

**MINING CERTIFICATION
EVALUATION PROJECT
FIELD TRIAL PROCESS REPORT
NEWMONT AUSTRALIA LIMITED
NEWMONT WAIHI GOLD
NEW ZEALAND**

Prepared For: MCEP Working Group

Authors: Leah Horowitz
Kurt Hammerschmid
Liz Lange

Distribution: Supporting Document 10 for MCEP Final
Report

SUMMARY

The purpose of the Mining Certification Evaluation Project (MCEP) is to evaluate the feasibility of establishing independent, third party certification of the environmental and social performance of mine sites. An important component of the project is the field trial period, which involves evaluations of how Mine Site Operators (MSOs) are addressing corporate governance, occupational health & safety, employee relations, environmental management, and community relations issues.

The fifth MCEP field trial was the first field trial conducted outside of Australia. As such, its primary purpose was to test the applicability of the audit protocol to a mine site outside of the Australian context.

This field trial was undertaken at Newmont Waihi Gold operations in New Zealand over the period of the 7th to the 11th March 2005 inclusive. The team consisted of an independent Team Leader, the MCEP Project Officer, two independent consultants, and a staff member from Newmont Australia.

The key process issues identified through the trial are summarised below.

- The reformatted structure of the audit protocol, requesting evidence of conformance to specific criteria, allowed for a more rigorous process.
- Questions relating to management systems should be separated from, and evaluated ahead of, those relating to performance.
- The MCEP audit protocol was found to go beyond the ISO14001 Standard by covering performance areas. However, the MCEP audit protocol should be further expanded to include all elements covered within the ISO14001 Standard.
- The Employee Relations section of the audit protocol should also be expanded to cover issues related to overall development of the workforce.
- The Corporate Governance section of the audit protocol should be changed to test performance areas that are directly applicable to MSOs.
- Options should be considered for evaluating performance in different legislative contexts.
- A list of standards should be created to indicate what management systems and performance would be expected of the MSO in order to obtain certification. This list should be provided to the MSO well ahead of any audit process.
- It was noted that certain questions contained implicit assumptions of ecological conditions relevant to an Australian context. The audit protocol should be appropriate to all ecological contexts.
- Unexpectedly, interviewees evidenced a high degree of sensitivity to certain terms within the protocol, highlighting cultural specificities relevant to the field trial location. Guidelines for assessment should be created that would include pre-audit preparation to identify potential areas of sensitivity. Where necessary, terms in the audit protocol may need to be reworded so as to avoid causing offence.

Introduction

The purpose of the Mining Certification Evaluation Project (MCEP) is to evaluate the feasibility of establishing independent, third party certification of the environmental and social performance of mine sites. *Working Paper 1 – Principles and Criteria for Certification* lists criteria for evaluating performance, building on the principles developed by the International Council on Mining and Metals.

These criteria have formed the basis of a protocol to be used in field trials, which comprise Phase 2 of the MCEP. These field trials, to be conducted at four sites around Australia and two overseas, involve evaluations of how Mine Site Operators (MSOs) are addressing corporate governance, health & safety, employee relations, environmental, and community relations issues. These issues are outlined in the principles and criteria and elaborated in a protocol approved by the MCEP Working Group. The trials provide an opportunity for performance standards and a rating system to be developed and tested. They also allow opportunities for experimenting with various data-gathering techniques. The final phase of the project will address questions of governance and institutional arrangements for a possible certification scheme.

The fifth MCEP field trial was the first field trial conducted outside of Australia. As such, its primary purpose was to test the applicability of the audit protocol to a mine site outside of the Australian context.

This field trial was undertaken at Newmont Waihi Gold (NWG) operations in New Zealand over the period of the 7th to the 11th of March 2005 inclusive.

NWG operations currently consist of an open-cut mine, Martha, and a prospective underground mine, Favona.

The Martha mine is located in the town of Waihi, 110 kilometers southeast of Auckland. Newmont acquired Martha in February 2002 as part of the Normandy Mining acquisition and subsequently acquired all minority interests, gaining 100% ownership of Martha in 2003. Construction of the Favona underground mine decline began in the second half of 2004 and the underground mine is expected to commence production in 2006, just as the open-cut mine production is scheduled to cease. NWG employs 260 workers, most of whom reside in Waihi or other nearby communities.

The Field Trial Team comprised:

- Kurt Hammerschmid, Integrated Environmental Systems (Team Leader and Environmental Management);
- Leah Horowitz, WWF-Australia (Project Officer and Community Relations);
- Liz Lange, Independent Consultant (Employee Relations and Community Relations)
- Andrew Minns, General Manager Environment, Newmont Australia (Corporate Governance); and
- Leigh-Anne Cronin, Quality Environmental Consulting (Health & Safety).

Data gathering techniques included:

- review of documents provided by the MSO;
- interviews with MSO employees, including managers, supervisors, salaried and wage / union employees from various parts of the operation including the mill, processing plant, exploration and administration;
- interviews with external stakeholders.

All interviews were conducted in person. For the Employee Relations section of the audit protocol, 22 employees were interviewed, generally in pairs and for half an hour. For the Community Relations section, 20 individual interviews were held with external parties.

The review was carried out using the latest version of the Audit Protocol approved by the MCEP Working Group and provided to the Audit Team by the MCEP Project Officer on the 25th of February, 2005.

At the exit meeting, team members provided feedback on NWG's performance against the MCEP Audit Protocol, as a service to the MSO staff. This feedback consisted of team members' professional opinions as to NWG's achievements and opportunities for improvement, as identified through this trial. This meeting also provided site personnel with the opportunity to provide comments on the field trial process.

Process Issues

The audit protocol

Prior changes to the audit protocol

The format of the audit protocol as implemented at NWG, revised from the audit protocol used at the previous field trial, was considered to be an improvement over the earlier format. The Team Leader expressed the opinion that the current structure, requesting evidence of conformance to specific criteria, allowed for a less ambiguous methodology and a more rigorous process.

Recommended changes to the audit protocol

The Field Trial team members made recommendations as to ways in which the audit protocol should be further revised. Details of their recommendations can be found in their report, <Waihi MCEP Field Trial Report Working Group - Version 21st March 2005.doc>, emailed to the MCEP Working Group on 21 March 2005. The recommendations are summarised below.

“Systems” vs. “performance” elements

The field trial team members felt that the areas covered by the audit protocol should be separated into “management systems” and “performance” elements. As defined by the team:

Systems elements describe the methodology by which an operation sets policy, develops plans, implements and checks/reviews its progress in a functional area.

Performance elements describe specific “issue, risk or hazard” areas (often the more significant) of an operation and which demand dedicated strategies.

The team members recommended that even the Community Relations and Employee Relations audit protocols should contain a section requesting evidence of a management system, even though this is not requested by other audits or certification processes.

This separation would allow for a more logical sequence of questions, in which systems elements would be evaluated prior to performance elements. As the auditors noted, the internationally agreed management system methodology is “policy, planning, implementation and checking/review”, and the MCEP audit protocol should ideally follow this order.

On a related note, it was suggested that some sections required evidence of policies whereas a more robust and meaningful evaluation would examine “systems, strategies and plans”.

Process Improvement: Identify which questions refer to management systems and which to performance. Rearrange the audit protocol to evaluate systems elements separately from, and ahead of, performance elements. Where possible, rearrange the protocol to correspond with the internationally agreed management system auditing methodology.

Overlap with ISO14001

The field trial team members estimated that about 29% of the MCEP audit protocol is directly required by the ISO14001 Standard and an additional 25% is likely to be covered by a skilled ISO14001 certification auditor. The remaining 46% of the MCEP audit protocol questions go beyond the ISO14001 Standard. These questions refer to the MSO's performance, which the ISO14001 Standard does not cover. The auditors viewed this additional coverage as an advantage of the MCEP audit protocol.

However, the team members also felt that the ISO14001 Standard was more comprehensive in evaluating the MSO's systems. They noted that in its current form, the MCEP audit protocol only requests information about six of the seventeen elements of ISO14001.

Ensuring that all sections of the audit protocol (Environmental Management, Occupational Health & Safety, Community Relations, Employee Relations) included all the elements covered by ISO14001 would simultaneously have the advantage of ensuring that all sections were closely aligned to cover similar areas.

Process Improvement: Expand the audit protocol to include all elements covered within the ISO14001 Standard.

Employee Relations performance areas

The team members also recommended that the Employee Relations section of the audit protocol address significant issues related to overall development of the workforce, such as workforce planning and development, employee retention, attraction of qualified employees, career progression and succession planning.

Process Improvement: Expand the Employee Relations section of the audit protocol to cover issues related to overall development of the workforce.

Corporate Governance section

The team members found that an evaluation of the corporate governance policies and practices of the parent company was very difficult to achieve, and that the relevance to MSO operations was not always evident.

The team members also deemed that questions pertaining to legal compliance were more appropriately addressed within the relevant audit protocol sections.

Process Improvement: Change the Corporate Governance section of the audit protocol to test performance areas that are directly applicable to MSOs.

Data gathering issues

Application of performance elements

The team members noted that the testing of certain performance elements was "cumbersome" in that they were adequately covered by national legislation. These included

questions regarding forced labour, child labour, and security forces. The team members had several suggestions for how this situation might be addressed, as outlined in the <Waihi MCEP Field Trial Report Working Group - Version 21st March 2005.doc>, emailed to the MCEP Working Group on 21 March 2005.

Process Improvement: Consider options for evaluating performance in different legislative contexts.

Prior provision of standards

Site staff indicated that it would be helpful, well ahead of future audits, to provide a set of standards with which the MSO would be expected to conform in order to be granted certification. The field trial team members indicated that it would not be ideal to provide the audit protocol per se, but that a list of specific expectations would assist the site not only in preparing for the audit but also in improving its performance in the longer term.

Process Improvement: Create a list of standards with which the MSO would be expected to conform in order to obtain certification and provide this to the MSO well ahead of any audit process.

Applicability of audit protocol to a non-Australian context

Ecological context

The field trial team member responsible for the Environmental Management section of the audit protocol noted that certain questions had an Australian bias. For example, there was an implicit assumption that water supplies would be limited and would need to be carefully managed, whereas in the New Zealand context, water was actually present in excess and dewatering was the relevant issue to consider.

Process Improvement: Ensure that the audit protocol is appropriate to all ecological contexts.

Sensitivities

Working with the Employee Relations and Community Relations sections of the audit protocol highlighted some unexpected cultural differences between the Australian and the New Zealand cultural contexts. Interviewees evidenced a high degree of sensitivity to any distinction drawn between people due to their ethnic backgrounds. Certain terms and questions on the audit protocol even inadvertently caused offence, such as any reference to "indigenous people" or "traditional landowners". The team members were told that New Zealanders regard themselves as an integrated society in which all are treated equally and given equal opportunities. Preferential treatment of particular groups, as advocated by the MCEP audit protocol, was deemed by interviewees to be inappropriate to the New Zealand context.

Process Improvement: Create guidelines for assessment that include pre-audit preparation to identify potential areas of sensitivity. Where necessary, reword terms in the audit protocol so as to avoid causing offence. Consider changing the audit protocol so as to assess the degree to which the MSO has identified, recognised, assessed and planned for the interests of the range of different cultures or groups constituting the host community rather than evaluating preferential treatment of any particular group.