Newmont Mining: The social license to operate

Lawrence T. Kurlander

Lawrence T. Kurlander is Newmont's senior vice president and chief administrative officer, responsible for a wide range of duties including government affairs and security. Prior to Newmont, he was senior vice president at Nabisco International, and prior to Nabisco he spent five years at American Express Co. A graduate of Cornell Law School, Kurlander practiced law privately for eleven years in Rochester, New York before being elected district attorney in 1975. He served for two terms and then was appointed by governor-elect Mario Cuomo as New York State's first director of criminal justice, a post he held for five years. He serves on the advisory board of Harvard's Kennedy School of Government as well as several nonprofit organizations.

Communities around the world do not automatically put out the welcome mat when a large mining company such as Newmont comes calling. While mining operations bring jobs to often economically disadvantaged areas, these operations can have negative impacts on the local community if issues are not identified and dealt with up front. In an age of activism, environmental, social and political issues are ongoing challenges for a global company.

"Historically, the mining industry does not have a good track record when it comes to environmental matters," said Lawrence Kurlander in his address to the Global Executive Forum. "Today, however, disasters are the industry exception rather than the rule, although they provide opponents to mining with attractive ammunition."

Changing social and political dynamics have made companies more aware of the need to be part of the community rather than separate from it. People are becoming increasingly involved in protecting their communities from the potential downside that may result when a huge project comes to town. Through the Internet, they can instantly communicate their grievances to others and a company's reputation is always on the line. At the same time, the transformation of political institutions in many parts of the world is creating another set of challenges. "The toppling of autocratic leaders has eased repression, but the social welfare programs used by these leaders to garner support have vanished with them. Consequently, local politicians view the area's multinational companies as a source for increased tax revenues that can be used to fund the needs of their communities," said Kurlander. He does not believe the government should be relieved of its social obligations in this way. "Nonetheless, we do have a role to play, and failing to do so threatens our ability to successfully operate."

In the past, a Newmont mine manager was concerned strictly with operational issues, getting the ore out of the ground. Today the manager must be able to interact with the community and generate the consent of the people in order to move the operation forward in a stable environment. For this reason, Newmont has developed what it calls "The Social License to Operate." It has several distinct characteristics.

Approval. The social license is not something granted by a government for a specified period of time. The social license is intangible, renewable daily and granted by the people only when their needs are being met, said Kurlander. "We must constantly remind ourselves that we are guests in these countries and communities and must therefore prove ourselves on a continuing basis." Patience and constant attentiveness to the aspirations of the local people are necessary, he said.

Collaboration. "The social license requires collaboration and trust. Too often mining companies go in with the idea that generating jobs is in and of itself enough, without taking into account what a community really wants."

Relationships. "The social license is predicated on building ongoing relationships, resulting in concrete actions."
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Joint agreement. "The social license requires jointly agreed upon indicators of success. The company and the community jointly define a good outcome, whether it is improved health and education, jobs, infrastructure or protection of the environment."

Wakeup call

For social license to work, there needs to be "independent structure, monitoring and evaluation. This is a lesson we're learning in Peru," said Kurlander.

Last year, one of Newmont's contractors spilled mercury in several of the local villages, causing people to become ill. "This served as a wakeup call for us. It made us realize that our relationship with the local people needed rebuilding. However, in a society where distrust is the rule rather than the exception, this was not something we could undertake on our own."

To remedy the situation, Newmont brought in an independent third party, the Compliance Advisor/Ombudsman (CAO) for the International Finance Corporation, the arm of the World Bank that holds a 5 percent interest in the mine.

"The CAO came into the community with established credibility, having already led an independent investigation of the mercury spill. Under the process developed, the CAO leads an ongoing roundtable to engage elected officials, community leaders, nongovernmental organizations (NGOs), and representatives of the company in dialogue.

"The idea is not to achieve a formal result, but to examine the problem areas in the company-community relationship and ways that it can be improved. It is a process that is issue driven, but relationship focused," said Kurlander. The company now has a transparent mechanism for working within the community, while community leaders are forced to engage in constructive dialogue rather than destructive rhetoric."

Transparency requires Newmont to make regular and timely reports to the community on all its activities, whether their impacts are positive or negative.

Building relationships with the local community is insurance for problems that might develop at a later time. Kurlander pointed to the example of Batu Hijau, Indonesia, which is 90 percent Muslim. "Following the events of Sept. 11, the president of our operations there sat down with local religious and community leaders to discuss the situation. The response was gratifying, with local leaders condemning violence against expatriate Americans and publicly declaring that Batu Hijau and all of its employees - Indonesian or American - are part of the community.

"This kind of support only comes when community development activities are backed by an overarching set of principles that guide our actions." Newmont has adopted a set of principles that cover human rights, health and education, local employment, community involvement, transparency, and accountability. Many of the company's social programs are related to health and education, and the majority of jobs are filled from the local population.

Said Kurlander, "Newmont believes it is accountable for its actions and impacts. We've long prided ourselves on our ability to engage in continuous improvement in our operations - lowering costs and increasing efficiency. The same continuous improvement is now being applied to areas of social responsibility as we set goals for ourselves and continually measure our performance against those goals."
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About Newmont Mining

Headquartered in Denver, Newmont Mining Corporation is the world's second largest gold producer and the largest in North America. As we go to press, the company has made a deal to acquire Australia's largest gold company, Normandy Mining Ltd., and Toronto-based Franco-Nevada Mining Co.

Gold production for the combined companies would be 8 million ounces a year. Currently, Newmont produces 5.4 million ounces of gold and 600-620 million pounds of copper annually. If the deal is approved by shareholders and government regulators, Newmont would become the No. 1 gold producer in the world.

At the present time, Newmont has operations in eight countries around the world: United States, Canada, Mexico, Peru, Bolivia, Uzbekistan, Indonesia and Australia. Internationally, Normandy is the seventh largest listed gold producer, with operations in Australia, U.S., New Zealand, Turkey, Chile, Brazil, Canada and Cote d'Ivoire. Franco-Nevada is a company that invests in other companies' mining operations in return for royalty payments.

There are more than 10,000 employees on Newmont's payroll. Employee ranks would swell to 12,530 if the acquisitions are approved and there are no subsequent layoffs.

Newmont was founded in 1921 in New York City. In addition to the New York Stock Exchange, Newmont's stock is also traded on the Swiss and Brussels stock exchanges.

Source: The Denver Post, Newmont Mining, Normandy Mining

Terrorism in Uzbekistan

Newmont Mining was the first investor in Uzbekistan after independence was declared in 1991. "We are the largest American investor and the second largest investor overall. We will soon announce a second large project there," said Kurlander.

The government of Uzbekistan has a terrorist threat in its own backyard, from the Islamic Movement of Uzbekistan, a bin Laden-sponsored organization. "On Feb. 16, 1999, the IMU set off a series of bombs in the capitol of Tashkent. The primary aim was to kill the president, and the secondary aim was to kill other government officials. They killed 14 people and injured scores.

"The Uzbeks have fought the IMU by themselves very vigorously and very successfully up till now. They are a Muslim nation of 25 million people, with the youngest population in the world, and they are anti fundamentalist. They are a very, very strong friend of America, and unlike Pakistan, which has conflicting interests; they're very willing and eager to support us.

"But they live in a very nasty neighborhood; they have the fundamentalist threat to the south, and they're surrounded by India, Pakistan and Russia, all of which have nuclear capabilities. They fear Russia, which before the collapse of the Soviet Union occupied their country for 75 years, and they worry that Russia isn't going to like American troops and warplanes on former Soviet Union soil beyond a limited amount of time. But the Uzbeks have stood up to the challenge at great risk to themselves."
Gold

Gold is indestructible. Over 90% of all the gold ever produced is still here. In a chalice or a necklace. An ingot or a coin. In the ornamented letters of ancient manuscripts and adorning the great tombs of ancient Egypt. Today, remarkable new gold applications are the modern treasures of science and technology. Medicine, dentistry, telecommunications, architecture and the space program all rely on gold’s unrivaled combination of physical properties.

-Newmont Mining

Skills needed

"While mining has successfully employed technology and geologic science to engineer and operate viable projects in Third World countries, increasingly the skill sets needed for success aren’t those taught in a mining school," said Kurlander.

"In addition to earth sciences, engineering and mineral economics, our leaders need to be versed in the social sciences of government relations, sociology and even anthropology. We need people skills as well as technical skills as we face challenges on a variety of fronts - environmental, social and political."