



FDC

THE FOUNDATION FOR
Development Cooperation

'Enduring Value' Review

Final Report

For the



April 2012

ACRONYMS

AA	Account Ability
AIDS	Acquired Immune Deficiency Syndrome
CIMMS	Community Impacts Monitoring and Management Strategy
CSP	Conservation Science Program
CSR	corporate social responsibility
CSRM	Centre for Social Responsibility in Mining
DOTS	Development Outcome Tracking System
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transparency Initiative
EMAS	Eco-Management & Audit Scheme
EV	Enduring Value
FDC	Foundation for Development Cooperation
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HDI	Human Development Index
HDR	Human Development Report
HIV	Human Immunodeficiency Virus
IAIA	International Association for Impact Assessment
IATI	International Aid Transparency Initiative
ICMM	International Council on Mining and Metals
IFC	International Finance Corporation
IIED	International Institute for Environment and Development
IMF	International Monetary Fund
IPIECA	International Petroleum Industry Environmental Conservation Association
ISO	International Organization for Standardization
LPSD	Leading Practice Sustainable Development in Mining Program
M and E	Monitoring and Evaluation
MCA	Minerals Council of Australia
MCEP	Mine Certification Evaluation Project
MDB	Multilateral development bank
MDG	Millennium Development Goals

MMSD	Mining, Minerals and Sustainable Development
MNC	Multinational Corporation
MTDS	Medium-term Development Strategy
NGO	Non-government organisation
NRC	Natural Resource Charter
OECD	Organisation for Economic Co-operation and Development
PBL	policy-based lending
PRSP	Poverty Reduction Strategy Paper
RET	Department of Resources, Energy and Tourism
SEAT	Socio Economics Assessment Toolbox
SIA	Social Impact Assessment
UN	United Nations
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
VPSHR	Voluntary Principles on Security and Human Rights
WB	World Bank
WBCSD	World Business Council for Sustainable Development
WGC	World Gold Council
WGI	World Governance Indicators
WWF	World Wildlife Fund for Nature

ABOUT THE FOUNDATION FOR DEVELOPMENT COOPERATION

The Foundation for Development Cooperation (FDC) is an independent, Australian Foundation committed to enabling better development outcomes in the Asia-Pacific region through collaboration and innovation.

Through the vision and philanthropy of Bill Taylor AO, FDC was created in Australia in 1990 to harness and leverage the collective skills, knowledge, resources and passion of organisations from across the public, private, NGO and academic sectors in order to alleviate poverty and disadvantage in developing nations in the Asia-Pacific region. We achieve this by researching, piloting and promoting collaborative and innovative market-based approaches to international development.

FDC's head office is in Brisbane, Australia. FDC has an Asia regional office in Singapore and a Pacific regional office in Fiji.

EXECUTIVE SUMMARY

Introduction

The Minerals Council of Australia (MCA) engaged the Foundation for Development Cooperation to consider, and report on, how selected new sustainable development knowledge, frameworks, standards and international expectations might present opportunities to strengthen ‘*Enduring Value* – the Australian Minerals Industry Framework for Sustainable Development’.

Since the release of *Enduring Value*, the framework has become the working guide for Australian mining companies as they seek to embed, and continually improve, sustainable development approaches in their strategy and operations. In recent times, knowledge regarding the nexus between natural resource extraction¹ and sustainable development has grown. This has resulted in a number of shifts in sustainable development thought and practice, and evolution in related guiding principles and leading practice frameworks.

Mining and Development

In reviewing the complex dynamic effects between mining and development, the literature reveals mixed economic, social and environment results. The research suggests that the contribution of mining to sustainable development is complex, and more holistic tools and processes are required to better understand, manage and realise better development outcomes in the sector. And, consistent with sustainable development principles, these outcomes need to be realised equitably across scales (local and national), across time (short and long term), and across all stakeholders.

Sustainable Development Frameworks Assessment

The project reviewed eighteen sets of sustainable development ‘principles’ and thirteen sustainable development ‘practice frameworks’. The review assessed frameworks against criteria in five areas (social, economic, environment, governance, and general). The diverse nature of the origin and application of the ‘principles’ and ‘practice frameworks’ selected provided broad coverage of sustainable development approaches relevant to the mining sector. Notwithstanding this, this diversity also presented some challenges in the assessment process given the range of different approaches/purposes of the principles and frameworks. The assessments identified great heterogeneity across the different criteria assessed, different strengths and weaknesses, and some similarity in approaches to sustainable development.

Despite the variability across the frameworks, several consistent themes resonated throughout:

- Sustainable development is an interrelated, long-run and complex process
- Human rights are non-negotiable
- Economic development is often falsely disconnected from sustainable development
- Governance and transparency is required, but alone does not guarantee sustainable development

¹ By natural resources, we are only referring to sub-soil raw commodities, which are extracted by the mining industry. All the other types of [natural] resources are beyond the scope of this report.

- Participatory approaches are common and important for equity and inclusion
- Monitoring should be dynamic and participatory
- Performance must be measurable
- Firms have a public policy responsibility; and
- Developing the business case for sustainability is important

Insights

Based on the outputs of the research and assessments undertaken in the report the following relevant insights are revealed.

- There have been material shifts in sustainable development thought and practice since the adoption of the EV framework in 2006.
- Internationally formed and agreed standards, such as the UN's Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises should be considered as basic non-negotiable inclusions in practice frameworks.
- Across all dimensions, it is important to differentiate between internal and external impacts, as well as direct, indirect and cumulative impacts.
- There is an emerging need, and possible convergence, for frameworks and reporting to be consistent across firms to allow for performance comparison and study.
- Whilst a great deal of focus and responsibility falls to mining companies in contributing to sustainable development outcomes and complying to agreed performance standards there is growing understanding of the roles of, and relationships between, the standards and practices of organisations from across sectors. This is borne out in initiatives such as the Natural Resource Charter and the Extractive Industries Transparency Initiative.
- The finite nature of resource extraction requires vigilance in reconciling important short term concerns with long term impacts and intergenerational outcomes embedded in the sustainable development agenda. An effective sustainable development framework will align interests and manage short/long term tensions in order to successfully translate sustainable development principles into manageable firm-specific actions.

Enduring Value Review

Assessment of the MCA's *Enduring Value* framework, relative to other frameworks assessed, found EV to be a mid-range performer, ranking eighth out of the thirteen frameworks assessed.

Specifically, EV was found to be strong in the 'social', 'environment' and some elements of the 'general' categories, and weaker in the 'economic', 'governance' and other elements of the 'general' categories. Across all categories, opportunities for improvement and strengthening were identified.

Recommendations

Based on the outputs of the research and assessments undertaken in the report the following recommendations are made for MCA consideration.

- RECOMMENDATION ONE: Revise Enduring Value to reflect the shifts in sustainable development principles and practices as evidenced in the report.
- RECOMMENDATION TWO: The revision of Enduring Value be cognisant of the following:
 - Practice Principles:
 - Recognise the complexity of the sustainable development/mining nexus
 - Combat inequality and exclusion
 - Focus on both managing risks and creating opportunities
 - Practice Processes:
 - Ensure continued adherence of global principles through local application
 - Consider the role of, and processes for, industry engaging in public policy dialogue and influence
 - Promote and apply partnership approaches to increase impact
 - Ensure performance is measurable, reportable, and verifiable
- RECOMMENDATION THREE: Revision of Enduring Value include consideration of practice issues including:
 - Measuring and reporting performance of EV signatories (individually, collectively and comparatively) with regards to their contribution to development outcomes in the communities in which they operate.
 - How to assess the effective application of EV and assurance of results reported by signatories (including evaluation of the use of self-selected indicators and evaluation of the process for ‘instances of non-conformance’)
 - MCA’s role in supporting and enabling the application of EV across MCA members/signatories given their diversity in terms of organisational scale/scope, internal capability and operational locations
 - Process to ensure that EV maintains relevance; is responsive to emerging issues and trends; is connected to leading practice; and has processes in place for continuous improvement
 - Process to support signatories appropriately respond to revisions of EV framework practices and tools
- RECOMMENDATION FOUR: The revision process to be inclusive and participatory, encouraging engagement and input from miners, development practitioners, policy makers, regulators, academics, and other relevant stakeholders. Similarly, the process to connect with other relevant organisations/initiatives such as International Council on Mining and Metals and the Natural Resource Charter.
- RECOMMENDATION FIVE: The revision process to be informed and directed by an MCA appointed taskforce composed of relevant leading mining and development experts.

Summary

Since its implementation in 2006, Enduring Value has been a recognised leader in sustainable development practice within the Australian minerals industry. Notwithstanding this, as sustainable development thought and practice has evolved, areas for improvement within the Enduring Value framework have emerged.

The MCA and Australian mining firms can continue to show global leadership by building on the existing Enduring Value framework through revisions that of the shifts in sustainable development thought and practice identified in this report into account.

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1. INTRODUCTION

1.1 Purpose

The Minerals Council of Australia (MCA) engaged the Foundation for Development Cooperation (FDC) to consider, and report on, how selected new sustainable development knowledge, frameworks, standards and international expectations present opportunities to strengthen ‘*Enduring Value* – the Australian Minerals Industry Framework for Sustainable Development’. This report presents the findings of this enquiry.

1.2 Background

In 2005, the MCA produced their integrated approach to sustainable development, *Enduring Value*. Since its release, the framework has become the working guide for Australian mining companies as they seek to embed, and continually improve, sustainable development approaches in their strategy and operations. In recent times, knowledge regarding the nexus between natural resource extraction² and sustainable development has grown exponentially and there is rich empirical and theoretical understanding of both the positive and negative development effects caused by mining activities. This movement has culminated in several working groups dedicated to dialogue to enable resource riches to translate into development outcomes, thereby providing direction to policies that, based on current knowledge, increase the likelihood of this being achieved. To date, even the best-intentioned efforts within the sector have had mixed development effects. Cognisant of this, new knowledge garnered through both research and practice-based insights has started to be codified into a range of new frameworks, guidelines and standards that are widely heralded to become the new benchmarks for private sector-led sustainable development. It is timely for the Australian mining and minerals industry to consider how the *Enduring Value* framework compares with these new global standards and expectations.

1.3 Approach and Scope

The method to deliver the project is a multi-staged process that covers: producing a formal project plan and research method; summarising existing leading principles and assessing related practice frameworks; reviewing selected new sustainable development principles and undertaking a comparative assessment with *Enduring Value*; and synthesising research outputs and identifying issues for MCA consideration. The scope of this review is limited to only publicly available documents. Moreover, the scope of this report is limited to providing generic guidance: providing an up-to-date, best practice critique which highlights some basic guidelines to move *Enduring Value* forward, rather than devising a new framework, with detailed indicators.

² By natural resources, we are only referring to sub-soil raw commodities, which are extracted by the mining industry. All the other types of [natural] resources are beyond the scope of this report.

1.4 Report Structure

Section Two provides an overview of the current leading sustainable development principles that have been developed by the international community, industry advocacy groups and civil society, as a means to guide sustainable development thinking and practice. Section Three explains the methodology applied to assess the different sustainable development practice frameworks relevant to the mining sector. Section Four synthesises the framework assessments and their key findings. Section Five reviews *Enduring Value (EV)*, with respect to other leading practice models, and provides a critique of EVs individual strengths and weaknesses. Section Six concludes with final recommendations for the MCA with regards to building on the foundations laid within the sector by the original EV framework.

1.5 Limitations

Sustainable development is perhaps one of the most rapidly evolving professional fields. We have made all efforts in the review to use the universally accepted definitions and concepts, but acknowledge that there is still semantic disagreement around the details and peripheries. By using our selected holistic and broader conceptual foundations that are the basis for most global policy dialogue on sustainable development, our approach is consistent with what we believe to be leading thought and also best practice.

As we considered broad sustainable development practice frameworks to be used across countries, regions, sites and sub-industries of the mining sector, we are informed by our literature review which was deliberately limited to broad meta-data or panel studies. We considered using a case-based approach, but deemed it would be inappropriate for understanding the complex dynamics that persist across most cases and then evaluating universally applied practice frameworks. We are however mindful of the variability and context-specific nature of the development effects of mining, but are confident that if we were to randomly select case studies instead, results and practical implications would not have differed.

In selecting our principles for consideration, we used an extensive web and literature survey, as well as drawing on experiences from past projects and consultations. We acknowledge that there are many other agreements, sustainable development principles and frameworks that have not been included, but we are confident that our selected range of principles is adequate to capture the ideas and consensus of the most prominent and widely-accepted thought on this topic.

Along a similar vein, we conducted an extensive survey of different sustainable development practice frameworks and guidelines, and the selection of those included were the result of this careful evaluation. We generally selected those that were most applicable, or specially designed, for the mining sector. For those which are more general, these were selected on a basis of both their dominance in the policy sphere (such as the ISO26000, OECD Guidelines, IFC Framework, and ICMM/GRI Guidelines), and others because they were judged to be of a high quality and showing thought leadership (such as the Ceres Roadmap and Sigma Guidelines).

Finally, our assessment tool admittedly is not quantitatively rigorous, but it is suitable to allow for accurate comparison of the basic characteristics and inclusions of the different frameworks, allowing for

us to determine what inclusions are commonplace and which are generally more comprehensive and better suited to assess the complexities of sustainable development for the mining sector.

1.6 Acknowledgements

FDC acknowledges that this project builds on work previously undertaken by FDC and partners and the inputs of a number of recognised experts in the field:

- ‘FDC Briefing Note 4: The Resources Sector in Developing Countries: Strategies to Improve Community Livelihoods’, March 2008, Available online at:
http://www.fdc.org.au/FDC_Briefing_Note_%20March_2008.pdf
- ‘FDC Discussion Paper: Assessing the development impact of resource sector companies on their host countries’, October 2009, Available online at:
<http://www.fdc.org.au/files/news/2009/October/Resource-Sector-Discussion-Paper.pdf>
- ‘Special Report: A Case for Collaboration: Enhancing the development outcomes of Australian resource companies' operations overseas’ (with the Australian Strategic Policy Institute), June 2010, Available online at:
http://www.aspi.org.au/publications/publication_details.aspx?ContentID=256
- Grassroots monitoring and evaluation training and toolkit development for the community relations team at the Porgera Joint Venture (Barrick Gold) in Papua New Guinea; project completed February 2011
- Peer Review of this report was provided by the Sustainable Minerals Institute and the Asia Pacific Centre for Sustainable Enterprise

2 GLOBAL PRINCIPLES FOR SUSTAINABLE DEVELOPMENT

2.1 Introduction

Over the past decade or so, a range of sustainable development principles and guidelines have emerged to guide various policymakers and corporates alike. These principles range from private-sector led ICMM and SAI global principles, to the top-down multi-laterally agreed United Nations, Extractive Industries Transparency Initiative (EITI), multi-lateral development banks (MDB), Organisation for Economic Cooperation and Development (OECD), and International Finance Corporation (IFC) Guidelines, to the research-based and bottom-up Natural Resource Charter (NRC). This section provides a brief overview of the existing principles to provide some additional context to our assessment, and highlights the current consensus.

2.2 Overview of the Existing Principles

Table 1 provides a selection of sustainable development-related principles and guidelines that are relevant to the mining sector. These approaches provide mining organisations with useful sustainable development concepts for consideration in strategy and operations, and indeed there is significant overlap and consensus among them. Furthermore, these concepts underpin a range of best practice frameworks that seek to enable the interpretation and application of sustainable development principles into practice. More detailed summaries and comments related to the principles summarised below are included in Appendix 1.

Table 1 - Overview of Principles

Principles	Author	Year	Summary
ISO*14000 series	International Standards Organisation (ISO)	1996	International standards on environmental management providing a framework for the development of both the system and the supporting audit program. This family of standards has been in a state of constant evolution since inception in 1996. The best known and most widely used standard is ISO 14001:2004, but the latest is ISO 14005:2010, which specialises on phased development, implementation, maintenance and improvements of environmental management systems.
International Association for Impact Assessment: Social Impact Assessment (SIA) and Environmental Impact Assessment (EIA) Principles	International Association for Impact Assessment (IAIA)	EIA: 1999 SIA: 2003	Social and environmental impact assessment principles that promote development of local and global capacity for the application of environmental, social, health, and sustainable development.

Section Four: Global Principles

United Nations Global Compact - Ten principles	UN	2000	These 10 principles in the areas of human rights, labour, the environment, and anti-corruption enjoy universal consensus.
Voluntary Principles on Security and Human Rights (VPSHR)	Taskforce	2000	Principles on security and human rights for the extractive industries.
Mining, Minerals and Sustainable Development (MMSD) Project	International Institute for Environment and Development (IIED)	2002	Sustainable development principles for the mining industry in relation to the following areas: economic, social, environmental and governance.
Seven Questions to Sustainability	IIDS	2002	Recommendations for best practices in relation to the following areas: engagement, people, environment, economy, traditional and non-market activities, institutional arrangements and governance, synthesis and continuous learning.
AS 8000 series – AS 8003	SAI Global	2003	Standards and principles for corporate governance area. The AS 8003 component focuses on Corporate Social Responsibility.
International Council on Mining and Minerals (ICMM) 10 Principles	World Business Council for Sustainable Development (WBCSD) and IIED	2003	10 principles covering corporate social responsibilities specific to the mining and minerals sector in accordance with the Global Reporting Initiative guidelines.
EITI Principles	EITI	2003	Principles to increase transparency of payments to governments from the extractive industry. They are the cornerstone of the EITI.
Good Practice Standards for Evaluation of MDBs	MDB Evaluation Cooperation Group (ECG)	2004	These are guidelines to meet the special evaluation requirements of policy-based lending (PBL) as decided by the multi-lateral Evaluation Cooperation Group. Sister guidelines exist in the areas of: MDB supported public sector operations (2002), private sector investment operations (2006), and country strategy and program evaluation (2008). All are endorsed by the multi-lateral and regional development banks, and regularly reviewed.
Framework for Responsibility in Mining	World Wildlife Fund (WWF) Conservation Science Program (CSP)	2005	Proposes social, human rights and environmental improvements for the mining sector, through evolving standards.
IFC Policy on Social and Environmental Sustainability	IFC	2005	Eight performance standards for project performance review in the areas of social and environmental sustainability.

Section Four: Global Principles

G3.1 Guidelines	Global Reporting Initiative (GRI)	Revised in 2011 (G3.1)	The G3 guidelines feed into the GRI reporting framework. The guidelines are broken up into six indicator protocols: society, environment, economic, human rights, labour, and product responsibility. The guidelines were expanded in March 2011 to the new G3.1 guidelines, which also include human rights, local community impacts, and gender.
MCEP Principles	Mining Certification Evaluation Project (MCEP)	2006	Independent, third party certification mechanism based on principles in the areas of environmental and social performance.
The Equator Principles (EP)	IFC/EPFI	2006	Financial benchmark for determining, assessing, and managing social and environmental risk in project finance.
AA1000	AccountAbility (AA)	2008	The series are principles-based standards for helping organisations become more accountable, responsible and sustainable. The 2008 revision of these standards gave rise to a consensus that the AA1000 AccountAbility Principles be placed in a separate standard in order to allow for broader application and to enable their usage across broader and evolving sustainability assurance engagements. The resulting three principles are materiality, inclusiveness, and responsiveness. Completeness is not included in this one but it remains key to providing sustainability assurance as it cuts across the other three principles.
Organisation for Economic Co-operation and Development (OECD) Guidelines to Multinational Enterprises	Organisation for Economic Co-operation and Development (OECD)	2008	Principles and standards of good practice in relation to corporate social behaviour. These are currently being revised, including non-OECD countries in the consultation process. The revision seeks to see the guidelines also be better suited to, and accounting for, the changing global pattern in consumption, production, and investment in emerging economies. It also seeks to assist with pressing issues like climate change and financial stability, which were barely included in the previous guidelines.
Natural Resource Charter (NRC)	Natural Resource Charter (NRC)	2009	The Natural Resource Charter is a global initiative designed to help governments and societies harness the opportunities created by appropriately exploiting natural resources. The charter provides twelve Precepts to inform and improve resource management. Its aim is to ensure that the opportunities provided by new discoveries and commodity booms are managed effectively. It has no political heritage or sponsorship, and as assembled by the world's leading experts in economically sustainable resource extraction. The charter is unique because it is a common framework for addressing the challenges of natural resource management, but also a tool for citizens with the potential to be an international convention in the making and built by a participatory process.

The identification and summary of sustainable development principles illustrates a variety of approaches being advocated and used to address sustainable development issues. In most cases, the identified approaches have sought to provide universal principles and guidelines.

In the mining sector context, the principles can be applied across multiple actors in the mining sector value chain and activities including operations, financing, regulation and community relations. Within the mining sector itself, the ICMM is the global mining sector's advocacy group and their respective principles have been adopted and customised by many mining companies as a foundation to their corporate policies and practices.

MCA's *Enduring Value* is one such example which has been based on the ICMM principles. It should be noted that, although widely adopted, the ICMM principles and framework have attracted some criticism for not being sufficiently comprehensive or impartial. Notwithstanding this, the ICMM principles are generally well regarded for bringing together different principles that are applicable to the mining sector.

2.3 Global Consensus

Analysis of these principles reveals several emergent themes:

- Human rights;
- Labour markets, health, safety and rights at work;
- Social (and lower-level community) development;
- Collaboration, consultation and partnerships – social inclusion-based approaches;
- Sustainable use of the environment and natural resources;
- Transparency, accountability, good governance and anti-corruption;
- Independent monitoring of measurable outcomes and performance indicators;
- Sustainable economic development and sound competition and consumer policy; and
- Equitable distribution of resource wealth and benefits to all citizens.

While the institutional factors such as anti-corruption, transparency, good tax regimes etc. have been pertinent concerns of different stakeholders for quite a while, interestingly the human rights, equity and fundamental social development dimensions, as well as the need for policy and strategic national planning oversight, have only recently been reaffirmed and confirmed by the international community in the updated 2011 OECD Guidelines and the NRC, among other official institutional and academic documents.

3. SUSTAINABLE DEVELOPMENT PRACTICE FRAMEWORKS ASSESSMENT METHODOLOGY

3.1 Introduction

To translate the sustainable development principles identified in Section Two into practical actions and tangible outcomes in mining sector operations there are a number of sustainable development practice frameworks of relevance, and in use, within by mining companies. These include the MCA's *Enduring Value* framework.

In order to comparatively assess the applicability of existing sustainable development practice frameworks in addressing identified sustainable development principles, this research applied a qualitative and quantitative assessment methodology. The assessment was conducted using criteria covering a number of sustainable development themes.

In practice the assessment firstly saw established practice frameworks assessed primarily relying on a quantitative assessment (using a tool developed in previous research³). Secondly, a smaller number of emerging practice frameworks/principles were assessed using both the quantitative tool and a more inductive evaluation and critical review. The difference in assessment methods across 'older' and 'newer' approaches was required due to the differences in the design and application between the two groups. Notwithstanding this, the assessment is valid and provides useful insights in assessing *Enduring Value* with respect to leading thought and practice.

A step-by-step outline of the assessment approach is as follows:

- Survey and qualitatively review relevant Sustainable Development principles;
- Evaluate how the principles fit in with the tool for assessing sustainable development frameworks;
- Survey existing sustainable development frameworks to identify those most commonly used and relevant to the mining sector;
- Consider *Enduring Value* with respect to the existing frameworks and principles
- Assess the identified existing sustainable development frameworks with assessment tool
- Review the empirical literature, case studies, theories, principles and practices on mining and sustainable development and synthesise the findings
- Identify five new high-quality emergent approaches to sustainable development
- Review these emergent approaches using the assessment tool and a more in-depth critical qualitative analysis

• ³ Research Paper: case for collaboration: Enhancing the development outcomes of Australian resource companies' operations overseas http://www.aspi.org.au/publications/publication_details.aspx?ContentID=256

- Consider and assess *Enduring Value* with respect to the review of the literature, case studies, theories, principles, existing frameworks and emergent approaches
- Prepare a final report outlining the findings from all the previous steps

This combined approach yields a rigorous understanding than either quantitative or qualitative approaches could have provided in isolation. Conversely, the qualitative discussion provides deeper nuanced insight and value-add than merely ‘ticking a box’ as required by the tool, but is difficult to compare across frameworks; this must then be done more broadly based on major issues.

3.2 Defining Sustainable Development Dimensions and Criteria

The five key themes assessed were: social; environmental; economic and financial; governance and political (institutions); and general criteria. Of these, social refers to broad social development indicators such as health, education and an ad hoc interpretation of the development impacts on the society of interest. Economic has been grouped with financial, because this is how it is usually evaluated in practice; economic, in our interpretation, refers to economic development, preferably sustainably and equitably. Governance and political development refers to the broader institutions and governance mechanisms, including local politics, but also the local and corporate governance as well.

The general criteria looked at:

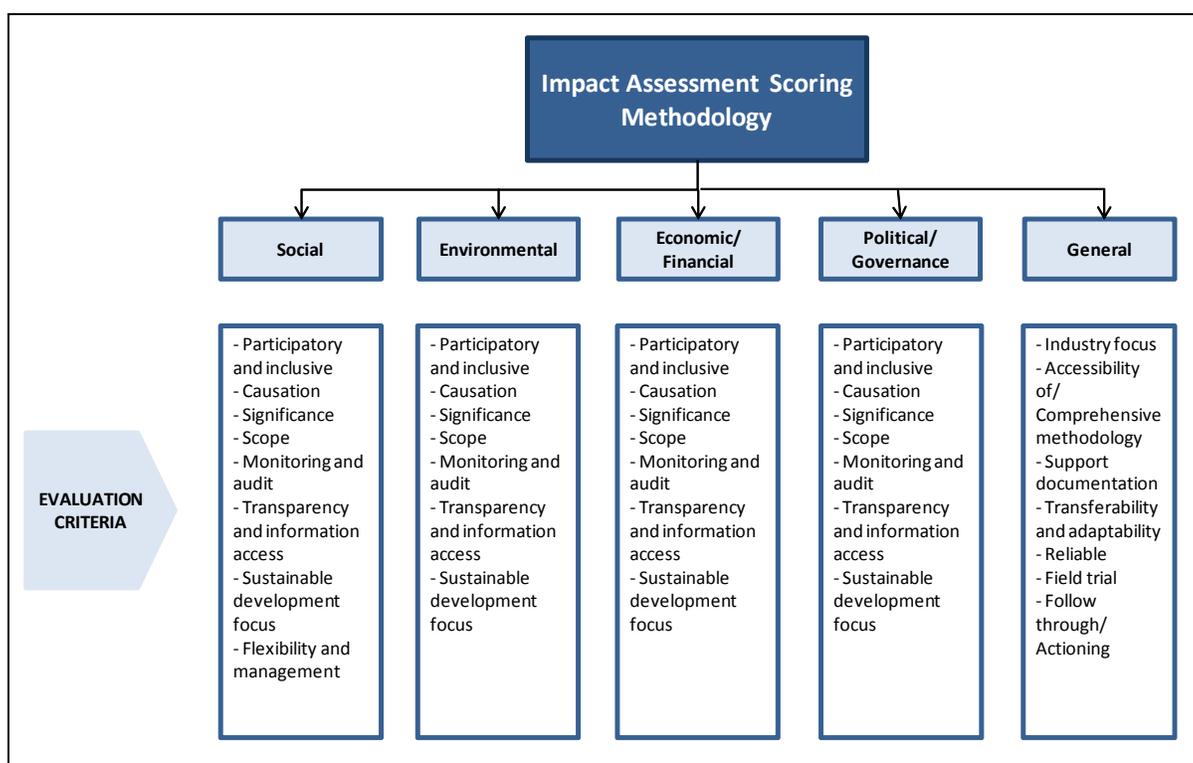
- Being directly focused on the resource sector
- Being easy to use, yet comprehensive
- Providing adequate supporting documentation and tools
- Being able to be adapted and customised to other projects, locations or organisations
- Being consistent with internationally accepted best practices
- Whether or not it has been field tested, and
- Appropriate follow through on monitoring and evaluation activities and results with appropriate mitigation measures and integrated management systems/plans

All five - as specific or general - impact areas are fundamental considerations in sustainable development around resource sector operations. Each of the first four themes (social, economic, environmental, governance) were assessed using criteria relating to:

- Being participatory and inclusive
- Establishing direct, indirect and cumulative causation
- Assessing the significance and directionality of impacts
- Scope in applicability with respect to time, different groups, projects and geography
- Ongoing monitoring and audit requirements
- Public transparency and access to information
- A focus on sustainable development, and
- Flexibility and adaptability in the methodology, at different stages of the project and with respect to unforeseen changes

A conceptual framework of the assessment themes and related criteria is illustrated in Figure 1, showing how each of the themes have a number of critical factors that must be addressed in order for the framework to be effective and in line with best practice. The following sub-sections briefly explain these factors.

Figure 1 – Assessment Dimensions and Criteria



3.2.1 Participatory and Inclusive

Social exclusion refers to people’s deprivation of the opportunity to participate in economic, social and civic processes. It limits their ability to lead productive creative lives in accordance with their needs and interest; social inclusion factors are central to addressing both persistent poverty and shortfalls in education and health. As such, an effective approach must fundamentally be socially inclusive. In practice, this requires community engagement in decision-making and planning process, as well as an equitable distribution of benefits and costs across all of society. Furthermore, participatory and inclusive methods ensure that practices are adapted to context and reflective of local values and needs.

3.2.2 Causation, Directionality, Significance and Scope

It is important to ascertain the direct, indirect and cumulative impacts – social, economic, environmental and institutional - to understand the cause and effect relationships associated with mining activities and different sustainable development outcomes. Direct impacts are typically due to specific project-related activities, such as resettlement, employment, increased incomes, recorded human rights abuses, etc. Indirect impacts are often due to actions resulting from direct impacts, such as a loss of cultural ties due to resettlement. And include up and down stream industry and community effects and other

externalities. Cumulative impacts refer to the combined effects of different projects, mines or firms, rather than just one project, and can be static (at one point in time) or dynamic (continuous). Effective frameworks should allow the user to understand specific impacts not only over and beyond the project's life cycle, but on different groups and geographic areas.

3.2.3 Ongoing Monitoring and Audit Requirements

Following from the monitoring and evaluation implied by the previous point is an absolute necessity for ongoing monitoring and evaluation of the different indicators throughout the project life cycle. This allows for the project management team to understand whether the project is achieving its desired impacts and not veering far away from its plans. Continuous feedback loops will allow the monitoring to adapt and inform what is working and what is not. Monitoring and evaluation must be independently verifiable, audited against set benchmarks and be embedded in the decision making process.

3.2.4 Public Transparency and Access to Information

The conditional effect of institutions on economic development outcomes associated with mining led to a global movement on transparency in the resource and development sector, exemplified by the EITI, Publish What You Pay, Transparency International and the International Aid Transparency Initiative. In line with this need for public reporting, any sustainable development practice framework should adhere to public reporting – including impact assessments and monitoring and evaluation – across economic, social, financial, institutional and environmental dimensions of activities, as well as the selected methodologies for each.

3.2.5 Flexibility and Management

Recognising that sustainable development processes are part of highly dynamic complex systems where human, environmental, economic, social and institutional factors are intimately interrelated, a sustainable development practice framework must also include some degree of flexibility to adapt and evolve to the changing needs of community, the environment and broader society when designing programmes and evaluating impacts. Whilst maintaining somewhat measurable and comparable process and outcome based objectives for monitoring, the sustainable development methodology must allow for changes at different life cycle stages. For example, the required indicators and data collection process may change during the mine lifecycle to adapt to unforeseen situations or potential disasters.

3.2.6 Sustainable Development Focus

The economic, social, financial, institutional and environmental dimensions of the sustainable development practice frameworks must have clear time dimensions; that is, for sustainability, positive development outcomes across all dimensions must endure over time. As highlighted in the Section 2, a sustainable development focus ensures that the development capabilities, opportunities and achievements of today's population do not compromise those of future generations. A practice framework with a sustainable development focus must be fully compatible with sustainable development goals such as the Millennium Development Goals, and ensure that these goals and respective considerations are integrated throughout the corporate decision-making process.

3.3 Quantitative Assessment Tool

In previous consultation with industry a quantitative tool to assess the identified sustainable development frameworks was developed by FDC and partners. The quantitative tool was applied to 'score' each framework on the impact areas that they specifically addressed with each criteria rated as follows:

- 0 = *not included in the framework*
- 0.5 = *partially included*
- 1 = *comprehensively included*
- 1* = *exceptional approach and/or methodology, which is easily understandable and applicable*

While the scoring system can be seen as an inherent limitation of the evaluation method that attributes discrete classifications to complex phenomena (i.e. 0, 0.5 or 1), this method is consistent and objective.

Each criteria is a discrete dummy variable, where 0 reflects a failure, 0.5 represents partial inclusion or one out of two components of our selected indicators being met, 1 represents meeting the discrete requirements, and 1* represents a notable and significant achievement of the discrete requirements. Only a number of criteria can score 1*.

Appendix 2 explains the quantitative assessment tool in more detail, across dimensions and criteria, explaining how each point has been allocated.

4. **FRAMEWORK ASSESSMENTS**

4.1 Introduction

In order to practically apply sustainable development principles in strategy and operations, a number of practice frameworks can be utilised. These are in the form of impact assessment tools, guidelines and other similar terms, where the impacts of operations are evaluated, and then considered in the context of the aforementioned sustainable development principles. We refer to them all as frameworks. For the purposes of this project, thirteen practice frameworks which are relevant to and applied in the resources sector have been reviewed, summarised and assessed in order to identify their relative strengths and weaknesses, and any potential insights they may hold for future framework development and improvement. Eight existing frameworks and five emerging frameworks have been assessed.

4.2 Existing Frameworks Assessment

The existing frameworks assessed are presented in Table 2. Detailed summaries of these frameworks are provided in Appendix 3. These frameworks vary in complexity of methodology, as well as length and style of implementation. In order to determine each framework’s strengths, weaknesses and comprehensiveness relative to other frameworks, a comparative assessment was undertaken.

Table 2 – List of Selected Existing Frameworks

Framework	Author	Year
A Guide to SIA in the Oil and Gas Industry	International Petroleum Industry Environmental Conservation Association (IPIECA)	2004
Community Impacts Monitoring and Management Strategy (CIMMS): A Guidance Document for Australian Coal Mining Operations	Centre for Social Responsibility in Mining (CSRMI)	2005
Enduring Value (EV): The Australian Minerals Industry Framework for Sustainable Development	The Minerals Council of Australia (MCA)	2005
The Sigma Guidelines and Toolkits	The Sigma Project	2006
Extractive Industry Transparency Initiative (EITI)	EITI	2007
Measuring Impact Assessment Framework	World Business Council for Sustainable Development (WBCSD)	2008
Development Outcome Tracking System (DOTS)	IFC	2009
Socio Economics Assessment Toolbox (SEAT)	Anglo American	2009

The outputs of the comparative assessment process are a summary of the practice frameworks reviewed and the assessment of each framework against the criteria (see Appendices 4 and 5). We found that no single existing mining sector or sustainable development dedicated framework performed consistently high across all categories. That is, the resource-specific frameworks were highly heterogeneous and performed differently across each category. While the Sigma principles and toolkit did perform consistently high across all the criteria considered, it shouldn’t be seen as the very best as it is very general and a combination of many different frameworks (refers to other readily available

tools/frameworks in different sections). A summary of the assessment results is presented in Table 3, with detailed framework assessment results provided in Appendices 4 and 5.

Table 3 – Existing Framework Assessment Results

Practice Framework	Criteria & Review Results					Total (Max 36)
	Social (Max 8)	Environmental (Max 7)	Economic (Max 7)	Governance (Max 7)	General (Max 7)	
<i>A Guide to SLA in the Oil and Gas Industry</i>	4.5	-	-	-	3	7.5
<i>CIMMS</i>	6.5	4	4	-	6	20.5
<i>Enduring Value</i>	6	5.5	-	3	5.5	20
<i>Sigma Guidelines and Toolkits</i>	6	5	5	5	5	26
<i>EITI</i>	-	-	3	4	5.5	12.5
<i>Measuring Impact Assessment Framework</i>	5.5	4.5	4.5	4.5	4.5	23.5
<i>DOTS</i>	4.5	4.5	4.5	-	2.5	16
<i>SEAT</i>	5.5	5.5	5.5	3	7	26.5
Existing Frameworks Mean	5.8	5.125	4.3	3.8	4.9	19.5

As shown in Table 3, it is rare for one of the existing frameworks to encompass all relevant considerations, but the range of frameworks available does indeed allow for firms to select whichever frameworks most effectively add value in each context, as Sigma encourages.

While it is commonplace for a firm to conduct studies to establish a thorough understanding of the particular stakeholder relationships and local culture in each individual context, developing new generic frameworks and integrating existing frameworks can still add great value as long as they remain customisable and within context.

While all the existing frameworks and tools have clear strengths and weaknesses, only three actually encompass all the dimensions assessed (social, environmental, economic/financial, and governance):

- Measuring Impact Assessment Framework
- SEAT
- Sigma Guidelines and Toolkit

In summary, the information included in Table 4 shows that based on the selected criteria for this evaluation, most tools have strengths and weaknesses. Some have scored particularly well in some areas.. Whereas, only a few models encompass all suggested areas to be covered in an integrated impact assessment, although at different levels (i.e. Measuring Impact Assessment Framework, and SEAT). Sigma notably refers to them all, but with limited specificity.

4.3 New Frameworks Assessment

In the last few years, the leading sustainable development practice frameworks have been responsive to the nuanced changes in academic and industry knowledge, reflecting shifts in sustainable development theory and practice. We have selected five of these latest approaches to assess in greater detail, using both our quantitative method and a more inductive qualitative evaluation; these new frameworks are presented in Table 4.

Table 4 – List of Selected New Frameworks

Framework	Author	Year
ISO26000: Guidance on social responsibility	International Standards Organisation (ISO)	2010
The 21 st Century Corporation: The Ceres Roadmap for Sustainability.	Ceres	2010
Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework,	Professor John Ruggie	2011
OECD Guidelines for Multinational Enterprises: Recommendations for Responsible Business Conduct in a Global Context	OECD	2011
International Finance Corporation Update Sustainability Framework: Policy on Environmental and Social Sustainability	IFC	2011

While there are a number of other frameworks that are surfacing which also look at the big picture of sustainable development issues associated with resource extraction, such as NRC, this review focuses on the most dominant, firm-specific and readily applicable frameworks with directives, rather than broader government, industry and macro guidelines and principles. Note these documents are pivotal to the future of sustainable development practice providing lessons and points of value for future frameworks and sustainable development practice.

The comparative assessment of the new frameworks is somewhat different to the assessment process applied to the existing frameworks as all five are markedly different; in terms of purpose, scope and content.

The **ISO26000 Guidance on Social Responsibility** framework is a for-profit framework developed by a leader in organisational standards and universal management tools. Its aim is to provide guidance on integrating socially responsible behaviour into organisations: *‘Every organisation is encouraged to become more socially responsible by using this international standard.’*

The **Ceres Roadmap for Sustainability** is a practically-oriented toolkit, designed for corporations, with boards, management, and assumedly a hierarchical structure which can be disaggregated down to operations. It seeks to integrate sustainability into the whole corporation. The Ceres framework covers new ground by embedding the fundamental business case for sustainability in both organisational strategy and operations.

The **Guiding Principles on Business and Human Rights** is a document which operationalises a set of internationally agreed upon legal principles and expectations with respect to human rights by fleshing each point out of the original ‘UN Protect, Respect and Remedy’ framework. It also provides guiding commentary to allow countries, lawmakers, and firms to integrate its recommendations into their practices. It looks exclusively at human rights, but these are a prerequisite for human security and therefore social and sustainable development in general.

The **OECD Guidelines for Multinational Enterprises** are an internationally agreed upon set of guidelines and recommendations to be adopted by all member governments. Like most OECD frameworks, it is grounded in analytical rigour and accepted international norms in the areas of development, economics, science, and law. By using an inter-disciplinary approach to policy - grounded in generally accepted axioms - each directive, in each component, is reflective of substantial international agreement on each matter.

The **IFC Sustainability Framework** ‘puts into practice the IFC’s commitment to social and environmental sustainability’. The framework commits the IFC and its clients to performance standards across eight specific social and environmental outcome areas. The strength of the IFC framework is the organisation’s critical influence over adoption and policy; being such a large lender, they can enforce this policy with partners and clients around the world by imposing conditions on borrowing and future finance.

In applying the quantitative tool to the new frameworks, the findings are presented in Table 5 (Detailed assessment information can be found in Appendix Six). The OECD Guidelines and IFC Sustainability frameworks significantly outperformed the other frameworks. This can be attributed to the completeness and rigour with which both organisations approach development, and the broader scope of these approaches relative to the other frameworks assessed.

Table 5 – New Frameworks Assessment Results

<i>Practice Framework</i>	<i>Criteria & Review Results</i>					<i>Total (Max 36)</i>
	<i>Social (Max 8)</i>	<i>Environmental (Max 7)</i>	<i>Economic (Max 7)</i>	<i>Governance (Max 7)</i>	<i>General (Max 7)</i>	
<i>ISO 2600</i>	4.5	4	3.5	2.5	3	17.5
<i>Ceres Roadmap</i>	6.5	6	-	5	5	22.5
<i>Guiding Principles</i>	5.5	-	-	3.5	5	14
<i>OECD Guidelines</i>	7	6.5	6.5	6.5	4.5	31
<i>IFC Sustainability</i>	6.5	5.5	6	5.5	6	29.5
<i>New Frameworks Mean</i>	6	5.5	5.3	4.3	4.8	22.5

Reflecting on the latest frameworks and current literature, there are nine key cross-thematic findings:

Sustainable Development is an Interrelated, Long-run and Complex Process

Sustainable development is a long run process and, as such, activities need to focus on achievement over the long-term. They may be disaggregated and micro-managed as smaller issues, targets and activities, but the goal is to positively shape the long-run development trajectory, not only in a way that is sustainable and does not compromise future generations, but also improves on current conditions as well.

The OECD Guidelines and IFC Framework recognise that environmental, social and economic progress together are what make up sustainable development, all affected by the underlying institutional frameworks in place which shape the behaviour of the actors involved.

Similarly, it is worth noting that ‘environment’ was once the dominant element in the sustainable development agenda, however this has shifted due to the interdependence of environmental issues and outcomes with other factors, namely the mutually-dependent social, economic and governance [and institutional] dimensions of sustainable development. For example, the 2011 United Nations conference on the Green Economy and Sustainable Development recognised the dominance of the environment in the sustainability agenda, aptly titled “Bringing Back the Social Dimension”⁴.

Human Rights are Non-negotiable

International sustainable development practitioners generally recognise that the social component of sustainable development cannot be met without satisfying the global expectation of human rights, and this is reflected in the Ruggie Guiding Principles and their integration into the OECD Guidelines. Stakeholders have raised the issue that there is sometimes a conflict between this universal human rights requirement and prioritising local participation and context-specific objectives. The focus needs to be on the unconditionality of human rights and how they may serve as the basis for setting local priorities.

Economic Development Is Often Falsely Disconnected From Sustainable Development

With regards to sustainable economic development, the OECD Guidelines recognise the connections and important interactions with environmental and social outcomes. It uses a market-based approach, paying attention to the appropriate frameworks, laws, regulations, and aggregate behaviours which are conducive to sustainable development, and then disaggregating these into firm-specific activities consistent with the greater holistic sustainable development outcomes demanded by society and the international community. The Ceres Roadmap importantly refers to economic considerations over the long-term and notes economic globalisation and international expectations as key drivers of sustainability, but does not look at any of the economic impacts associated with sustainability.

Governance and Transparency is Required, but alone Insufficient, for Sustainable Development

Transparency, accountability to the public, and strengthened governance are increasingly important societal expectations. While ISO26000 and Ceres Roadmap strongly recommend transparency and public disclosure, it is worth noting that all cite the ‘precautionary principle’, in their considerations. However,

⁴ [http://www.unrisd.org/80256B3C005BD6AB/\(httpEvents\)/68F1037F62658A2EC12578DC0030E627?OpenDocument](http://www.unrisd.org/80256B3C005BD6AB/(httpEvents)/68F1037F62658A2EC12578DC0030E627?OpenDocument)

ISO26000 only recommends disclosing those impacts deemed as ‘likely’, when it can be argued that the ‘unlikely’ ones that can have equal if not bigger impacts. Nonetheless, the Guiding Principles on Business and Human Rights and the OECD Guidelines effectively institutionalise the global commitment to transparency, with the OECD dedicating an entire chapter to disclosure, and another to governance and anti-corruption, both of which are underwritten by international agreements by OECD member states and various United Nations bodies.

The need for public transparency and disclosure, with the goal of strengthened institutions, is in line with the latest global consensus within the mining sector. From the top-down, there is the EITI, and developed from the bottom-up there is the NRC, both of which call for explicit, mandatory and transparent reporting of most issues related to mining. Furthermore, the OECD Guidelines note the value of information technology in disseminating information to the public and holding firms accountable to their actions. It should finally be noted that while good institutions and improved governance are required as a precondition for sustainable development and will largely determine effectiveness; transparency and good governance alone will never be enough to achieve broader sustainable development outcomes.

Participatory Approaches are Fundamental

Across all approaches, participation and inclusion is the key. The Ceres Roadmap is rated highly in this respect as participation is integrated throughout the whole approach, through all firm activities, and genuinely matches the importance of the external stakeholders with those of the firm by showing the internal value derived from positive externalities. The Guiding Principles on Business and Human Rights note that culture, language and other barriers to successful engagement should be considered, and any engagement with experts or non-directly affected parties must be credible and independent. Similarly, the OECD Guidelines for Multinational Corporations (MNCs) advocates a cross-sectoral and multi-disciplinary approach to consultation and stakeholder participation, particularly involving directly affected parties across all areas of sustainable development.

Monitoring should be Participatory and Continuous

There is a general consensus that monitoring and evaluation should be a continual, dynamic process that is in constant adjustment in line with participatory feedback. This should be met with ongoing stakeholder engagement to provide accurate and transparent feedback on social, economic and environmental performance, in line with evolving societal demands and expectations. The approaches vary in detail with regards to frequency, necessary independency of auditors, and how much power and feedback should be allowed by external stakeholders, and how the monitoring and evaluation information is applied in the decision-making process.

Performance must be Measurable

There is a need for quantifiable monitoring, ongoing benchmarking and the establishment and disaggregation of the types and strengths of impacts that firm decisions and activities have on sustainable development and communities. As these frameworks are all reasonably generic, true quantifiable tools to assess the significance and directionality of impacts were not provided, nor were the technical tools for disaggregating the difference between direct, indirect and cumulative causation. Most notably, OECD

Guidelines require identifying impacts and establishing direct, indirect and long-term causation, as well as the level of significance. They require identification, prevention and mitigation of all actual and possible adverse impacts around all dimensions contained within the Guidelines; implicit in this is the need to establish directionality and causality.

Similarly, ISO26000 suggests that firms should be accountable for their impacts, and that their integrated approach should consider direct and indirect effects, with no specific details. The Ceres Roadmap goes into a great deal of detail in this area in the ‘performance’ section of this framework, but only for the environment. As such, prescriptive and well defined performance measures are required, and can be complemented and strengthened by a range of context-specific measures.

Firms have a Public Policy Responsibility

The frameworks note the potentially positive and constructivist role that firms can play in public policy formation. There are consistent recommendations that firms should be transparent in payments and political involvement, specifically limiting this where possible in the recognition that this is a UN-recognised form of corruption, namely ‘peddling influence’, and should be avoided if democratic institutions are expected to contribute to sustainable development.

In the absence of a strong legal and governance system, firms have the responsibility to support good governance and strengthen it. This should ideally involve propagating international standards, through the firm’s adoption of these standards, into the local and national standards. This should help prevent the tendency to revert to the ‘lowest common denominator’ in governance standards, but it is important to ensure that they are somehow enforceable. Similarly, to strengthen governance it is important to have women involved, as directly equipping and including women is the best way of dealing with the range of competitive pressures, corruption, blind self-interest, gender-based violence and ‘wantokism⁵’ that can pervade.

Developing the Business Case for Sustainability is Important

Translating sustainable development principles into practice and outcomes requires effective interpretation and embedding in a firm’s strategy and operations. Evidence suggests that it is in the interest of the firm to mainstream sustainable development objectives into their organisations with a number of successful firms demonstrating how they are systematically embracing sustainable development, innovating, and ‘leading’ on sustainability, not ‘following’ (MIT, 2011⁶). Indeed, the CERES Roadmap (2010) breaks new ground by seeking to mainstream the niche area of social entrepreneurship at the corporate level.

⁵ A Wantok is a close comrade: a person with whom one has a strong social bond, usually based on a shared language (“one-talk”). Wantokism is similar to nepotism but rather than just showing favouritism towards family, it often refers to a village, tribe, clan, province or those who speak the same language.

⁶ MIT Sloan Management Review, 2011, ‘Sustainability: The ‘Embracers’ Seize Advantage’, Available online at: <http://sloanreview.mit.edu/feature/sustainability-advantage/>

Companies have the core competencies necessary to respond to the need to extend access [to markets] while doing so in a way that helps to reverse negative social and environmental impacts and solve current sustainability challenges, and therefore opening up improved revenue streams through social manoeuvres' (Ceres, 2010).

They develop a strong business case for organisations that have a positive effect on social development. This is reflective of the rise of social business and social entrepreneurship in the last decade. It rightly presents the social needs as a market need, which like any other market need, presents a significant opportunity for business. As such, executive leadership and effective policies, processes and practices to embed sustainable development in organisational strategy and operations is essential.

4.4 Summary of Existing and New Framework Assessments

The assessment found that all of the different sustainable development approaches tend to be very heterogeneous; each with different focuses, strengths, target audiences and relative performances when subjected to the assessment tool. The assessment also showed that the social and environmental dimensions were the most prevalent in all the frameworks, however economic and governance considerations are becoming increasingly important.

Six of the frameworks assessed actually covered all of the categories assessed (social, economic, environmental, governance, general). These being:

- Measuring Impact Assessment Framework
- SEAT
- Sigma Guidelines and Toolkit
- ISO2600
- OECD Guidelines
- IFC Sustainability Framework

In the assessment, the highest performing frameworks were the Ceres Roadmap, IFC Framework and the OECD Guidelines, reflecting the practical appeal of the Ceres Roadmap and global acceptance and analytical foundations of the OECD and IFC frameworks.

The leading frameworks share many commonalities, particularly in their broader approach to sustainable development and how this translates into discrete considerations, while they still differ in their respective target audiences.

More specifically, the significant increase in the overall scoring of the newer frameworks in the assessment process highlights a shift in sustainable development thinking towards a more holistic and multi-dimensional approach to development. This change in performance is effectively a marker, which reflects the dynamic evolution that has taken place in recent years, in formal knowledge, available tools and leading practice.

Section 6: Framework Assessments

The most effective frameworks must reflect the shift in thinking and ideally lead it. No single mining sector framework performed consistently well across all of our evaluation dimensions, nor took into account many of the fundamental key insights identified, in a comprehensive manner.

5. ENDURING VALUE REVIEW

5.1 Introduction

In the comparative assessment of the frameworks, The MCA's *Enduring Value* framework was found to be a mid-range performer. It ranked eighth out of the thirteen frameworks assessed, but this is mostly due to disparities across dimensions. For example, it scored very well in social and environmental dimensions, but was heavily impacted by gaps in the governance and economic dimensions, the latter of which it received a nil score. The findings from the latest empirical studies and assessment of the five new approaches have slightly shifted the context in which the strength of the EV framework should be considered too. This section explores the strengths and weaknesses of EV as revealed by the assessment, and concludes with consideration of the major practical challenges facing sustainable development practitioners in the mining sector.

5.2 Strengths

The main strengths of the EV framework lie in the social, environmental and general criteria assessed. The EV framework is one of the few frameworks to note the co-dependence of social, economic and environmental inputs to overall sustainable development. Notwithstanding this, there are areas for improvement via the inclusion of insights from other frameworks. This would keep the framework consistent with leading thought in sustainable development around the world.

5.2.1 Social Criteria

The criteria where full scores were not assigned in assessing EV were the 'causation' and 'significance' indicators. Full scores in these areas require 2/3 of the dimensions of direct, indirect, and cumulative impacts to be covered and the responsibility for mitigation impacts be well defined, as well as the assessment of the intensity and direction of the impact, respectively. Guidance in this area is provided by the Measuring Impact Assessment Framework, DOTS, IFC Framework, and CIMMS frameworks, which all effectively define and disaggregate types of social impacts, and also gauge their intensity. Commonly they all share the characteristics of being very specific and measurable. The most up-to-date approach to assess social criteria is the IFC Framework. In the last few years, human rights and human security have risen as prominent areas of concern and expectation compelling firms to respond appropriately. EV was 'ahead of the curve' on this and showed sectoral leadership. This should continue and ensure the consistency with the Guiding Principles on Business and Human Rights, as represented in the OECD Guidelines, and accommodate the precept of 'free, prior and informed consent' with respect to the rights of indigenous peoples in approving or rejecting proposed actions or projects that may affect them or their lands.

5.2.3 Environmental Criteria

EV was very good in this area, and this is expected as environmental outcomes have traditionally been the focus of sustainable development practice. Notwithstanding this, EV could be strengthened with respect to the ‘scope’ and ‘significance’ criteria. Full marks in ‘scope’ required that the framework allow for the measuring of environmental impacts over the project’s lifecycle as well as on different groups and geographical areas. This was done particularly well by the Measuring Impact Assessment Framework, which explicitly measures the strength of the links between direct and indirect environmental impacts to comprehensively understand the flow-on and multiplier effects; thus, it goes beyond traditional reporting. Full marks in ‘significance’ require that the intensity and direction of the impacts be assessed.

While not benchmarked in this process due to their role as reporting guidelines, the GRI G3.1 Guidelines exemplify this by identifying both the direct and indirect impacts associated with activities, products and activities. They set ‘GRI Performance Indicators’, but also suggest how organisation/context-specific indicators should be developed. Environmental assessment should adhere to all the international practices outlined in the OECD Guidelines, at the bare minimum. With regards to the environment, EV’s life-cycle approach is consistent with the approaches recommended by the Ceres Roadmap, ISO26000 and OECD Guidelines.

5.2.4 General Criteria

In the ‘general’ area EV was rated reasonably strong. Improvements could be gained in ‘accessibility of/comprehensive methodology’, ‘support documentation’ and ‘follow-through/actioning’. The CSRMM CIMMS framework consistently performed the best across these three criteria and provides a good example of how to move forward in this area.

A full score in ‘accessibility’ was associated with the framework being a cost-effective tool and very user friendly; it should be able to be easily understood, used and applied. The EV framework currently lacks some specificity and practical application, remaining quite general, with multiple cross-references, and lacking concrete actions for those unfamiliar with impact assessment methodologies. On the other hand, CIMMS provides a step-by-step overview of their model, with direct guidance on how to actually implement it and the Ceres Roadmap is also very accessible and easy-to-use.

A full mark was given in ‘support documentation’ if useful supporting documentation was provided throughout the framework. The EV ‘Guidelines for Implementation’ make no direct reference to any other documents. However, there are several complementary tools recommended to operationalise EV. This is important as most sustainable development guidelines are sufficiently generic to leave the specifics around implementation and measurable actions up to the firm. They mostly therefore lack universalism and ultimately measurable commitments and accountability with respect to sustainable development goals. Positively, MCA has the ‘EV Self Assessment Protocol’ to counter this, and has provided a number of other supplementary activities and documents to strengthen their EV Framework:

- In partnership with the University of Queensland and Australian National University, MCA is delivering several postgraduate programmes in Community Relations for the resources sector.

There are three options: a Graduate Certificate; a Graduate Diploma; and a Masters Degree. MCA has founded several scholarships for these programmes.

- MCA has also worked with the government to develop the Leading Practice Sustainable Development Programme for the mining industry, which is consistent with the EV framework; and
- MCA regularly holds conferences on sustainable development in the sector to encourage discourse on improving outcomes for the industry and communities in which they operate.

CIMMS provides some supportive tools, sources of information, and useful resources, including the complementary Sourcebook of Community Impact Monitoring Measures, which provides several useful indicators to use in implementation. Similarly, the Sigma Guidelines provide constant referrals to additional tools, guidelines and compatible internationally-recognised standards throughout their document.

‘Follow-through/actioning’ required action on monitoring and evaluation activities and results with appropriate mitigation measures, and then integrated management plans and systems to do this. Moreover, they had to be strongly recommended with guidelines to do so. EV suggests mitigation measures to social, environmental, and governance dimensions, but does not mention whether it should be included as part of the overall management plan. CIMMS allows for alternative approaches based on impact prioritisation and selecting ongoing impact monitoring measures, regularly reviewing and updating the strategy after engagement with stakeholders.

The strong participatory approach of the EV framework is consistent with leading practice in evolving sustainable development programs. The willingness to engage, with all stakeholders, which is evidenced in the framework, shows that much cross-sector and cross-cultural learning is possible, and this will allow for greater synergies and specialisations, reducing costs to the firm and ultimately making sustainable development initiatives more efficient and effective. Although EV uses the ICMM principles, this approach has arguably been superseded by the additional requirements in the OECD Principles, the business cases for sustainability espoused in ISO26000 and the Ceres Roadmap, and the global demand for ordinary citizens to see resource benefits disbursed more throughout the entire economy, as reflected in the NRC.

5.2.5 Overall Strengths

Overall, the MCA - through the EV framework - does indeed demonstrate global sustainable development leadership, as this approach is widely applicable and the framework mandatory for all signatories. Such an effective framework should allow bench marking, cross-firm and location comparison and a competitive ‘race to the top’ in sustainable development outcomes and best-practice mining. This has the potential to place Australian commodity exports at a national competitive advantage over other exporters, as we move towards further international consensus in the role of multinational corporations in sustainable development, as shown in the OECD Guidelines. Signatories will prefer to do business with those who are better global citizens and can contribute to sustainable development through their operations, creating additional value and significant positive externalities from mining activities.

5.3 Weaknesses

The areas of weakness in EV were in the ‘economic’ and ‘governance’ dimensions. It was found that economic assessment was essentially omitted from the framework [although alluded to by the use of the term ‘socio-economic’] and governance criteria scores were very low, particularly in ‘causation’, ‘significance’, ‘scope’, and ‘transparency and information access’.

5.3.1 Economic Criteria

The highest performing frameworks in the economic dimension were the SEAT, Measuring Impact, OECD Guidelines, IFC Framework, and DOTS. Across these high performers, there were several shared characteristics that EV should consider. First and most fundamentally, it should be recognised that while often only short-term, there are real economic impacts – positive (increased activity, output, employment etc) and negative (inflation, increased wage/price inequality, dynamic inefficiency etc) – that are felt at the community level and these should be a crucial inclusion in any practice framework. Indeed, the economics of mining operations certainly reach beyond the profit and activity of the firm and this is reflected in our assessment; all the high performers included external stakeholders in the analysis, using both quantitative and qualitative indicators. They take into account the incremental (cumulative) effects of the project, as well as disaggregating them into direct and indirect measures, all with varying levels of intensity.

For example, DOTS provides a very extensive guide with templates and lists of potential inputs and measurable outputs. Importantly, DOTS also places an emphasis on mitigating negative project closure impacts and developing processes that ensure sustainability. This is a crucial inclusion because of the finite nature of resource extraction, which is often at odds with long-run sustainable industrial development and dynamically efficient community and macroeconomic outcomes.

5.3.2 Governance Criteria

In the governance section, gaps in EV were found in the dimensions of ‘causation’, ‘significance’, ‘scope’ and ‘transparency and information access.’ The Measuring Impact Assessment and OECD Guidelines are the most appropriate guiding documents for improvements in these criteria. More specifically, ‘causation’ requires evaluating governance effects at the organisational (internal/direct) and local/national (external/indirect) levels. ‘Significance’ sets and evaluates the involvement of governance and the respective impacts: low, medium and/or high. ‘Scope’ requires measuring the impact of political and governance effects over the project’s lifecycle, and on different groups.

The ‘transparency and information access’ criteria requires that the framework makes both consultation methodologies and results, and decision-making processes, entirely public for a full score. The GRI 3.1 and Sigma Guidelines exemplify transparency in practice frameworks, placing accountability and transparency at the centre of all activities. This is consistent with the consensus around transparency in the mining industry, internationally agreed upon in the EITI principles.

An issue for consideration is how EV might support the approaches of host country (public) governance processes and reporting. That is, transparency, accountability to the public, and strengthened governance – commonly aggregated to ‘good institutions’ - are a fundamental mechanism that contribute to resource dependence translating into sustainable economic growth in the long-run (Mehlum et al, 2006).

There are many social and environmental arguments in favour of public governance accountability as well, and it is crucial that the firm plays a positive and enabling role in strengthening host-country governance. This is because government transparency might often compete with the EITI standards and company reporting and there are perverse incentives at play, whereby the profit-maximising company has little incentive to be transparent and well-behaved in their governance activities when the local host government is not; this will not only result in a race-to-the-bottom in standards, but also negative cycle of rent-seeking and corruption in the local governance structures.

The point of initiatives such as EITI is to strengthen host country governance by encouraging mining companies to import their standards of good governance into these countries with weak governance, where, in many cases they make up a significant part of the economy. Along this institutional dimension, a weakness of EV is that while mandatory, it is not enforced and many of the initiatives are ‘recommended’ or ‘voluntary’.

EV recommends the GRI range of indicators, but allows too much scope to choose which indicators to monitor and report. Credible, accurate, comparable and regular data is required to benchmark performance and the types or impacts (and strength of impact) that firm decisions and activities have on sustainable development indicators and communities. From the business perspective, this monitoring and evaluation is fundamental to effective community investments and social returns which feed back into positive financial returns, effective community relations, and public trust. Moreover, internationally comparable data would be ideal due to the geographical scope of many Australian mining firms.

All the reviewed documents recommend that firms play a positive and constructivist role in public policy formation. EV could be more specific on the role signatory organisations can have in public policy, and the goals it wishes to achieve in the sphere of sustainable development. With these formalised in a framework, firms and the industry can also contribute further to good governance and sustainable development by being held accountable to their development policy commitments. Moreover, this is consistent with other frameworks’ recommendations regarding the limiting of firms’ political involvement and complete transparency in payments and support provided to political parties.

For example, the NRC is gaining significant political and policy traction around the world as an independent, inclusive piece of thought leadership which will continue to guide the mining sector to maximise sustainable development outcomes, and both the NRC and ICMM acknowledge that is important that the industry be a part of this process for it to be a success. At the global level, the ICMM’s recent submission argues that their own research findings are critical to the NRC being

effective⁷, but the NRCs analysis and work is grounded in a richer body of literature and broad evidence, rather than selective case studies. The MCA could truly strengthen EV through ensuring EV's alignment with NRC precepts, thereby bolstering public policy and national development efforts, at home and abroad.

5.3.3 General Criteria

The assessment of EV was relatively strong in this area. However, with regards to the environment, there is no mention of the 'precautionary principle', which emerged in the Ceres, ISO and OECD documents. Global leadership would require adopting this throughout economic, environmental, social and governance dimensions of the framework, identifying any potential positive or negative effects and publicly assessing their likelihood and feasibility.

The EV framework was strong in its 'life-cycle' approach to impact assessment from project scoping to closure. However, the role and processes for a mining company post-closure, with respect to monitoring, stakeholder consultation, and sustainable development activities were not clear. Although these activities are most likely to be led by others it would seem appropriate that the mining company remained engaged to ensure that there are no lagged negative effects resulting from mining activities. This could be with respect to the environment, social outcomes, or negative economic outcomes perhaps in the form of unemployment spikes and abandonment of towns. Such effects would then be integrated into future planning to avoid recurrence.

While due consideration is given to the external community in points throughout the framework, EV seems to place a skewed focus on firm employees with respect to human rights, cultures, health, safety, etc. Also, internalising environmental impacts and addressing governance issues at the micro and macro scale suggest opportunities for improvement. Overall, there is opportunity for EV to be a holistic approach which recognises all these impacts, across all dimensions, through a systems-thinking lens; this would be the first such mining and natural resources-based development practice framework to coherently cut across all the required dimensions of sustainability in a non-reductionist manner.

5.4 Additional Practical Challenges

It is possible that firms could have a robust and best-practice framework for sustainable development, and yet still encounter significant practical challenges in implementation, many of which may be claimed to be beyond their control.

Gender is one such issue. The UN, World Bank and international community require mining companies to engage with women, but many local cultures can be quite masculine and exclude women from many social processes; the paradox is that firms are required to adapt and be sensitive to 'gender unequal' local culture on the one hand, whilst on the other there is a push for universal gender equity. Gender inequality is harmful for all types of development: economic, social and institutional and is a universal

⁷ The submission is available for viewing online at: <http://www.icmm.com/page/61910/icmm-encourages-the-natural-resource-charter-to-build-on-existing-research>

expectation and global policy priority in the international community (World Bank, 2011⁸). The evidence on the benefits of gender equity at the firm, community, national and international level is robust and gender equality as a principle for sustainable development is non-negotiable.

For the mining sector, this should be treated the same as any other gender programming activities in development: they must find a way to recognise women's necessary involvement and integrate them into sustainable development processes. While it seems that women may be absent from community power relations and negotiations, they are not completely excluded; rather, they are active across issues and the roles they tend to play are in the background and not as visible (Lahiri-Dutt, 2011⁹). They must be drawn out and integrated into broader sustainable development activities.

Another potential concern is the strength of frameworks in the absence of a strong legal system, good government and overall strong institutions. Adhering to the institutional development initiatives such as the EITI and NRC, and obtaining 'buy-in' and support from the local communities and government will help to mitigate this. Fundamental to this approach is viewing the government as a partner rather than an adversary.

Similarly, when firms are active in very weak institutional environments, there are many commonsense policies that can be adopted to overcome institutional deficiencies and not only improve outcomes for the firm, but also the community and country. For example, the economic size and incomes of many mining companies can be significant within the countries in which they operate. As such, they can wield economic and political influence. This can be leveraged to lead and strengthen governance through constructive partnerships; multilateral organisations are the obvious partners for such programmes and policy dialogue.

It is important to ensure that firms do not revert to the lowest common institutional denominator; home country and international best practice governance standards should be used to lift and bolster local institutions. Following from the previous point, a powerful tool – still relatively untapped by the mining sector – is women. All evidence suggests that leveraging women's involvement in governance and institution related activities will significantly improve institutions. In local contexts, they must first be equipped to deal with the ranging gamut of pressure, corruption, gender-based violence, and other issues.

Concerns have also been raised around the OECD Guidelines and the level of acceptance among non-OECD countries and just how to apply these inflexible in situations where they conflict with local community attitudes and expectations. Generally speaking, local institutions, laws and cultures can either be positive and strengthen sustainable development, or be detrimental through gender inequity and elitism/social exclusion norms. Firstly, local civil society could be strengthened to improve voice and

⁸ World Bank, 2011, 'World Development Report: Gender Equality and Development', The World Bank, Washington, D.C.

⁹ Lahiri-Dutt, K., 2011, 'Gendering the Field: Towards Sustainable Livelihoods for Mining Communities', *Asia-Pacific Environment Monograph 6*, Australia National University, ANU E-Press, Canberra.

accountability, both at the local and national level. Local sensitivity is important, however universal standards (such as human rights, anti-corruption, sustainable development, etc.) are equally important and non-negotiable. A race to the bottom can only be avoided by proactively opting into higher standards and encouraging them among all stakeholders to help deliver sustainable development outcomes.

There is much debate in the field about whether firms should sign up to inspirational and intent-based development objectives, or opt for more practical and prescriptive performance measures. Firms should always be seeking to ‘raise the bar’ in their practices and sustainable development activities. Sustainable development related innovations can be a source of competitive advantage that progressive companies can exploit.

The prescriptive performance highlighted by initiatives like OECD Guidelines, IFC and DOTS Frameworks, and the GRI Guidelines are international standards – these standards must be the baselines for further aspirational sustainable development programmes, so that the sector is in a position to lead and inspire the global policy agenda, rather than having to catch up to it. Such standards must be non-negotiable and include concrete goals to guard against reverting to the lowest common denominator and inaction. It is widely accepted that the mining sector cannot be expected to act out of ‘goodwill’ alone (Humphreys, Sachs, and Stiglitz, 2006¹⁰), as such, there will always be a need for enforceable standards. Moreover, a strictly intent-based initiative may be too abstract and, as knowledge and information around the resources and sustainable development nexus is becoming richer and richer, stakeholder expectations are also increasing.

Furthermore, consideration needs to be given to the practical application of EV with regards to the following issues:

- Measuring the performance of EV signatories with regards to their contribution to development outcomes in the communities in which they operate. Reporting of this information should provide the basis to measure individual performance and inform decision making, as well as consider performance across firms/locations collectively and comparatively.
- Assessing the effective application of EV and assuring results as reported by signatories. In this context consideration needs also to be given to the evaluating the approaches regarding the use of self-selected indicators and the process managing instances of non-conformance
- Supporting and enabling the application of EV across MCA members/signatories given their diversity in terms of organisational scale/scope, internal capability and operational locations
- Ensuring EV maintains relevant; is responsive to emerging issues and trends; is connected to leading practice; and has processes in place for continuous improvement
- Supporting signatories respond to revisions of EV framework practices and tools including accommodating increasing requirements around economic and governance factors, whilst maintaining/improving requirements regarding social and environmental factors

¹⁰ Humphreys, M., Sachs, J., and Stiglitz, J. (eds.), 2007, ‘Escaping the Resource Curse’, Columbia University Press, New York.

6. RECOMMENDATIONS AND CONCLUSION

6.1 Key Insights from this Research

Based on the outputs of the research and assessments undertaken in the report the following relevant insights are revealed.

- There have been material shifts in sustainable development thought and practice since the adoption of the EV framework in 2006. This is evidenced by the broadening and deepening of interconnections between social, economic, environmental and governance dimensions evidenced in the more recent principles and practice frameworks. As such, the EV framework requires some revision in order to maintain its leadership position in the sector.
- Internationally formed and agreed standards, such as the UN's Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprise should be considered as basic non-negotiable inclusions in practice frameworks.
- Across all dimensions, it is important to differentiate between internal and external impacts, as well as direct, indirect and cumulative impacts. For example, in the economic area, there is a stark difference between economic business profit and local economic sustainability, investment and peripheral industrial development. Furthermore economic impacts need to be understood across scales (local through to national) and over time.
- There is an emerging need, and possible convergence, for frameworks and reporting to be consistent across firms to allow for performance comparison and study. From the assessment, most of the frameworks allow a great degree of flexibility around their application. Some however, (eg: DOTS, OECD Guidelines and the IFC Framework) maintain a degree of universalism and uniformity across their different indicators, templates, and guidelines, which potentially allow for cross-firm, cross-country, and cross-industry comparison.
- Whilst a great deal of focus and responsibility falls to mining companies in contributing to sustainable development outcomes and complying to agreed performance standards there is growing understanding of the roles of, and relationships between, the standards and practices of organisations from across sectors. One such example is the Natural Resource Charter (NRC). The NRC is pursuing global academic and expert consensus on the way resources and mining can contribute to sustainable development. The NRC reconciles the views of scientific, academic and political leaders from around the world into one unified set of precepts to translate resource wealth into sustainable development. Although it has not been codified yet, the precepts resonate strongly in our literature review, principles and the best-performing frameworks.

- Resource extraction is inherently a finite process and the industry must continually guard against a tendency to focus only on the short term; preoccupation with finite projects, profits, currency and commodity fluctuations, and returns to shareholders at the expense of long term shareholder and stakeholder value. Reconciling these important short-term concerns with the long-term agenda of sustainable development remains a crucial challenge. A sustainable development framework that aligns all of these interests together and successfully translates this alignment from a rhetorical framework into manageable firm-specific actions, leading to positive sustainable development impacts, will create true value for mining companies, host countries, the mining sector and Australia.

6.2 Recommendations

Based on the outputs of the research and assessments undertaken in the report the following recommendations are made for MCA consideration.

- RECOMMENDATION ONE: Revise Enduring Value to reflect the shifts in sustainable development principles and practices as evidenced in the report.
- RECOMMENDATION TWO: The revision of Enduring Value be cognisant of the following:
 - Practice Principles:
 - *Recognise the Complexity of Sustainable Development* - sustainable development practice must recognise the complexity of development, across time and space, and translate into a broader yet specific, holistic yet measurable, interdisciplinary yet specialised, systems-thinking framework to sustainable development. An unintentional gap, or discrepancy, between localised impacts and outcomes, and the broader macro socioeconomic outcomes has emerged in the practices of mining firms and industries around the world.
 - *Combat Inequality and Exclusion* - the UN's 2011 Human Development Report explicitly draws the linkages between inequality and wider sustainable development issues - 'the urgent global challenges of sustainability and equity must be addressed together to spur mutually reinforcing progress towards these interlinked goals' (UNDP, 2011). As such, gender equity and social inclusion are fundamental to an effective framework
 - *Managing Risk and Creating Opportunity* - an effective framework identifies and manages the ways through which mining affects sustainable development, both positively and negatively. The framework must enable a shift from mitigating negative impacts and minimising risk, to enhancing and healing ecosystems, realising sustainable livelihoods, and enabling real improvements in non-monetary social dimensions of development.
 - Practice Processes:
 - *Global Principles and Local Application* – an effective framework will be non-negotiable with respect to the consensus on global principles and standards

identified in this report, including human rights, gender equity, and institutional expectations outlined by the OECD and NRC. Conversely, the framework must have a degree of flexibility in order to be sensitive to local context, without compromising the global principles.

- *Industry and Public Policy Nexus* - the mining industry can wield influence in the public policy domain. An effective framework informs firms on the relevant issues for appropriate public policy engagement. With the view to informing policy debate to achieve better development outcomes, stronger governance institutions, and avoiding potential perverse outcomes linked to mining development.
 - *Partner Effectively to Increase Impact* – to implement appropriate investments that affect sustainable development outcomes related to operations, mining companies must work together with other organisations from across the public, private, civil society, academia and community sectors. Firms require support to participate in partnerships that leverage the relative specialisations of the different partners to complement one another and lead to a more holistic approach, increased effectiveness, and greater impact on sustainable development outcomes.
 - *Measurable, Reportable, Verifiable* – an effective framework must provide scope for defined impacts and development outcomes to be quantifiable, so impacts can be measured, benchmarked, improved and compared. Quantifiable environmental, social, economic and institutional objectives must be used to measure progress across themes, understanding the trade-offs and interactions between the themes maximise development synergies and identify weaknesses, tipping points or new causative channels.
- RECOMMENDATION THREE: Revision of Enduring Value include consideration of practice issues including:
 - Measuring and reporting performance of EV signatories (individually, collectively and comparatively) with regards to their contribution to development outcomes in the communities in which they operate.
 - How to assess the effective application of EV and assurance of results reported by signatories (including evaluation of the use of self-selected indicators and evaluation of the process for ‘instances of non-conformance’)
 - MCA’s role in supporting and enabling the application of EV across MCA members/signatories given their diversity in terms of organisational scale/scope, internal capability and operational locations
 - Process to ensure that EV maintains relevance; is responsive to emerging issues and trends; is connected to leading practice; and has processes in place for continuous improvement
 - Process to support signatories appropriately respond to revisions of EV framework practices and tools

- RECOMMENDATION FOUR: The revision process to be inclusive and participatory, encouraging engagement and input from miners, development practitioners, policy makers, regulators, academics, and other relevant stakeholders. Similarly, the process to connect with other relevant organisations/initiatives such as ICMM and the NRC.
- RECOMMENDATION FIVE: The revision process to be informed and directed by an MCA appointed taskforce composed of relevant leading mining and development experts.

6.3 Final Remarks

“The sustainable development agenda is the agenda for the 21st century” Ban Ki Moon, UN Secretary General, September 2011.

The UN, civil society, governments the world over, the IMF and the World Bank have all made public commitments and mobilised immense resources to act on sustainable development (World Bank, 2011).

The scale and impact of mining sector operations affords mining companies risks, opportunities and responsibilities in contributing to sustainable development outcomes across scales and over time.

The MCA and Australian mining firms can continue to show global leadership through building on the existing Enduring Value framework through revisions that take account of the shifts in sustainable development thought and practice identified in this report.