NEWMONT GHANA GOLD LIMITED (NGGL)  
- FV TOOL Case Study

**Overview**
Newmont is one of the largest gold producers in the world and has operations in the US, Ghana, Peru, Australia, Indonesia, and Mexico. Newmont Ghana wanted to better evaluate resource prioritization, and align their community investments with their business objectives, specifically environmental and social risk management. Their hunch was that more strategic and rigorous local investing would yield more positive impact for the communities and subsequently a more stable, less costly operating environment for the company. They were also interested in determining and communicating the financial value of their community investments in financial terms and critically evaluating their community investment portfolio.

NGGL applied the Financial Valuation Tool (FV Tool) at the Ahafo mine, a brownfield gold mine. They used the FV Tool to evaluate the potential value add of their sustainability investments that go above and beyond national regulation and project financier requirements. The FV Tool process revealed a number of new ways to look at the drivers for value creation and value protection potential of community investment.

**About NGGL and Corporate Social Responsibility**
Newmont’s Ahafo Mine is located in the Asutifi District of the Brong-Ahafo region of Ghana, approximately 300 km northwest of the capital city of Accra. The mine began operation in January 2006 with first gold poured in July. Ten major communities are located within the “mine influence” area. The region’s economic activity is predominately subsistence farming, with Newmont as the only corporate entity.

NGGL is committed to implementing a socially responsible business model and to contributing to the improvement of the economic situation of local communities through this Project and beyond. NGGL has also committed to ensuring that impacted people will, over time, be better off as a result of the Project. There are several components to this strategy including:

1. supporting, through a community development foundation, the rehabilitation and upgrading of existing potable water and sanitation infrastructure in communities within the Project’s operational area;

2. upgrading of an existing vocational training center and establishment of a supplier development program (Ahafo Linkages Program) to build the
capacity of local small and medium enterprises ("SME") in 2-3 key sectors that are important to the mining industry, such as engineering, construction, and general services (laundry, cleaning, catering), so that they are better positioned to participate in the supply chain of NGGL.

3. implementation of anti-malaria programs;

4. improvements to local health initiatives (i.e. HIV/AIDS awareness and prevention program) and clinical facilities in collaboration with other development stakeholders;

5. establishment of a Livelihood Enhancement and Empowerment Program (LEEP) which provided vocational and technical skills training to impacted households who were resettled in activities such as tailoring, masonry, carpentry, and food processing as part of Newmont’s retrenchment plan;

6. establishment of Community Development Foundation (Newmont Ahafo Development Foundation – NADeF); and

7. commitment to work with farmers to improve productivity has resulted in training nearly 700 farmers in such areas as reduction of post-harvest losses, improved vegetable production, soil fertility improvement, beekeeping, improved cassava processing, and improved techniques in small livestock management.

During development of the Ahafo Mine, affected communities were able to be successfully resettled and relocated from the operations area. Residents were financially compensated for lost assets, crops and structures, as well as provided with new homes, schools and titles to land they previously were not allowed to own. A highly successful Agricultural Improvement and Land Access Program (AILAP) was also introduced to assist compensated farmers directly affected by mine development to restart farming. Newmont Ghana supported farmers with incentives such as farming inputs and incentivizing access to alternative land. More than 95% of farmers who lost their lands are again farming using improved planting and harvesting methods that result in the production of higher yields.

The Newmont Ahafo Development Foundation (NADeF), a sustainable community development Foundation, was established in May 2008 between Newmont Ghana Gold Limited and the Ahafo Social Responsibility Forum. Through annual contributions from Newmont, NADeF supports community development programs in the area of the Ahafo Mines’ operations.
**Key FV Tool Findings**

1. Land acquisition was confirmed to be a significant value driver even before running the FV model. Evidence is the six month fast forward of the Amoma mining area considered to be 50% driven by Newmont’s reputation as a fair negotiator and the learning from previous interactions with the community/land owners. Newmont dedicated stakeholder engagement/community specialists to the engineering team negotiating land access and compensation rates. All this led to lower expenses for land compensation. As a result of effective efforts of the community relations team to be a good neighbor, fair and honest negotiators, and deliver on commitments, NGGL saved time and money in its land access for Amoma Savings have been generated from reduced spend on total land compensation and reduced owners cost associated with managing the process and saving four months of schedule ($300-350K). These savings were revealed through the FV tool and implementation process. The benefits were not clearly valued or quantified prior to this exercise;

2. Strategic committees established with the community and proactive stakeholder management by the Community Relations team has strengthened Newmont’s relationship with local communities and created a safer operating environment. Grievances have markedly decreased over the past few years leading to savings in headcount costs and time spent to resolve potential conflicts and minimize escalation of conflicts which may require security intervention. As a result, Newmont spends $1.6 m/yr less than other mining companies in Ghana on security.

3. Benefits to Newmont Ghana from using the FV Tool:
   - Contributed to address the ongoing debate about the “true value” of community investment to the business
   - Assisted in measuring effectiveness of community investments
   - Quantified effective community investment delivery
   - Communicated in concrete terms the business case for community investment
   - Assisted in overcoming "silo" approach in multi-disciplinary discussions
   - Enhanced sense of synergy in project design
   - Introduced concepts of direct and indirect value related to CSR at operational level
   - Established the logic for identifying “indirect benefit (financial value of risks mitigated)”

4. The scope of the FV Tool pilot included a combination of current mitigation and benefit (value add) programs at Ahafo South operations as well as a community relations risk register to identify risks to model for value creation.
### Next Steps

- Integrate FVT into site level management tools/processes to fully evaluate utility
- Planned integration in business planning process
- Utilize the FVT process at Ahafo for the 2012 business plan development to evaluate in ‘real time’
- Evaluate outcomes for global Newmont application
- Establish key performance indicators KPIs for each community investment to track over time.

### Newmont champions of the FV work include:

Walter Richards, Regional VP Finance, Newmont Ghana Gold Limited  
Kojo Bedu-Addo, External Relations Manager, Newmont Ghana Gold Limited  
Arvind Mehta, Controller, Newmont Ghana Gold Limited  
Nick Cotts, Group Executive, Environment and Social Responsibility, Newmont Mining Corporation