

A horizontal decorative band with a complex, multi-colored pattern of geometric and organic shapes, including a central circular motif and various stripes, spans the width of the slide.

Financial Valuation Tool – Newmont's Experience

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Ahafo Project Description

- Located in Asutifi District of the Brong-Ahafo region of Ghana.
- Operations started with first gold pour in July 2006.
- 10 major communities in the “mine influence” area.
- Socio-economic activity is predominately subsistence farming.
- Newmont is the only corporate entity in the district.
- Ahafo area local business contract value up to ~\$10M.
- Newmont Foundation currently funded at ~\$4M.

Valuation Tool Pilot Context

- Ahafo been operational since 2006.
- Significant social investment has been made to date.
- Community Relations is a key business driver and a is a risk management tool.
- Ongoing debate about the “true value” of Community Relations programs. How to measure effectiveness of social investment?
- How effective are our resources for delivery?
- Social Investment managers needed “better language” to communicate their case.

Valuation Tool Pilot Scope

- Include current programs at Ahafo South operations (A combination of mitigation and benefit programs).
- Community relations risk register was used to identify risks to model for value creation.
- Program ranking and rating has been subjective and addresses perspective of the participants (i.e., Community Relations in the pilot case).
- Overcome “silo” approach in multi-disciplinary discussions.
- Data collection approach posed challenges to be resolved.

Value Creation Discourse – Direct Value

- Definition of value creation introduced new and fresh perspective to Community Relations.
- Challenge to clearly define some of the direct benefits.
- Challenge to define scenarios – mitigation vs. benefit.
- Cost-Benefit analysis also new language.
- Program managers widened their perspective on activities.
- Recognized synergies in design and delivery.

Value Creation Discourse – Indirect Value

- Quantification of indirect value is a challenge.
- Indirect value vs. future benefits.
- Model assumptions vs. Corporate assumptions.

Immediate benefits

- Established business dialogue within the ESR area.
- Enhanced sense of synergy in project design.
- Established the logic for identifying “indirect benefit”.
- Basis for rapid assessment of current interventions.
- Introduced the approach of options.

Practical Tips

- Use common company terminology: Risk consequences – Newmont approach vs generic pilot tool.
- Modify Consequence Matrix to tie it back to internal models.
- There are multiple approaches to risk categorization.
- Consider the use of other tools such as AHP for evaluating difficult too assess priorities.
- Allow time for debate and development of understanding.

Challenges and Concerns

- Not finishing the work or finishing it and not using it to drive program decisions.
- Effective use in the SR Group very dependent on an understanding of finances and risk assessment.
- Possible dependency on consultants to run the model.
- Enhancing data assumptions - use of independent data vs corporate metrics.
- Over stating benefits and understanding costs of programs.
- Addresses the understanding of internal value vs external value.

Benefits and Advantages

- Financial evaluation that accountants understand.
- Encourages engagement and increased interaction between ESR and Finance functions.
- Encourages methodical, systematic and cross-functional review and analysis of social mitigation and benefit programs.

Lessons Learnt from the Finance Perspective

- We live in a finance driven world.
- Tool can be used to assist non-Finance functions to improve understanding of community investment connection to financial drivers.
- Tool may assist company in communicating in more concrete terms the business case for community investment.
- Need ESR and Finance working together to get the right perspective.
- There is value in the community investment programs that can be quantified for internal use!