

Partnering for shared value

A case study of OZ Minerals' Carrapateena Native Title Agreement-making process

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The December 2016 AusIMM Bulletin featured the story of the agreement-making process at the new Carrapateena mine in South Australia being developed by OZ Minerals. The article, 'Local Level Agreement Making: Partnering beyond stakeholders, from across the table to around the table', set out the process undertaken by OZ Minerals and the Kokatha Aboriginal Corporation to build a relationship based on trust and accountable social performance.

This latest case study provides an update on the progress and collective learnings since signing the Partnering Agreement (Nganampa palyanku kanyintjaku – 'Keeping the future good for all of us') in 2016, which was followed by a Native Title Mining Agreement in September 2017.

Context: social performance in the extractives sector

Mining is a transformative activity that has numerous economic, social and environmental impacts (Lodhia, 2018). Increasingly, community concerns strongly influence the way the minerals industry operates, how governments regulate it, and the way broader development responsibilities are met (Moffet et al,

2018). This was highlighted in the recent EY report 'Top 10 business risks facing mining and metals 2019-2020' with 'Social licence to operate' rated as the number one risk to businesses. Communities all over the world are demanding more involvement in the decision-making process for resources projects. These communities want to ensure that the resources companies involved are appropriately regulated and the projects deliver positive and sustainable outcomes.

Local Level Agreements and Native Title in Australia

A key prerequisite to resource development is socially acceptable and stable Local Level Agreements (LLA) with land-connected people (Harvey, 2018). The development of LLA such as Native Title Mining Agreements (South Australia) for project developments are essential, context-specific and complex. How LLAs are developed, applied and managed can be a foundation of the relationships between mine operators, host communities and regulators throughout the life of an asset and beyond.

In Australia, the 1992 High Court decision in *Mabo and Others v Queensland (No 2)* ('Mabo') informed the

development of the Native Title Act 1993. Since this time, Aboriginal and Torres Strait Islander peoples have worked through the native title process to achieve standing and recognition of rights in land, and in doing so the 'right to negotiate' with project proponents. While there is no 'standard template', it is understood that any process of agreement-making with Aboriginal and Torres Strait Islander groups that seeks to understand and integrate their values and collective knowledge into project development through fair procedures helps foster trust. Evolving trust can then create an opportunity for project proponents and host communities to develop and gain shared value from assets – particularly if they are clustered – which iteratively increases understanding and social acceptance.

The Carrapateena mine agreement-making process – where are we now?

Fast facts – timeline

- a Partnering Agreement between the Kokatha Aboriginal Corporation (KAC) and OZ Minerals was signed in late 2016
- the Carrapateena Native Title Mining Agreement (NTMA) was completed within 12 months of this date
- the NTMA was signed following a community meeting overseen by the South Australian Native Title Services on 30 September 2017, providing consent for the Carrapateena project decline development to commence
- the project received one public comment during all primary and secondary approvals in this period
- the project commenced main construction in April 2018 with first production scheduled for Q4 2019
- as of March 2019, total decline development reached over 12 300 metres and a vertical depth of 575 metres
- construction is on track for commissioning in Q4 2019.

Commensurate engagement and mutual participation initiatives include:

- the Partnering Management Committee (PMC) meets quarterly and sends newsletter updates to all Kokatha community members on process and progress.
- OZ Minerals and KAC have continued to work together through the Partnering Agreement to seek greater shared value in the development and operations of the Carrapateena project, and more broadly in the upper Spencer Gulf region

- the project currently employs 37 permanent Kokatha People who will be undertaking training and development throughout the asset life
- multiple Kokatha businesses have been commissioned – Kokatha Mining Services, Complete Kokatha JV, Kokatha Heritage Services
- how we work together on the Carrapateena project is informing other OZ Minerals projects and activities in the region.

Key learnings from the agreement-making process

Social performance and stakeholder value integration is crucial

Traditionally, risk processes assess stakeholders (shareholders, government, communities, suppliers and employees) only in terms of perceived threats. This orientation has, in turn, often been reciprocated by communities and land-connected peoples informing positional bargaining that leads to dispute and mistrust. By working through a shared value orientation and formal agreement-making, KAC and OZ Minerals have demonstrated that working together leads to tangible positive outcomes for all parties.

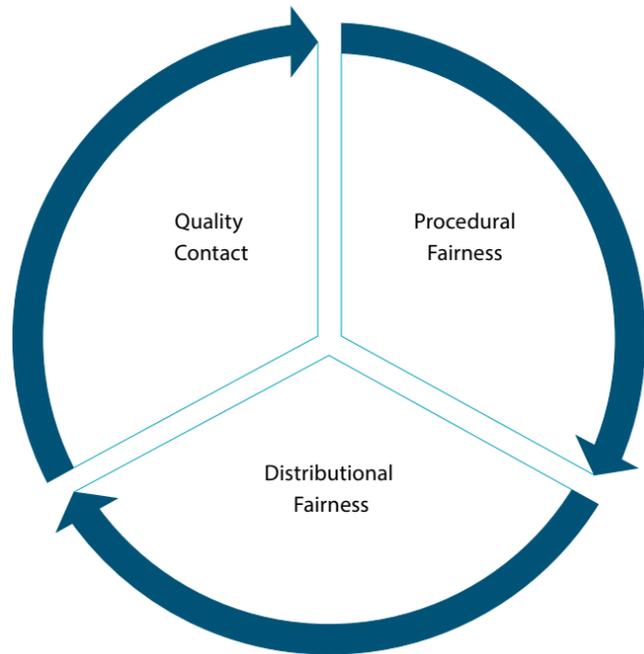
At Carrapateena, a critical determinant of success was how the KAC could provide input into project development. Early and structured engagement allowed KAC and OZ Minerals to discuss and address matters before they reached a critical point of dispute. Agreement-making started before the Feasibility Study was completed and was concurrent with much of the cultural heritage/land access and project design work; this represented a huge leap of faith for both parties. Consequently, KAC views, knowledge and history informed how further agreements and regional infrastructure were developed, further reducing the likelihood for disagreement and delay.

In reflecting on how trust evolved at Carrapateena, we refer to the engagement framework presented by Lacey et al (2017). In this model, the authors consider three core components that are essential to building trust: ensuring quality contact, procedural fairness and distributional fairness.

Looking at these components as a Circle of Trust (Figure 1), many of the actions undertaken by OZ Minerals and the Kokatha community have contributed to developing a high level of trust.

Image: Gorodenkoff/Shutterstock.com.

Figure 1. The circle of trust for OZ Minerals and Kokatha (adapted from Lacey et al, 2017).



The mining agreement was a milestone, not the destination

Importantly, the objective of the Partnering Agreement was not to just ‘make a deal’; it was about setting things up for each party to work together on a shared vision, allowing each party to realise its own goal for the long-term future.

To assist with this, OZ Minerals and KAC utilised the Dixon Partnering Process™ which involves three stages, translated in this context as:

Stage 1: Creating – Partnering Agreement (6 months)

‘How we will work together’ and learning from each other to build trust and a common knowledge for decision-making and values to acceptance via free, prior and informed consent.

Stage 2: Developing – Native Title Mining Agreement (6 months)

Development of the mining agreement in line with statutory obligations.

Stage 3: Sustaining – Ongoing Performance (life of operations in region)

Capability building, learning and improving implementation, monitoring and performance via the PMC.

Engaging an independent partnership broker to



facilitate the discussions and create a safe space for the parties to engage effectively has been a key success factor.

The initial creating stage involved the development of the foundation of trust, knowledge and relationships between the company and the community, which was embodied in the Partnering Agreement. This process focussed on the KAC teaching OZ Minerals about their history, knowledge, experiences and aspirations. Conversely, OZ Minerals introduced and educated KAC to elements of mining and processing. This collective sharing and learning supported relationship-building and delivered a common baseline of knowledge that was critical to informing decision-making processes during the subsequent substantive Mine Agreement process. There was full transparency and investment in communication of concepts, values, threats and opportunities.

As part of the agreement-making processes, KAC and OZ Minerals set about determining how the relationship would work in practice: what would be needed by way of resourcing? How might shared value be achieved? And most importantly: what would each party bring to the relationship? How could the relationship be managed into the future? How could it be sustainable with many changes in personnel over time?

The outcomes of these discussions became embedded in the Native Title Mining Agreement and have set the foundation for how the organisations will work together, as well as expedited underground development work.

Growing together: sustaining and embedding shared value

The process of partnering has enabled both parties to work together to develop well-defined, mutually agreed terms that set out who the parties are, their knowledge and values, a clear description of what success looks like and how success will be achieved.

OZ Minerals and the KAC continue to work through this participatory process as equals with mutual obligations, commitments and benefits. Each party is able to hold the other to account through the PMC. The focus is now on sustaining the relationship and maintaining the trust between the company and the community.

Partnering Management Committee

A key element of trust building in the relationship was the establishment of a PMC to oversee the implementation and operationalisation of the agreements and monitor progress against key milestones. The PMC meets every quarter to make decisions, and is a conduit for broader communication and helps to seek out mutual and shared value opportunities and resolve any differences between the two parties.

The key points of the PMC are:

- it comprises senior members of both organisations: the OZ Minerals Chief Operating Officer and Carrapateena General Manager, and the Chair and General Manager of the Kokatha Aboriginal Corporation

- all meetings are face-to-face and there are no proxies to ensure quality contact
- the focus of the PMC is on accountability, action and ongoing review to support the relationship and maximise value for both organisations.

Monitoring, review and reporting – ‘health check’ workshop

Partnering is dynamic and iterative. A key part of the partnering process is the need to review and evaluate over time. While the PMC undertakes quarterly reviews, this is mainly around operational performance. In 2018, it was agreed that there was a need to have a more thorough ‘health check’ involving leaders of both organisations on just how the relationship was working.

In October 2018, 12 months after the signing of the NTMA, OZ Minerals and KAC executive teams met to review progress against elements of the agreements. This ‘health check’ workshop was held on site at Carrapateena, involving the same KAC and OZ Minerals leaders who had been involved in developing the agreements and was independently facilitated. Importantly, the workshop also included new people to both organisations who would be responsible for implementing specific actions related to the agreements.

The workshop enabled both parties to take a step back and to assess how the relationship was working in practice and whether they were doing what they said they would in the Partnering Agreement. The workshop was highly successful in bringing everyone back together to revisit alignment of values and knowledge, show what was working, and where there were opportunities for improvement.

Key challenges

The nature of project construction has meant that there has been a significant amount of change in both organisations and the Carrapateena project. The health check workshop tested the structures and intent of the agreement and partnership to ensure that there were collaborative and transparent processes so that value and growth are maximised. While there have been many challenges, one of the most significant was how to operationalise the intent of the agreement through the procurement value chain.

What we have learned

Kokatha Aboriginal Corporation (Khatija Thomas – Kokatha Aboriginal Corporation member)

The process was developed together and not imposed. This has meant Kokatha and OZ Minerals established a trust which allowed us to put together an agreement in record time. The process has ensured a strong

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commitment to make it work and has left my Directors feeling valued and respected. Our Partnering Agreement, 'Nganampa palyanku kanyintjaku', when translated means keeping the future good for all in Kokatha; this encapsulates the outcome of the process and the feelings of my community. Since the signing of the agreement Kokatha and OZ Minerals have grown together. It has not been all smooth sailing, but our relationship is working for all. We have purchased a business in Port Augusta and are building new businesses – building capability both directly with OZ Minerals and separately.

As a community we have enhanced confidence and governance processes and are building capability in business and employment through the employment of a General Manager, Business Development Manager and Employment and Training officer. Our wider community is benefiting through a small trust we run ourselves to alleviate people's needs. For the first time we were able to organise Kokatha Netball teams for a competition – it was our first community sports event as Kokatha and we wanted to share our achievement publicly through co-logoed shirts and uniforms. This was the first time Kokatha has made anything with a joint logo for public display. We wanted to do this to share our pride in Kokatha achievements and that OZ Minerals has been a part of us reaching this community participation milestone.

OZ Minerals (Andrew Cole, MD and CEO)

Value creation is at the centre of OZ Minerals' strategy. Put simply, we believe our social performance, or how we work with host communities and stakeholders, matters and will inform our ability to grow. To succeed, we work with our stakeholders (communities, shareholders, suppliers, government and employees) to understand and integrate our projects into their futures to support their values and interests so they in turn support ours. We refer to this as 'shared value, mutual obligation'. The development of processes that support how we have worked together (OZ Minerals and KAC) has been transformational for our business. Significantly and critically, working this way has demonstrated that 'how we work' is key to creating value for all stakeholders.

Dixon Partnering Solutions – (Ian Dixon, MD of Dixon Partnering Solutions)

One of the key success factors for this partnering process to date has been the willingness of the leaders of both parties to be authentic – to be open and honest in their engagement and discussions and to share critical information. This has led to a foundation of trust being built between the two organisations resulting in a faster

completion of the agreement-making process. While this partnering approach has been highly successful to date, it is early days and the long-term success will depend on an understanding of this relationship being embedded throughout the company, its subcontractors and the KAC. Only then will a sustainable relationship creating shared value be achieved.

The future – where do we want to be?

The Partnering Agreement 'Nganampa palyanku kanyintjaku' (keeping the future good for all of us) encapsulates the shared vision of both organisations. It is the basis of working together towards a future where both organisations are ambassadors for each other. As this process is independent of government oversight, it has been recognised by both organisations that this will be an iterative and ongoing process. The process will be informed through monitoring and evaluation, in which we work to embed outcomes and ensure consistency through agreed processes and constant communications. Changes in both organisations have been a challenge as we ensure that how we work remains value-based and participatory. 

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