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Industry Codes of Practice and other Voluntary Initiatives: Their Application to the Mining and Metals Sector

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1 Introduction

Voluntary initiatives are emerging as important tools for addressing international and domestic environmental, social and ethical issues. The recognition and use of voluntary initiatives is growing at both the level of broad corporate responsibility, and in specific sectors. International organizations such as the United Nations have articulated over-arching guiding principles and challenged companies to respect them, using such initiatives as the Global Compact. International business associations such as the ICMM have developed similar sustainable development charters. NGOs and business representatives have combined to develop comprehensive performance systems in specific sectors, for example through the Forest Stewardship Council and the Marine Stewardship Council. Numerous industry sector associations operating at the national level have followed the chemical sector's lead in developing environmental codes of conduct similar to Responsible Care©. National governments have issued challenges and entered into agreements with industry regarding performance on specific issues, such as reducing toxic releases and greenhouse gas emissions. And individual companies have entered into arrangements with NGOs and local communities committing to specific levels of performance on environmental, health and safety and social issues, and more to increase transparency in the flow of information between the company and the community.

Voluntary initiatives have numerous different applications. There has been a tremendous growth in the scope and importance of standards developed through accredited standards development organizations at the domestic and international levels. Formal standards developed by international bodies such as the International Organization for Standardization (ISO) have helped open up global markets, allowing importers to meet local safety requirements, and enabling the coordination and integration of parts and processes from different countries. The use of such standards now extends well beyond ensuring technical compatibility and quality, addressing performance objectives and management standards. The most prominent examples of this type of voluntary initiative, of course, are the various "quality" (e.g., ISO 9000) and environmental management system standards (e.g. EMAS and ISO 14001). Reflecting the growing importance of standards, international trade agreements such as those under the World Trade Organization and regional ones, such as NAFTA, now require member countries to consider the use of formally accredited standards when developing rules to guide industry.

Trans-national companies –on their own, in partnership with international NGOs, acting as a group of like-minded companies, or acting as a sector – are also recognizing the potential value of voluntary initiatives in reassuring local and foreign stakeholders about the quality of the environmental, social, ethical and economic aspects of their operations in developing countries. Canadian oil and gas company Talisman, for example, recently responded to intense criticism from human rights advocates by publishing a report documenting its performance, as audited by a third party, in applying the *International Code of Ethics for Canadian Business"* in its operations in the Sudan.

Similarly, various NGOs have turned to voluntary codes of practice as mechanisms for encouraging and measuring performance of trans-national companies in developing countries. The CERES principles, for example, challenge companies to commit publicly to

ten principles of environmental ethics, including sustainable use of natural resources, reduction and disposal of wastes, energy conservation, safe products and services and timely information to the public. NGOs, investors and others are increasingly referencing these and similar principles as benchmarks for appropriate performance. Transparency International's draft *Business Principles for Countering Bribery* , currently under public consultation, are intended to assist private sector interests working with NGOs and trade unions to develop effective approaches for combating bribery in business.

Governments, industries and some NGOs are also recognizing the role voluntary initiatives can play in supplementing existing legal regimes in developed countries. Domestic voluntary initiatives can be used to address both as-yet unregulated areas and to encourage and structure "beyond compliance" performance in regulated areas.

At the same time, numerous actors have raised concerns about voluntary initiatives, and can be expected to continue to do so for the foreseeable future. Some of these concerns have to do with the vast number of voluntary initiatives being developed. NGOs and academics worry about their capacity to track and influence all relevant initiatives so as to ensure they embody high standards and are actually applied as intended. Similarly, a growing number of businesses argue that there are too many voluntary initiatives, some of which compete with one another. They worry that continued rapid proliferation may lead to confusion which, in turn, may dilute the effectiveness of any given voluntary initiative in reassuring stakeholders.

Governments, NGOs and businesses also retain a healthy scepticism about the potential efficacy of voluntary initiatives for addressing "difficult" measures of performance. This scepticism stems in part from a reluctance to depart from the perceived certainty of outcome associated with regulatory approaches. It also relates to the lack of assurance of performance gains and unclear public accountabilities in a good number of the voluntary programs which have been put in place internationally and at the national level in a number of countries.

In response to these concerns and to the increased cross-fertilization that has occurred from learning about the experience with voluntary initiatives in other sectors, there is growing recognition on the part of all actors of the need for transparent design processes, clear measures of performance and good accountability mechanisms.

There is also growing awareness of the complex linkages between voluntary initiatives and domestic law. For example, many commentators emphasize the need for a strong underlying regulatory regime to encourage the development, participation in and continued evolution of effective voluntary initiatives. Without a credible threat of regulation, the argument goes, few companies will invest in a voluntary initiative requiring significant behavioural change. As an important corollary, voluntary initiative can help foster better regulation. Through widespread acceptance and application, voluntary initiatives may take on some legal status of their own. In common law legal systems, for example, a voluntary initiative that is widely adhered to may become a *de facto* standard of behaviour to which the public can expect certain companies to adhere, regardless of whether they have actually signed onto the initiative. Further, since voluntary initiatives often are taken up in the first instance by larger companies, already more advanced in sustainability practice, voluntary initiatives can encourage governments to promulgate regulations which moves to catch up to the voluntary

standards which have been established, in order to improve the performance of smaller, less advanced companies.

Similar complementarity is also possible at the international level. The International Forest Principles have served as the starting point for a range of voluntary initiatives in the forest sector, including the influential Forest Stewardship Council. And the recent UN Resolution on "conflict diamonds" complements the multi-stakeholder Kimberly Process that is intended to put in place a voluntary the certification process for diamonds.

2   Voluntary Initiatives

2.1   Types of Voluntary Initiatives

Voluntary initiatives are one among a set of instruments, ranging from international agreements and programmes, to national policy, legislation and regulation, to financial sector lending and investment requirements, which can serve the purpose of improving the sustainable development practices and performance of industrial activities. As pointed out by the United Nations Environment Program (UNEP)[1], voluntary codes (and other voluntary initiatives) do not replace government regulatory frameworks – they are adjuncts to them. Their effectiveness lies in their capacity to reach beyond government regulations and to get industry to commit of its own free will to goals of improved environmental performance.

There are numerous different types of voluntary initiatives. For the purposes of assessing the experience of voluntary initiatives in different sectors, and considering their useful in application to the mining and metals sector in the context of the international MMSD project, four general types of voluntary initiatives are considered here.[2]

1. ***Broad guiding principles:*** establish common principles and statements of intent across subscribing organizations. Such principles are often a first step, providing common policy direction and a broad framework for action. They can be generic, such as the Global Compact, or they can be sector-specific, such as the ICME Sustainable Development Charter.

2. ***Process-based management systems:*** establish a common, structured management system approach across subscribing organizations. They focus on process (i.e. how risks and issues are managed) on the expectation that if a company is actively managing a particular issue, it will achieve whatever performance levels it sets for itself and will identify opportunities for improvements over time. ISO 14001 is a well-known example of a process-based environmental management system.

3. ***Performance-based systems:*** establish minimum levels of performance that must be met by all subscribing organizations. Such systems can take a variety of forms, including technical criteria, codes of conduct or best practice guidelines and other performance

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[1] UNEP Technical Report 40: "Voluntary Industry Codes of Conduct for the Environment", 1998.

[2] The remainder of this paper therefore does not review voluntary initiatives such as government challenge initiatives, industry-government environmental agreements or covenants, and community-company agreements.

guidelines. The Forest Stewardship Council and Marine Stewardship Council are examples of voluntary programs with clear performance standards.

4. ***Process-based system with performance elements:*** establish a hybrid system that combines a structured management system approach with specific performance requirements. Performance requirements may be built into the initiative through reference to existing standards/codes, through the development of a new standard/code, or through encouragement or requirement for individual companies to establish performance targets. Responsible Care and the Australian Minerals Code are examples.

Each of these types of voluntary initiatives can either take an issue-by-issue approach (e.g. focusing on a particular environmental concern such as toxic emissions or an ethical concern such as bribery and corruption) or they can address overall management and performance approaches (i.e. which cover environmental, economic, social and governance elements in an integrated manner). The approaches may well be mutually supportive – for example specific technical performance standards for toxic releases could be incorporated as one element in an industry-wide sustainability code of practice.

2.2 Current Voluntary Initiatives in the Mining Sector

The following table summarizes some of the many voluntary initiatives underway or proposed for the mining and metals sectors.

National Initiatives

Issue-Specific VI	Cross-cutting VI	Sponsor	Status
	Australian Minerals Industry Code for Environmental Management **Corporate Environmental Reporting**	Minerals Council of Australia	In place and evolving. As of 2002, adherence to the code is a requirement of association membership
	Environmental Guidelines **Guideline on Public Participation**	South African Chamber of Mines	A series of guidelines formulated over a number of years
Tailings Management Guidelines **Environmental Emissions Reporting**	**Toward Sustainable Mining Initiative – draft Principles**	Mining Association of Canada	In early stages of development 2000 1st year mandatory requirement for members
	Mining Certification Evaluation Project	WWF Australia and Placer Dome Asia Pacific	Pre-feasibility discussion paper; potential international application

International Initiatives

Issue-Specific VI	Cross-cutting VI	Sponsor	Status
International Cyanide Code of Practice		UNEP, certain mining companies and NGOs	Under development
Tailings Guidelines		International Council on Mining and Metals	Early stages of development
International Diamond Certification System		Kimberly Process – governments, companies and NGOs	Under development
Global Multi-stakeholder Initiative on Mining + Biodiversity Conservation		Conservation International	Proposed
	Global Reporting Guidelines for the Mining Sector	Global Reporting Initiative	Under development
Communities and Small Scale Mining initiative (CASM)		World Bank	In progress

3 Learning from voluntary initiatives in the mining and other sectors

3.1 Global Compact

The *Global Compact* is a commitment by a network of organizations from business, labour and the NGO movement to support a global set of principles for corporate social responsibility. It is based on 9 principles of human rights, labour rights and environmental management, drawn directly from international declarations - the Universal Declaration of Human Rights, the ILO's Fundamental Principles on Rights at Work and the Rio Principles on Environment and Development, respectively. It is not a code of conduct but rather a high-level, universal set of principles.

The *Compact* is an initiative of the Secretary General of the United Nations, launched in 1999 and put into operation following a meeting of 50 business leaders and heads of labour organizations and NGOs at the World Economic Forum in 2000. Companies adhere by means of a letter from their CEO expressing commitment to the Compact. Participants expected to incorporate the Principles into their corporate policies and operations, advocate the Principles and activities of the Global Compact, and report annually on "concrete steps" taken to act on the principles. A small UN secretariat supports the *Charter*.

Effectiveness

To date hundreds of companies, 17 international business associations, 17 environment, human rights and development NGOs, and 5 international labour union organizations have signed the Compact. In the first year of reporting, 22 companies have made submissions for posting on the U.N. website outlining concrete steps they have taken to act on any of the 9 principles.

This rapid acceptance demonstrates that there is a demand for such a platform where global companies can demonstrate their commitment to corporate social responsibility. However, it is too early to determine whether the *Compact* will lead to improved performance or merely serve as a platform to publicize actions taken for other reasons. Although the *Compact* has garnered the support of some international NGOs, others remain skeptical as to whether the principles will be translated into action.

Lessons

- **Convening power of the UN**: the UN Secretary General used his position to persuade CEOs to join and to ensure that NGOs and Labour participate on equal terms.

- **Industry-wide action**: although commitment to the principles is made on a company-basis, business associations are essential in mobilizing support for the Charter.

- **Coalition of advocates and practitioners**: a coalition of issue-area advocates are playing mutually supportive roles, with companies committing to act on the principles; and NGOs and Labour providing credibility and public accountability by watching the performance of participating companies.

3.2 ICME/ICMM SD Charter

The ICMM *Sustainable Development Charter* is an international code of conduct for the mining and metals industry. It comprises 32 management principles covering environmental management, product stewardship, community responsibility, ethical business practices and public reporting. Decisions about how to implement the code are left to individual companies. Developed by the International Council on Metals and the Environment (ICME) in 1999, the ICMM has since adopted the *Charter* as the underpinning for its sustainable development mission.

A task force of member companies of ICME prepared the first draft of the *Charter* in 1999. With the assistance of the World Bank, ICME then convened a multi-stakeholder workshop to review the draft. ICME gave participants to the meeting further opportunities to comment on subsequent iterations.

Effectiveness

The *Charter* provides an initial set of principles, accepted by many of the large members of the industry internationally, on which to build corporate policy and practice There is no direct evidence that the *Charter* has had direct impact on company performance, *per se.* There is no requirement for member companies to adhere to it, and it does not provide for verification or for public reporting. However, some leading ICMM member trans-national companies have implemented more detailed policies and management systems that reflect elements of the *Charter*. Nonetheless, only a relatively small portion of the industry, largely comprising the largest international and national companies, has actively supported the *Charter*, and much work remains to be done for it to gain universal understanding and

application. It may represent the basis for the development of a more detailed set of norms and management framework guidelines for the mining and metals sector.

Lessons

- **Role of international association:** An industry-initiated code of conduct can provides a useful initial element for increasing awareness and building commitment across a number of companies in a sector and can gain broad acceptance and support through the efforts of an industry association and its member companies.

- **Communication with stakeholders**: in the absence of efforts to engage stakeholders and inform the public, such an industry code of conduct receives only limited recognition.

- **From code to practice**: international codes can provide a common basis/set of principles to guide corporate behaviour, in general terms, on a range of sustainable development issues. However, they risk being both used by companies and perceived by stakeholders as broad commitments only, and are insufficient on their own to ensure improved industry performance and to verify and demonstrate such improvement to the point of enhancing industry credibility.

3.3   Australian Minerals Industry Code for Environmental Management

The Australian minerals industry launched the Australian Minerals Industry Code for Environmental Management in December 1996 to demonstrate its commitment to continual improvement in environmental management and openness and transparency in its dialogue with the community. The initiative was in part a response by the industry to discussions with and pressures from NGOs for improved regulation of the industry, particularly regarding the overseas operations of Australian mining companies.

The Code provides a principles-based framework to guide minerals companies, wherever they operate, towards effective environmental strategies for each phase of mineral development, from initial exploration to closure and final rehabilitation. It is designed to be flexible enough to be implemented by any size of company within the mining and metals sector, and can be applied to a division that operates at many sites, or to a company as a whole

Companies volunteer to commit to act in accordance with a framework of principles, and can choose to implement the Code in a way that is appropriate to their operations and their environments. To date, these principles primarily relate to environmental management and community relations. No performance standards are specified, but the Code does contain specific requirements, for example for public reporting on environmental performance. Performance standards or targets are set by individual companies. The industry believes that this flexibility in implementation encourages continuous improvement by companies. NGOs have, however, commented that this discretionary aspect of the Code does not ensure improved performance across the industry – some companies may choose to work only to compliance with the law, while others set higher performance standards for themselves.

In line with the concept of continuous improvement, the Code itself underwent a substantial review in 1999 to ensure that it remained relevant to the needs of the community, regulators, and the industy. The review process included extensive stakeholder consultation. In 2002, adherence to the Code became a condition of membership in the industry association, the Minerals Council of Australia. The Code has also been extended to cover international operations of Australian mining companies. NGOs have welcomed this latter point, but have noted that ensuring compliance is difficult in certain countries of operation.

The amended Code emphasises the importance of verification of adherence to the Code by companies, and contains a self-assessment protocol, called an Implementation Survey, to encourage a consistent approach to assessment of progress with implementation of Code principles, and a means to analyse industry-wide trends. An accredited auditor must verify the results of the Code implementation survey at least once every three years. NGOs have supported the need for verification but have noted that the process is essentially one of self-assessment with no independent or 3rd party assessment of compliance with the Code's provisions.

An Australian minerals industry *External Environmental Advisory Group (EEAG)* has also been established as a forum through which the industry can seek independent advice on how its environmental performance is perceived, and invite comment on issues and trends, as they emerge over time, in industry-wide implementation of Code principles.

The Code continues to be refined and strengthened through the pursuit of a number of key initiatives in concert with the External Environmental Advisory Group and key stakeholders. These include:

- Code governance structures and the need to explore options to deal with poor-performers and non-compliance;

- Processes for independent verification of environmental performance and adherence to the Code;

- Processes to help reduce failures, improve performance and reward success

- Ensuring excellence and innovation in environmental performance are recognised and rewarded; and

- Examining the viability of the Code to incorporate other issues of community concern including those related to the social dimension of sustainable development.

Effectiveness

The Code covers approximately 90% of Australian minerals production and is applied at numerous sites both domestically and internationally. The Code also covers the operations of numerous contract miners and contract service providers to the Australian minerals industry.

One of the most tangible outcomes of the Code has been its success in driving public environmental reporting by companies. Over 45 companies now produce public environmental reports in Australia. Underlying this has been the building of an understanding throughout the industry, that open and frank communication about environmental management is a mandatory part of doing business. Reporting by the industry association itself provides industry-wide average performance data, but does not reveal the performance of individual companies, unless their corporate reports provide such information.

Flexibility in the way companies can choose to implement the principles of the Code have encouraged broad uptake across the industry and has encouraged improved environmental behaviour. The Code has motivated companies to look beyond compliance to strive for better results. The effectiveness of the Code is also enhanced because it mobilizes competition among companies to out-do each other. In a paradoxical way, industry working collectively towards a common goal – environmental excellence- exploits the inherently competitive nature of business enterprise.

It is still too early to determine an overall picture of improved industry performance. Further, NGOs believe that the bar has been set too low, particularly with regard to environmental performance requirements which are left to each company to set. But there are promising signs. There have been no major "disasters" since the Code has been widely adopted, and a small number of companies have taken the initiative to set higher standards for performance. The Code has also fostered increased transparency in the industry and by individual companies with their stakeholders and the public.

Lessons

Performance: An industry Code provides no guarantee of improved performance, nor can it in itself prevent environmental accidents from happening. However, peer pressure through competition among firms can encourage improved performance.

Governance: The presence of a clear governance structure for a voluntary Code is necessary for the functioning of monitoring and compliance mechanisms. Such mechanisms, along with efforts to involve stakeholders, in an advisory capacity with an opportunity to report independently, enhance transparency and promote credibility.

Reporting: Transparency in the documentation and reporting of environmental and related social impacts is an important tool in gaining the confidence of local communities and other stakeholders.

Verification: External verification of publicly reported information is of key concern to some stakeholders as this enhances credibility and stakeholder confidence in the reported information. The means of verification are important, with internal or industry-initiated self assessments or audits contributing less to credibility than more independent mechanisms such as 3rd party verification.

Flexibility: Voluntary codes must be able to accommodate the diversity of activity within the industry, the range in company size, and the differing cultural and community circumstances in different countries. By maintaining flexibility and focussing on principles for achieving continuous improvement in performance, voluntary Codes encourage creativity among companies to develop workable solutions to complex problems. However, discretion in determining performance standards and the scope of performance areas to be

covered, limits industry-wide performance improvements, with the leaders raising their own bar and others being afforded the opportunity to lag.

3.4   ISO 14001

ISO 14001 is an internationally recognized environmental management system (EMS) standard developed by the International Organization for Standardization (ISO) in response to the Rio Earth Summit. It is designed to be flexible enough to be implemented by any size of company within any sector, and can be applied to a single site, a division that operates at many sites, or to a company as a whole.

ISO 14001 does not contain performance requirements. It is a tool that helps an organization set, achieve, and continually improve on policies, objectives and targets. Companies adhering to ISO 14001 are certified by independent organizations, who are themselves accredited by national bodies accredited by ISO. There are no specific requirements for involvement of external stakeholders or for public reporting.

ISO standards are developed according to clearly defined procedures. Work on a new standard can be proposed by an ISO member body,[3] or by any other international body with national membership. Once ISO approves the development of a new standard, it allocates responsibility for writing the standard to a technical committee (TC) or subcommittee (SC). Most decision-making in TCs and SCs is based on consensus, but the ISO Directives permit two-thirds majority voting in certain circumstances.

Traditionally, ISO has been a relatively industry-dominated forum. The delegates that participate in TC207 – the technical committee responsible for environmental management standards – include industry representatives, consultants, and representatives of national standards bodies. In theory, any interested civil society organization may participate in the ISO process, either directly in international negotiations, or in the development of national positions through their national standards bodies. In practice, effective participation requires a commitment of significant resources, and there have been relatively few NGOs involved with ISO 14001.

Effectiveness

Approximately 30,000 companies in over 100 countries have received ISO 14001 certification. In addition, it is estimated that as many as 300,000 companies have based their EMS on the standard, without seeking formal certification. Interest in the standard appears to depend in large part on government and customer pressures. And certain sectors – notably the automobile sector in North America – have required suppliers to be certified. Companies in other sectors under serious regulatory scrutiny – such as the chemicals and electronics industries – have also adopted ISO 14001. Some countries, as well as some U.S. states, have begun to experiment with integrating requirements for ISO 14001 into regulatory structures.

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[3] ISO has 138 national standards body members. A list of all ISO members is available at: www.iso.ch

Critics express concern about both the content and process of ISO 14001. NGOs argue that their participation in the development and ongoing updating of the standard has been unduly constrained by the time and financial requirements entailed by the ISO process. They also argue that the standard provides too much flexibility. There are four main points of flexibility. First, a certified organization is free to define the scope of operations whose environmental impacts will be addressed. Second, it is free to determine which of its environmental impacts are significant enough to be addressed. Third, although it must establish procedures for reacting and responding to external interests, it need not actively engage them. Fourth, it is unclear to what extent companies must demonstrate environmental performance improvements – or even compliance – to be certified.

Although it has produced a guide on the application of ISO 14001 to forestry,[4] ISO has not yet produced a sector-specific version of the standard. The development of such a sector-specific standard could be challenging. For example, one of the reasons to develop a sector-specific standard may be the desire to incorporate more detailed guidelines and criteria for performance into the basic management system approach. ISO has never before developed such an integrated standard. Moreover, it may be difficult to include issues in a management system standard that can only be addressed in terms of objective "pass-fail" requirements. For example, although ISO 14001 does address participation and transparency in process terms, it is unlikely that a sector-specific adaptation could include a requirement such as "companies must accommodate concerns expressed by stakeholders".

Lessons

- **Demonstrated business value**: companies need to see business value to justify the cost associated with certification of compliance to a formal standard.

- **Uptake**: an internationally accepted management system standard is capable of achieving a high level of acceptance and broad and rapid uptake across companies and sectors.

- **Supply chain pressure**: provides an effective means for extending the application of voluntary initiatives, particularly when backed up with technical assistance by the customer.

- **Certification**: provides a useful mechanism for recognition (by customers, communities) and differentiation from competitors.

- **Transparency and public accountability**: lack of involvement of external stakeholders, and lack of public reporting requirements, limits credibility with some stakeholders.

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[4] ISO Technical Report 14061 (ISO TR14061) is a guidance document without normative specifications and therefore cannot be used as the basis for certification. Since the ISO TR14061 was published, ISO has developed 3 new categories of normative document that might possibly be used as the basis for a certification system: the Technical Specification; the Publicly Available Specification; and the Industry Technical Agreement.

- **Guidelines and criteria for performance**: a management system standard – even with independent certification – provides no guarantee of improved "on-the-ground" environmental performance.

3.5   World Commission on Dams: Decision-Making Process Guidelines

The World Commission on Dams was established on the basis of a partnership between IUCN – The World Conservation Union and the World Bank to respond to a breakdown in dialogue among stakeholders at the global level, and to start to address serious confrontations at the project level in decisions on the development of large dams. During its two-year mandate, the Commission developed the *International Principles, Criteria and Guidelines for Decision Making* related to large dams. Targeted to governments, investors, dam constructors, affected communities and NGOs, these guidelines are based on a "rights and responsibilities" framework for inclusive and options-based decision making on water resources and energy developments at the national level. Because the Commission was an independent body, the use of the guidelines is voluntary. There is no mechanism for tracking "compliance" or for rewarding participation.

The Commission had a mix of experts and stakeholders, participating in their personal capacities. It included a southern minister of water resources (as Chair), the head of a peoples' organization, the president of the world's largest dams equipment supplier, the head of the professional association of dam builders, a river basin authority CEO, individuals from environmental NGOs, and a southern indigenous peoples' foundation.

A distinguishing feature of the Commission, which contributed to its legitimacy and comprehensiveness, was the stakeholder "Forum." The Forum was composed of over 60 stakeholders from international institutions, bilateral and export credit agencies, national government agencies, environmental and alternative energy NGOs, affected communities, companies in the dam building industry and utilities. Although decisions regarding the report were made by members of the Commission through negotiated consensus, the Forum provided an essential sounding board and a stakeholder authorizing environment for the work of the Commission. Public consultation and access to the Commission was an important component of the process, with a special emphasis placed on the inclusion of views from Indigenous and traditional communities.

Effectiveness

The processes used to establish the Commission and to carry out its work were based on balanced participation of key stakeholder interests including affected communities, environment and development NGOs, different segments of the dam building industry, governments and the international financing sector - both official (national and inter-governmental) and private. This group of stakeholders, involved in different ways during the project, provided a strong initial authorizing environment for establishment of the Commission and an on-going legitimacy to its work over its two and a half year life.

There has been mixed acceptance of the *Guidelines* by the dam building industry, governments and international organizations. Some leading firms and governments (U.K. and Germany) have committed to apply the guidelines, as have some regional development

banks. Others, including a number of major southern governments, have not adopted them because of heavy transaction costs and concerns over maintaining sovereign right to decisions on dam development. There has been mostly strong support for from NGOs and affected communities who believe that the guidelines offer a transparent and inclusive approach to the consideration of social, environmental and economic issues.

The Commission made no provision for establishment of an institutional or administrative body to carry the Guidelines forward into action, a design lacuna that some observers feel has contributed to the mixed uptake to date. The relatively weak role of governments in the Commission's work has been cited by others as another important factor.

Lessons

- **International multi-stakeholder process:** if well structured and participatory, can lead to substantive results and consensus, even in a situation of wide initial disagreement.

- **High-profile, credible sponsoring organizations**: the World Bank/IUCN partnership that facilitated the initiation of the process provided the necessary confidence for divergent interests to participate.

- **Authorizing environment**: the WCD benefited from its Stakeholder Forum, which served as a "sounding board" for the work of the Commission, and also engaged larger networks of stakeholders.

- **Government involvement**: may be essential, either formally or informally, in the development of international standards. Governments are sovereign decision makers on industrial projects, and need to be supportive of the resulting standards in order for companies to use them and stakeholders to have confidence that they will be applied.

- **Rigorous research and analysis:** provided the substantive basis for the multi-stakeholder group to agree on the *Decision-Making Guidelines*.

- **Supporting administrative capacity**: on-going institutional support and administrative structure is essential for the recommendations coming out of a multi-stakeholder process are to be acted upon.

3.6   Forest Stewardship Council

The Forest Stewardship Council (FSC) was founded in 1993 as a response to poor forest management practices and the resulting decline in consumer confidence in forest products. It establishes ten *Principles and Criteria* for ecologically sustainable and socially acceptable forest management, and implements them through an international system of forest certification. The FSC operates at both the global and the national/regional levels.

The FSC is membership based. The FSC General Assembly comprises representatives of member organizations divided into three equal chambers: social and indigenous organizations, environmental organizations, and economic interests in the forest products trade. Within each chamber, there is a Northern and Southern sub-chamber. Voting power is balanced across the three chambers, and is shared equally between the Northern and

Southern sub-chambers. Its elected Board similarly comprises representation from the three chambers, and from Northern and Southern countries. A full-time Secretariat is responsible for day-to-day operations and administration.

The *Principles and Criteria* are intended to be universal in nature and applicable to tropical, temperate and boreal forests. A National Initiatives Program (NIP) and an Accreditation Program represent the principal linkages between local conditions and the global-level norms. The FSC has a presence in over twenty countries, where the NIP aims to foster local involvement and develops national or regional standards based on the global Principles and Criteria. This model is designed to ensure global consistency while allowing for specific standards that account for local issues and circumstances. Through its Accreditation Program, the FSC evaluates, accredits and monitors independent forest product certifiers.

Effectiveness

Uptake has been patchy, with significant application by companies in the UK and other parts of Europe, but a lack of buyer demand outside of Western Europe. Use of the FSC is low in countries under the greatest threat of forest depletion. In North America, uptake has been mixed, with individual companies choosing between FSC and other certification schemes depending on their confidence in the standards set by the local FSC committee. No government has required adoption of the FSC to date.

Incentives for companies to seek certification include: preferential access to specific markets through Buyers' Groups that have committed to stock only FSC-certified products (to date, this has been seen predominantly in Europe); improved demonstration of risk management to investors and insurers; and enhanced reputation.

An evaluation conducted by IIED concluded that "certification has not offered an incentive to significantly improve forest management" but that "there are signs that investment and insurance bodies will favour FSC-certified enterprises, which could improve the incentive effect."

Despite the strong emphasis on stakeholder and north-south balance at the global level, there has been criticism that the FSC is northern-driven in application, without sufficient LDC involvement and uptake.

Lessons

- **Credibility:** the tripartite process for developing and implementing the FSC has given credibility to the global level *Principles and Criteria* and the FSC "brand". The model is resource-intensive, however, and has had mixed success at the local levels.

- **International standard/devolved application**: theoretically ensures more locally-relevant standards for certification, but may be weak on quality control and consistency. Local standard-setting processes may be captured by a particular set of interests. As the experience in North America illustrates, this can deter adoption of the standard.

- **Regular re-certification:** encourages continuous improvement. However, if only the good actors participate, it will do little to improve performance throughout the sector, and consequently may have little impact on improving the industry's performance.

- **Accredited certifiers**: FSC has an elaborate system of accredited certifiers in different regions of the world, approved through a fairly high quality system; nonetheless, inconsistent application of standards by different certifiers has been inevitable. The public availability of summary information from FSC-accredited certifiers enhances credibility.

- **Competing Schemes** – in the absence of collective industry action, companies and stakeholders have developed and implemented competing and possibly inconsistent performance schemes. This has reduced the ability of the sector to provide clear information to consumers on sustainable development performance standards, reducing stakeholder confidence and slowing industry uptake

- **Level of effort to implement** – processes involving tripartite governance are transaction intensive; this pays off in terms of enhanced credibility in developing norms and agreeing a mechanism for assuring adherence, but may limit or deter uptake by companies in applying the norms.

3.7   Marine Stewardship Council

The Marine Stewardship Council (MSC) was initiated in 1997 by Unilever (one of the world's largest buyers of frozen fish) and the World Wild Fund for Nature (WWF) as a response to declining commercial marine fish stocks.[5] The *MSC Principles and Criteria for Sustainable Fisheries* are at the heart of the program. They establish a series of indicators against which a fishery can be assessed to substantiate a claim that the fish used in its products come from a sustainable and well-managed source. They pertain to marine fisheries activities up to but not beyond the point at which the fish are landed. The *Principles and Criteria* were developed for application on a global basis. The MSC has no regional or country-specific guidelines or criteria.

Unlike the FSC, the MSC is not membership based. However, it does involve a tripartite General Assembly and an elected Board of Directors. The MSC Standards Council has the delegated authority from the MSC Board to address the further development of the MSC Principles and Criteria, the certification methodology, performance indicators and certifier approval criteria. The Council comprises equal representation from each of three stakeholder "chambers": environmental, management and regulatory aspects of fisheries; fishing operations and commercial interests of fishing; and educational, social and economic issues associated with fishing. The governance structure is currently under review to increase its openness and improve its independence and efficiency.

The Stakeholder Advisory Board provides the MSC with policy advice on a wide range of issues. MSC national and regional working groups are encouraged, and are a valuable means of promoting regional use of the MSC certification and logo system.

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[5] Worldwide, it was estimated that 60% of commercial marine fish stocks are either fully fished, over-exploited, depleted or recovering at a slow rate (UN FAO, "The State of World Fisheries and Aquaculture, 1996).

The Council accredits independent certifiers to conduct MSC certifications using the *MSC Principles and Criteria*. If a *fishery* is interested in obtaining MSC certification, it must select an accredited certifier and undergo a certification assessment. If all conditions are met, the fishery is awarded a Fisheries Management Certificate, which is valid for five years, subject to a minimum annual monitoring visit by the certifier. *Fish processors and retailers* who wish to display the MSC logo must undergo Chain of Custody certification to confirm their products are sourced from an MSC certified fishery.

Effectiveness

To date, uptake has been slow: only three fisheries worldwide have achieved certification, and another twelve are working toward certification. However, more than fifty processors and retailers have received Chain of Custody certification. No government has yet required MSC certification.

In theory, the incentives for companies to participate include: enhanced reputation by demonstration of sustainable fisheries management; the potential for preferred supplier status among customers who give added value for certified products; and the potential for improved returns if a premium can be charged for certified products. However, based on low numbers, it appears there may be insufficient market demand for certified fish product to act as an adequate incentive on its own.

Lessons

- **Product-based standards:** may well appear attractive to the consumers but require a high level of public awareness and consumer concern to create a clear and strong market demand.

- **Industry-NGO cooperation and partnership:** particularly involving high profile organizations and companies, can be an effective means to initiate and test the feasibility of a voluntary initiative and to start the process of developing industry performance norms.

- **System of accreditation:** independent certification of product adherence to supply performance norms can enhance credibility, but is resource-intensive to apply and may deter participation.

- Credibility among stakeholders: is enhanced by:
    – the scientific basis for the principles and criteria, and
    – involvement of community and broader social considerations.

3.8   Responsible Care ®

The Canadian Chemical Producers Association (CCPA) developed Responsible Care in the mid 1980s. CCPA members recognized that improved performance among all chemical firms was essential to the public acceptability of the industry as a whole. Much of the impetus behind the program derived from the crisis facing the chemical industry in the

1980s as a result of a series of high profile international chemical disasters that seriously eroded public trust and raised the threat of stringent regulation.

Responsible Care® is based on a set of Guiding Principles and six Codes of Practice with 152 individual elements covering: community awareness and emergency response; research and development; manufacturing; transportation; distribution; and hazardous waste management. The codes set broad environmental objectives, but do not specify performance levels. Individual firms establish performance targets according to their own circumstance.

Chemical industry associations in almost 50 countries have now adopted some form of Responsible Care. The Codes of Practice, activities and administration vary across jurisdictions. Typically, national level industry associations establish sector guidelines for their members, using the Responsible Care Codes of Practice as a guideline. A CEO-level Board of Directors, usually part of an industry association, serves as the clearinghouse for information that is reported, and ensures that the principles of Responsible Care are being implemented by all members. In Canada, adherence to the Codes of Practice and acceptance of public reporting procedures are conditions of membership in the CCPA.

The program includes public accountability elements. The Community Awareness and Emergency Response (CAER) code of practice encourages member companies to establish community advisory committees and to report and communicate directly to their local communities through a "community dialogue" process. Responsible Care also encourages association members to report on their accomplishments, including emissions reports.

In Canada the CCPA has sought the input of outside stakeholders from the outset of the program. This input is both formal and informal, and occurs at both the national and local levels. A National Advisory Panel (NAP) has influenced the evolution of the initiative, including playing an active role in the establishment of the Codes of Practice. However, the program is implemented by the association and the companies themselves, and there is no formal requirement that members address NAP recommendations.

Responsible Care has evolved significantly since its inception. New elements of the codes have been added over time, and Canadian members now report on a much wider range of emissions and wastes, including greenhouse gas emissions together with information on transportation and employee health and safety. In Canada, Australia and a small number of other countries, Responsible Care programs now require a form of external compliance audits, conducted by audit teams comprising external industry representatives and experts or stakeholders from the community.

The US Chemical Manufacturers' Association has recently revised its Responsible Care program to require members to commit to one or two "beyond compliance" targets set by the member companies. This represents an interesting evolution in the direction of a system which integrates management and performance standard models.

Effectiveness

Judging by available evidence, Responsible Care has been quite effective. Its main objectives were to improve the chemical industry's environmental performance, to improve its relationship with government and to foster increased public trust. Over the past decade, for example, Canadian companies in the program have improved their environmental and workplace health and safety records, reduced workplace injuries and transportation incidents, and cut total emissions by over 60% (excluding CO_2 emissions). At least in part through the program, the industry appears to have improved its reputation with environmental policy-makers and arguably has forestalled tighter, more prescriptive regulatory controls.

One key aspect of the program has been it's ability to promote continuous improvement through the effective use of peer pressure to foster a dynamic in which member companies do not want to be seen to be "left behind" their peers. This has been bolstered by sharing of information about best practices across the industry; and by the regular provision of input from the stakeholder advisory bodies which have raised expectations about its level of performance.

Some Canadian observers noted that many companies still have difficulty understanding the need for ongoing public dialogue. NGO critics also claim that the hand-picked stakeholder bodies represent an attempt to control public input. More fundamentally, some critics argue that the program should not be administered by the same organization responsible for conducting government relations (lobbying) activities on behalf of the sector. It is argued that this creates a conflict of interest that undermines pressures for continuous improvement, and has led to the use of the program as a shield to prevent constructive dialogue with government and stakeholders about additional public policy interventions.

Lessons

- **Sustained senior management leadership**: the important roles played in the early 80s by the head of the CCPA and the Presidents of some of the sector's largest companies, was essential to the initiation and early adoption of the program in Canada.

- **Collective industry action**: well-organized and cohesive action through a combination of leadership, well-orchestrated peer pressure and technical assistance, is an essential element for industry-wide improvements in performance.

- **Public opinion and reputation**: despite increased transparency, there has been limited improvement in public perception of the industry, but public pressure for more stringent regulation has been reduced.

- **Industry incentives and accountability**: adherence to set of principles and a code of conduct as a condition of membership has helped ensure wide participation.

- **Public accountability**: can be provided through strong external accountability mechanisms, including mandatory community involvement, external review and regular public reporting.

- **Continuous improvement**: is essential to ensure effectiveness as an instrument for assuring sustainable development performance and for maintaining ongoing credibility of a program of this type.

4 Cross-Cutting Lessons

The Voluntary Initiatives assessed in Section 3 vary in many aspects – from the norms they are designed around to the incentives they use to attract companies to apply them to the means for verification used to ensure effectiveness and enhance credibility. Taken together, they illustrate a number of key lessons which can be applied to the identification, design and implementation of new voluntary initiatives, including industry codes of conduct.

4.1 General Lessons

This section draws a number of lessons of a general nature, as well as to relating more specifically to design and to participation and accountability in voluntary initiatives.

- **Each sector needs to develop its own voluntary initiative(s), tailored to its particular needs**. Initiatives in different sectors vary considerably, reflecting stakeholder expectations and the particular business case and challenges faced by the industry, as well as in many cases the country of operation. No existing scheme will be fully transferable to the mining and metals sector. However there are substantial elements within existing initiatives on which to build, adapt and work into a sector-designed voluntary initiative. For example, a number of Australian-based mining companies are applying the Australian Minerals Code to their operations in other countries.**Efforts are needed to avoid the proliferation of competing schemes**. In theory, competing schemes will lead to the development of the best option. In practice, proliferation is a major risk. It can prevent an industry-wide set of norms and program for their implementation being adopted across a sector, may devalue the participation in any of the schemes and may confuse consumers and the public.

- **An iterative approach may be most effective**. It can take 3-5 years to develop, build credibility for, and have significant uptake of a common, voluntary integrated performance improvement program across a sector. It may, however, be possible to build momentum and buy-in through an incremental approach that focuses first on elements already accepted or under development, so long as the program has built-in institutional and process features to ensure its continuous evolution.

- **Significant investment is required** in the design phase and in on-going implementation, including through:
  - CEO leadership;
  - financial contributions; and
  - allocation of appropriate resources, both by the body providing administrative support and oversight; by the participating companies; and by stakeholders committed to the process of development and playing a role in implementation of the initiative.

- **Industry- or multi-stakeholder led?** Industry-led schemes such as those designed and implemented by associations as requirements for their members may be more

effective, at least in the short term, in attracting support and uptake from a substantial segment of an industry. On the other hand, programs conceived, designed and/or implemented by multi-stakeholder groups or with the active involvement of stakeholders will build greater credibility, and in the long run may well be necessary to create the conditions for substantial improvements in terms of industry performance.

- Tradeoffs are inevitable in the approach used to develop and implement a voluntary initiative. For example, trade-offs may be required to balance:
    – *Credibility*, through transparency and continuing stakeholder involvement;
    – *Effectiveness*, which engenders more rapid and broader industry uptake, leading to measurable improvements in performance; and
    – *Efficiency* in time and effort, including through transaction costs for companies and stakeholders, in participating in a voluntary initiative.

4.2 Program Design

Management system and performance-based programs are complementary. Management system standards are insufficient on their own. They have proven to build credibility with companies along the supply chain, but not other stakeholders, and they do not necessarily lead to improved performance. Performance objectives that are integrated into standards through criteria and guidelines, are necessary to ensure performance improvement and enhance credibility. Good examples of integrated management and performance-based initiatives exist at the level of individual companies. And some sectoral programs – such as Responsible Care© in the U.S., the Australian Minerals Code, and the Forest Stewardship Council – are moving in the direction of this integrated model.

- **Life-cycle schemes** involving certification of site performance and tracking of materials through to a product label are feasible, but have had limited impact to date due to insufficient market demand, competing schemes, and the complexity associated with establishing "chain of custody" for certain types of products.

- **It is important to create incentives for participation and for continuous improvement**. These distinct objectives may require different design features, including:
    – **peer pressure** within the industry sector, particularly involving strong leadership from pioneering companies;
    – **internal incentives** provided by the initiative, such as access to mentoring and technical assistance, and making participation a condition of membership in industry associations;
    – **external incentives** provided by government, or insurers, lenders and investors, including rewards for good performers and maintenance of the credible threat of regulation;
    – mechanisms to encourage **consumer demand** for demonstrated improvements in performance underlying the products they buy; and
    – **NGO involvement** in efforts to raise the bar and keep the industry honest by publicity (sanctioning poor performance as well as rewarding good performance) and by policy advocacy.

- **Verification is important and should be tailored to the program**. The rigour of the verification mechanism used to ensure adherence to the established norms and

procedures should reflect the significance of the initiative, and the nature of "rewards" participating companies will expect from government , local communities, investors or other stakeholders. Means of verification can include self-monitoring and internal audit, external verification with stakeholder involvement, or independent 3rd party certification.

- **Adequate funding is crucial.** The development of a voluntary initiative can either be funded by industry directly or by a coalition of sponsors such as foundations, governments and companies. In the implementation phase, the scheme can be funded either from industry "dues", or from a stream of revenues generated through application of processes such as certification and accreditation.

4.3 Participation and Accountability

- **Stakeholder involvement** is essential at different stages and in different ways in the evolution of a voluntary initiative program:
  - *Design of process and norm setting*: the use of multi-stakeholder processes, NGO partnerships and other transparent mechanisms for involving relevant stakeholders is essential for credibility and to help raise the "bar" for expected performance
  - *Implementation*: may involve multi-stakeholder governance bodies, but this may not be essential in all cases. Stakeholders may not have the capacity for active participation on an on-going basis.
  - *On-going role:* there is a need for some on-going involvement of stakeholders. Community, Labour and NGO representatives, and outside experts, can provide useful on-going advice, and can play an important role in periodic external review and reporting on industry performance.

- **Government involvement is a complex issue**. Governments need to be involved if there is any expectation that they will integrate the voluntary initiative into their own policy framework and incentive structures. Government involvement can also help foster public confidence in and acceptance of the initiative.

  An important reason to limit government involvement may be the need to ensure the initiative is not construed as a non-tariff barrier to trade, which could happen if governments are seen to be imposing schemes which set standards that foreign competitors are not be able to meet. Regardless of their level or mode of involvement, it will be important for governments to ensure that they retain their sovereign right to modify or replace rules over time.

- Public reporting and mechanisms for public accountability are essential elements of an industry voluntary initiative. They create an incentive for improved performance, add credibility, and overall enhance the effectiveness of such programs.

5 Considerations and Options for a Voluntary Initiative in the Mining and Metals Sector

5.1 Desired Results

Consideration of a voluntary initiative for the mining and metals sector will no doubt raise different expectations among different stakeholders. It will be important at the outset of any such initiative to articulate the objectives each interest holds. The following possible objectives related to improving the contribution of the mining and metals industry to sustainable development are put forward here as a basis for further discussion.

From the mining and metals industry perspective, desired results for a voluntary initiative might include:

- Improved and more consistent sustainable development performance across the industry, based on agreed norms;

- Enhanced reputation and improved credibility with regulators, the financial community, local communities and NGOs;

- Differentiation of good performers from laggards and free-riders and creating incentives for all companies in the industry to improve performance;

- Reduced risks of unanticipated regulation.

From a community perspective, desired results may include:

- Increased access to the financial benefits of mining operations;

- Improved environmental, safety and social performance;

- Greater assurance of consistent standards;

- Enhanced transparency and public accountability;

- Enhanced involvement in decision-making.

From a government perspective, desired results may include:

- Assurance of good environmental and social performance;

- Clear articulation of standards on a range of issues;

- Assurance of access to economic benefits by local communities;

- Assurance of strong and consistent safety performance;

- Demonstration of enhanced accountability.

From an NGO perspective, desired results may include:

- Recognition and protection of interests of community and aboriginal peoples;

- Protection of environmentally significant resources;

- Improvement in ethical standards of performance by industry and governments.

From **a Labour perspective**, desired results may include:

- assurance of workers rights;

- improved standards of safety and safety for employees

- Enhancement of the well-being of mining and metals employees.

5.2 Elements of an Integrated Performance Management System

The reviews of experience in other sectors in sections 3 and 4, together with the brief outline of the expectations of the relevant stakeholders above, suggests that, ideally, a voluntary initiative, in the form of an industry sustainable development code of practice, would evolve towards the following comprehensive model.

Comprehensive Model for a Sustainable Development Code of Practice in the Mining and Metals Industry

A broadly accepted set of principles and code of conduct for sustainable development and corporate responsibility
+
Performance-based standards/criteria/guidelines
+
Management system standard
+
System of incentives for industry participation and uptake
+
Conformity assurance through internal or external monitoring and audit, independent review or 3rd party certification
+
Mechanisms for public reporting and accountability.

The ICMM Sustainable Development Charter and the Australian Minerals Code provide a good starting point for design of such a voluntary initiative, as does the work which has been done in Australia on the feasibility of a mining sector certification programme. An environmental management system, such as ISO 14001 is also a potentially important early element in the development of any comprehensive voluntary initiative. The models from voluntary schemes in other sectors, such as the Forest Stewardship Council which includes performance-based standards, market-based incentives, and 3rd party site and product certification, provide elements which could well be adapted to a "custom-designed" initiative for the mining and metals sector. Finally, elements of the Responsible Care© program, including mechanisms for public reporting, along with incentives for industry-wide participation and for community involvement, provide another building block for an integrated performance-based, voluntary programme.

Key questions to guide further dialogue on these various elements, or for consideration of a more integrated cross-cutting voluntary initiative to improve the performance of the mining and metals sector, are presented in Annex 2.

5.3 How To Get There

This paper has provided an assessment of various experiences with the design and implementation of voluntary initiatives to change and improve industry behaviour and performance to better support sustainable development objectives. It argues for an overall, integrated approach for setting international and national-level norms on a voluntary basis, for clear incentives for broad participation, and for an effective mechanism for verifying adherence to the resulting program.

This final section presents a set of **options** for next steps. They relate to a number of existing concepts or initiatives which are already underway, and to an emerging understanding among stakeholders inside or otherwise involved in the mining and metals industry that there is a need for concrete action to address a range of sustainable development issues faced by the sector. These various options could be initiated in parallel, and could either evolve into a single, integrated initiative or into mutually reinforcing initiatives addressing various, related issues.

1. **An integrated Mining Industry Sustainable Development Code of Practice (MISD Code)**
    This could be initiated by the industry, for example through ICMM, involving various stakeholders; or be initiated by a small group of different interests including industry, Labour and NGOs. It would build on the experience of existing mining codes and experience in other sectors.

2. Specific codes developed through existing or new processes (possibly to roll in the future into an integrated sustainable development code).
    Candidates from current or proposed initiatives include:

    *   International cyanide process/guidelines;

    *   Decision making criteria and process for tailings disposal; and

    *   A range of national mining codes and initiatives.

3. Feasibility testing of specific schemes as alternatives
These could include, for example:

    *   subscription to the Global Compact and elaboration of sector-specific principles;

    *   mine certification building on the FSC model; and

    *   development of a mining and metals sector version of ISO 14001.

Summary papers on these last two proposals are provided as Annex 3 and Annex 4.

1. An agreement on labour rights and standards
   Such an agreement could be negotiated on a bilateral basis between the ICMM and the ICEM for Labour, as a stand-alone agreement setting out key principles and minimum standards on labour practices, this could be rolled into an integrated program in the future.

2. A series of regional or national initiatives
   Focusing on priority sustainable development concerns of the mining and metals sector at the national or regional level, a multi-stakeholder group with active industry participation could develop a code of conduct and relevant, specific performance standards.

Annex 1-Analytical Framework for Assessment of VI's

Characteristics

- Context – drivers which inform the type(s) of desired result (e.g market forces and opportunities, international or national policy or regulatory initiatives

- Desired Results

- Broad guiding principle – generic or sector-specific

- Process-based management system

- Performance based system

- Process with performance elements

- Scope of coverage (how much of SD is covered)
    - environmental elements
    - social/community elements
    - economic/national/local elements
    - governance elements
    - integrated elements

Design Features

- Norms

- Incentives and compliance approach

- Institutional/administrative arrangements

- Governance (decision-making, oversight, independence, reporting and accountability):
    - industry initiated and led
    - mandatory through a government requirement
    - stakeholder driven
      Governance structures may differ between the programme development stage and the programme implementation stage.

Effectiveness Factors

- Feasibility

- Effectiveness e.g. improved SD performance

- Efficiency (e.g transaction cost)

- Coverage (e.g. industry-wide or company-specific)

- Credibility:
    - public legitimacy
    - acceptability to stakeholders/actors

- Innovation/continuous improvement

- Ability to monitor, measure progress

- Ability to respond to unintended effects

Annex 2-Key Questions for the Initiation and Design of Voluntary Initiatives in the Mining and Metals Sector

Questions of Participation

- Who convenes?

- What form should stakeholder and public involvement take and who should be involved?

- What role should governments play?

- Who pays for the development and implementation of the program?

Design Questions

- Scope of SD coverage:
  - Comprehensive?
  - Based on environmental and/or social, ethical, economic performance?
  - Which specific issues?

- What type of norm is needed:
  - Management system/decision making or other process guideline or standard?
  - Performance standard?
  - Integrated process and performance standard?

- What level(s) are appropriate for development and application of the norms:
  - International standard to set broad principles or more specific minimum standards of performance?
  - Region-or nation-specific guidelines or standards which account for economic, social and ecological differences and set desired levels of performance?
  - Company-specific/ company-set standards or targets which provide sufficient detail to be directly managed against?

- Which segment(s) of the industry are covered:
  - site: mining and mineral extraction and processing?
  - company-wide?
  - metal product?
  - entire industry?
  - a segment of the industry e.g. copper or base metals or precious metals?

- What governance and administrative structures are needed:
  - Who takes decisions in the development of the program?
  - Who takes decisions during its implementation?

- What incentives are needed to gain broad industry participation?

- What mechanisms are needed to assure ongoing adherence to agreed norms and processes?

- What mechanisms are needed to ensure the continuous improvement of the program and of performance within the sector?

- What mechanisms are provided for public accountability and reporting?

Annex 3-Implementing ISO 14001 in the Mining and Metals Sector

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Guidance to improve industry environmental and social performance at the national level may be implemented through regulatory frameworks. A voluntary initiative may provide a complementary way to promote the implementation of the guidance emerges from MMSD on the role of mining companies in sustainable development. In particular, such initiatives it may be quicker to develop and may provide a basis for "beyond minimum standard" progress. It is important to note that, although there are a variety of voluntary programs that can be used, many of these have similar or overlapping roles. One tool within the toolkit of voluntary initiatives, which can often be used for a variety of purposes, is a certification system.

Norms – Management Systems – Certification Procedures

There is an intrinsic link between norms, management systems and certification procedures. In order to appreciate the role of ISO 14001, and of a sector-specific application in particular, it is important to think of these three tools as different components of the same system. Each of these components is useful alone, but is more valuable when linked with the others. The ultimate program would combine all three elements. In this context, a norm is a set of specific principles and guidelines that communicates what is expected of a company or industry in terms of social and/or environmental responsibility. Importantly, this representation of society's expectations must be defined in terms that are easily understood in order to avoid confusion and misinterpretation. This does not mean that norms cannot be flexible, only that the scope for flexibility must be clearly defined. The MMSD report may help outline a useful set of norms for the mining industry.

A management system helps companies to implement policies and achieve objectives. It is a structured approach to decision-making, goal setting, implementation, monitoring and continual improvement. It can also help companies to identify training needs. A management system does not give explicit policy advice or guidance, nor does it directly give companies an idea of what society expects of them. But a management system can help a company to build the internal capacity needed to effectively implement a norm's principles or requirements. ISO 14001 is an internationally recognized EMS standard.

A certification system enables a company to credibly communicate compliance with a comprehensive set of commitments. Communication requires a common language. A certification system cannot succeed unless it is based on an accepted standard with clearly stated requirements. Effective certification systems are based on both a norm that sets out performance-based guidance, and a management system standard that establishes process requirements. Ambiguous requirements add uncertainty and inconsistency to the

information that is being communicated. The greater the inconsistency, the less reliable – and less valuable – the information.

One of the most promising ways to develop an international certification system is through ISO using the ISO 14001 environmental management system (EMS) standard. Following recent developments, it seems likely that ISO may soon permit the development of a sector-specific standard based on ISO 14001 which could integrate the guidance provided by MMSD on the issues of greatest important to the mining and metals sector.

What is ISO 14001?

ISO 14001 is an internationally recognized Environmental Management System (EMS) Standard that was developed by the International Organization for Standardization (ISO) in response to the Rio Earth Summit. It is a tool that helps organizations to increase their awareness of, and control over, their significant environmental impacts. It is a process-based norm that helps companies to achieve environmental performance improvements, but there are no specific performance requirements in ISO 14001. ISO 14001's Plan-Do-Check-Act model is summarized in Box 1. Important requirements include:

- A commitment by top management (in some jurisdictions this has important legal implications);

- Companies must address legal and "other" requirements (for example, an industry norm that sets out social and environmental principles and guidance);

- Interested parties' concerns must be reflected in the development of clear objectives and targets; and

- Certification requires a commitment to continual improvement.

The 14001 EMS approach can be summarized in eight steps:

1. Top management defines and commits to the implementation of an environmental policy and EMS; the environmental policy is made available to the public.

2. A process is established through which all aspects of the organization's activities which have, or can be expected to have, an environmental impact are identified and documented;

3. A process is developed to identify all relevant legal and regulatory requirements, and a commitment is made to comply with them; this also involves a commitment to comply with any guidelines to which the organization voluntarily subscribes (e.g. policies and objectives developed by an industry association; CERES Principles);

4. Environmental objectives and targets are set – quantified wherever practicable – that address each of the following: the overall environmental policy, the environmental impacts, the organization's legal and regulatory requirements, and the concerns of interested parties;

5. A process is established to monitor performance against the objectives, targets and legal requirements, and to channel this information back into the EMS;

6. A workplan is created (within financial constraints) through which all objectives and targets can be achieved; this workplan may consider changes in production processes, product design and services provided, employee training, communication of results, evaluation of performance indicators and documentation of the above;

7. A regular management review is undertaken, which addresses the possible need for changes to policy, objectives and other elements of the environmental management system, in light of EMS audit results, changing circumstances and the commitment to continual improvement; including also, scheduled audits of the entire management system;

8. A commitment is made to the prevention of pollution and to the continual improvement of the EMS.

(Summarized from ISO 14001:1996)

The intention of ISO 14001 is not to tell a company what its environmental policy, objectives or targets should be, but rather to show a company how to achieve the policy, objectives and targets that it sets for itself. ISO 14001 is designed to be flexible enough to be implemented by any size of company within any sector. The standard can be applied to a single site, a division that operates at many sites, or to the company as a whole. This flexibility may be particularly useful in industries where companies may be involved at many different levels of production, and where the associated environmental impacts may be quite different. However, companies that do not implement the standard at the levels that are most relevant to the concerns of stakeholders risk undermining the credibility of their efforts.

Although companies can be independently certified to ISO 14001, it was not developed with the sole intention of leading to certification. Independent certification helps to ensure that a company is getting the maximum benefit from ISO 14001, but obtaining process efficiency gains from an EMS does not rely on certification. Companies can self-declare to ISO 14001 if they choose, but large companies generally do not do so unless the main target for communicating compliance is internal.

What ISO 14001 is not

Most concerned stakeholders agree that an effective EMS is not enough on its own to credibly demonstrate a commitment to environmental responsibility. Apart from general commitments to continual improvement, the prevention of pollution and to comply with applicable legislation and regulations, there are no specific performance requirements included in ISO 14001.[6] ISO 14001 is not a norm for corporate environmental or social responsibility. It is a management tool. It does not provide guidance on appropriate environmental policies or objectives. It is a tool that helps an organization set, achieve, and continually improve on the objectives that it has set for itself. In offers no guidance on what its objectives should be.

Importantly, ISO 14001 certification cannot be used as an ecolabel or to substantiate product-related declarations. ISO has strict control over its logo and does not permit its use on product labels. In addition, ISO 14001 is a process norm that does not communicate any specific performance- or product-based information – and therefore is not appropriate for use as an ecolabel. Certification to ISO 14001 indicates that a company has a process in place through which it effectively manages its environmental impacts according to its self-defined environmental policies, objectives and targets. An environmental management system audit cannot alone ensure that there is a consistency between the environmental impacts of all certified companies in an industry.

Many critics have claimed that companies have too much flexibility when implementing ISO 14001. This flexibility cannot be avoided in an international, generic standard. A sector-specific EMS does not have to be as flexible. There are four main points of flexibility in the existing ISO 14001 standard:

1. The company is free to define in any way the scope of its operations whose environmental impacts it will consider. This has led to absurd situations where companies have implemented and been independently certified to ISO 14001 for their cafeteria services, but not for the office or site as a whole.

2. The company is free to determine which of its environmental impacts are significant enough to merit concern. Only significant environmental impacts need be addressed within the ISO 14001 EMS.

3. Although companies must establish procedures for reacting and responding to external interests (e.g. communities or civil society groups), it does not need to actively engage

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[6] Most interpretations of ISO 14001 suggest that certification does not require absolute compliance with laws, regulations and other requirements to which the organization subscribes.

them. Without engaging civil society, companies – especially in some sectors – are unlikely to define adequate environmental policies, objectives and targets.

4. It is unclear to what extent companies must demonstrate a pattern of environmental performance improvements in order to be certified. In fact, some experts suggest that a company that breaks the law can maintain certification as long as its activities become progressively "less illegal".

The ISO Standard-setting process

ISO standards are developed according to the procedures defined in the ISO/IEC Directives. Work on a new standard can be proposed by an ISO member body[7], or by any other international body with national membership. In order to be accepted, at least 5 national member bodies must be willing to actively participate, and 2/3 of voting members must approve. Management system standards must also be justified according to ISO Guide 72, "*Guidelines for the justification and development of management system standards*".

Once approved, the ISO Technical Management Board (TMB) allocates responsibility for the standard writing to a technical committee (TC) or subcommittee (SC). Most decision-making in TCs and SCs is based on consensus, but the ISO Directives permit 2/3 majority voting in certain circumstances. Most ISO standards take between 18 and 36 months to develop, involving between three and nine international meetings, as many national meetings (to define national positions), and a significant amount of information exchanged via the internet.

Traditionally, ISO has been a relatively industry-dominated forum with some links to government agencies. The delegates that participate in TC207 – the technical committee responsible for environmental management standards – are evenly split between industry representatives, consultants, and representatives of national standards body. In theory, any interested civil society organization (CSO) may participate in the ISO process. International or regional CSOs may participate directly in international negotiations; national CSOs may participate in the development of national positions through their national standards bodies. In practice, active and effective participation requires a commitment of significant financial and human resources and so there have been relatively few CSOs involved with ISO.

The effectiveness of ISO 14001

Most environmental managers in large companies agree that achieving compliance with the complex web of legal and other requirements is impossible without an effective EMS in place. The ISO 14001 EMS process-norm is internationally recognized as being effective. It is estimated that the efficiency gains brought about by ISO 14001 can help pay back the costs of implementation and certification within 3 years, and in some cases as few as 1 year. Some countries, such as the USA, are also considering integrating ISO 14001 into their regulatory structures.

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[7] ISO has 138 national standards body members. A list of all ISO members is available at: www.iso.ch

ISO 14001 is being used in over 40 countries around the world. Certifications are highest in Europe and Asia, with Japan and Germany leading the way. Approximately 30,000 companies have been certified to ISO 14001 worldwide, and it is estimated that as many as ten times that have based their EMS on ISO 14001. Supplier requirements have made ISO 14001 certification a key to market access in the automobile industry, and a large proportion of companies in the chemical industry has also adopted ISO 14001.

Sector-specific ISO 14001 standards

The ISO Central Secretariat in Geneva has explicitly called on ISO to develop products that better respond to the demands of industry sectors. This commitment goes so far as to lead ISO to revise the ISO Directives in order to include a new category of liaison organization, Liaison "D", for industry groups that seek to work on industry-specific standards. ISO has also created three new categories of ISO document, publicly available specifications, technical specifications, and industry technical agreements in order to better serve industry needs. These documents are normative, which is to say they can include requirements rather than just guidance, but it is unclear whether they can be used as a basis for certification.

History has so far suggested that TC207 and TC176[8] take harmonized approaches to the development of management system standards. TC176 has already published sector applications of ISO 9000. The first such application – the QS9000 standard for the automobile industry – was issued as technical specification document, a category of ISO document that qualifies to become a formal standard after a six-year implementation and review period.

TC207 has recently started to develop a policy on sector applications of any of the ISO 14000 series of standards[9]. This process was developed in response to two acknowledgements. First, it was acknowledged that there is clear market need for some sector-specific environmental management standards. If these are not developed within ISO, they will be developed elsewhere. Second, it was acknowledged that a decision on sector-specific issues must be based on adequate information, taking into account the views of industry groups and other parties. It is very unlikely that work on a sector-based ISO 14001 standard will be permitted prior to the completion of the ongoing revision of ISO 14001 – due to be completed in 2003.

This would give the mining industry and all relevant stakeholders sufficient breathing room to consider rationally what is needed, whether ISO can actually fulfill everyone's expectations, and how best to move ahead. An effective certification system is an important enough tool that it should not be rushed into.

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[8] ISO TC176 is in charge of quality management systems and developed the popular ISO 9000 standard.

[9] This discussion was initiated, largely, following the French delegation's interest in proposing a sector-specific ecolabel for the construction industry. The discussions were also informed by consideration of the World Commission on Dams (WCD) recommendation that ISO consider developing a sector-specific document that incorporates the relevant parts of the WCD Report, "*Dams and Development: a new framework for decision-making*".

The application of ISO 14001 to the Mining and Metals (M+M) Sector

The generic ISO 14001 standard will help a company to implement the guidance and options emerging for improved sustainable development performance in the mining and metals sector. A company or the industry could elaborate performance-based norms for social and environmental responsibility, and easily integrate these into their ISO 14001 program. Indeed, if designed as a comprehensive unit, such a norm could be adopted in its entirety, as one of the company's "additional requirements", and ISO 14001 could help a company to implement a set of performance standards or targets.[10] It is also important to provide incentives for companies to adopt performance norms. This can be done if the performance norms established for the mining and metals sector are integrated with ISO 14001 so that certification sends a clear, consistent, comprehensive and credible message to all interested parties.

The existing ISO 14001 standard is more flexible than is needed for the mining and minerals industry to make improvements in performance. The integration of sector-specific norms into ISO 14001 can help to address the flexibilities in the ISO 14001 standard by ensuring that:

- Sector-specific performance norms are addressed when defining the scope of the company's EMS;

- Analysis of key issues facing the mining and metals sector can be considered when determining the significance of environmental impacts, and when setting objectives and targets;

- Companies engage more proactively with external stakeholder; and

- Companies that are certified show a pattern of key environmental and social performance improvements.

It should also be noted that the role of the certification agency is not just to apply or deny a stamp of approval. Companies can learn where their weaknesses exist from the certification procedure. If an integrated ISO 14001- Mining and Metals norm and certification system is to be as useful to companies as possible, certification agencies must have competency in sector-related issues. This will also increase the credibility of the certification.

What might an integrated ISO 14001- M+M standard look like?

Although it has produced sector-specific guide on the application of ISO 14001 to forestry[11], ISO has not yet produced an integrated application of ISO 14001 for a specific sector.

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[10] The "other requirements" clause in ISO 14001 implicitly requires companies that might voluntarily subscribe to a future MMSD norm to address it as "other requirements" and to integrate its specific guidance. However, ISO 14001 does not require companies to monitor and evaluate their progress in achieving these goals.

[11] ISO Technical Report 14061 (ISO TR14061) is a guidance document without normative specifications and therefore cannot be used as the basis for certification. At the time of its publication, ISO did not have a wide category of documents. Since the ISO TR14061 was published, ISO has developed 3 new categories of normative document that might possibly be used as the basis for a

Because of this, and because the mining and metals sector has not established clear performance norms (except in some cases at the company level), it is difficult to anticipate exactly what and ISO 14001-M+M standard might look like. However, three things can be said:

First, there are certain natural limitations on the kinds of elements that can be included in a norm. Norms must be clearly stated in terms that can be audited in a consistent manner. This favors objective requirements over subjective ones. Also, "pass-fail" requirements that predetermine a company's responsibilities – such as "companies must accommodate all concerns expressed by stakeholders" – could not easily be integrated into any international process norm.

Second, the mining and metals-based performance norm would have to be developed using the same structure, terms and definitions used in ISO 14001. It is unclear whether this performance norm could add requirements to the existing ISO 14001 standard, or just guide companies on the implementation of the existing requirements.

Third, companies might not be permitted to use an ISO 14001-M+M certificate for product-related declarations without changes in ISO policy. ISO has strict control over its logo and does not permit its use on product labels. In addition, ISO 14001 is a process norm that does not communicate any specific performance- or product-based information – and therefore may not be appropriate for use as an ecolabel.

Because the addition of sector-specific guidance will establish a performance-based component to certification, it is possible that this policy might be reconsidered. This would almost certainly require the development of a non-ISO label, suggesting that a mining and metals sector body (industry led or multi-stakeholder) would have to develop it and continue to exist in order to manage it. If no label can be developed, then it might be necessary to develop specific performance-norms based on the needs of the mining and metals sector for each party along the supply chain. It is also uncertain whether consumers – who are the prime target of product labels – would be the most effective lever for change in all sectors of the mining and metals industry.[12]

Finally, ISO 14001 is an environmental management system and, as such, it does not explicitly address social issues. However, it should be noted that many of the social factors that are relevant to the mining and metals sector will need to be addressed through processes of involvement and decision making, possibly in the form of "process-based" guidelines. Any management system is, fundamentally, a process framework for decision-making. As a result, many social issues, such as participatory decision-making, transparency, and sharing of benefits can be accommodated by close attention to the design of the management system itself. Therefore, although ISO 14001 itself does not focus on social responsibility, it would

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certification system: the Technical Specification; the Publicly Available Specification; and the Industry Technical Agreement. At this stage it is unclear whether all, or some, of these can be used for certification.

[12] A product label would certainly be influential for gemstones, such as diamonds, but it is unclear whether a label on an aluminum beverage might influence purchasing decisions in the same way.

be worth considering how social process issues could be integrated into the management system approach prior. The overlap may be significant.[13]

Conclusion

Without an effective way of achieving and communicating compliance with the clear norms for environmental and social performance, companies will have difficulty in establishing their contribution to sustainable development and more importantly improving their performance. Civil society organizations will not accept self-declarations; the financial community will not take the time to inspect individual sites itself; government agencies will not have the confidence to use voluntary initiatives instead of regulatory frameworks. Meaningful performance norms will need to be developed; these performance norms will have to be tied to an effective management system framework, or process norm; and these components will have to be integrated into a single tool to ensure that all interested parties can be sent a clear, comprehensive, consistent and credible signal that they are doing the right thing.

It is possible that this can be done effectively through ISO. ISO 14001 is the world's most broadly used environmental management system framework. The Forest Stewardship Council, Marine Stewardship Council, GreenGlobe tourism certification system and others base themselves on ISO 14001. So too could any mining and metals-based certification system. However, because of the growing importance of developing country involvement in the development of these tools – and because of the status of ISO standards in the international trade regime – it is advisable that first efforts to develop an integrated, ISO 14001-based standard for the mining and metals sector be directed at ISO and TC207.

If properly developed, an application of ISO 14001 could effectively address all three of the required elements:

- A sector –wide process would provide the performance norms;

- ISO 14001 would provide the robust management system framework, or process norm; and

- Status as an ISO standard would provide a single, integrated tool that would assist companies in implementing sector-specific guidance, and against which firms could be certified in a credible, comprehensive, consistent and clear fashion.

Any integrated norm or certification system will have to respond the expectations and needs of the stakeholders involved in the mining and metals industry. To do this, all parties will have to be involved in the development process. This should not be limited to the industry and NGOs, but should include banks, insurance companies, and all companies along the mineral supply chain. This process must also actively involve developing countries if it is to generate a responsible and widely accepted program. This is the unmistakable advantage of ISO: it can provide an institutional framework open to all parties.

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[13] A comparison of the social guidelines included in The World Commission on Dams final report, "Dams and Development: a new framework for decision-making", with the management system elements of ISO 14001 suggests that there is a significant overlap between the two. However, although many of the general issues overlap, the treatment that they are given in ISO 14001 are insufficient for the purposes of the WCD (e.g. public involvement in decision-making).

Annex 4-Mining Certification Evaluation Project: Independent Certification of Environmental and Social Performance in the Mining Sector

A Policy Research and Development Project of WWF-Australia and Placer Dome Asia Pacific

Paper prepared by Michael Rae, Program Leader, Resource Conservation, WWF-Australia for the MMSD Workshop, "*Possible Structures for Progress Toward Sustainable Development*", 7th May, 2001, Johannesburg, South Africa.

This joint WWF-Australia and Placer Dome Asia Pacific project aims to evaluate whether independent third party certification can be applied to the mining sector. The project will examine how certification could be developed for the mining industry, and will seek to develop measurable and auditable on-ground performance standards for a mine site that are acceptable to the project participants and stakeholders.

Mineral exploration and development can have a significant impact on the environment and local communities, in some circumstances extending well beyond the mine site. Poor environmental performance, and consequent social impacts, in some companies have affected the reputation of the whole industry to the extent that the principal public concern about mining is its impact on the environment. This is consistent with public attitudes about other major natural resource sectors such as forestry and commercial fishing.

Traditionally the community has relied on governments to set the benchmark for acceptable environmental and social performance through establishing and revising regulations governing the mining industry. This, however, assumes that regulations keep pace with community expectations. It also does not take into account those circumstances where governments can have conflicting roles as both watchdog and project partner.

The mining industry has responded to public concerns by introducing a range of voluntary initiatives to manage better the environmental and social issues arising from their operations and to communicate these to the public. These include developing industry codes of conduct, implementing environmental management systems, setting performance targets and producing environmental reports.

Whilst individual companies and mine sites have made significant advances in environmental and social performance, these advances have largely gone unrecognised and unrewarded by the market and the public because of the absence of a credible mechanism that can differentiate companies on the basis of their environmental and social performance.

Industry worldwide is recognising that a high standard of environmental and social performance can benefit the bottom line. For mining companies, the critical issue for long-term prosperity is access to the resource base. Those companies that can demonstrate a high standard of environmental and social performance will be well placed in securing access to

resource as communities and regulators seek assurances that potential mine operators are not going to have deleterious environmental or social impacts. It will also help companies to better manage risk, community relations and enhance their reputation.

Financial markets are starting to factor on-ground performance into their assessment of companies, in recognition that those companies that have addressed environmental and social issues are likely to have reduced the company's exposure to risk as well as enhancing their goodwill.

Despite on-ground performance influencing public and consumer opinion of mining companies, there is currently no mechanism for mining companies to have their product differentiated in the market place on the basis of on-ground performance. This has been overcome in other commodity-based sectors such as forestry and marine fisheries, where a combination of independent certification and labelling enables environmentally sensitive markets to identify produce that has come from well managed sources, i.e. Forest Stewardship Council and Marine Stewardship Council.

Mining company customers are starting to evidence concern as to the provenance of mined products, i.e. are the materials sourced in an environmentally and socially responsible way?

Recent examples include:

- the controversy over "conflict diamonds"

- the letter from the jewellers, Tiffany and Co, to the Gold Institute seeking guidance on the gold industry's attitude to similar concerns over "conflict diamonds" attaching to gold

- DuPont's recent visit to Australia to discuss the provenance of ilmenite production in the Murray Darling Basin

Independent, third party certification ("certification") of environmental and social performance ("on-ground performance") is proposed as a mechanism to enable mining companies to operate to an agreed level of on-ground performance and to be able credibly to demonstrate this to their stakeholders.

Certification has successfully been applied to two other major natural resource sectors, forestry and marine fisheries. The key features of certification that contribute to its success and adoption include:

- the standard developed is a benchmark for on-ground performance;

- the standard is developed by a diverse group of stakeholders;

- the certification is undertaken by an accredited independent certification organisation;

- a "chain of custody audit" tracks the product from source to retail outlet, and;

- an on-product label that enables market differentiation.

Of particular importance to the mining industry is that certification in forestry and marine fisheries has demonstrated that it can be applied to commodity-based sectors, enabling market differentiation on the basis of on-ground performance.

There is a strong case for the mining sector and its stakeholders in Australia to take a leading role in evaluating the applicability of independent certification to the mining industry. Many multinational mining companies are either based or operating in Australia. Many Australian-based companies have acknowledged that environmental and social issues are of strategic importance to their long-term success. Some companies have already developed environmental policies that are clearly beyond their regulatory obligations, in recognition that improving on-ground performance is necessary to restore their reputation. For example, in 2000 both BHP and WMC announced new policy commitments that they will not develop mineral deposits that rely on riverine tailings disposal.

WWF-Australia and Placer Dome Asia Pacific (PDAP) have formed a partnership to undertake a project to evaluate whether independent certification of on-ground performance can be applied to the mining sector. The project partners will seek support and participation in the project from other mining companies and stakeholders.

WWF-Australia and PDAP believe that by having this project's research directed by a working group comprised of representatives from a range of companies and NGOs, the project is more likely to address the range of issues inherent in the subject. However, WWF-Australia and PDAP readily acknowledge that acceptance and application will only come from a subsequent, much broader and inclusive national and international dialogue.

It is WWF's and PDAP's hope that, should this initial evaluation project succeed in developing a model with broad support from its working group participants, the project's scope will be broadened to include a wider debate with other members of the Australian and international community with the aim of increasing the "buy in" to the consensus.

If successful, the broader international consensus could lead to the development of a global system for independent certification of on-ground performance, allowing mining companies credibly to demonstrate their competence, thereby attaining the competitive advantage available to those able to prove their commitment to sustainable development.

Justification

To WWF's knowledge this project will be the first major attempt to address the issue of certifying on-ground performance in the mining sector. The project will:

- allow for a structured and focussed debate amongst key stakeholders on the issue of environmental and social reporting and certification;

- result in a series of reports, detailing stakeholder views on the issues, identifying points of agreement and conflict, and any options identified for a certification system;

- clearly identify whether a system with broad industry and NGO support for the independent certification of the on-ground performance of individual companies in the mining sector is feasible;

- conduct a field trial of the preferred option, should it be realised, and;

- provide an outline for further work.

It is important to note that should consensus on a certification system prove elusive, the project will document the reasons. The project documentation will serve as a permanent reference that will enable participants and other interested parties to learn from the process and so better inform their future actions.

Project description

The project will carry out the following major activities over a 15-month period:

- Seek interest from the mining industry and stakeholders in the project and form a project Working Group, that is likely to comprise representatives from the mining industry, environmental and social NGOs, institutions and certifiers;

- Compile and document stakeholder views on independent third party certification of on-ground performance and the mining industry;

- Document options for a certification system and report on whether there is a preferred option;

- Undertake an evaluation in a field trial of the preferred option. This stage will require a company or companies to volunteer a mining facility to be the subject of the field trial. The site owner will be responsible for the costs of contracting an auditor to assess the performance at the facility against the draft performance standards and associated on-site and management costs, and;

- Prepare and publish a report containing recommendations for further action.

The project will be carried out in three consecutive stages, with each subsequent stage dependent on the successful completion of the previous stage. This project design allows for participants to consider their on-going support for the project against specific performance results and to assess the value of moving on to subsequent stages.

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