s activities; (b) prepare a public assessment of the Company’s community affairs performance; (c) report to the Board the Committee’s findings, conclusions and recommendations on specific actions or decisions the Board should consider; (d) engage independent experts or advisors, to the extent it is deemed necessary, who have recognized expertise in community affairs; and (e) oversee Newmont’s policies, standards, systems and resources required to conduct its activities in accordance with the Company’s Core Values.
Appendix 4: Biographical Information
Board of Directors of Newmont Mining Corporation - ESR Committee

James V. Taranik, Chair of the ESR Committee

- Director of the Mackay School of Earth Sciences and Engineering at the University of Nevada, Reno since January 2004.
- Dean of Mackay School of Mines at the University of Nevada, Reno, from February 2003 to January 2004.
- Regents Professor and Arthur Brant Chair of Geophysics.
- President and Chief Executive Officer Emeritus of Desert Research Institute, University and Community College System of Nevada, an environmental research organization, since 1998.

John B. Prescott

- Chairman of Queensland Rail since 2006.
- Chairman of ASC Pty Ltd since 2000.
- Retired executive of The Broken Hill Proprietary Company Limited (now BHP Billiton Ltd), and Managing Director and Chief Executive Officer thereof from 1991 to 1998.
- Director of Normandy Mining Limited from 1999 to 2002.

Robert J. Miller

- Principal of Dutko Worldwide, a public policy company, since July 2005.
- Partner at Jones Vargas, a law firm, from 1999 to 2005.
- Governor of the State of Nevada from 1989 to 1999.
- Director of Zenith National Insurance Corp., International Game Technology and Wynn Resorts, Limited.

Veronica M. Hagen

- Chief Executive Officer of Polymer Group, Inc. since April 2007.
- President and Chief Executive Officer of Sappi Fine Paper North America from 2004 to 2007.
- Executive positions with Alcoa, Inc. since 1998, including Vice President and Chief Customer Officer from 2003 to 2004 and Vice President, Alcoa North American Extrusions from 2001 to 2003.

Joseph A. Carrabba

- Chairman, President and Chief Executive Officer of Cleveland-Cliffs Inc since May 2007.
- Served as the Company’s President and Chief Executive Officer from 2006 to 2007 and as President and Chief Operating Officer from 2005 to 2006.
- Previously served as President and Chief Operating Officer of Diavik Diamond Mines, Inc. from 2003 to 2005.
- Director of Cleveland-Cliffs Inc.
Gare Smith, **Partner, Corporate Social Responsibility Practice, Foley Hoag LLP**

Gare Smith chairs the Corporate Social Responsibility practice at the law firm Foley Hoag LLP, in Washington, D.C. Prior to joining Foley Hoag, he was Vice President of Levi Strauss & Co., where he supervised global implementation of the company’s code of conduct. Mr. Smith previously served as Principal Deputy Assistant Secretary in the U.S. Department of State’s Bureau of Democracy, Human Rights & Labor, and was a U.S. representative to the U.N. Human Rights Commission, the International Labor Organization, and the U.N. Working Group on the Rights of Indigenous Peoples. He has authored three books on corporate social responsibility and international human rights standards, which were published by the World Bank and the International Finance Corporation. Mr. Smith sits on the boards of a number of human rights organizations.

Dan Feldman, **Partner, Corporate Social Responsibility Practice, Foley Hoag LLP**

Dan Feldman is a partner in the Corporate Social Responsibility practice at the law firm Foley Hoag LLP. In this capacity, he advises major multinational corporations on best practices with regard to human rights, labor rights, and indigenous rights issues, as well as stakeholder relations with local communities, host governments, and non-governmental organizations. He previously served as Director of Multilateral and Humanitarian Affairs at the National Security Council in the Clinton Administration, where he was responsible for international public law and global human rights issues, and as Counsel and Communications Adviser to the U.S. Senate Homeland Security and Governmental Affairs Committee, on the staff of Senator Joseph Lieberman. He has worked in Africa and Asia on human rights and democratization issues, been appointed a White House Fellow and a Henry Luce Scholar, and was a law clerk on the U.S. Court of Appeals for the Ninth Circuit and on the South African Supreme (Constitutional) Court.

Jim Rader, **President, Avanzar Consulting (Canada) Ltd.**

*Working Group Study Director, August – December 2007*

Jim Rader is the president of Avanzar Consulting (Canada) Ltd. He began his work in the international arena from 1976-1978 with post-graduate study at the National Autonomous University of Mexico. He then moved into the international development field for approximately 15 years and worked at the Director level for two different Canadian aid agencies working in Latin America. The main area of focus was sustainable community development and empowerment. In 1997, he began to work with mining communities, and for three years worked to train non-governmental agencies and communities in Latin America on how to prepare for the entry of Canadian mining companies, with a specialization in conflict resolution and effective engagement.

In 2002, Mr. Rader was hired by Business for Social Responsibility of San Francisco to start their extractive program and worked as the Director of their Energy and Extractive Program until the end of 2005. He has worked with mining and energy companies on issues such as: audit programs; community relations management systems; conflict resolution and consensus building; human rights; Indigenous relations (with a focus on free, prior and informed consent); sustainable closure planning; and the design of a comprehensive tool to measure the sustainable impacts of mining companies to local sustainable development. He has worked in 30 countries in Asia, Africa and Latin America. He is the principle in Avanzar Consulting (Canada) Ltd and resides in Vancouver, Canada. He is the Study Director for the Newmont Community Review.
CRR Study Teams

Ahafo Mine, Ghana

Paul Kapelus, Senior Consultant, Synergy Global Consulting Ltd., South Africa

Paul Kapelus presently works as a Senior Consultant for Synergy Global Consulting. Paul’s mission is to promote business in Africa as a force for good. He has 14 years experience in the field of corporate social responsibility, having worked on a platinum mine for Anglo Platinum, as a consultant for Steffen Robertson and Kirsten Consulting Engineers, and independently. Paul co-founded the African Institute of Corporate Citizenship in 2000 which is now at the forefront of working with companies and communities in Africa and has an international reputation for promoting an African agenda at the global policy making level.

Mr. Kapelus has focused on CSR in the mining, oil, infrastructure development, finance and telecommunications, with experience in social impact assessments and the development of social development plans, sustainability reports and assurance, and stakeholder engagement strategies and plans. He has worked on over 30 projects in the extractive sector on such projects in ten countries. He brings his practical experience to the latest international policy frameworks, norms and conventions on social responsibility and best practice methodologies through his participation in a number of global projects and conferences in social responsibility. The establishment of partnerships between companies and NGOs has been a specific interest of Paul’s over the past three years, and he is presently coordinating an initiative in five countries.

Mr. Kapelus is a stakeholder council member of the GRI (Global Reporting Initiative), council member of AccountAbility (AA1000) and was recently elected as a Young Global Leader by the World Economic Forum. He is a judge on the Mail & Guardian Investing in the Future Awards, ACCA Sustainability Reporting Award, Asakheni Awards (Zimbabwe) and sits on the advisory committee of the Wits Center for Sustainability in Mining and Industry. Paul presently resides in Johannesburg, South Africa. He is the Team Leader for the Ahafo assessment.

Graeme Rodgers, Social Anthropologist, Synergy Global Consulting Ltd., United States

Graeme Rodgers is a social anthropologist (PhD University of the Witwatersrand, South Africa) with an Applied expertise in resettlement planning; social development planning; post-conflict reconstruction; socio-economic surveys (qualitative and quantitative); social impact assessments; and training related to displacement, resettlement and migration. Graeme’s current research examines the relationship between the experience of forced resettlement and a broader social and political vulnerability to further displacement. He works for Synergy Global Consulting as part of this project and he is a member of the Ahafo, Ghana Assessment Team. He is presently based in New York City.

Dr. Rodgers has worked on the social impacts of mining projects in South Africa, Zambia, Guinea and Mozambique in such areas as: planning and managing in-migration to new mining areas conforming to IFC Performance Standards and international “good practice;” audit of a Resettlement Action Plan (RAP) for a new mine, including determining levels of compliance with IFC Performance Standards, the Equator Principles and other recognised standards of international “best practice;” contributing to a study on the best practices for the management of social impacts resulting from mining; participating in an environmental impact assessment (EIA) for a proposed new mine; preparing comprehensive social and environmental reports for four mines and the development of Social Management Plans for each mine area; development of a preliminary Resettlement Action Plan to World Bank standards for two affected villages in a mine area; carrying out a fatal flaw analysis of a proposed titanium mine; and reviewing a Social Impact Assessment for the development of a titanium mine in Zambezia Province, Mozambique.
Minera Yanacocha, Peru

**Bernarda Elizalde, Independent Consultant, Abbotsford, Canada**

Bernarda Elizalde is an Ecuadorian by birth, presently living in Vancouver, Canada. She has a BSc in Biological Sciences from the Pontificia Universidad Católica in Quito, Ecuador. She also has a MSc in Environmental Sciences from the University of Wageningen in Wageningen, The Netherlands with a particular emphasis on Environmental Impact Assessment and Environmental Function Evaluation. She also has experience in working with local communities on: public consultations, base-line socio-economic studies; community sustainable development projects; Environmental Impact Assessments related to mining projects; socio-economic evaluations of environmental functions; recovery of wild genetic resources; and ecosystem restoration and native plant establishment.

Ms. Elizalde has worked on mining projects in Latin America related to the construction of effective working relations with impacted communities, stakeholder engagement and strategic stakeholder assessments and conflict resolution strategies. She has also co-led multiple convenings, bringing together Indigenous peoples and company representatives to discuss mutual issues; facilitated engagement between companies and communities at the local level; advised corporate staff on strategy and operationalizing policy; conducted trainings for company personnel on stakeholder mapping and community engagement, as well as promoting responsible attitudes towards the environment for workers and local residents. She has spoken at several national and international seminars and conferences on mining and CSR-related themes. She is the Team Leader for the Yanacocha assessment.

**Christina Sabater, Independent Consultant, Avanzar Consulting Ltd., United States**

Christina Sabater is an independent consultant who focuses on international socio-economic development and corporate social responsibility. Christina has particular expertise working in Latin America in the extractive and energy industries. Her independent consulting services include: ongoing community stakeholder engagement strategic planning; long term, sustainable poverty reduction strategy development; social management assessments; stakeholder engagement training for employees; assessments of a mining company’s contribution to a community’s sustainable development; non-governmental organization partnership development; social risk and opportunity assessments; and Stakeholder mapping and analysis (http://ses.avanzar.biz). She has conducted over twenty social risk and management assessments throughout the world.

Before working as an independent consultant in 2003, Ms. Sabater worked as a Manager at Business for Social Responsibility (“BSR”), a business association that focuses on ethics, environmental and social issues. At BSR she helped agricultural, extractive and information technology companies in Latin America develop their sustainable development and corporate social responsibility strategies and programs. Christina’s work with the social sector started over ten years ago while managing a grass roots economic development non-profit in Puerto Rico. She holds an MBA from the Kenan-Flagler Business School at the University of North Carolina and an economics degree from Yale University. She is a co-author of the “Minera El Desquite Report: Esquel, Argentina” (in English). She is a member of the Yanacocha, Peru Assessment Team.

**Melissa Whellams, Associate, Canadian Business for Social Responsibility, Canada**

Melissa Whellams works as an Associate at Canadian Business for Social Responsibility (“CBSR”) as a corporate social responsibility (“CSR”) Advisor for the extractive industries. She has conducted extensive research in Latin America on mining companies’ community investment and stakeholder engagement practices and she is currently working on community investment and stakeholder engagement projects with CBSR’s member companies operating in Canada, Honduras, and Slovakia.
Prior to joining CBSR, Mr. Whellams worked as a Business Analyst for a Canadian oil and gas company, a Micro-Credit officer for a micro-finance organization in Ecuador, and as an independent consultant. Her interest in both business and international development led her to study a graduate degree in International Development, with a focus on corporate social responsibility. As part of her thesis she spent three months in Peru and Bolivia researching how a mining company’s CSR practices can contribute, or not, to local sustainable development. She is fluent in Spanish. Melissa has a B. Comm in International Business and an M.A. in International Development Studies. She is a member of the Yanacocha, Peru Assessment Team. She presently resides in Vancouver, Canada.

**Batu Hijau Mine, Indonesia**

**Arian Ardie, Strategic Risk Consultant, Pacific Century Limited, Indonesia**

Arian Ardie presently is the owner of his own consulting practice specializing in providing strategic risk mitigation and management services; social, environmental and political risk assessments; and the building of CSR strategies and implementation processes for extractive companies. He has worked at a managerial and grassroots level directing: participatory consultation process, forging government and civil-society partnerships; ensuring compliance with national and international standards on CSR, including World Bank, IFC and ILO standards on resettlement and human rights; and implementing community sustainability programs.

Mr. Ardie has a B.S in Economics from the University of Santa Clara and has done graduate studies at the Food Research Institute of Stanford University in California. He speaks three languages. He presently resides in Jakarta, Indonesia and is a member of the Batu Hijau Assessment Team.

**Luciana Ferrero, Social Development Consultant and Certified Translator, Indonesia**

Luciana Ferrero has worked in the mining and oil industry in Indonesia in the fields of community relations; project implementation; capacity building; monitoring and evaluation; and the delivery of training programs. She has strong mediation, negotiation, organizational and people skills. Her knowledge of the challenges in the mining sector in Indonesia related to environmental, employment, education, communication and community issues is excellent. Having lived and worked for 30 years in Indonesia, she has traveled and worked extensively throughout the country – often in conflict zones - and is a certified freelance translator and interpreter in Bahasa (Indonesian). She also speaks five other languages. In addition to her translation and interpreting work she also consults and acts in a coordination role for a variety of health, education and women empowerment programs including: in Timor-Leste as Editor and Translator for CAVR (Truth and Reconciliation Commission); preparation and submission of proposals to donor agencies for community development/health programs in Indonesia’s Nusa Tenggara Timur and East Timor regions; and assisting in the establishment and running of a foundation providing health and surgical services to Eastern Indonesia. She presently resides in Bali, Indonesia and is a member of the Batu Hijau Assessment Team.

In addition to her linguistic qualifications, Ms. Ferrero holds a degree in South-East Asian Studies with majors in Indonesian History and Indonesian Politics. Her particular interest is to bring attention to the plight of IDPs and poor communities in Indonesia through photography.
Catherine Macdonald, Community Development Consultant, Social Sustainability Services, Australia

Catherine Macdonald has been working in the community development and social impact field for 20 years, more than half of that spent in the mining sector. She is a Community Development Consultant and a principle in her own consulting firm, Social Sustainability Services. She is based in Perth, Australia.

Dr. Macdonald has provided social impact, assessment and community development advice to numerous extractive industries projects in Australia, China, Ghana, Indonesia, Mali, Mongolia, Papua New Guinea, Senegal and Tanzania, including conducting audits of the social and community programs for a number of these projects. Dr Macdonald is an accredited trainer experienced in developing staff capacity to deliver participatory consultation programs. Her doctorate was in modern African social history. She speaks French, Swahili, Malay, Indonesian, Dutch and Sinhala.

Dr. Macdonald has been principal author of two publications on community relations and development issues in the minerals sector. The first is Developing New Approaches for Stakeholder Engagement in the Minerals Sector for the Mining Minerals and Sustainable Development (MMSD) Australia project in 2002. Catherine also led the team preparing the World Bank/ICMM Community Development Toolkit, published in 2005 as part of their Pioneering New Approaches in Support of Sustainable Development in the Extractive Sector project. She is the Team Leader for the Batu Hijau assessment.

Martha Mine, New Zealand

Robin Evans, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia

Robin Evans is a Senior Research Fellow at the Centre for Social Responsibility in Mining, part of the University of Queensland’s Sustainable Minerals Institute. Since commencing at the Centre in 2002, his work has focused on the development and application of risk and opportunity approaches to issues of sustainable development in the minerals industry, including specific work on ‘social’ risk and opportunity analysis. This has also led to research into the methods that companies use to value ‘Beyond Compliance’ initiatives. Most recently these two themes have come together in a joint project with the Centre for Water in the Minerals Industry that aims to provide a framework for operations to use for valuing water in the context of their environment and stakeholders.

A mining engineer by training, Mr. Evans completed a Masters degree in Technology Management prior to joining CSRM. He has worked in operational roles at mine sites in South America and Australia, and also held management roles for a product supplier to the industry which provided exposure to a variety of mining contexts in the region.

Deanna Kemp, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia

Deanna Kemp is a Senior Research Fellow at the Centre for Social Responsibility in Mining (“CSRM”), an independent research centre located within the Sustainable Minerals Institute at the University of Queensland in Brisbane, Australia. Its charter is to promote socially responsible practices in the minerals industry and facilitate progress towards sustainable development objectives.

Dr. Kemp has more than ten years of experience working in the social dimension of sustainability, primarily with the mining and banking sectors. She also has experience in the non-governmental sector through an association with Oxfam Australia. She has worked from various perspectives including site-based, corporate head office, independent consultant and academic researcher. Her work has taken her to various countries including India, Pakistan, Bangladesh, Indonesia, Laos, Canada, the United States, Australia, New Zealand and Europe.
Dr. Kemp has a particular interest in social policy within the minerals industry, sustainability assurance and verification, community relations management systems, stakeholder engagement, NGO liaison, community development, human rights and the gender dimensions of resource development. Deanna holds a PhD from the University of Queensland. Her thesis focused on community relations work in the mining industry and its associated tensions and conflicts. She also holds a Masters of Social Science (by research) in Development Studies from RMIT University of Australia. Deanna is the Team Leader for the assessment at the Martha Mine in New Zealand.

Carlin Operations, United States

**Tim Buchanan, Director, Energy and Extractives Team, Business for Social Responsibility, United States**

Tim Buchanan leads BSR’s Energy and Extractives Program to help members and clients develop their social, environmental, and sustainable development strategies, including design, risk assessment, management systems and training programs.

Prior to joining BSR in 2007, Mr. Buchanan spent over 20 years in the mining industry, garnering a broad base of expertise from the technical and production management of mining operations to design and implement of environmental, social, and other sustainable development programs. At Gold Fields Limited, Mr. Buchanan served as the Manager of Sustainable Development for the Ghana Division and acted as Senior Consultant for Sustainable Development for the corporate office in South Africa. Mr. Buchanan’s career also includes management roles with Barrick Gold Corporation and Zambia Consolidated Copper Mines. He has also worked on the social and environmental aspects of projects located in Africa, Europe, North America, and South America.

A Registered Professional Engineer, Mr. Buchanan holds a Bachelor’s degree in Mining Engineering from the Colorado School of Mines and a Master’s degree in Resource Management from the University of Nevada.

**Matt Jeschke, Former Director, Energy and Extractives Team, Business for Social Responsibility, United States**

Matt Jeschke served on the Carlin study team until February 2008 when he left his position as Director of BSR's Energy and Extractives Program. Tim Buchanan took his place on the study team.

Mr. Jeschke had joined BSR in April 2001, and served until February 2008. As Director of the Energy and Extractives Program, he worked with oil, gas and mining companies on in-country strategic stakeholder and social risk assessments. He also helped develop stakeholder engagement plans and CSR policies and practices for numerous companies who are leaders on social and environmental issues. He worked with numerous extractives companies and NGOs in the US and globally to promote community consultation and to develop effective social and environmental practices. Mr. Jeschke also led conveings that bring together Indigenous peoples and mining and energy company representatives; facilitated engagement between companies and communities at the local level; helped set up community environmental monitoring groups; advised corporate staff on strategy and operationalizing company policy for proactive stakeholder engagement; and conducted trainings for company personnel on stakeholder mapping, community engagement, human rights, and other issues.

Mr. Jeschke has worked closely with extractive companies, as well as apparel and footwear companies, on projects ranging from supply chain issues to human rights in countries all over the world. Having lived and worked in Costa Rica, Bolivia, and Ecuador prior to joining BSR, Matt is a fluent Spanish speaker. He is a co-author of the “Minera El Desquite Report: Esquel, Argentina” (in English). He presently resides in San Francisco, California. Matt is Team Leader for the Carlin Mine, Nevada assessment.
Terry Nelidov, Manager, Energy and Extractives Team, Business for Social Responsibility, United States

Terry Nelidov is a Manager in BSR’s Energy and Extractive Program. In this role, Terry advises mining companies operating in Latin America to enhance their social, environmental, and economic performance in socially responsible ways. Current project work focuses on areas such as stakeholder engagement, social risk assessment, human rights, and sustainable community development.

Prior to BSR, Mr. Nelidov spent 15 years working in business and human development in Latin America. Mr. Nelidov’s most recent position was as the Country Representative with Catholic Relief Services in Peru, where one of the key challenges was how to facilitate dialogue between company and community in areas affected by mining. Mr. Nelidov also worked on the development of low income housing projects in El Salvador, at the Harvard-affiliated Instituto Centroamericano de Administración de Empresas (INCAE) graduate school of business in Costa Rica, on promoting agricultural cooperatives with the Peace Corps in Paraguay, on low income housing projects with the Cooperative Housing Foundation in Honduras and other community development projects in Ecuador. Mr. Nelidov holds a B.S. in Industrial Engineering from Stanford University, and an M.B.A. from Instituto de Estudios Superiores de la Empresa (IESE) in Spain. He speaks four languages and presently resides in San Francisco, California. He is a member of the Carlin Mine Assessment Team.
Cristina Echavarria, Executive Director, Association for Responsible Mining, Medellin, Colombia

Cristina Echavarria has over 20 years of experience in community development, social research and administration of research programs in participatory natural resource management, with emphasis on the social, environmental and governance dimensions of the sustainable development of mineral rich regions. She has played leadership and facilitation roles in multi-stakeholder consultation process in Latin America, and in the formation of knowledge networks around mining and sustainable development issues. Has directed research programs to develop intercultural natural resource management tools, has developed formal and non-formal education programs, participatory action research for the organization and promotion of women, and has extensive experience in applying communications for development by combining traditional media (printed, radio, TV) with ICTs, and using popular cultural expressions and both traditional and scientific knowledge. She has been a keynote speaker in numerous regional and global conferences, and has published widely. Between 2000 and early 2005 she was the Director of the Mining Policy Research Initiative of Canadian IDRC.

Steve D’Esposito, President, RESOLVE, Washington, D.C. USA

On October 1, 2008, Steve D’Esposito assumed the position of President of RESOLVE, also located in Washington, DC. On September 30, 2008, Mr. D’Esposito stepped down as President/CEO of Earthworks.

Before becoming president of Earthworks in January 1998, Mr. D’Esposito served as Vice President for Policy. Before joining Earthworks, Steve was instrumental in building Greenpeace USA into one of the largest environmental groups in the U.S., from 1986 through 1992. From 1993 through early 1996, Mr. D’Esposito served as Deputy Director and the Executive Director of Greenpeace International in Amsterdam, the Netherlands. Prior to his work with Greenpeace, Mr. D’Esposito was Field Director for the New York Public Interest Research Group. He also led a community-based voluntary recycling effort in Washington D.C. and then helped pass recycling legislation. Steve received a bachelor’s degree in political science from Tulane University in New Orleans in 1983.

R. Anthony (Tony) Hodge (Advisory Panel Chair) President, International Council on Mining and Metals, London, UK, Professor of Mining and Sustainability, Queen’s University Kingston

On October 1 2008, R. Anthony Hodge assumed duties as President and CEO of the International Council of Mining and Metals in London, UK. This follows from his appointment a year earlier as Kinross Professor of Mining and Sustainability, Queen’s University at Kingston.

For the past 30 years Dr. Hodge has been in private practice as a consulting engineer. His projects have ranged across a rich variety of assignments related to mining, aboriginal relations, nuclear waste management, water resources, energy policy, and the distribution of benefits from resource developments.

Dr. Hodge received his B. A. Sc. (1972) and M. A. Sc. (1976) degrees from the University of British Columbia (Geological Engineering). He was awarded his Ph. D. (interdisciplinary) in 1995 from McGill University as a result of work that focused on reporting on progress toward sustainability. Prior to his recent appointment at Queen’s University, he taught at Royal Roads University in their graduate program on environment and management. Dr. Hodge also held an adjunct position with the School of Public Policy at the University of Victoria.
From 1989 – 1992, Dr. Hodge was President of Friends of the Earth Canada. He served on the National Round Table on the Environment and the Economy (NRTEE) from 1992 - 1996. Through 2001 and 2002 he led the North American component of a global multi-interest review of practices mining/mineral industry (MMSD – North America). As part of this work he championed development of the Seven Questions to Sustainability – How to Assess the Contribution of Mining and Mineral Activities. He has written, spoken, and taught extensively on the issue of applied sustainability, particularly in terms of practical application in the mining industry.

Chris Jochnick, Director, Private Sector Team, Oxfam America, Boston, MA USA

Chris Jochnick is the Director of the Private Sector Team at Oxfam America. Mr. Jochnick is the co-founder of two non-profit organizations devoted to economic and social rights. He has worked for over fifteen years on issues of human rights and corporate accountability, including seven years in Latin America supporting grassroots campaigns around extractive industries. Prior to joining Oxfam, Mr. Jochnick worked as a corporate attorney with the Wall Street law firm of Paul, Weiss, Rifkind, Wharton and Garrison. Mr. Jochnick is a graduate of Harvard Law School, a former MacArthur Fellow and an adjunct associate professor at Columbia University.

Caroline Rees, Director, Governance and Accountability Program, Corporate Social Responsibility Initiative, Harvard Kennedy School, Harvard University, Cambridge, MA

Caroline Rees is Director of the Governance and Accountability Program at the Corporate Social Responsibility Initiative of Harvard Kennedy School. Her primary focus is on the analysis and development of mechanisms that address grievances arising from the impact of corporate operations on the communities where they operate and workers in their supply chains. She is also an advisor to Professor John Ruggie, the UN Secretary-General’s Special Representative for Business and Human Rights and member of the Board of the Institute for Human Rights and Business.

Ms. Rees previously spent 14 years with the British Foreign and Commonwealth Office. From 2003-2006 she was posted at the UK’s Mission to the United Nations in Geneva, where she led the UK’s human rights negotiating team. She was closely involved in negotiations on issues such as human rights in Sudan and the Middle East, the right to development, the Declaration on the Rights of Indigenous Peoples and business and human rights. In 2005 she chaired the negotiations that created the mandate of the Special Representative of the Secretary-General for business and human rights. Her prior foreign service career covers Iran, Slovakia, the UN Security Council and the negotiations leading to the 2004 enlargement of the European Union. Ms. Rees has a BA Hons from Oxford University and an MA in Law and Diplomacy from the Fletcher School, Tufts University.

Steve Rochlin, Head, AccountAbility, North America, Washington, D.C. USA

Steve Rochlin is a respected authority on the topics of corporate responsibility, sustainable development, collaborative governance, stakeholder engagement, and partnerships. He is co-author of Untapped: Creating Value in Underserved Markets and the forthcoming Beyond Good Company.

At AccountAbility, Mr. Rochlin leads the Global Leadership Network — a landmark partnership with The Center for Corporate Citizenship at Boston College, 35 leading global companies, the United Nations Global Compact, and the International Finance Corporation of the World Bank Group. This initiative has defined performance excellence in corporate responsibility and has created companion strategic planning and assessment tools.

Mr. Rochlin also leads AccountAbility’s Partnership Governance and Accountability (PGA) initiative. This initiative seeks to build effective and legitimate accountability systems for emerging, innovative collaborative initiatives in the arenas of international development, environment, health, human rights, labor, and corporate responsibility standards.
Mr. Rochlin frequently delivers keynote speeches on topics related to the role of business in society for events around the world. He has consulted to many of the world’s leading brands to help them achieve world-class global corporate responsibility performance, measurement, and strategy. He is an accomplished facilitator and is often asked to facilitate multi-stakeholder dialogues, executive team meetings, and training workshops.

Prior to arriving at AccountAbility, Mr. Rochlin spent 11 years as Director of Research and Development for The Center for Corporate Citizenship at Boston College, where he led the effort to build one of the premier applied R&D Centers on the strategy, management, measurement, and practice of corporate responsibility.

Mr. Rochlin has worked extensively in the areas of technology-based economic development for both the National Academy of Sciences and the Center for Strategic and International Studies in Washington, D.C. He has also served as Associate for an economics and management consulting firm. Steve obtained his Masters degree in Public Policy from Harvard University’s John F. Kennedy School of Government and is A.B. from Brown University.

Ignacio Rodriguez, Community Representative, Colorado, USA

Ignacio Rodriguez has a B.A. from Pan Americana University and an M.A. from Oklahoma State University. He was a Vocational Rehabilitation Councilor with the Texas Education Agency, Director of a Community Mental Health Center, Deputy Director of the Division of Forensic Psychiatry of the Colorado Mental Health Institute and retired as a Project Officer with the National Institute of Mental Health, Department of Health and Welfare.

Mr. Rodriguez devoted significant time as a participant in the reclamation effort at the Summitville Superfund Site in Colorado. He served as Chairman of the Summitville Technical Assistance Group and is presently a Board Member of the Alliance for Responsible Mining.

Julie Tanner, Corporate Advocacy Coordinator, Christian Brothers Investment Services, New York, NY USA

As the Corporate Advocacy Coordinator, Julie Tanner is responsible for researching the performance of and engaging in dialogue with companies in order to improve environmental and social policies and practices. She has been instrumental in advocacy successes, including agreements with JPMorgan Chase that resulted in the creation of the position of Director of Environmental Affairs and the development of environmental policies for its investing activities and an agreement with independent board of directors of American Electric Power to report on financial risks associated with high greenhouse gas emissions.

Prior to joining CBIS, Ms. Tanner was the Manager for National Wildlife Federation’s Finance and Environment program for five years and also represented NWF on the board of the Coalition for Environmentally Responsible Economies. She worked in the financial services industry for 8 years, including 5 years with what is now JPMorgan Chase. While in graduate school at North Carolina State University, she traveled to the Brazilian Amazon for the U.S. Forest Service for a study on the potential for ecotourism.

She holds a B.A. from Rutgers, an M.B.A. from Pace University, and an M.S. in Forestry from N.C. State University.
Support for the Advisory Panel

Ingrid Taggart, Vice-President, Anthony Hodge Consultants Inc. Victoria, B.C., Canada

Ingrid Taggart holds a BA from the University of Victoria and an MBA from the University of Western Ontario.

After seven years as a small business owner/operator in the private sector, Ms. Taggart joined the BC provincial government where she held management positions in economic development, aboriginal treaty mandates and negotiations, and finally water management and utility regulations.

More recently, Ms. Taggart has co-facilitated a number of workshops and co-authored several reports with Anthony Hodge including their work in 2004 on the Northern Sustainability Lens undertaken for the Indian and Northern Affairs Canada's Strategic Planning group, Northwest Territories region, Yellowknife. They jointly designed and facilitated a multi-interest forum convened by the Walter and Duncan Gordon Foundation in June 2007 to review the sharing of benefits from non-renewable resource activity in Canada’s north.
Appendix 5: Documents on CRR Methodology

A. Overview of the CRR Methodology

B. Overview of Research Template Used by the Study Teams
A. Overview of CRR Methodology

Some of this material was included in Section III of the CRR Report. This is an expanded overview of the CRR methodology.

1. Authorization

At the time of the 2007 shareholder resolution, Newmont’s Board of Directors designated the Board’s ESR Committee,\(^1\) as having direct responsibility for reviewing “the policies and systems for managing community risks associated with the Company’s activities” and “preparing a public assessment of the Company’s community affairs performance.”\(^2\) In this charge, the ESR Committee was specifically authorized to “engage independent experts or advisors…who have recognized expertise in community affairs”\(^3\) to assist the review process. The Board also requested that the Committee prepare a report of its findings, conclusions, and recommendations regarding the company’s management of community relations.

Five independent directors currently serve on the ESR Committee: James V. Taranik, Chair; Robert J. Miller; Veronica M. Hagen; John B. Prescott; and Joseph Carrabba.\(^4\)

2. Key Participants in the CRR

In its initial discussions with Newmont management regarding the CRR, the ESR Committee sought to define the scope of the project by framing a set of methodological approaches that would underpin the research necessary to meet the review’s objectives. These methodological approaches included country-level analyses to describe the contexts in which community relationships developed; interviews with local stakeholders; the examination of core company documents, including policies, standards, and prior assessments; and interviews with company personnel at project sites, as well as at the regional and corporate management levels.

In July 2007, the ESR Committee formally approved an outline for the initiative. In addition to setting out the guiding objectives and methodologies, the Committee determined that a “Working Group,” consisting of an independent Study Director and independent research teams for each of the selected Newmont operating sites, should undertake the research for the review.

a. Appointment and Role of the Study Directors

In August 2007, the ESR Committee of Newmont’s Board of Directors appointed Jim Rader, President of Avanzar Consulting (Canada) Ltd., to serve as the CRR Study Director.

Mr. Rader served until December 2007 when he chose to step down from the project due to scheduling conflicts with prior work commitments. At the time of his appointment, it was intended that Mr. Rader would serve as the Study Director for the CRR throughout the duration of the project. In December 2007, however, Mr. Rader chose to step down from the project due to scheduling conflicts with prior work commitments. At the time of Mr. Rader’s resignation, the site visits for the five external site assessments had been completed, as well as many of the corporate and regional-level interviews, but none of the site reports had been finalized and the drafting of the Global Summary Report had not yet begun.

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\(^1\) At the time of the 2007 shareholder resolution, this committee was called the Environmental, Health and Safety Committee. After a restructuring of the committees of the Board, the committee directly overseeing the CRR is the ESR Committee.

\(^2\) April 2007 Shareholder Resolution, and Response from Newmont’s Board of Directors. See Appendix 3.

\(^3\) April 2007 Shareholder Resolution, and Response from Newmont’s Board of Directors. See Appendix 3.

\(^4\) Biographical information for the members of the ESR committee is available at Appendix 4.
Upon his resignation, Mr. Rader sealed his work product and materials in envelopes, and they were stored in a secure location pending the selection of a new Study Director. Mr. Rader volunteered to serve as a resource to the next Study Director, and to share with the new Study Director the results of his research.

In initiating a search for the new Study Director, Newmont sought applicants with knowledge of company-community relationships issues, particularly with respect to the mining industry; expertise in stakeholder engagement practices, as well as policies, standards and programs used by companies to construct and maintain effective community relationships; and demonstrated experience in researching and presenting findings regarding these issues to diverse audiences. Newmont also looked for teams (as opposed to individual consultants) who had the willingness, availability, flexibility, and internal capacity to take on a project of this size and carry it through to completion.

In January 2008, after an examination of a number of possible candidates to replace Mr. Rader, Newmont selected and retained Gare Smith and Dan Feldman, partners in the Corporate Social Responsibility practice group at the law firm Foley Hoag LLP, to serve as the new joint Study Directors for the CRR. 5,6

With the switch in Study Directors in January 2008, the new Study Directors became responsible for:

- Working with the study teams and Newmont to oversee finalization of the products from the site teams (templates and narrative reports), ensuring a consistency of substance, accuracy, and quality across the different products and teams. This included the reports from the original five external assessment sites as well as the internal review of the Minahasa site.

- Completing the review at the corporate level. This included a review of existing research and interview notes from the initial Study Director of corporate and regional perspectives to assess the existing corporate policies, processes, and tools in relation to stakeholder engagement, community relations, and conflict management.

- Developing a summary report that captured what is working, as well as any gaps in the policies, processes, and tools available within Newmont in relation to stakeholder engagement, community relations, and conflict management. The summary report also examines how effectively these elements are being applied in the field, and whether there is an adequate system of accountability for them.

- Developing and implementing, in collaboration with Newmont and the Advisory Panel, a participatory process by which the final report is presented to stakeholders at the local, regional, and international level.

On February 5, 2008, the new Study Directors opened the confidential material previously sealed by Mr. Rader. This was witnessed by Mr. Steve D’Esposito, of the Advisory Panel, to ensure that no confidentiality was breached. After unsealing this material, the new Study Directors spoke on several occasions with Mr. Rader, to ensure a smooth and complete transition of materials and knowledge.

5 Biographical information for all three Study Directors is available at Appendix 4.
6 Although Mr. Smith and Mr. Feldman are attorneys, hired by Newmont, they served in an independent capacity in their role as Study Directors. To ensure the credibility of this report, and address any concerns about their independence fully and transparently, the Study Directors submitted a signed letter responding to a series of questions posed by the Advisory Panel. In this letter, the Study Directors stated that they had a contractual relationship to draft a report pursuant to the scope of work, terms of reference, and other parameters established by Newmont. Newmont had requested them to conduct an objective assessment, and to report both positive and negative findings that were pertinent to the CRR. Inasmuch as their mandate provided them with full autonomy in making findings and recommendations in the report, they indicated that Newmont had instructed them to act independently in their role.
b. Selection of Sites and Appointment of the Study Teams

One of the most significant early decisions in this global review was the selection of the sites that would be assessed to inform the CRR through the provision of critical ground-level data. In the summer of 2007, the Study Director worked with the ESR Committee and ESR employees to identify locations that would reflect the diversity of Newmont’s community relationships. The criteria and considerations that defined the site selection process are set forth in Section V.

Ultimately, five mine sites were selected as representative of the broad set of social, cultural, political, operational, and environmental conditions under which Newmont operates. These mines are: Minera Yanacocha, in Peru; the Ahafo Mine, in Ghana; the Martha Mine, in New Zealand; the Batu Hijau Mine, in Indonesia; and Carlin Operations, in the United States.

Once the project sites were chosen, site assessor teams were selected to carry out the research at the project sites. In consultation with the Study Director(s), these study teams bore primary responsibility for collecting the information necessary to produce this report. The following individuals were chosen to participate on the study teams:

**Ahafo Mine, Ghana**
- **Paul Kapelus**, Senior Consultant, Synergy Global Consulting Ltd., South Africa
- **Graeme Rodgers**, Social Anthropologist, Synergy Global Consulting Ltd., United States

**Minera Yanacocha, Peru**
- **Bernarda Elizalde**, Independent Consultant, Abbotsford, Canada
- **Christina Sabater**, Independent Consultant, Avanzar Consulting Ltd., United States
- **Melissa Whellams**, Associate, Canadian Business for Social Responsibility, Canada

**Batu Hijau Mine, Indonesia**
- **Arian Ardie**, Strategic Risk Consultant, Pacific Century Limited, Indonesia
- **Luciana Ferrero**, Social Development Consultant and Certified Translator, Indonesia
- **Catherine Macdonald**, Community Development Consultant, Social Sustainability Services, Australia

**Martha Mine, New Zealand**
- **Deanna Kemp**, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia
- **Robin Evans**, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia
c. Appointment of the Advisory Panel

At the outset of the CRR, Newmont’s ESR Committee decided to appoint an independent Advisory Panel to advise the Board of Directors. The ESR Committee saw considerable value in bringing together a group of individuals with diverse experiences and backgrounds, independent of the company, the study teams, and the local communities, who had specific knowledge and expertise in the disciplines of mining and community relations to provide their observations and frank advice to the ESR Committee, the Study Director, and the study teams during the research process.

In August 2007, Anthony Hodge, Ph.D., P.Eng., Professor of Mining and Sustainability, at Queen’s University was retained by the ESR Committee to serve as the Chair of the Advisory Panel. In addition to his role coordinating the work of the Advisory Panel, Dr. Hodge was charged with serving as the Advisory Panel’s contact point with the Study Directors, the study teams, the ESR Committee, and Newmont.

In July 2008, Caroline Rees, who had served on the Advisory Panel since its inception, was appointed by the Advisory Panel as its Vice Chair. This was done in part so that she could assume some of the duties carried out until that time by Dr. Hodge, given the recently announced appointment of Dr. Hodge as Executive Director of the International Council of Mining and Metals. Dr. Hodge assumed that position on October 1, 2008, and wanted to ensure that there were no perceived conflicts of interest given his new role.

The following individuals were selected to serve on the Advisory Panel:

- **Cristina Echavarria**, Executive Director, Alliance for Responsible Mining, Medellin, Colombia;
- **Steve D’Esposito**, President/RESOLVE, Washington, DC, USA7;
- **Chris Jochnick**, Director, Private Sector Team, Oxfam America, Boston, Massachusetts, USA;
- **Caroline Rees**, Research Fellow, Mossavar-Rahmani Center for Business & Government, Kennedy School of Government, Harvard University, New York, New York, USA;
- **Steve Rochlin**, Head, AccountAbility North America, Washington, DC, USA6;
- **Julie Tanner**, Corporate Advocacy Coordinator, Christian Brothers Investment Services, New York, New York, USA; and
- **Ignacio Rodriguez**, Community Representative, Colorado, USA8

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7 In January 2008, Matt Jeschke left Business for Social Responsibility. At that time, Tim Buchanan took his place on the study team.
8 On September 30, 2008, Mr. D’Esposito stepped down as President/CEO of Earthworks. On October 1, 2008, Mr. D’Esposito assumed the position of President of RESOLVE, also located in Washington, DC.
9 In May 2008, a decision was reached by the Advisory Panel that given time constraints for Mr. Rochlin, he would no longer serve as a member of the Advisory Panel.
10 Mr. Rodriguez was added to the Advisory Panel several months after the selection of the other Advisory Panel members. In the first “Interim Report” drafted by the Advisory Panel, submitted on October 15, 2007, one of the identified “priority issues” was to “strengthen the capacity of the Advisory Panel.” In particular, the Interim Report recommended that “Advisory Panel membership should be expanded by one person, that person to be an individual with direct living and working experience in a mining-affected community.” Newmont concurred with this recommendation, and subsequently appointed Mr. Rodriguez to the Advisory Panel.
In establishing the Advisory Panel, the ESR Committee sought to ensure that all members had a working knowledge of the dynamics of the relationships between mining and communities, exhibited a range of expertise in one or more fields relevant to the CRR, and reflected a variety of institutional perspectives. In addition, the Panelists were to be independent of Newmont, and free of conflicts of interest. Advisory Panel members were asked to serve in their individual capacities, and not as representatives of any particular organization or group of stakeholders.

Members of the Advisory Panel were selected after the project sites were identified. Accordingly, they did not play a role in identifying the number or location of the sites.

The key responsibilities set out for members of the Advisory Panel were to provide the Board of Directors with advice regarding the quality and integrity of the research process and presentation of findings, and prepare a report (directly and unedited by Newmont) that captures the Panelists’ perspectives regarding the research process and findings, as well as any recommendations for charting a path forward for Newmont.

3. Methodology for the Global Report

In August 2007, Mr. Rader met with the ESR Committee, the Chair of the Advisory Panel, and Newmont’s ESR team to draft an overview research methodology and establish a project timeline. In September 2007, the Advisory Panel held its first meeting. Out of these meetings, a comprehensive research methodology and research template document emerged for use by the site assessor teams. An outline of the research template document used by the study teams, is provided at Appendix 4B.

**Document Review:** At the outset of the research process, the study teams undertook a review of key corporate documents. Background documents were provided by Newmont’s corporate offices in Denver and the regional and site offices. In addition, study teams were able request and review additional documents as desired during the course of their work. These documents included past site Five Star assessments, policies and procedures, performance review criteria and reports for Newmont employees, and documentation regarding relationships with local stakeholders. A complete list of the categories of corporate and site level documents given to the study teams is provided at Appendix 4C.

**Identification of Key Risks and Incidents:** The study teams also conducted an early assessment to identify key risks at the project sites. Criteria used to identify and prioritize risks that merited evaluation included incidents mentioned in the shareholder resolution, in internal or external review documents, and by the international news media, as well as recurring incidents reflected in external stakeholders’ comments or identified through site grievance mechanisms.

**External Stakeholder Selection:** The Working Group established a framework for the identification of external stakeholders to ensure that all assessment teams used a consistent and rigorous approach in selecting interviewees.

Pursuant to this framework, interviewees included representatives of local NGOs, activists, government authorities, community members, current and former suppliers, former employees, religious representatives, and government health officials. Assessors were provided complete independence in selecting individuals to be interviewed. The following general guidelines, however, were suggested as a means of narrowing the list of potential interviewees: stakeholders most impacted by “high” risk areas identified in previous risk assessments; stakeholders identified by news reports as actively opposing the mine; stakeholders located in villages close to the mine, including local government authorities; representatives of local minority groups; stakeholders who had lodged complaints against the mine; stakeholders who participated in community development activities sponsored by the company; and stakeholders employed by local suppliers of the mine.
The selection of stakeholder interviews was not intended to provide a statistically significant interview data set. The ultimate data set would be a non-representative stratified sample. The methodology was designed to identify "key informants" who could provide representative snapshot opinions regarding the mines’ interactions with communities.

**On-Site Evaluation:** After establishing a list of potential stakeholders, the respective study teams conducted site visits to the mine sites and surrounding communities. During these visits, they interviewed Newmont personnel and external stakeholders. In most cases, the study teams set up interviews with external stakeholders themselves, or worked with an independent third party to arrange interviews. In a few cases, when no other options existed, study teams worked with members of the mines’ External Affairs Departments to set up external interviews.

Interviews with external stakeholders were conducted individually or in small groups. When necessary, independent translators provided assistance with the interviews. Prior to the interviews, interviewees were given a one-page introductory letter providing an overview of the CRR process. The study teams were identified as independent researchers not employed by Newmont. Interviewees were assured that their participation was voluntary, and that all interview data would be kept confidential. They were also informed that they would be provided with copies of the final global report.

**Stakeholder Dialogue:** The methodology also included a stakeholder workshop, held in Washington, D.C., to provide an opportunity for engagement with and participation by NGOs and other stakeholders outside the local communities.

4. The Global Report is the Beginning of the CRR Process

The completed Global Report will reflect the beginning, not the end, of the CRR process. The Board of Directors intends to use the information provided in the report to evaluate the effectiveness of Newmont’s existing programs and policies and develop recommendations for the future. The report will also serve as a platform for dialogue with the stakeholders who made this evaluation possible.

As initially conceived, the Global Report was to be made available for shareholders at the 2008 Annual Meeting. This objective, however, proved to be overly aggressive in light of the time needed to coordinate global research efforts and analyze findings. In addition, the change in Study Directors shifted the original schedule. Accordingly, a decision was made by the ESR Committee of the Board in late 2007 to prepare the report on a modified timeline, with delivery to shareholders scheduled for the 2009 Annual Meeting.

5. The Addition of Minahasa

As noted, five operating sites were originally selected for the CRR. In the Advisory Panel’s first "Interim Report,” submitted on October 15, 2007, it highlighted its "particular concern” that the Minahasa Mine, located on the island of Sulawesi, in Indonesia, was not included among the original five sites selected.11

Before its closure in 2004 (although mining had ceased in 2001), significant controversy erupted between the Minahasa Mine and one of the local communities. Community members alleged that the mine had dumped toxic waste into the neighboring Buyat Bay through submarine tailings placement. The controversy spawned a protracted conflict that garnered worldwide attention and led to multiple lawsuits. Newmont employees were detained, and one was charged with, and subsequently acquitted of, committing environmental crimes.

The Advisory Panel’s concern about Minahasa’s exclusion from the CRR was twofold. It believed that there was a “need to assess the substantive insights that are related to the Minahasa experience.” In addition, it concluded that “given its

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high profile” the decision not to include Minahasa “may seriously undermine the credibility of the initiative from a public perspective by raising questions about the motivation of its exclusion.”

Subsequently, in light of the Advisory Panel’s recommendation, and with approval from the ESR Committee, it was agreed that an additional review would be conducted of lessons learned by the company from its experiences with the Minahasa Mine. The Minahasa case study differs significantly from the other five case studies, however, because (a) it is in the closure monitoring, rather than operational, phase of its mine life, (b) it was already entering closure when Newmont’s ESR policies and standards were put in place, and (c) there are ongoing legal appeals underway in relation to litigation about the mine.

With these considerations in mind, a different approach was agreed upon between the ESR Committee, the Assessment Team, the Study Directors, and the Advisory Panel. The Centre for Social Responsibility in Mining (“CSRM”), in collaboration with the consultancy OfforSharp, was commissioned in March 2008 to undertake this internal review. The following individuals participated in this review:

Study Team for Minahasa, Indonesia
- **Deanna Kemp**, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia;
- **Robin Evans**, Senior Research Fellow, Centre for Social Responsibility in Mining, University of Queensland, Australia;
- **Julia Plavina**, Research Assistant, Centre for Social Responsibility in Mining, University of Queensland, Australia; and
- **Barbara Sharp**, Director, OfforSharp, Australia.

The Assessment Team was asked to prepare a report, using internal interviews only, to provide an organizational review of Newmont’s Minahasa experience, and an assessment of “lessons learned” from the company’s perspective. Its objectives were to “provide a brief and coherent account of the background to the Minahasa case and document the key community relations issues; and capture organizational learnings and understandings within Newmont about why events at Minahasa unfolded as they did.” The manner in which interviewees were selected, and the template which guided interviews, were different than those used at the other five sites. This process is explained in more detail later, in a section devoted to the Minahasa findings. The case study did not involve a technical evaluation of scientific evidence, nor did it seek to determine or assess blame by any of the involved actors.

The premise of this more limited review was to enable important insights gained from the Minahasa experience to be integrated into the CRR summary report, along with the insights gained through the other case studies.
Areas assessed:

1. Political, Social, Cultural and Governmental Context section
2. Internal Corporate Culture
3. Stakeholder issue identification and planning
4. Participatory processes for decision-making
   a. Operational decisions (HR, contractor selection, project design)
   b. Non-operational decisions (donations, community development programs, etc.)
   c. Grievance mechanisms
   d. Commitment tracking
5. Conflict management
6. Sustainability
7. Human rights
8. Inclusion of minority groups
9. Legal
Appendix 6: Newmont Mining Corporation Standards and Policies

A. Social Responsibility Policy and Guidelines
B. Statement of Values
C. Newmont Mining Corporation - IMS and CER Standards
D. Chart Depicting Social Responsibility Management Framework
A. Social Responsibility Policy and Guidelines

Newmont is an international mining company, primarily producing gold. The company has active operations, explorations and projects in North and South America, Central Asia, Australasia, Europe, and West Africa.

Newmont’s future is dependent on its ability to develop, operate and close mines consistent with our commitment to sustainable development, protection of human life, health, the environment, and to adding value to the communities in which we operate.

To realize these commitments, every Newmont operation will:

- Develop and use systems to identify and manage risks, and provide accurate information to support effective decision making;
- Train our people and provide the resources to meet our social responsibility objectives and targets;
- Respect the Universal Declaration of Human Rights in its business operations;
- Respect the social, economic and cultural rights of indigenous people;
- Adopt policies and standards and operating practices that ensure ongoing improvement;
- Wherever appropriate and feasible, set operating standards that exceed the requirements of the local law;
- Assess our performance against our policies and standards;
- Demand leadership in social responsibility from all our people;
- Seek to share our success by partnering with stakeholders in appropriate community development programs;
- Consult stakeholders in matters that affect them; and
- Strive to communicate our performance in an accurate, transparent and timely manner.

We understand the actions and conduct of every Newmont employee and contractor are the basis on which our stakeholders will evaluate our commitment to achieving the highest standards of social responsibility.

Since environmental, health and safety issues can affect the communities where we operate, we will carry out our Social Responsibility Policy in conjunction with Newmont’s Environmental and Health and Safety Policies.
Guidelines

These guidelines are intended to explain and clarify each of the principles in Newmont’s Social Responsibility Policy. Statements of principle are in bold with the explanation below.

I. Newmont’s Operating Goals

Newmont’s future is dependent on its ability to develop, operate and close mines in a manner consistent with our commitment to sustainable development, protection of human life, health, and the environment, and to adding value to the communities in which we operate.

Along with standard business considerations and the Newmont values, our social responsibility commitments form an integral part of our operations. We believe the principles of sustainable development encompass these widely-recognized principles:

- The conservation and preservation of natural resources and of the environment;
- The equitable sharing of the benefits of economic activity; and
- The enhancement of the well-being of people.

In particular, we must make every effort to ensure we add value to host communities and that those communities believe they are better off as a result of Newmont operating in their area.

Our objective is to provide increased returns to our shareholders while creating value for our wider set of stakeholders through the fulfillment of our social responsibilities. We believe failure to fulfill those responsibilities could compromise our capacity to create value of any kind.

We must develop and use systems to identify and manage risks, and provide accurate information to support effective decision making.

Newmont has developed a unified approach to risk management which utilizes team-based risk assessment for the identification of potential risks and opportunities, and the implementation of control measures. This approach ensures the Company has a reasonable level of confidence that risks are identified and adequately managed. We have also developed a set of corporate management and performance standards for community relations that prescribe the systems required for each Newmont operation to manage community-related risks.

We must train our people and provide the resources needed to meet our objectives and targets.

Newmont is committed to providing the training and resources needed to ensure that our people are able to meet the requirements of our social responsibility policy. Specific developmental programs are being provided to employees who have a role in the management of community relations will receive. All employees and contractors will receive the training and direction they need to ensure they understand our policy and how our business affects our external stakeholders.

Newmont’s operational procedures make specific reference to training and resources to ensure our performance is consistent with these commitments.
II. The Standards We Adhere To

Newmont is committed to respecting the Universal Declaration of Human Rights in its business operations.

Newmont makes every effort to operate its business in way that is consistent with and promotes the principles articulated in the Universal Declaration of Human Rights (UDHR). We will work toward achieving the ability to assure that we do not breach the principles underlying the UDHR and are not otherwise complicit in human rights abuses.

**Newmont respects the social, economic and cultural rights of indigenous people.**

We recognize that respect for fundamental human rights must include social, economic and cultural rights. Our extraction operations are frequently in the vicinity of indigenous communities, and we are sensitive to the impact our business has on them. We believe that success in our business is integrally linked to the capacity of local indigenous communities to develop and maintain sustainable livelihoods. We are committed to supporting and promoting the rights and cultures of these communities.

**We adopt policies, standards, and operating practices that ensure ongoing improvement.**

Newmont is a signatory to several documents that articulate specific standards governing our business operations. We are a signatory of the Publish What You Pay / EITI Statement of Principles and Agreed Actions, which recognizes the need to work with our industry counterparts and to cooperate with host governments to implement an effective framework for disclosure of payments we make in all countries where we operate. We have also signed the Voluntary Principles on Security and Human Rights, which sets forth guidelines for maintaining the safety and security of our operations within a framework that ensures respect for human rights.

The Company uses internationally-recognized standards - such as the Global Reporting Initiative and the Institute of Social and Ethical Accountabilities standard on stakeholder engagement (AA 1000) – to guide the formation of its policies and standards. This information is used in reviewing the elements of our management system - policies, standards and operating practices - to help drive and deliver improved performance.

**Wherever appropriate and feasible, we set operating standards that exceed the requirements of local law.**

Newmont recognizes that laws differ greatly from country to country, and that the laws in some countries governing the environment, health and safety and similar issues are less rigorous than others. Because we believe that social expectations should be a key driver in the setting of standards, we endeavor wherever we can to set standards governing our operations that are the highest attainable, even where they exceed what local laws require.

**We assess our performance against our policies and standards.**

The regular monitoring of our performance is necessary for us to evaluate whether we are meeting our policies and standards. External auditors annually assess each operation. The auditors evaluate the effectiveness of each operation’s management systems and their performance in managing key risks. An important element of these assessments are interviews with local stakeholders, so that the Company is aware of how our local stakeholders think the operation is performing.
III. Engaging our Stakeholders

We demand leadership from all our people.

Newmont requires all its employees and contractors to take responsibility for working with our neighbors, and to know and understand that in all places and at all times we are all ambassadors for the Company.

We seek to share our success by partnering with stakeholders in appropriate community development programs.

Newmont seeks to maximize employment, training and business opportunities for our local stakeholders, using fair, open and transparent selection processes. We are committed to contributing to community projects that are identified using community need analysis. We will also proactively identify opportunities to leverage community development projects and empower other sectors through partnerships.

We consult stakeholders in matters that affect them.

Newmont makes every effort to know and understand the culture of the communities in which we operate and to engage with our local stakeholders so that we have a clear understanding of their needs and interests in relation to any matters that may affect them. We make every effort to incorporate the knowledge gained through engagement and consultation into the decision-making processes of our business.

We strive to communicate our performance in an accurate, transparent and timely manner.

We are committed to regularly communicating with our stakeholders on the important issues affecting our business using a range of methods, media and languages. Newmont annually produces social performance reports (Now and Beyond) for most of its operations, development projects and closure projects, as well as a corporate overview report. These reports focus on five key areas critical to the Company’s operations, its future and its commitment to sustainable development: The environment, health and safety, our employees, the communities in which we operate, and our economic contribution.

We understand that the actions and conduct of every Newmont employee and contractor are the basis on which our stakeholders will evaluate our commitment to achieving the highest standards of social responsibility.

We understand that the Company’s performance in the area of social responsibility will be judged on the basis of the actions and conduct of our employees and contractors. We have provided all our employees and contractors with tools – including policies, guidelines, standards, commitments and training – to ensure that their conduct is in all ways consistent with Newmont’s values. We are always alert to opportunities to improve these tools, and welcome any comments or suggestions to that end.

Since environmental, health and safety issues can affect the communities where we operate, we will carry out our Social Responsibility Policy in conjunction with Newmont’s Environment and Health and Safety Policies.

Issues of the environment, health and safety and community relations are integrally linked in terms of their impact on external stakeholders. Consequently, we recognize that the management of these three areas must be integrated to minimize adverse impact and maximize benefit.
Our Vision

We will be The Gold Company of Choice through industry leading performance.

Our Values

• Act with integrity, trust and respect.
• Reward creativity, a determination to excel and a commitment to action.
• Demonstrate leadership in safety, stewardship of the environment and social responsibility.
• Develop our people in pursuit of excellence.
• Insist on and demonstrate teamwork, as well as honest and transparent communication.
• Promote positive change by encouraging innovation and applying agreed upon practices.
Selected Integrated Management Standards

Standard on External Stakeholder Engagement and Reporting
This standard is intended to “ensure proactive external stakeholder engagement to manage risks and opportunities to both Newmont facilities and external stakeholders, and to develop and maintain positive stakeholder relationships.”

Standard on Risk and Opportunity Management
This standard is intended to “provide a common framework for the systematic and structured management of risks and identification of opportunities to Newmont such that risk management, including risk assessment and risk mitigation/control, is conducted in a systematic and consistent manner across the Corporation.”

Community and External Relations Standards

Standard on Management of Sites with Cultural or Religious Significance
This standard is intended to ensure that “each Newmont managed facility properly respects and adequately protects all sites with cultural or religious significance for Indigenous peoples in the facility’s sphere of influence.”

Standard on Management of Heritage Sites
This standard is intended to ensure that “each Newmont managed facility takes the necessary steps to properly respect and adequately protect all sites with heritage significance or potential heritage significance within the facility’s sphere of influence. These steps should reduce actual or potential harm to sites by staff and contractors, in accordance with the cultural norms of relevant stakeholders.”

Standard on Land Access and Acquisition
This standard is intended to ensure that “the necessary permits, permissions and land titles are acquired before any exploration, mining and other related activity commences and that such permissions are obtained honoring the principle of free prior informed consent.”

Standard on Local Community Investment
This standard is intended to ensure that “each Newmont facility has a strategic program, based on a needs analysis, for financial and in-kind assistance that delivers sustainable benefits to the local communities.”

Standard on Indigenous Employment and Business Support
This standard is intended to ensure that “proactive steps are taken to provide employment and business opportunities to local Indigenous stakeholders thereby ensuring inclusion, wherever possible, in opportunities provided by the facilities presence.”

Standard on Staff and Contractor Behavior
This standard is intended to ensure that “steps are in place to address the impact that employee and contractor behavior can have on the relationships that exist between the facility and the local community and that these steps are driven by local expectations.”
Standard on Social Impact Assessments
This standard is intended to ensure that “social impact assessments are conducted, maintained and used to inform the operation’s risk assessment and external relations strategic planning.”

Standard on Human Rights Awareness
This standard is intended to ensure that “Newmont managed facilities have processes for raising human rights awareness, including identification of human rights issues and impacts.”

Standard on Local Employment and Business Support
This standard is intended to ensure that “proactive steps are in place to provide employment and business opportunities to local stakeholders thereby ensuring their inclusion, wherever possible, in opportunities because of the facilities presence.”

Standard on Security Forces Management
This standard is intended to ensure that “Newmont managed facilities provide safety and security within a framework that conforms to the Voluntary Principles on Security and Human Rights.”

Standard on Resettlement and/or Displacement of Peoples
This standard is intended to ensure that “resettlement plans developed and implemented by a Newmont operation offset the short and long term adverse cultural and socioeconomic impacts, and honor the principles of free prior informed consent, mutual respect, integrity, and transparency. If resettlement is required, Newmont’s aim is voluntary resettlement, thus the participation of external stakeholders is of paramount importance, and is used to inform all resettlement decisions and plans.”

Standard on Closure
This standard is intended to ensure that “potential closure and post-closure risks and opportunities are effectively identified and managed throughout the mining life-cycle.”

Standard on Media Relations
This standard is intended to ensure that “Newmont managed facilities effectively and proactively engage with the media at a local level, both in relation to balanced media coverage and in relation to the transparent and responsive communication of issues.”

Standard on Government Relations
This standard is intended to ensure that “each Newmont managed facility has a proactive approach to government relations and this is effective for interacting with all relevant levels of government.”
Newmont Vision and Values

Social Responsibility Policy

Integrated Management Standards

Guidelines and Tools

Guidelines and Tools

Annual Self-Reporting and 3rd Party Assurance External Assessments

Community and External Relations Standards

Rapid Response/Incident Reporting

standard Operating Procedures

Programs

Site Monitoring and Evaluation

Corporate-level activity

Site-level activity
Appendix 7: Newmont Organizational Charts
Regional and Site Level Management Structure (generalized)
(as of 18 September 2008)
### Overview of Newmont’s Operating Sites

<table>
<thead>
<tr>
<th>Country</th>
<th>Mine Site</th>
<th>Specific Information on Operating Sites</th>
</tr>
</thead>
</table>
| Australia | Tanami | **Years in Operation** - 24 years  
**Est. Closure Date** - 2016  
**National Framework** Australia is a stable, parliamentary democracy. Climate change issues are at the forefront of Australian policy initiatives.  
**Proximity of Community to Mine** The operation is 531 kilometers northwest of Alice Springs. The Warlpiri and Kukatja Indigenous people live near the mine in Alice Springs and in communities such as Yeunumu and Lajamanu. All contractors and personnel are fly in/fly out.  
**Community Size** The Yuendumu community has a population of 900 people and is located about 240 kilometers east of Tanami operations. The Lajamanu community of about 1000 people is located 240 kilometers north. There are no communities or towns within 100 kilometers of the site.  
**Geography** The Tanami Desert, one of the most isolated and arid areas on earth, is located 643 kilometers northwest of Alice Springs in Northern Territory. The region consists of desert sand ridges and sand plains with tree steppe, shrubs, and open hummock grassland.  
**Economy and Culture** The Australian export economy is heavily dependent on the mining and minerals industry and low cost energy. Aboriginal people comprise 1% of the population and are declared Indigenous.  
**Land Ownership** Land ownership is primarily private. Aboriginal land rights are protected by the Aboriginal Land Rights Act of the Northern Territory. |
|  | Jundee | **Years in Operation** - 15 years  
**Est. Closure Date** - 2012  
**National Framework** Australia is a stable, parliamentary democracy. Climate change issues are at the forefront of Australian policy initiatives.  
**Proximity of Community to Mine** The predominantly Indigenous town of Wiluna is 50 kilometers southwest. A mix of pastoral and local Indigenous usage is apparent near the operation. All contractors and personnel are fly in/fly out.  
**Community Size** Wiluna town has about 680 people, while Wiluna shire has about 1,700.  
**Geography** The mine lies about 1000 kilometers northeast of Perth in the Western Australian outback. Typical Australian bush conditions prevail. It is hot and dry with mean maximum temperatures of 19-38°C and an average rainfall of 238mm (10in). It has been a gold mining town since 1986.  
**Economy and Culture** The Australian export economy is heavily dependent on the mining and minerals industry and low cost energy. Aboriginal people comprise 1% of the population and are declared Indigenous.  
**Land Ownership** Land ownership is primarily private. Aboriginal land rights are protected by national legislation (Native Title Act). An extensive claims process to realize those rights is taking place currently. |
<table>
<thead>
<tr>
<th>Country</th>
<th>Mine Site</th>
<th>Specific Information on Operating Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Zealand</td>
<td>Martha</td>
<td><strong>Years in Operation</strong> ~19 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Est. Closure Date</strong> ~2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>National Framework</strong> New Zealand is a mature, stable democracy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Proximity of Community to Mine</strong> The closest community is located 50 meters from operations.</td>
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<tr>
<td></td>
<td></td>
<td><strong>Community Size</strong> The town of Waihi has a population of about 4,500.</td>
</tr>
<tr>
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<td></td>
<td><strong>Geography</strong> The mine is located at the base of Coromandel Peninsula, North Island. The climate is swampy and moderate. The natural environment has been impacted by modern farming activities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Economy and Culture</strong> New Zealand's primary industries are mining, manufacturing, agriculture, and tourism. The country comprises a mix of Maori and non-Maori cultures. The Maori are formally recognized by New Zealand/Aotearoa.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Land Ownership</strong> Landownership is primarily private. Maori traditional rights are protected by national legislation.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Batu Hijau</td>
<td><strong>Years in Operation</strong> ~6 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Est. Closure Date</strong> ~2035</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>National Framework</strong> Indonesia has recently experienced political instability and tensions over land and resource ownership, human rights and economic distribution.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Proximity of Community to Mine</strong> The community is primarily situated in the lowlands, whereas the mine is in the highlands. A major community was developed near operation in response to the operation's development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Community Size</strong> There are about 9,000 people at the district level and 6 villages.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Geography</strong> Sumbawa is an island with extensive coral reef systems. It has a tropical rainforest, and distinct highlands (mine area) and lowlands (population area). Lowlands are moderately impacted by slash and burn farming. The island receives 1 to 4 meters of annual precipitation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Economy and Culture</strong> Indonesia's economy is predominantly agricultural. Its people are 88% Muslim and belong to mixed ethnic groups (Indigenous and migrant). It has no history of artisanal mining.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Land Ownership</strong> Land is held by private/family residents.</td>
</tr>
<tr>
<td>Country</td>
<td>Mine Site</td>
<td>Specific Information on Operating Sites</td>
</tr>
<tr>
<td>---------</td>
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<td>-----------------------------------------</td>
</tr>
</tbody>
</table>
| United States | Eastern Nevada/Carlin | **Years in Operation**  
-42 years |
| | | **Est. Closure Date**  
~2023 |
| | | **National Framework**  
The United States is a stable democracy characterized by very mature and sophisticated governance, stable social programs, and extensive public infrastructure. |
| | | **Proximity of Community to Mine**  
Primarily large, corporate ranches lie immediately adjacent to the mine area. City of Carlin is about 5 miles from operations, while Elko is about 35 miles from operations. |
| | | **Community Size**  
City of Carlin has about 2,300 people, while Elko County has about 45,000. |
| | | **Geography**  
The semi-arid, high desert terrain has been primarily impacted by 150 years of cattle grazing. |
| | | **Economy and Culture**  
Ranching, mining and recreation (federal parks, casinos) are the primary economic activities. There is a strong presence of Basque immigrants and the federally recognized Western Shoshone (Te-Moak Council bands). |
| | | **Land Ownership**  
Land is held by a mix of private landowners, federal government, and the Western Shoshone. It was claimed by the Western Shoshone under the Treaty of Ruby Valley and there is ongoing dispute over treaty recognition. Some traditional rights are protected by national legislation. |
| United States | Western Nevada (including Leeville, Phoenix, Twin Creeks, and Midas) | **Years in Operation**  
~42 years |
| | | **Est. Closure Date**  
~2026 |
| | | **National Framework**  
The United States is a stable democracy characterized by very mature and sophisticated governance, solid social programs, extensive public infrastructure. |
| | | **Proximity of Community to Mine**  
This is not applicable since there are multiple mine sites. |
| | | **Community Size**  
City of Winnemucca has about 7,200 people, City of Battle Mountain has about 2,900 and Humboldt County has about 18,000. |
| | | **Geography**  
The semi-arid, high desert terrain has been primarily impacted by 150 years of cattle grazing. |
| | | **Economy and Culture**  
Ranching, mining and recreation (federal parks, casinos) are the primary economic activities. There is a strong presence of Basque immigrants and the federally recognized Western Shoshone (Te-Moak Council bands). |
| | | **Land Ownership**  
Land is held by a mix of private landowners, federal government, and the Western Shoshone. It was claimed by the Western Shoshone under the Treaty of Ruby Valley and there is ongoing dispute over treaty recognition. Some traditional rights are protected by national legislation. |

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1. Closure dates are estimated and often change due to variables such as nearby exploration opportunities, nature of the ore body, political climate, and economic factors.
<table>
<thead>
<tr>
<th>Country</th>
<th>Mine Site</th>
<th>Specific Information on Operating Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>Yanacocha</td>
<td><strong>Years in Operation</strong> - 14 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Est. Closure Date</strong> - 2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>National Framework</strong> - Peru has experienced recent local and national political instability and tensions over land and resource ownership, human rights, and wealth distribution. Mining-related legislation has been enacted recently.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Proximity of Community to Mine</strong> - There are more than 70 small villages adjacent to the area of operations. Concurrent reclamation allows access to reclaimed areas.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Community Size</strong> - The community comprises under 100 small villages and the regional capital, Cajamarca. The population in the area of direct mine influence is less than 165,000.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Geography</strong> - The mine lies at 12,000 to 14,000 feet at the north end of an Andean fertile plateau. The natural high altitude environment has been heavily impacted by many years of subsistence farming, including cattle grazing. Pine plantations have been planted recently in some areas.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Economy and Culture</strong> - The economy is driven by its status as a provincial capital. The population is a mix of ethnic groups, including Quechua and is predominantly Catholic with small pockets of evangelical Protestants.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Land Ownership</strong> - Land ownership is primarily private/family.</td>
</tr>
<tr>
<td>Country</td>
<td>Mine Site</td>
<td>Specific Information on Operating Sites</td>
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</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Years in Operation</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Est. Closure Date</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>National Framework</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Proximity of Community to Mine</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Community Size</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Geography</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Economy and Culture</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Kollo</td>
<td><strong>Land Ownership</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Years in Operation</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Est. Closure Date</strong></td>
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<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>National Framework</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Proximity of Community to Mine</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Community Size</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Geography</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Economy and Culture</strong></td>
</tr>
<tr>
<td>Bolivia</td>
<td>Kori Chaca</td>
<td><strong>Land Ownership</strong></td>
</tr>
<tr>
<td>Country</td>
<td>Mine Site</td>
<td>Specific Information on Operating Sites</td>
</tr>
<tr>
<td>---------</td>
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<td>----------------------------------------</td>
</tr>
</tbody>
</table>
| Ghana   | Ahafo     | **Years in Operation**  
- 1.5 years |
|         |           | **Est. Closure Date**  
- 2022 |
|         |           | **National Framework**  
- Ghana is a stable country with a recent and emerging democracy. It is located adjacent to unstable countries. |
|         |           | **Proximity of Community to Mine**  
- There are several communities adjacent to the mine area. About 1,700 households had to be physically or economically resettled. |
|         |           | **Community Size**  
- The community comprises about 20,000 people and 4 villages. |
|         |           | **Geography**  
- Ghana lies in a moist, semi-deciduous zone in Equatorial Africa. The natural environment has been heavily impacted by many years of subsistence farming, logging, and harvesting of Indigenous wildlife in the remaining pockets of natural forest. |
|         |           | **Economy and Culture**  
- The economy is 97% agricultural. The population is a mix of ethnicities and religions (Christian, Muslim, Indigenous) with cultural ties to gold. There is a long history of artisanal mining. |
|         |           | **Land Ownership**  
- There is a mix of traditional chiefs (stool lands), state, and private ownership. 41% are landholders and 56% are tenants. |
Appendix 9: Extractive Companies and Conflict: An Overview

Prepared for Newmont Mining
December 2007

“Businesses operate in conflict zones and conflict-prone countries around the world. If they make the wrong decisions on investment, employment, community relations, environmental protection and security arrangements, they can exacerbate the tensions that produce conflict. But if they make the right decisions, they can help a country turn its back on conflict, and move towards lasting peace.”
Kofi Annan 2005

¹ Foreword to ‘Conflict-Sensitive Business Practice: Guidance for the Extractive Industry’: International Alert; 2005.
Introduction

Oil, gas and mining companies have long been engaged in areas of conflict. Investment in this industry is primarily dictated by the location of resources, and not by the risk profile of the country. This trend has grown over the last decade and a half, as rapid political, socio-economic and technological developments have enabled and obliged the extractive industry to operate in many developing and transition economies. Whilst these emerging markets provide enormous financial opportunities, they also represent significant new risks and management challenges, including:

- Weak legal frameworks and governance structures;
- Populations antagonistic towards foreign investment; and
- Unfamiliar social challenges, including high levels of poverty, social, economic and political exclusion, human rights violations, and bribery and corruption.

These conditions create the potential for instability and violent conflict, further heightened by the existence of valuable natural resources. Companies investing in such contexts therefore find themselves confronted with a set of challenges which they frequently lack the skills, experience, mandate, and capacity to manage.

An extractive company's primary aim is to extract mineral wealth for profit. In return it pays royalties, taxes, and other production-sharing fees to the government. In many developed economies, that is the end of the matter; the company does not have any additional legal responsibilities. The state's regulatory arm is present and active in the form of health and safety inspectors, revenue collectors, and industrial relations grievance settlement mechanisms exist, as do other instruments of law and order. Meeting the economic and social development objectives and targets of the communities in the area around the project rests primarily with the state, and the state usually fulfils that role, with varying degrees of effectiveness.

The reality on the ground in many developing and transition economies is different. These are often countries where governments are either unable (due to lack of capacity and resources) or unwilling (because of corruption and rent-seeking or specific regional or national political dynamics) to serve the basic needs of the population. Regardless of the extent of the government's legitimacy or effectiveness, the company is nonetheless locked into a relationship with it. The company is usually the state's partner – through a joint venture, through a specific contract, or by virtue of the fact that the state considers the minerals, and hence the project site, of strategic importance. As a result, in the mind of the population in general and the affected communities in particular, the state and the company become inseparable.

The implications of this are profound. Regardless of the company's own operations, it essentially becomes the proxy for, and focus of, historic and current grievances. For instance, the federal government may have traditionally favoured, or excluded, particular communities or ethnic groups; the resulting resentment may have had its own history of violence; and the security forces too may have had a history of difficult relations with the communities. To the extent that a company's own actions exacerbate these tensions through irresponsible, insensitive or exploitative behaviour, the company increasingly becomes the principal target for resentful and aggrieved communities.
Even in less conflictual contexts where the relationship between state and community is characterised by neglect rather than deliberate marginalisation, the company itself inevitably comes to be seen as the primary source not only for employment but also for basic services such as education, health, electricity, water, and transport. The exaggerated expectations which result from the arrival of a company in an impoverished region can themselves be a source of tension and dispute. Whether or not the company can or ought to bear the burden of these expectations is, in practice, irrelevant. The absence or unresponsiveness of the state means that the company is often the only means through which communities can seek to address their basic needs or voice their frustrations. Again, this dynamic can be compounded through the specific actions a company chooses to take.

The relationship between companies and conflict is therefore complex and multi-layered. It relates as much to issues outside of a company’s control as to the particular ways in which a company conducts its core business. As such, the strategies the company need to adopt to mitigate and address the negative impact of their operations and reduce the risk to themselves need to be based not on the minimum required by regulation and generic standards, but on an approach which understands a positive social impact to be every bit as fundamental and integral to their operations as, for example, the health and safety of their employees. At stake is not only the financial profitability of the operation and its social licence to operate but, increasingly, the reputation and standing of the company as a whole.
Conflict occurs when two or more parties believe their interests are incompatible, express hostile attitudes or take actions that damage the other’s ability to pursue its interests. ‘Violence’ is often used interchangeably with ‘conflict’, but violence is only one means among many that parties choose to address a given conflict. Non-violent conflict is essential to social change and development, and a necessary component of human interaction. When violence erupts, however, it is because a profound breakdown in social relationships has occurred that will have destructive effects.

Violent conflict can have manifold causes, including human rights abuses, environmental degradation, resource scarcity, unjust governance structures, inequality, economic insecurity, discrimination, and marginalisation. Ultimately, however, it is about power and wealth: who has it and who doesn’t; what is done with it and what is done without it; who benefits and who doesn’t. Violent conflict is sometimes viewed as an issue which can be addressed in isolation from other issues such as human rights, the environment, or sustainable development. In reality, it is the manifestation of a profound breakdown within a society. The reasons for that breakdown infect and permeate into every aspect of that society, including relationships at the individual and group level, the structure and make-up of institutions and the attitudes and behaviour of politicians, businesspeople, media, civil society, religious groups and community organisations. Avoiding, mitigating or addressing conflict is therefore a comprehensive process which requires consideration of the spectrum of issues that may have, or may in the future, cause and trigger violence.

Given the uniqueness of each context, it is therefore more useful to think about types of causes (see Box 1) which can provide a generic framework for analysing specific situations.

**Box 1: Causes of Conflict:**

**Structural/root causes:** Pervasive factors that are built into the policies, structures or fabric of society and may create the preconditions for violent conflict (e.g. illegitimate government, lack of equal economic and social opportunity, lack of political participation).

**Proximate causes:** Factors that are symptomatic of the root causes of conflicts or may lead to further escalation (e.g. light-weapons proliferation, human rights abuse, objectives of political actors, role of diasporas).

**Triggers:** Single acts, events or the anticipation thereof that set off violent conflict or its escalation (e.g. elections, behaviour of political actors, sudden collapse of currency, increased food scarcity).
2. Company – conflict dynamics

Major investments, such as a mine, can have a negative impact on conflict in multiple ways depending on what the company chooses to do, or even what it chooses not to do, i.e. acts of commission and omission.

In broad terms, these impacts can be categorised as follows and should be understood as a two-way dynamic (in which company both impacts on and is impacted by conflict) and as occurring at different geographical levels (from the area around the project up to the national and regional levels).

1. **Money**: extractive industry projects generate significant resources, both in terms of financial payments through taxes and royalties and in contracts for services. Introducing resources on this scale into unstable or vulnerable contexts provides both an incentive and a means to fight.

2. **Extraction**: the very nature of the industry, extracting resources from the ground, can itself be a source of resentment and tension. Whether because populations in the vicinity of the project see the benefits accruing only to others outside the region or because of the relationship indigenous communities have with the land, companies can find themselves the focus of anger simply by conducting their business;

3. **Footprint**: the physical impacts of oil and mining projects are enormous, ranging from the arrival of earth-moving equipment, the presence of a large number of contractors and workers, environmental degradation to impacts on the traditional lifestyle of the surrounding population and actual resettlement of whole communities. Collectively, these factors can be a driver of conflict;

4. **Function and mandate**: companies themselves have evolved, and are set up to operate within, certain parameters, including a sound regulatory environment, political stability, rule of law, enforcement of laws and a clear division of responsibilities in which the state is able and willing to perform its functions. Such conditions may not exist in conflict affected or prone countries leaving the company to confront challenges, which it has neither the experience, nor the legitimacy, nor the expertise to manage. This often means its approach and interventions only serve to exacerbate the problems.

The question of company impacts on conflict inevitably raises the issue of complicity (see box 2). Companies seldom wilfully seek to start conflict, but given company actions can directly or indirectly contribute to it, there is ongoing legal debate and an emerging body of case law over the extent to which companies can be found to have been ‘complicit’ in war crimes when operating in conflict zones, especially with regard to the principle of ‘known or should have known’, relating to egregious human rights abuses. The question of legal accountability is likely to become more pressing in the future.
Box 2: Complicity

In conflict prone states the line between the state and a private company can become blurred. The company’s relationship with the state may result in the community equating the company as the state. This exposes companies operating in conflict zones to the risk of being implicated in acts state bodies commit. In several recent instances, companies have provided practical assistance to state security forces which have then committed human rights abuses or violated international humanitarian law. Some companies have provided money or resources and others have built infrastructure which the combating parties have used to commit abuses. The relationship between the company and the state, or an armed group, cannot be considered as neutral, and strictly contractual or commercial.

Even if the company has not directly committed an illegal act, and even if it has not intended for such an act to be committed, if it can be established that the company has aided, abetted, assisted, facilitated, contributed, encouraged, or provided support to such acts, then the company’s officials run the risk of prosecution under international criminal law and the company may be accused of being complicit in human rights abuses, if such abuses follow. And even if the state does not prosecute the company, individual litigants can, and have, sued companies for violating their rights, particularly under tort laws such as the Alien Tort Claims Act in the U.S. While no company has lost a case so far, there have been nearly 40 such cases filed against companies. These cases have adversely affected companies by generating negative publicity, imposing financial and legal costs, and making demands on management time.
3. Challenges for Extractive Companies

Taking into account these potential impacts, companies should therefore bear in mind the following factors as they plan their operations in sensitive areas:

1. **Legacy:** Companies should look at the history of conflict in the region. This includes conflict between communities, within communities, between different communities and the state, at national and local levels. Often, communities’ views of each other and of the company are dictated by their perceptions of past conduct of companies which may have no relationship with the current company. In a post-colonial society, a company from the former colonial power has to be careful about the way it relates with people who are now nationals of an independent state.

2. **State neglect:** Public infrastructure that a company may take for granted in urban and developed societies is often absent in rural communities. This includes schools, primary health clinics, water supply, electricity, irrigation facilities, roads, and other public works. The absence of the state's investment in infrastructure may be the result of a genuine lack of resources, corruption, or political neglect (such as when the communities are in an area that votes for opposition party politicians). When a company invests in such an area, and if the benefits the investment brings – through taxation, profit-sharing, royalties, jobs – are not shared with the local community and transferred primarily to elite communities in urban areas or the federal capital, the situation is ripe for potential violent conflict between the beneficiaries and those in the community who have not benefited, or with the company itself.

3. **Intra-community relationships:** A company may consider a particular geographical area around its operations as its legitimate sphere of influence. But there are often other communities, which are far from the company's operations, and yet close to the furthest beneficiary of the company's social investment program. If benefits are offered to one and not to the other, there is potential for violent conflict between communities, or between the community and the company. Furthermore, even within the community, if a particular group of individuals benefits more at the expense of others – in terms of awards of jobs, compensation, or contracts – resentment can grow, which can lead to violent conflict within the community, or with the company.

4. **Consultation process:** Most responsible companies attempt to alleviate these problems by undertaking a consultation process with the local communities. But too often, the consultation process is flawed. Either officials of the company are accompanied by armed guards, or by government officials, neither of whom are trusted by local communities. The presence of armed guards reinforces a climate of fear, in which a free and fair exchange of opinions is not possible. More so, the presence of company officials themselves may not be conducive for fair and accurate articulation of a community's views. Or, consultations are held in culturally-inappropriate settings, such as town hall meetings, which prevent those who wish to speak confidentially (or those disempowered to do so, such as women, young people in the presence of elders, or minorities) from sharing their views in public. Self-appointed spokespeople of communities often command a large share of such proceedings, preventing the company from hearing the views of those who are not so vocal – the elderly, the youth, women, the disabled, or those belonging to minority religions or ethnicity.

5. **Expectations:** Extractive companies are often not able to provide jobs on a sustained basis to a large number of people in the communities. Construction projects end over time. Some petroleum-related jobs are highly-sophisticated, requiring a level of skills often absent in the community in the immediate surroundings of the project. The community does not have the skilled workforce which the company needs to perform sophisticated engineering tasks. The products the communities can sell to the company are limited; the communities may not be able to provide what the company wants – tools and spare parts for drilling equipment, for example. Absence of meaningful economic engagement can also cause violent conflict.
6. **Use of land and resources and displacement:** The entry of the company in a remote area means increased competition for resources, such as land, roads, water supply, and food. A company may want to secure its area for safety reasons, but this would inconvenience communities by reducing access and supply and by increasing the price. It may be able to buy its way out of getting access to scarce resources others too want. A company may wish to relocate communities to other parts of the country. If not handled properly, such a situation can also create conflict.

7. **Use of security forces:** When the community feels its expectations are not met, it may decide to protest, and such a protest takes the form of a demonstration against the company's facilities. The company cannot place undue restraints on such demonstrations, and human rights law allows for peaceful protests, and the company should respect that, and all other rights. There have been many cases in Latin America, Southeast Asia, and Africa, where the demonstrations have turned violent: sometimes provoked by the armed forces guarding the facilities, sometimes by the community.

8. **Sharing revenues:** In many cases, communities resent the company because they are either unaware of what the company contributes to the state in the form of taxes or revenue-sharing agreements, or payment of royalty, or they have not received their due share of such revenue transfers from the state.

9. **Internationalization of issues:** International NGOs have developed sophisticated mechanisms through a network of local NGOs, politicians, and media network, to monitor the conduct of companies operating in sensitive areas. Even a small wrong step by the company can lead to demonstrations by local communities at the company's facilities, and such information gets widely disseminated.
4. Operating Strategies

Companies can adopt a range of strategies for managing conflict impacts. At a minimum, companies should comply with applicable and relevant international and national laws. Beyond compliance, companies should be aware of their potential to create or exacerbate conflict and develop mitigation measures guided by the principle of ‘Do No Harm’. Finally, companies can seek to ensure they address the underlying causes of conflict and make a pro-active contribution to peacebuilding (see pyramid below).

a) Compliance

There are a number of actions prohibited under international law. These constitute violations of jus cogens, or what is known in international law as “peremptory norm”, which means a violation so heinous that it is prohibited under all circumstances. (Jus cogens norms form the basis of actions prohibited under the Geneva Conventions, which provide the framework for the laws governing war). Unlike human rights law, humanitarian law is non-derogable, which means obligations underlying those laws apply to all parties and not only to governments; and while certain provisions of human rights law can be suspended under exceptional circumstances (such as suspension of the right of free expression if the free expression is hate speech as determined legally, or the right of free assembly during violent conflict), humanitarian law is non-derogable, i.e., it can never be suspended. Companies should therefore know that if acts violating such laws are undertaken, they could expose the company to the risk of being complicit in the abuses committed during the conflict. These activities include:
Forced displacement of communities: Extractive companies need access to land and resources. They may operate in areas of violent conflict. If force is used in relocating communities, it can expose the business to liabilities.

Forced labour: Forcing people to work against their will, even if such labour is paid, is not legal. Armed groups and state armies sometimes make use of prisoners of war to build civilian infrastructure. Without getting into the legality of such actions (permissible under certain circumstances), companies should note that if the use of that labour is forced, the company could face legal consequences.

Operating on land without clear title: Companies may get tempted, in order to beat competition at the time of rising commodity prices, to operate on land which is in dispute. If a company associates itself with a particular government or armed opposition group which controls that territory, and if its rivals come to power, not only is the land title no longer secure, but a company may get implicated in a trial concerning illegal use of property during conflict.

Making illegal payments, including paying bribes: Not only are such actions illegal, if a company is implicated in such conduct, it will lose credibility locally and nationally, and would face prosecutions in jurisdictions which take such prosecutions seriously.

Engaging security forces which have a record of human rights abuses: There have been several cases where state and private forces, which have used force, have ended up implicating companies they are guarding. This is not easy, particularly in the context of a structured programme of Disarmament, Demobilisation and Reintegration (DDR). But companies must undertake due diligence measures.

Operating in an area which faces international sanctions: Doing so would violate the law.

Providing assistance to military or security forces, which has later led to abuses: This could take the form of physical support or logistical and financial assistance. Companies providing transport equipment, use of company facilities, access to company property, expose themselves to the risk. This could even take the form of providing a company’s facilities that are later used for abuses.
(b) Do No Harm
Companies should consider the following actions:

• **Analyze early and often:** Conflict analysis is not a snapshot but an ongoing, iterative process defined by the local context and refined by continuous updating.

![Figure 1: The P-CRIA methodology](image)

• **Listen to everyone:** A company should ensure that its consultation process is genuinely inclusive and cover all opinions on the issue concerned. It should engage in a meaningful dialogue to resolve differences. To understand what the communities need, and what the company can realistically provide, a dialogue is required. In this dialogue, differences of opinion and expectations need to be expressed freely, fairly and frankly. When such a dialogue does not take place, or if it is not handled properly, mutual suspicions increase. Companies retreat behind security walls; some people within the communities get restless and may turn violent. The state, protecting the company’s assets, responds with force, which is often disproportionate. The crisis escalates, often leading to human rights abuses.

• **Comply with international standards:** A company should operate under the highest standards, and international standards should be adhered to when local standards are either not adequate or not implemented properly.
• **Be transparent in decision-making:** A company should promise only what it can deliver and it must deliver what it promises. Examples of conflict between companies and communities have shown that the trigger setting off violence is often when a community believed that certain commitments were made to the community when those commitments may not have been made. Clear, transparent decision-making, including enunciating policies to clarify what the company would do in specific circumstances, and then fair and non-discriminatory implementation of those policies go a long way in ensuring transparency in the process.

• **Manage expectations:** In several critical areas – jobs, contracts, revenue transfers, and compensation policies – the company needs to be clear at and early stage about its criteria and the facts, and manage expectations better.

• **Make social investments sustainable in the long run:** Even if the company does not recruit a large number of people from local communities, it should consider innovative ways to engage the community so that it can provide long-term, ongoing, sustained economic base to the community.

• **Ensure equal access and do not discriminate:** A company should follow international best practices and guidelines on consultation, and in all its actions it should not discriminate between or within communities, or between specific groups. Furthermore, the company’s social investment policies should not exacerbate differences between communities.

• **Go beyond sharing revenues and beyond making data public:** Companies should make information public in a format the community can understand and in ways that are technologically- and culturally-appropriate.

• **Train staff, in particular, security forces:** A company’s first, and often only, point of contact with communities is its security force, or its community development officials. The company should ensure that the security forces are adequately trained in relevant international human rights standards and other staff members operate in a way that respects the rights of local communities.
(c) Peace-building
At first sight, the concept of contributing to peace can appear to be beyond companies’ legitimate activities as private sector entities. Companies are not set up to be development institutions, nor do they have the mandate of international organizations. And yet, peace processes cannot be effective without economic recovery, and as substantial economic actors, extractive industry companies have much to contribute by creating jobs, paying taxes, and jump-starting the economy. The key to identifying a peacebuilding role for companies is not to attempt to redefine their role and mandate but rather to understand how their existing role can be harnessed for sustainable and equitable socio-economic development. In other words, it is not so much about doing different things, rather doing some things differently.

There are three key areas in which companies currently contribute which provide the basis for identifying a more proactive peacebuilding role within companies existing mandate and capacities. These are summarised in Figure 2 and expanded in more detail below.

<table>
<thead>
<tr>
<th>Company contribution</th>
<th>Conditions determining effectiveness</th>
<th>Company role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Investment</td>
<td>Need-based Responsive Empowering</td>
<td>Understanding of context/ stakeholders; Strong local relationships; Good communication; Shared decision-making</td>
</tr>
<tr>
<td>Employment &amp; Contracts</td>
<td>Local Equitable Transparent</td>
<td>Long-term training &amp; skills development; Local procurement &amp; employment policies and targets; Business development</td>
</tr>
<tr>
<td>Taxes &amp; Royalties</td>
<td>Political will State capacity Active Civil Society Availability of information</td>
<td>Lobbying; Institutional strengthening; Communication &amp; Transparency; Civil society capacity building Media training</td>
</tr>
</tbody>
</table>
(i) **Social Investment:**

Almost every company in the extractive sector has a social investment programme. This can take many forms, including implementing or supporting development programmes, providing scholarships, making facilities available to local communities and funding local cultural or sporting events.

Companies frequently believe that any contribution through social investment is, in and itself, ‘good’. This is not true. A failure to understand and address real needs through social projects has resulted in many flawed interventions whose effect is at best negligible and, at worst, divisive. Experience over the past decade, both from extractive industry projects and from the development and humanitarian aid sector, suggests that development itself can create conflict at a community level (for example, over access to the ‘benefit’) or at a national level (by allowing the government to neglect its responsibilities to its people).

Social investment strategies must therefore accomplish several things:

- Address real needs at the local level;
- Be sustainable;
- Avoid creating a dependency culture by simply providing services; and
- Empower communities.

Discussions around social investment projects will be heavily influenced by the needs, aspirations and grievances of individual stakeholders or communities. These might be presented as ‘demands’. The challenges of dealing with the separate, and perhaps, contradictory and competing calls for infrastructure, service provision or other development projects by different stakeholders have resulted in flawed approaches on the part of companies by:

- Insisting on complete control over the design of social investment programmes in order to avoid the problem of juggling competing demands. This risks inappropriate initiatives which have little popular support and therefore prove unsustainable; and
- “Buying off” individual communities one by one. This establishes a pattern in which social projects become a way of fire-fighting grievances rather than addressing long-term needs.

The strategy design, therefore, needs to be participatory with a strong component of shared decision-making. It also must be comprehensive, encompassing long-term needs across a broad spectrum of stakeholders and taking into account a thorough understanding of the context. It should have as its objective the strengthening and empowering of communities to take responsibility for the implementation and maintenance of the project. This will both ensure sustainability and, critically, enable communities to have some influence over decision which affect their lives, the absence of which is often a crucial factor in perpetuating the exclusion which itself drives conflict.
(ii) Employment and Contracts:

Extractive investments are large, and mining in particular creates many employment opportunities both through direct employment and through sub-contracting of services. These jobs require a varying degree of skills, which means the industry is well placed to provide jobs in remote areas where there are few other employment opportunities. As a large workforce moves into a fragile area, and needs food, water, and other facilities, the company can use imaginative ways of helping local communities develop businesses that can provide goods and services to the company and its workers.

Again, it is all too common for companies to recruit staff and source most goods and products from outside the region where the project is located. This becomes both a source of tension and a lost opportunity. Whilst it is becoming increasingly recognised that security is best ensured through strong local relationships, and including local people as security personnel, this same logic has yet to be systematically extended to the procurement of other goods and services. Yet providing employment and business opportunities is the single most important contribution a company can make to bringing benefits directly to impacted populations.

- **Think local, act local:** Put in place targets and incentives for local recruitment and procurement. These should strike a balance between short-term needs (probably drawing upon largely unskilled labour) and long-term goals (funding extensive training programmes to develop the necessary skills). Training for future local employees should be complemented by business development support to enable local companies to meet the standards required by companies in delivering certain products. The individual skills and business capacities built up over time will also promote economic sustainability once the project has closed;

- **Be equitable:** In many instances companies end up in business relationships with members of the local power elite under the mistaken notion that that constitutes extending local opportunities and partnerships. This may only serve to entrench an unjust status quo and keeps marginalized communities away, further stoking resentment. Employment and sub-contracting must always bear in mind and seek to address historic divisions, whether along ethnic, tribal or religious fault-lines.

- **Be transparent:** Closed or secretive recruitment and procurement policies and processes breed suspicion and mistrust. It is important that local populations are informed about opportunities.
(iii) Taxes and Royalties:
Companies frequently argue that in paying taxes and royalties to the state, they are fulfilling their responsibilities to the society as a whole. In developed countries, this is largely true. However, institutional and governance failings in many conflict-affected or prone countries mean that revenue is not used for the benefit of the population as a whole, nor for the benefit of those communities living close to the project site. In other words, the payment of royalties too often brings no development progress at all for the vast majority of people.

The extent of a company’s role and responsibility is addressing this fundamental problem is controversial. Although in theory the company should not be held accountable for governmental corruption, incompetence or ineffectiveness, in practice the widespread perception of state and company as one means that it is. This suggests that it is very much in the company’s own interest to explore means through which it can ensure a more equitable and transparent distribution of resources, partly to mitigate reputational damage, partly to reduce the demands for service provision which it is inevitably bombarded with. It is an unavoidable fact that companies are far more responsive to local demands than the government, particularly when the project is threatened with financially punitive delays through blockades or sabotage.

Whilst companies should stop short of dictating to governments how and where to spend their own money, there are a number of activities they can engage in:

• **Lobbying:** Companies frequently seek to influence governments on issues (e.g. employment legislation, tariff policies, taxation) which directly affect their business. It is legitimate for a company to argue that some share of the royalties finds its way back to the producing region, whether through direct transfers or tax schemes. In itself this only goes part way to addressing the problem or, at worst, transfers the problem onto local government but nevertheless is an important step;

• **Institutional strengthening:** The problem is as much one of capacity as of political will. Governments, and even more so local authorities, rarely have the institutional processes and resources to absorb productively the huge sums paid in royalties and taxes by extractive companies. Providing expert support and training to state bodies can help to address the capacity deficit over the long-term;

• **Communication and transparency:** The increasing focus on revenue transparency by governments and companies alike is an important development. However, information is only useful if properly communicated. Companies can take the lead in ensuring the relevant information is communicated and disseminated locally in accessible ways;

• **Civil society capacity-building:** The long-term answer to the problem of revenue management lies in society’s willingness, ability and capacity to hold its own government to account and effect change. But the civil society organisations, movements and associations which are supposed to play this role also reflect the wider dysfunctionality of the society as a whole. They too are often divided, in parts incompetent or ineffective, at times corrupt and representing narrow political or sectarian interests, chronically under-resourced and subject to repression. Companies can provide much greater levels of support to civil society development, not by funding only NGO service providers but by supporting and encouraging organisations to promote accountability and genuine political participation. They can also make available their executives to provide pro bono services to strengthen the administration and management of civil society organisations, or to enable them to represent their interests more effectively before local government officials;
• **Media training**: Similar points can be made in respect of the media. Again, a critical contribution companies can make is to the professionalization of the media. Care should however be taken to ensure that the media does not become vulnerable in the eyes of the community, by appearing to have been co-opted; respecting and maintaining its independence must be the cornerstone of any corporate activity.

Not surprisingly, companies have tended in the past to shy away from engaging in any activities which seem to cast them in the role of development agencies or international organisations. But companies do have the potential to contribute in significantly more substantial ways that has hitherto been the norm without straying far from their mandates and core competencies. After a decade or more of policy initiatives and publications of multiple tools, the key obstacle is not identifying the how or the what, rather it is in integrating and mainstreaming these concepts into the core business principles of companies. In this sense, the challenge is about mindsets and attitudes. Addressing the multiple challenges posed by investments in conflict prone or affected countries will never be accomplished simply by adhering to the letter of international standards and agreements, however progressive. It begins and ends with companies recognising that their interests are best served not by doing the minimum required, but by doing the maximum possible. Nor is this a solitary role. Companies’ contribution is enhanced and complemented by working in tandem with others (See box 3).
Box 3: Partners

**Other companies:**
Collective action by multinationals is critical to exerting a positive influence. Acting alone is both risky and less likely to prove successful. However, while companies often need to work together to develop natural resources, they are more reluctant to collaborate on development projects or on lobbying governments. This is partly because the extractive industry is far from homogenous in its approaches, but is also due to the individual companies’ efforts to create brand identity. The use of ethical or social policies as part of a marketing strategy has little or no relevance in countries threatened by conflict. Worse, it actively obstructs important initiatives from being pursued and leads to duplication and reduced impact. Harnessing the collective influence, financial resources and expertise of companies could make a significant contribution towards promoting equitable political and socio-economic development.

**International community:**
Different international actors are useful partners for companies in that they bring different skills and competencies to addressing shared issues of concern. Companies can pool their skills and activities with donor governments to address human rights and corruption; with development agencies and INGOs on service provision and capacity-building projects; and with IFIs to promote good practice in transparency and revenue management.

**Local NGOs:**
Partnering with local NGOs enables companies to develop relevant and targeted projects and has the added benefit of supporting the capacity of local civil society.

**Local business:**
Strengthening the capacity and productivity of local entrepreneurs through skills transfer and partnership can also reinforce initiatives to support peace, helping to reduce the risks of natural resource dependency. Companies will have a shared interest in lobbying for stable and enabling operating environments with their local counterparts.