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ICMM Annual Review 2006

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Annual Review 2006

Setting the standards to meet the challenge of sustainable development

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HIGHLIGHTS

Setting and promoting higher standards during 2006

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'Mining is one of the few ways poor countries can lift themselves out of the poverty trap – the question is how to make sure the benefits go back to the community'

LEIGH CLIFFORD, ICMM CHAIRMAN

SUSTAINABLE DEVELOPMENT

- Council approval of the pilot Assurance Procedure.
- Sustainable Development Framework brochure published in French, Japanese, Mandarin, Portuguese, Russian and Spanish.
- Government of India to incorporate Sustainable Development Framework into its mining policy.
- ICMM participates in Initiative for Responsible Mining Assurance (IRMA), a multi-stakeholder initiative to look at developing a workable system for mine site certification.



ENVIRONMENT

- *Good Practice Guidance for Mining and Biodiversity* launched at a Conservation International event in Antananarivo, Madagascar.
- Guidance paper on *Financial Assurance for Mine Closure and Reclamation* published.
- Position statement on Climate Change issued.
- Survey of current practices in integrated mine closure planning.

SOCIO-ECONOMIC DEVELOPMENT

- Resource Endowment initiative findings launched at Davos, Switzerland, Chatham House, London and the Brookings Institution, Washington DC.
- World Bank President Paul Wolfowitz supports further joint actions on Resource Endowment initiative.
- *Community Development Toolkit* published in Mandarin and launched at China Mining Congress in Beijing. Spanish version launched at UNCTAD workshop in Arequipa, Peru.
- Draft position statement on Mining and Indigenous Peoples Issues published and extensive consultation carried out.



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HEALTH AND SAFETY

- Conference on safety and health in Johannesburg focusing on sharing the best-of-the-best experiences attended by over 300 senior industry representatives.
- Third meeting with Chinese government, ILO and ICEM to plan program to improve safety in Chinese coal mining.
- Health indicators agreed and new data added to safety and health benchmarking database.
- MIRMgate database on risk management with University of Queensland expanded.

MATERIALS

- Materials stewardship policy adopted by ICMM Council.
- Guidance document on materials stewardship, titled *Maximizing Value*, published.
- The UN's SAICM (Strategic Approach to International Chemicals Management) endorsed. SAICM contains key elements advocated by ICMM.
- Three-year project to develop appropriate methods for the assessment of metals ecotoxicity in life cycle assessment launched.
- Guidance on state-of-the-art methodologies for metals environmental risk assessment published.



RELATIONSHIPS

- Submissions to Professor John Ruggie, the UN Secretary-General's Special Representative on business and human rights.
- Submission to the UK government on the role of mining investment in international development policy.
- ICMM granted observer status to the Voluntary Principles on Security and Human Rights.
- ICMM President Paul Mitchell appointed to the EITI Board.
- Continued participation in the World Bank Extractive Industries Advisory Group.
- Paul Mitchell participates in the Energy and Minerals Business Council, part of the G20 finance ministers and central bank governors meeting in Melbourne.

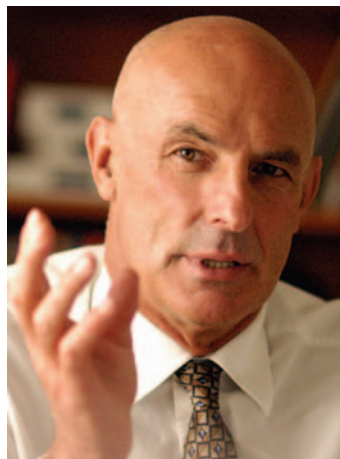
SETTING THE STANDARD

Helping members meet the challenges of sustainable development

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Leigh Clifford
Chairman



Paul Mitchell
President

Metals and minerals is a relatively small sector within today's vast world economy, but its contribution is vital. From taps to televisions to solar panels, metals and minerals provide essential inputs for all sectors. Metals and minerals are essential for modern living, as well as for human development generally; the recent substantial falls in poverty in countries like China and India would not have been possible without a steady and expanding supply of raw materials produced by the mining and metals industry.

Strong demand has brought challenges as well as benefits. It has raised market prices and contributed to inflationary pressures. In some countries where our members operate, it has generated expectations that mining revenues will fund a larger share of social spending. It has emphasized the importance of avoiding waste and, not least because of climate change, improving energy efficiency.

The key current challenges for the sector are threefold: ensure continued supply through secure access to mineral deposits, demonstrate the socio-economic benefits of mining to host governments and communities, and ensure that materials are consumed safely and sustainably.

As an industry leadership group that shares a common set of business values, these challenges are at the heart of ICMM's mission to help improve our members' performance. We all know these challenges are substantial. Much remains to be done, especially in terms of implementation. But there has been good progress in setting the standards against which our members will be measured by host governments, communities, financiers and investors.

During 2006, ICMM launched an assurance procedure to validate members' compliance with the ICMM Principles, new guidance publications on materials stewardship and biodiversity protection, and a toolkit for enhancing socio-economic outcomes from mining investments. These and other initiatives were undertaken with leading stakeholders such as the World Bank, the International Labour Organization and IUCN. ICMM also hosted a landmark safety and health conference, and initiated dialogue with Professor John Ruggie, the UN Secretary-General's Special Representative on business and human rights.

These efforts add value to member companies by improving relations with resource regulators, investors and bankers. They are also significant in helping members, and through their leadership

It has been a privilege to have served as Chairman of ICMM these last two years. During this period, ICMM has worked with a number of organizations on joint initiatives on community engagement, biodiversity, emergency preparedness, indigenous peoples, mine safety and other topics. Our members are committed to raising the performance of our industry and contributing to poverty reduction and sustainable development in each of our host communities.

Looking back, I would like to highlight three ICMM initiatives. First, following a rigorous dialogue with the IUCN, we issued our

Good Practice Guidance for Mining and Biodiversity, which provides an accessible and practical reference source on how mining companies can improve their biodiversity performance. Second, ICMM presented the results of its Resource Endowment initiative, undertaken in partnership with the World Bank and UNCTAD, which identified those factors that allow countries to prosper from their mineral wealth, and developed a set of best practices to ensure better social and economic development from mining investments. Finally, the Council approved a pilot procedure on independent assurance, which marks the completion of our Sustainable Development Framework.

These initiatives reflect ICMM's commitment to engage openly on issues that challenge our industry and are important to our many stakeholders. It has been a pleasure to work with my fellow Council members and the ICMM Secretariat these last two years. I know that each member of the Council is committed to improving performance on sustainable development in our respective organizations, and through that, in our industry.

Wayne Murdy, ICMM Chairman, 2004-2006

the mining and metals sector as a whole, move steadily closer to the societal goal of sustainable development.

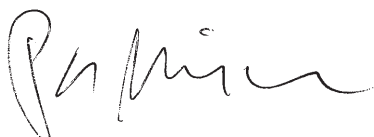
That ICMM's work has the support of the best in the mining and metals industry can be judged from the fact that this year, we welcomed three new members – Xstrata, CVRD and Teck Cominco. This is a testament to the talent, enthusiasm and dedication of the ICMM team and task force personnel drawn from member companies and member associations, for which we wholeheartedly thank and congratulate them.

Yet standards and toolkits are not an end in themselves. They are a first stage in the process of improvement. To invoke Winston Churchill, we are at the end of a beginning. We have gained deep knowledge of the issues, and begun to specify some of the solutions. We have mapped the path that companies should take to achieve sustainable development, and defined what must happen to stay on track. What matters now is performance on the ground. This is our focus going forward.

This review outlines how we are continuing to set the standard. There is a virtuous circle here. As the performance of member companies improves, they will become the developers or partners of choice for governments and host communities. Together with a lower risk profile, this means more favourable consideration by investors. This is the win-win we believe in: positive outcomes for the environment and communities, and better business for our members.



Leigh Clifford, Chairman



Paul Mitchell, President

‘THROUGH PROGRAMS THAT RANGE FROM SOCIO-ECONOMIC DEVELOPMENT, TO HEALTH AND SAFETY, ENVIRONMENTAL STEWARDSHIP AND INTEGRATED MATERIALS MANAGEMENT, WE ARE WORKING TO DEVELOP THE TOOLS THAT WILL IMPROVE OUR MEMBERS’ PERFORMANCE’

STEADY PROGRESS TOWARDS SUSTAINABLE DEVELOPMENT

In just seven years a sustainable mining industry is beginning to emerge

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1999

Nine of the largest mining and metals companies launch the Global Mining Initiative (GMI) in order to prepare the sector for the World Summit on Sustainable Development (WSSD) in 2002, the 10th anniversary of the Rio Earth Summit.



2000

Start of an independent process of consultation and research known as the Mining, Minerals, and Sustainable Development (MMSD) project.



2001

The board of the metals industry's representative organization, the International Council on Metals and the Environment (ICME) agrees to broaden the group's mandate and transform itself into the International Council on Mining and Metals (ICMM).

Creation of ICMM, with a secretariat based in London.



2002

The GMI concludes with a major global conference, Resourcing the Future, held in Toronto, Canada. ICMM member companies sign the Toronto Declaration committing ICMM to continue the work started by the MMSD project and engage in constructive dialogue with key stakeholders.

Publication of the MMSD's *Breaking New Ground* report.

The International Council on Mining and Metals – ICMM – was formed in 2001 to represent the world’s leading companies in the mining and metals industry and to advance their commitment to sustainable development.

However, its conception can be dated to three years earlier, when global mining firms accepted at the highest level that their sector was facing significant problems in reputation, sustaining profits, access to new assets and maintaining investor and employee confidence. It needed to make a substantial cultural shift, and this could only be achieved through a determined and collaborative effort.

Out of this debate came the Global Mining Initiative (GMI). Its main outcome was the two-year Mining, Minerals, and Sustainable Development (MMSD) study led by the late Richard Sandbrook at the International Institute for Environment and Development (a tribute to Richard by Sir Robert Wilson, former Chairman of Rio Tinto, is given inside the back cover).

Another key output of the GMI was the realization that industry representation needed to be strengthened, and given a more ambitious and far-reaching mandate through the direct and personal participation of industry CEOs. Thus was born ICMM.



2003

ICMM members recognize the importance of protected areas and pledge not to mine or explore in World Heritage Sites.

ICMM Council adopts 10 guiding Principles, the first element of ICMM’s Sustainable Development Framework.

2004

GRI-ICMM Working Group completes Mining and Metals Sector Supplement to Global Reporting Initiative (GRI) 2002 Guidelines, the second element of the Sustainable Development Framework.

ICMM leads the mining industry’s participation in the World Bank’s Extractive Industries Review (EIR) and endorses the final focus on sustainable development and poverty alleviation.

ICMM publishes *Integrating Mining and Biodiversity Conservation*.

2005

ICMM Council commits corporate members to report to the highest standards of non-financial reporting, that is ‘in accordance’ with the GRI framework.

ICMM’s President joins the newly established World Bank Extractive Industries Advisory Group.

ICMM publishes the *Community Development Toolkit, Mining and Indigenous Peoples Issues Review, Financial Assurance for Mine Closure and Reclamation and Good Practice in Emergency Preparedness and Response*.

2006

ICMM Council approves pilot assurance procedure for third party assurance of public reporting, the third element of the Sustainable Development Framework.

ICMM hosts its inaugural conference on safety and health in Johannesburg.

ICMM publishes Resource Endowment Spotlight series and phase 1 and 2 reports, *Good Practice Guidance for Mining and Biodiversity, Maximizing Value* (materials stewardship guidance) and *Towards a Harmonized Approach to Setting Occupational Exposure Limits*.

TURNING WORDS INTO ACTIONS

With the launch this year of third party assurance, the Sustainable Development Framework has achieved a first for mining and metals and for industry generally

May
Pilot assurance procedure formally approved by ICMM Council

May
Xstrata joins ICMM

October
CVRD and Teck Cominco join ICMM

November
ICMM Sustainable Development Framework brochure published in seven languages

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The 10 Principles of the ICMM Sustainable Development Framework

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

Underpinning all of ICMM's work is the Sustainable Development Framework, a systematic approach to corporate accountability based on the 10 Principles (see above) developed from the 2002 Mining, Minerals, and Sustainable Development (MMSD) report. The Framework also draws on our collaboration with the Global Reporting Initiative which led to the Mining and Metals Sector Supplement being developed through a multi-stakeholder process and approved by ICMM's Council in January 2005.

This year the Framework advanced an important step when ICMM members launched a pilot third party assurance procedure to report on their performance and adherence to the 10 Principles.

Independent assurance is not only critical to the credibility of the Framework, it is also proof that less than four years after the world's leading mining and metals companies endorsed the 10 Principles, ICMM's member companies are prepared to both stand by these commitments and be openly and independently judged against them. We believe this puts mining and metals ahead of many other sectors in regard to corporate accountability.

Company reports for 2006 (to be published in 2007) will be required to report company performance against the 10 Principles according to a strict set of criteria, or 'in accordance' with the Global Reporting Initiative (GRI).

Members are also obliged to secure independent assurance on two related issues: first, that they have in place management systems to implement the 10 Principles, and second, that their reporting is indeed in accordance with the GRI framework.

To give all ICMM members time to get up to speed, the introduction of independent assurance will be a staged process. However, many members have already moved ahead of the baseline set by the assurance procedure. For example, five member firms now report in accordance with GRI and nine provide some external assurance on their reports.

An indication of the Framework's impact is that it is influencing governments as well as companies. India, for example, is planning to incorporate the Framework into new national minerals legislation. It recognizes the need to protect its citizens and the environment, and to raise the game of its own companies to that of their global competitors.

In November, ICMM and the China International Mining Group met government officials and Chinese mining companies to explain the Framework and present community development tools that could support application of some of its Principles in China.

The Framework has become a powerful force for securing positive change, with ramifications extending far beyond the leading mining companies that helped create it. It now stands as a model for sustainability initiatives for industry across the globe, and for all governments that wish to bring better conditions for their peoples.

'CONGRATULATIONS TO ICMM FOR ADDRESSING A COMMON WEAKNESS WITH A PRINCIPLES-BASED INITIATIVE – NAMELY, THAT MOST SUCH INITIATIVES LACK THE ASSURANCE PROCESSES TO ENSURE COMPLIANCE'

**ANNELISA GRIGG,
FAUNA & FLORA INTERNATIONAL**

ICMM IN ACTION DURING 2006

ICMM's work is divided into four programs, each covering an area that helps our members meet their commitments to the Sustainable Development Framework – here is a summary of what they achieved during the past year, working with members and engaging with local and international stakeholders

10 SOCIO-ECONOMIC DEVELOPMENT

Our socio-economic development work program supports ICMM members' commitment to uphold human rights, and contribute to communities and broader economic development. The cornerstone of this program is the Resource Endowment initiative (see page 12).

This year ICMM has been leading the mining industry's engagement with John Ruggie, the UN Secretary-General's Special Representative on business and human rights. We made two submissions to Professor Ruggie and have participated in regional consultation workshops.

In March, we released a draft position statement on Mining and Indigenous Peoples Issues. We have since consulted with almost 50 Indigenous Peoples organizations, NGOs, governments and intergovernmental agencies. The results will be used to revise the statement and inform next steps, including a second roundtable to be hosted together with IUCN.

Our *Community Development Toolkit*, developed with the World Bank and published at the end of 2005, has generated strong demand. Comprising 17 practical tools, it is designed to help companies, local governments, communities and community-based organizations work more effectively.

Thanks to our partners, the China International Mining Group (CIMG), the toolkit was published in Mandarin and launched at the China Mining Congress in November. We are also grateful to ICMM association member La Sociedad Nacional de Minería, Petróleo y Energía (SNMPE) of Peru for producing a Spanish edition which was launched at an UNCTAD workshop in Arequipa, Peru.

ENVIRONMENT

Much of our work on the environment has been carried out in the context of our dialogue with IUCN. For more about this important relationship, see page 18.

This year we published a guidance paper on *Financial Assurance for Mine Closure and Reclamation* as a follow-up to our earlier review of the subject. Its primary audience is governments – many are updating their policies in this area and are keen to understand industry views. We carried out a survey of current practices in integrated mine closure planning, and are scoping a project for 2007 to improve performance in this field. We also issued a position statement on Climate Change, affirming ICMM's commitment to continually reduce greenhouse gas emissions and improve energy efficiency.

In an effort to encourage uptake of *Good Practice Guidance for Mining and Biodiversity*, this key publication was presented at events in Australia, Canada, Tanzania and the USA. The first two workshops were held in conjunction with ICMM association members, the Minerals Council of Australia and the Mining Association of Canada.

A successful workshop was held with IUCN to discuss ICMM's views on the IUCN protected areas category system. This is part of preparations for an IUCN summit on the subject in 2007.



In support of its work program activity, ICMM promotes the perspective and experience of the industry through its involvement in key international initiatives, including:

- World Bank Extractive Industries Advisory Group
- Extractive Industries Transparency Initiative
- Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development

- World Mines Ministries Forum
 - Good Practice Mining website
 - Voluntary Principles on Security and Human Rights.
-

HEALTH AND SAFETY

Health and safety is a critical issue for ICMM members, and Johannesburg this November saw our groundbreaking conference on the subject. The theme was education through example: leading mining companies sharing best practice, explaining in detail how they are fostering a safety culture and successfully protecting worker health in some of the world's most challenging occupational environments. (For details on ICMM's Safety and Health Conference, see page 19.)

As with many other aspects of our work, ICMM's wide-ranging expertise on safety issues is sought by non-members too. One of our potentially most far-reaching engagements is with the Chinese government to assist in improving safety in China's coal mines. This July ILO, ICEM and ICMM participated in our third meeting with officials in Beijing on the subject. We have agreed a three-to-five year work program pending support from international donors. If successful, this program alone could help save thousands of lives every year.

In May, ICMM launched a Strategic Plan for Occupational Exposure Limits (OELs). It lays out several objectives for achieving greater harmonization in the setting of OELs based on sound science and a robust socio-economic assessment of benefits and costs.

Another major project is the safety and health benchmarking database (www.shecbenchmarking.com). A joint project with the University of the Witwatersrand's Centre for Sustainability in Mining and Industry, the database helps ICMM company member mine sites compare their performance against their peers and thus identify new ways to improve practices. This year, health indicators were agreed and health data collected for the first time.

MATERIALS STEWARDSHIP

This year saw the adoption of ICMM's materials stewardship policy and the publication of our first guidance on the subject, *Maximizing Value*. These documents set out ICMM's approach to maintaining the market for metals and minerals by encouraging responsible use and maximizing the value society gains from them. (For details, see page 16.)

We also endorsed UNEP's SAICM 'Dubai Declaration' and helped to facilitate the development and dissemination of the Declaration by the Metals Industry on Recycling Principles.

We launched a three-year project to develop robust methods for assessing metals ecotoxicity in life cycle assessment, and published guidance on state-of-the-art methodologies for metals environmental risk assessment (MERAG).

We developed and began implementing a strategy, in partnership with Eurometaux and Eurofer, to identify and address metal, mineral and alloys issues arising from the implementation of the UN's Globally Harmonized System of Classification and Labelling (GHS) for chemicals.

'THE MINING INDUSTRY HAS MADE GREAT STRIDES IN IMPROVING ENVIRONMENTAL PERFORMANCE – HOWEVER, BIODIVERSITY IS AN IMPORTANT ISSUE THAT IS EMERGING AS A FOCAL POINT OF EFFORTS REQUIRED TO ENSURE THE SUSTAINABILITY OF INDUSTRIAL DEVELOPMENT'

**MICHAEL HORGAN,
DEPUTY MINISTER,
ENVIRONMENT CANADA**

AVOIDING THE 'RESOURCE CURSE'

ICMM's Resource Endowment initiative is helping governments, companies and local communities work together so that mining benefits all citizens

February
Joint workshop with World
Bank in Madagascar

June
Resource Endowment initiative study
launched at Brookings Institution

October
Executive summaries of
country case studies published

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Main findings of the Resource Endowment initiative research

- **Successful outcomes from mineral resource investment are both possible and can be a critical contributor to pro-poor growth.**
 - **The key success factors are sound macroeconomic policies, an adequate legal framework particularly for mineral assets and contracts, and some improvements in governance.**
 - **Even in relatively successful countries, local problems persist and will need addressing.**
 - **Companies, governments, donors and other actors need to work together to help strengthen state capacity in mining countries and regions.**
-

A common criticism of large-scale minerals exploitation is that it unbalances and distorts the economies of countries and leads to lower rates of economic growth than comparable countries without natural resources.

Yet the 'resource curse' cannot be a complete explanation for the failure of some countries to develop. Abundant mineral resources were essential to the rapid economic growth of the USA, Australia and Canada. There are similarly many developing countries such as Botswana, Chile and Ghana that are prospering thanks to their mining sectors.

Much of the 'resource curse' literature has focused on pinpointing problems rather than solutions. Consequently, ICMM commenced its Resource Endowment initiative in 2004 to better understand how and why large-scale mining activity in low- and middle-income countries can positively impact socio-economic development.

From the outset ICMM has involved leading stakeholders in the program. The initiative was undertaken in partnership with UNCTAD and the World Bank, with an international advisory group created to ensure rigour and objectivity. Methods and preliminary findings were critiqued by two multi-stakeholder workshops, comprising developing country governments; NGOs such as CARE International, Revenue Watch and WWF-US; and Equator Principles signatories such as ABN AMRO, Barclays Capital and Calyon. Every organization's contribution has been essential in ensuring the integrity of the process and broad 'ownership' of the outcomes.

The first phase of the project concentrated on developing an analytical framework to assess the relative economic and social performance of 33 countries with a high dependence on minerals. This involved assessments against six economic and social factors, and comparisons of mineral dependent countries' performance against all countries in their regions and income groups. The findings were critiqued in a multi-stakeholder workshop which helped to identify a small group of countries for a more detailed study and to refine the analytical process.

The second phase applied a toolkit, created to assess local, regional and national socio-economic impacts of mining, to two pairs of similar countries with mining sectors, Peru and Chile, and Ghana and Tanzania, to assess whether the toolkit could be applied to a broader set of mining countries, and to identify any necessary

improvements. The findings were reviewed by a multi-stakeholder workshop which provided valuable feedback.

In June 2006, after two years of work, ICMM was ready to unveil the results at a multi-stakeholder luncheon debate in Washington, hosted by the Brookings Institution. This followed events at Davos and in London at the Royal Institution for International Studies (Chatham House).

The cross-country review has identified several important factors that contribute to the sustainable exploitation of mineral endowments. It also highlighted practical steps that governments, companies, communities and donor agencies can take to ensure positive outcomes.

The Brookings event led directly to a discussion of follow-up actions, including setting up a permanent platform for multi-stakeholder dialogue and using existing institutions to disseminate the findings. The ICMM team, led by Sir Mark Moody-Stuart, Chairman of Anglo American, and Paul Mitchell, ICMM President, has since met World Bank and IFC representatives to discuss implications for improving governance and transparency and tackling corruption.

One significant outcome of these meetings is that the new World Bank President, Paul Wolfowitz, has offered to work with ICMM to develop an agenda of actions.

'THE LAUNCH OF THE RESOURCE ENDOWMENT INITIATIVE FINDINGS WON INTEREST AND ENGAGEMENT FROM VERY DIVERSE PERSPECTIVES'

**DR LAEL BRAINARD,
BROOKINGS INSTITUTION**

OPENING MARKETS, ATTRACTING INVESTORS

ICMM is helping member companies with secure access to resources, markets and finance – this, in turn, is enhancing their market value

14 Historically, mining and metals companies have rated poorly in equity markets. A combination of factors such as cyclical markets, low profitability and perceived vulnerability to reputational and political risk have contributed to relatively low equity values.

This is changing. Today, markets are responding much more positively, particularly so in the last year. Much improved profitability combined with good medium-term prospects for minerals and metals have driven up mining companies' equity values.

Another development is the greater attention being paid by analysts, stemming from an increased commitment by investment banks to producing quality environmental, social and governance-related research, to the factors that create long-term value in mining and metals companies. Reports released by Citigroup, Goldman Sachs and others have generally ranked ICMM companies highly and, indeed, cited ICMM participation as a positive distinguishing factor in some cases.

While the long-term value of mining and metals companies is determined by many of the same drivers that affect all businesses, they also face a set of distinctive challenges that, if not managed effectively, can reduce their value.

The location of companies' assets (geological resources) is fixed and investment is increasingly in developing countries where governance and political challenges are often greater. These assets are nations' non-renewable natural capital, so communities expect tangible benefits in return for their exploitation. The large-scale and long-term nature of mining investments means extended political support and stability is necessary. And social, safety and environmental risks can easily unravel political and community support.

This set of characteristics provides both risks and opportunities. ICMM is helping its members deal with each of these challenges by concentrating on the key links in the value chain: on access to reserves, by improving environmental practices, enhancing socio-economic outcomes and improving community relations; on access to capital, through improved risk management and assurance;

and on market protection through better management of health, safety and environmental risks, eco-efficiency and recyclability of metals' products.

In 2007, ICMM will be working closely with mining analysts in producing a guide for valuing sustainability initiatives. This will illustrate how various business practices enhance access to resources, capital and markets, and also how political and other risks can be managed effectively.

Overall, the aim is to demonstrate that effective management of sustainable development issues can directly enhance a mining and metal company's financial performance and market value.

'ICMM MEMBERSHIP PROVIDES A FRAMEWORK AND MANAGEMENT TOOLS FOR EFFECTIVELY MANAGING RISKS – THIS SHOULD LEAD TO MORE EFFECTIVE CONTROL OF RELATED ISSUES, AND INCREASED ACCESS TO LAND AND/OR CAPITAL'

**HEATH JANSEN,
CITIGROUP**

May
ICMM releases position statement on
Climate Change

June
ICMM addresses Merrill Lynch investors'
conference in the USA

December
ICMM President joins newly formed
EITI Board



MAINTAINING MARKETS FOR METALS

How ICMM is helping to protect metals markets by promoting materials stewardship

February
The UN's SAICM is endorsed in Dubai

May
Materials stewardship policy adopted by ICMM Council

November
Metals industry publishes declaration on metals recycling

16



ICMM's materials stewardship policy

- Produce guidance for members
 - Encourage a materials stewardship culture in member businesses
 - Encourage clear reporting guidelines for materials stewardship
 - Educate stakeholders and build cross-commodity alliances
 - Encourage commodity-specific materials stewardship plans
 - Demonstrate 'complementary responsibility' involving downstream manufacturers, users and recyclers
 - Work on life cycle assessment, eco-efficiency, recycling, chemicals management and risk characterization.
-

Metals have long been valued for their many unique properties. However, an increasingly risk-averse society is making some uses of metals untenable, while more exacting specifications, and competition from alternatives, have rendered once common applications obsolete.

To protect their markets, metals suppliers must demonstrate not only cost competitiveness and capacity to satisfy specifications, but also eco-efficiency and minimal health and environmental risks.

One of ICMM's most important initiatives is to maximize the lifespan of minerals and metals, by ensuring that the various stakeholders along the value chain enhance durability and recyclability, increase efficiency and reduce associated risks.

This year ICMM's Council adopted a wide-ranging materials stewardship policy. On the premise that the mining and metals industry has a shared responsibility for the performance of the whole materials' cycle, well beyond its direct operations, ICMM members are working with stakeholders to embed integrated materials management (see above).

Underpinning sustainable use is materials recycling. This year ICMM helped to develop a Declaration by the Metals Industry on Recycling Principles, which states that a product systems approach provides a truer picture of sustainability than simple recycled content. It was endorsed by 18 industry associations and stands as an example of cross-commodity interaction and co-operation.

Sound chemicals management is also important. We were involved in the preparatory negotiations for the Dubai Declaration – UNEP's Strategic Approach to International Chemicals Management (SAICM) – and endorsed the final document when it was launched in February. We also signalled our determination to play a full role in achieving the World Summit on Sustainable Development goal to minimize adverse effects from production and use.

We believe SAICM and the European Union's REACH directive will generate substantial change in chemicals management. We are and will continue to help the mining and metals industry respond constructively.

Throughout, ICMM has been working to promote sound science to reduce uncertainty and improve risk management policy-making. ICMM is providing new assessment methods that properly account for the specific properties of metals and minerals.

We have launched a three-year project to develop appropriate methods for the assessment of metals ecotoxicity in life cycle assessment, published guidance on state-of-the-art methodologies for environmental risk assessment under the MERAG initiative and challenged the United Nations Economic Commission for Europe (UNECE)'s critical loads models for metals.

Our goal is to translate the concept of materials stewardship into practical policies. We are producing a range of papers and initiatives, the first, *Maximizing Value*, being a guidance document explaining the drivers, business value and key themes underlying materials stewardship. By helping ICMM members understand the concept and appreciate its business benefits, we can ensure that materials stewardship becomes embedded in corporate behaviour for the long term.

'RAW MATERIALS SUPPLIERS SEEKING TO WORK WITH UTC MUST BE ABLE TO MEET THE SAME HIGH STANDARDS THAT WE SET FOR OUR OWN FACTORIES WITH RESPECT TO HEALTH, SAFETY, AND ENVIRONMENTAL PROTECTION'

**TOM SWARR,
UNITED TECHNOLOGIES CORPORATION (UTC)**

PARTNERSHIP AND COLLABORATION

Engaging with stakeholders and providing a forum for members to work together is helping ICMM raise standards across the sector

18 THE ICMM-IUCN DIALOGUE

Relationships with stakeholders are an important part of ICMM's work and the dialogue with IUCN, the world's largest conservation network, aptly illustrates their value.

We wanted to work with IUCN to understand better the interactions between mining and biodiversity and develop tools to improve performance. In IUCN, we found a logical partner since one of its priorities is to build recognition of how human lives and livelihoods, especially of the poor, depend on sustainable management of natural resources.

In its fourth year, the value of the dialogue is becoming ever more tangible. IUCN member Conservation International's Global Symposium in Madagascar saw the launch of the *Good Practice Guidance for Mining and Biodiversity*, the output of two years' work, overseen by an ICMM-IUCN joint advisory group, to help mining companies contribute to biodiversity conservation.

Other areas of work include examining how to encourage integrated thinking and decision-making in land use planning to reconcile the needs of development and conservation, and issues relating to legacy sites. At an intergovernmental environmental meeting in Brazil this year, we jointly hosted a workshop on biodiversity offsets, provoking a vigorous debate on the topic. Relationships between the mining industry and Indigenous Peoples are another continuing priority and a roundtable planned for 2007 will look at 'free, prior and informed consent', among other issues.

As the wide range of activities under way shows, the ICMM-IUCN dialogue looks likely to be a fruitful relationship for many years yet.

INAUGURAL SAFETY AND HEALTH CONFERENCE

Individual ICMM member companies have a wealth of knowledge and experience in health and safety. To unlock these insights for the benefit of all members, the industry at large and our stakeholders, this year we held the ICMM Safety and Health Conference in Johannesburg.

Focusing on leadership, health, behaviour, systems and technology, the theme of the event was improving practice by sharing practical experience in an open and transparent way: sharing both positives and negatives, and providing a forum for practical learning. This event could not have succeeded without the commitment and participation of our members' CEOs and COOs, several of whom, including Newmont Chairman and CEO and former ICMM Chairman, Wayne Murdy, and AngloGold Ashanti CEO Bobby Godsell, attended and addressed the more than 300 conference delegates.

One of the most effective ways to keep standards rising is cross-sector co-operation and knowledge sharing. ICMM is playing an important part in facilitating this process, not just with this conference, but also in developing relationships with partner organizations such as ILO, ICEM and the Chinese government.

IUCN's perspective:

The World Conservation Union (IUCN) and ICMM have created a forum for dialogue between member companies, the conservation community and indigenous peoples to address the social and biodiversity impacts of mining operations. While on its own the Dialogue

cannot guarantee better practice across the entire mining and metals industry, it usefully complements the other actions we undertake such as direct engagement with individual companies and public advocacy to highlight bad practice. Dialogue can build trust and

commitment, but it will always need to be complemented by concrete actions to reduce the negative impacts of operations on the ground.
**Bill Jackson, Director,
Global Programme, IUCN**

March
Draft position statement on Mining and
Indigenous Peoples Issues

June
Good Practice Guidance for Mining and
Biodiversity launched in Madagascar

November
Safety and Health
Conference in Johannesburg



REACHING OUT

Disseminating our message globally

March
Guidance paper on Financial Assurance for Mine Closure and Reclamation published

July
Improving mine safety workshop in Beijing, China

October
Spanish version of Community Development Toolkit launched in Peru



An important indicator of ICMM's success is the level of engagement we achieve with a broad range of stakeholders, both in terms of developing our work programs and in disseminating good practice guidance, new resources and tools. Investors, IGOs, NGOs, regulators, academia, industry, labour organizations, to name just a few, are all important influences on the mining industry and we are committed to raising awareness of our activities with them and other interested parties.

The broad media coverage we are achieving is thus essential in helping to spread our message and prompt new organizations to engage with us. From international media, through the extensive industry press, to the increasingly important CSR media, we are spreading our belief that the mining and metals industry can be a key contributor to global sustainable development.

Using the internet to spread good practice

Sharing good practice is a key part of ICMM's Sustainable Development Framework. We have set up the Good Practice website and online library (www.goodpracticemining.org) and throughout 2006 more material has been added on a range of topics. ICMM has also developed other online databases in such important areas as managing industrial risk (MIRMGate at www.mirmgate.com) and the safety and health benchmarking database (www.shecbenchmarking.com).

Working with others to get results

Individual projects in our work program are conducted with relevant stakeholders. This is particularly important at the international level, where we have been able to tap the expertise and perspectives of a wide range of leading organizations, from IUCN to the World Bank. We have also engaged with other initiatives driving forward the sustainable development paradigm – for example, the Extractive Industries Transparency Initiative (EITI), the Initiative for Responsible Mining Assurance (IRMA) and the Voluntary Principles on Security and Human Rights – and communicated ICMM's point of view and knowledge at several dozen events around the world.

KEY WORKSHOPS

- Responsible mining (with TERI, The Energy Research Institute) in New Delhi, India – February
- Biodiversity offsets workshop (with IUCN, Conservation International and Forest Trends) in Curitiba, Brazil – March
- Multi-stakeholder event at the Brookings Institution in Washington DC, USA to launch Resource Endowment initiative study – June
- Investors' seminar with F&C Asset Management, Citigroup and Goldman Sachs in London, UK – July
- Mine safety in Beijing, China – July
- Biodiversity Good Practice Guide with Mining Association of Canada (MAC) in Ottawa, Canada and with Minerals Council of Australia (MCA) in Perth, Australia – October
- Launch of the Spanish-language version of *Community Development Toolkit* at the responsible mining workshop in Arequipa, Peru – October

KEY EVENTS AT WHICH ICMM PRESENTED

January – World Economic Forum in Davos, Switzerland

February – World Bank meeting in Antananarivo to develop a national minerals policy for Madagascar; United Nations International Conference on Chemicals Management in Dubai, United Arab Emirates; Sustainable Development Summit in Delhi, India

March – World Mines Ministries Forum (WMMF) in Toronto, Canada; 8th Conference of the Parties, Convention on Biological Diversity in Curitiba, Brazil; Prospectors & Developers Association of Canada conference in Toronto, Canada; Asia Mining Congress 2006 in Singapore; GLOBE business and the environment conference in Vancouver, Canada

May – Extractive Industries Transparency Initiative (EITI) workshop in Melbourne, Australia; Business Leaders' Forum on Sustainable Development in Brisbane, Australia; Merrill Lynch Global Metals, Mining and Steel Conference in Miami, USA; International Tin Conference in Rio de Janeiro, Brazil; World Congress for Latin American Mining and Expomin 2006 Fair in Santiago, Chile

June – Conservation International's Global Symposium in Antananarivo, Madagascar; AMEC National Mining Congress in Perth, Australia; Intergalva (European General Galvanizers Association) in Naples, Italy; World Bank Extractive Industries Advisory Group in Washington DC, USA

July – Launch of Equator Principles II in London, UK; EITI workshop in Gaborone, Botswana

August – National Mining Symposium in Jakarta, Indonesia

September – International Symposium on Mine Closure in Perth, Australia

October – EITI plenary conference in Oslo, Norway; Minerals Council of Australia Sustainable Development Conference in Perth, Australia; Intergovernmental Forum in Geneva, Switzerland; BAWB (Business as an Agent of World Benefit) Global Forum in Cleveland, USA

November – ICMM's inaugural Safety and Health Conference in Johannesburg, South Africa; China Mining Congress in Beijing, China; Energy and Mineral Business Council at G20 meeting of finance ministers in Melbourne, Australia

DIVERSITY OF ORGANIZATIONS

During 2006, ICMM engaged with a wide spectrum of organizations and institutions, including:

- ACHS – UK government's Advisory Committee on Hazardous Substances
- ACMER – Australian Centre for Minerals Extension and Research
- AusAID – Australian Agency for International Development
- CARE International
- CCCP – Cambridge Centre for Conservation Policy, UK
- CIMG – China International Mining Group
- Citigroup
- CMA – China Mining Association
- Conservation International
- Convention on Biological Diversity Secretariat
- CRJP – Council for Responsible Jewellery Practices
- CSMI – Centre for Sustainability in Mining and Industry, University of the Witwatersrand
- DEFRA – Department of Environment, Food and Rural Affairs, UK
- DfID – Department for International Development, UK
- Earthwatch Europe
- Ecotoxicity Technical Advisory Panel
- Euras
- F&C Asset Management
- Fauna & Flora International
- Goldman Sachs
- GRI – Global Reporting Initiative
- Henderson Global Investors
- ICCA – International Council of Chemical Associations
- ICEM – International Federation of Chemical, Energy, Mine and General Workers' Unions
- ICOLD – International Commission on Large Dams

- ILO – International Labour Organization
- IISI – International Iron and Steel Institute
- International Institute for Environment and Development
- IOMC – Inter-Organization Program for the Sound Management of Chemicals
- IPIECA – International Petroleum Industry Environmental Conservation Association
- ISO – International Organization for Standardization
- JP Morgan
- MISHC – Minerals Industry Safety and Health Centre, University of Queensland
- MPRI – Mining Policy Research Initiative
- NRC – Natural Resources Canada
- NUM – National Union of Mineworkers of South Africa
- OECD – Organization for Economic Cooperation and Development
- Oxfam International
- PMA – Post-Mining Alliance
- SETAC – Society of Environmental Toxicology and Chemistry
- SRWG – Social Responsibility Working Group of the International Petroleum Industry
- TERI – The Energy and Resources Institute
- UNCTAD – United Nations Conference on Trade and Development
- UNEP – United Nations Environment Programme
- UNESCO
- USAID
- WMMF – World Mines Ministries Forum
- World Bank
- World Business Council for Sustainable Development
- WWF – World Wide Fund for Nature

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'I REALLY LIKE THE COMBINATION OF GENERIC USEFUL PRINCIPLES AND GUIDELINES IN THE GOOD PRACTICE GUIDANCE ON BIODIVERSITY, COUPLED WITH CASE STUDIES FROM ALL OVER THE WORLD. I HOPE IT WILL BE PUT TO GOOD USE BY ALL THOSE IN THE INDUSTRY'

ROWENA SMUTS, CONSERVATION INTERNATIONAL

MOVING FORWARD DURING 2007

Objectives for raising standards further in the year ahead

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‘We are already beginning to see participation in ICMM positively affect the way investors rate our member companies – our goal for 2007 is to build on this achievement, and ensure that members get full and tangible recognition for their investments in making mining and metals a sustainable sector for the long term’

PAUL MITCHELL, ICMM PRESIDENT

SUSTAINABLE DEVELOPMENT

- Complete piloting/training for pilot assurance procedure.
- Ongoing outreach around Sustainable Development Framework.
- Continue to support and participate in the Initiative for Responsible Mining Assurance (IRMA).
- Initiate project to assess equity value implications of sustainable development initiatives.





ENVIRONMENT

- Draft toolkit for mining operations on integrated closure planning.
- Publish recommendations for integrated land use planning.
- Continued roll-out of *Good Practice Guidance for Mining and Biodiversity*.
- Progress towards an improved IUCN-protected areas category system.
- Workshop on mining and World Heritage.

SOCIO-ECONOMIC DEVELOPMENT

- Publication of Resource Endowment country case studies.
- Commencement of Resource Endowment initiative pilots for Peru and Tanzania.
- Continued implementation of the *Community Development Toolkit*.
- Roundtable meeting on Mining and Indigenous Peoples Issues and 'free, prior and informed consent' with IUCN.
- Workshop on emergency preparedness and response in Peru.
- Initiate mining and finance dialogue with Equator banks.



HEALTH AND SAFETY

- Develop good practice guidance on HIV/AIDS, malaria and tuberculosis.
- Comprehensive safety and health data from all ICMM corporate members included on the benchmarking database.
- Further expansion of the MIRMgate risk management database.
- Workshop on metals contamination of soil.

MATERIALS

- Finalization and promotion of SAICM Action Plan for minerals management up to and beyond 2020.
- Inaugural meeting of ICMM materials stewardship roundtable.
- Development of three-year strategy for the development and promotion of life cycle thinking.



RELATIONSHIPS

- Continued interaction with the UNSGSR on business and human rights.
- Roundtable meeting on mining legacies with IUCN.
- Review ICMM-IUCN Dialogue.
- Training workshop on risk assessment for coal mines in China.
- Continued briefings for member company CEOs from high-profile stakeholders.
- Dissemination workshops in four Resource Endowment case study countries.

MEMBERSHIP AND GOVERNANCE

ICMM comprises 15 of the world's largest mining and metals companies as well as 24 regional, national and commodity associations – all ICMM activities and initiatives are governed by its members

24 ICMM's governing body is its Council, comprising the chief executive officers of all 15 corporate members plus two representatives from association members.

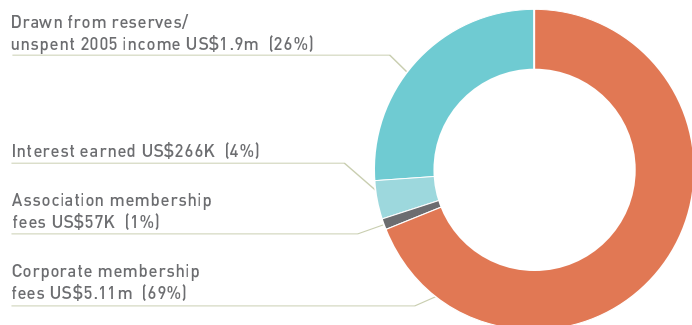
The Council is responsible for the organization's strategic direction and policies, and for responding to any alleged breaches of ICMM's standards by a member. The current chairman is Leigh Clifford, Chief Executive of Rio Tinto. The vice-chairman is Chip Goodyear, CEO of BHP Billiton and the treasurer is Greig Gailey, CEO of Zinifex. The Council is supported by an Executive Working Group (EWG) responsible for setting ICMM's annual work program and budget, an Associations' Co-ordination Group (ACG), and a permanent secretariat based in London.

In addition, members' task forces dealing with environmental stewardship and biodiversity, community and social development, health and safety, integrated materials management and communications conduct ICMM's program of work. The Council meets twice a year, normally in May and October. The EWG meets four times a year, while task forces meet as necessary to advance the work program.

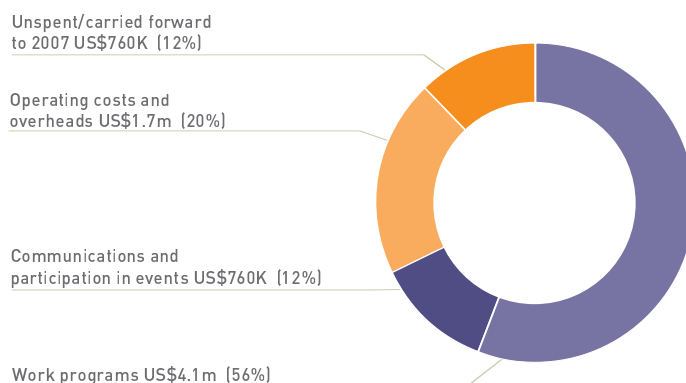
During 2006, ICMM had an operational budget of US\$7.33 million. See charts for breakdown of income and expenditure.



ICMM 2006 income



ICMM 2006 expenditure



ICMM Secretariat

Paul Mitchell

President

Kathryn McPhail

Principal

John Atherton

Program Director

Ranj Bains

Team Support Officer

Camellia Chang

Office Manager

Benjamin Davies

Senior Project Officer

Anne-Marie Fleury

Associate Program Director

Benjamin Hedley

Project Officer

Bethany Hipwell

Project Officer

Andrew Parsons

Program Director

Ben Peachey

Corporate Communications Manager

Sarah Stern

Executive Assistant

ICMM Council members 2006

Alain Belda

Alcoa, Chairman and Chief Executive Officer

Tony Trahar

Anglo American, Chief Executive Officer

Bobby Godsell

AngloGold Ashanti, Chief Executive Officer

Chip Goodyear

BHP Billiton, Chief Executive Officer

Roger Agnelli

CVRD, Director President

Richard Adkerson

Freeport-McMoRan Copper & Gold, President and Chief Executive Officer

Brad Mills

Lonmin, Chief Executive

Akihiko Ide

Mitsubishi Materials Corporation, President

Wayne Murdy

Newmont Mining Corporation, Chairman and Chief Executive Officer

Masanori Okada

Nippon Mining & Metals, President and Chief Executive Officer

Leigh Clifford

Rio Tinto, Chief Executive

Koichi Fukushima

Sumitomo Metal Mining, President

Donald Lindsay

Teck Cominco, President and Chief Executive Officer

Mick Davis

Xstrata, Chief Executive Officer

Greig Gailey

Zinifex, Chief Executive Officer

Gordon Peeling

Mining Association of Canada, President and CEO

Ivor Kirman

Nickel Institute, past President

Corporate members

Alcoa

Anglo American

AngloGold Ashanti

BHP Billiton

CVRD

Freeport-McMoRan Copper & Gold

Lonmin

Mitsubishi Materials Corporation

Newmont Mining Corporation

Nippon Mining & Metals

Rio Tinto

Sumitomo Metal Mining

Teck Cominco

Xstrata

Zinifex

Association members

Cámara Minera de México

Chamber of Mines of South Africa

Cobalt Development Institute

Consejo Minero de Chile AG

Eurometaux

Euromines

Federation of Indian Mineral Industries

Indonesian Mining Association

Instituto Brasileiro de Mineração

International Aluminium Institute

International Copper Association

International Wrought Copper Council

International Zinc Association

Japan Mining Industry Association

Lead Development Association International

Minerals Council of Australia

Mining Association of Canada

Mining Industry Associations of Southern Africa

Nickel Institute

Prospectors & Developers Association of Canada

Sociedad Nacional de Minería (Chile)

Sociedad Nacional de Minería, Petróleo y Energía (Perú)

World Coal Institute

World Gold Council



RICHARD SANDBROOK
1946-2005

Richard was a visionary who understood the links between environmental protection, poverty alleviation and economic development. He was also very effective in promoting constructive dialogue between the more progressive forces in industry and those NGOs who are focused on achieving better outcomes, as distinct from campaign rhetoric.

Richard had a profound influence on ICMM's purpose. He worked closely with many mining CEOs and helped them understand the power of a sustainable development approach. Several became ICMM leaders.

Yet he was far from being an industry insider. He helped set up Friends of the Earth in England and Wales in 1974, and went on to work for the International Institute for Environment and Development (IIED), directing this influential body for 10 years.

Over time he came to feel strongly that the private sector had a key role in development. The extractive industries were especially important because they were working in frontier countries. He wanted them to lead the way in improving outcomes to set an example for the rest of the corporate sector.

Such views did not endear him to every business or every NGO. But Richard was his own man. It should be no surprise that the invitation list to his memorial service reached a thousand names within a few days. He won their respect, and ours, because he so obviously cared for the poor and for the environment.

Sir Robert Wilson

Chairman, BG Group plc

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