



# Emerging Transparency Standards, Expectations and Practices for Mining Companies

## Final Report

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Mr. Ben Chalmers  
Vice President, Sustainable Development  
Mining Association of Canada

### PREPARED BY:

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Stratos Inc.  
1404-1 Nicholas Street  
Ottawa, Ontario  
K1N 7B7  
Tel: 613 241 1001  
Fax: 613 241 4758  
[www.stratos-sts.com](http://www.stratos-sts.com)

## Our Vision

A healthy planet. An equitable world. A sustainable future.

## Our Mission

We work together to empower organizations to take real steps towards sustainability.

Stratos runs its business in an environmentally and socially sustainable way, one that contributes to the well-being of our stakeholders – clients, employees and the communities in which we operate. Reflecting this commitment, we have an active Corporate Social Responsibility program. For more information about our commitments and initiatives, please visit our Web page: <http://www.stratos-sts.com/aboutus/csr.html>



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# Executive Summary

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Over the past 15 years, there has been a growing interest and demand for companies to disclose more and better quality socio-economic data and information. This demand has come from a range of stakeholders, including investors, communities, governments, labour organizations, and non-governmental organizations (NGOs). While some of these information demands have been addressed by companies on an individual and voluntary basis, others have been incorporated into national regulations, international standards, or voluntary multi-stakeholder initiatives or industry programs. Corporate disclosure practices have had to evolve rapidly to address these changing expectations and emerging disclosure requirements.

This report seeks to support Canadian mining companies in building an understanding of the range of disclosure expectations and requirements currently in place and those anticipated in the future. It examines the changing landscape for transparency and disclosure and, within that landscape, provides a snapshot of current disclosure practices across a sample of companies. Based on this examination, the report identifies components of good disclosure, provides peer examples, and identifies areas where we expect to see future disclosure requirements emerge.

## Methodology

The scope of analysis focuses on disclosure expectations in four subject areas identified by the Mining Association of Canada's (MAC's) International Social Responsibility (ISR) Committee:

- Payments to Government
- Human Rights
- Community Engagement
- Broader Community Impact and Benefit

Stratos reviewed 15 different initiatives and their specific disclosure provisions (identified in Section 2) to understand their applicability in the Canadian context and to Canadian companies operating internationally. The review generated a long-list of detailed disclosure expectations which were then grouped and summarized into a benchmarking framework for assessing the public disclosures of the identified benchmark companies.

The benchmarking focused on the public disclosure practices of a range of mining and extractive companies, including a mix of Canadian and foreign-owned companies:

**Teck**

**INMET**  
MINING

**xstrata**

**IAMGOLD**  
CORPORATION

**AEM**

**BARRICK**

**bhpbilliton**

For the focus area of Human Rights, we examined two additional companies facing human rights issues within their supply chain to understand how their disclosures have evolved to provide greater transparency around their management of this challenging issue:



The benchmark research focused on three primary forms of public disclosure: The analysis is based on publicly available information as of March 31, 2012; in most cases, this was a company's 2011 Annual Report and 2010 CSR Report. The analysis does not take into account any updates, changes or reports made available after March 31, 2012<sup>1</sup>. A full list of the specific documents and websites reviewed is provided in [Appendix A](#).

For each disclosure requirement, we assessed each company's disclosure using a three point scale: No Disclosure, Partial Disclosure or Full Disclosure (Figure 2). In order to demonstrate Full Disclosure, a company was required to fully report on the specific requirement or standard it applies.

Stratos conducted a detailed analysis of the benchmarking results to characterize the current state of disclosure across the sample companies and to identify notable examples of strong disclosure. From this analysis, and our understanding of current and emerging requirements, we identified core elements of good disclosure in each of the four focus areas.

### Initiatives driving increased transparency in these focus areas

Transparency is being driven by investors and lenders (applying, for example, the International Finance Corporation *Performance Standards* or banks specifically applying the *Equator Principles*); by national governments and securities administrators (including the *Canadian Continuous Disclosure Obligations* and the United States' *Foreign Corrupt Practices Act* and *Dodd-Frank Act*); by industry associations (such as the Mining Association of Canada's *Toward Sustainable Mining* initiative, and the International Council on Mining and Metals adherence to the *Global Reporting Initiative*) and by NGO and multi-stakeholder groups (including the *Extractive Industries Transparency Initiative*, the *Global Reporting Initiative*, and the *Kimberley Process on conflict diamonds*). The following figure shows which initiatives address each of the four focus areas examined in this study. Payments to Government and Human Rights have both regulatory and voluntary disclosure requirements, while disclosure expectations around Broader Economic Benefit and Community Engagement are primarily voluntary in nature (with the exception of requirements related to projects as applied through governments' Environmental and Social Impact Assessment processes).

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<sup>1</sup> This report represents a snapshot in time as of March 31, 2012. Companies continue to enhance their public disclosures, and peer benchmarking companies may have further advanced their reporting practices since that time.

**Figure 1 - Overview of Initiative Coverage by Focus Area (Voluntary initiatives in *italics*)**



Stratos examined the transparency standards, expectations, and current practices across the peer benchmark companies to identify disclosure expectations, characteristics of good quality disclosure, and the current state and range of disclosure for each of these four areas of focus. Summary findings for each area of focus are presented below. More detailed information on the source of these expectations, the range of disclosure practices, and examples are provided in Sections 4 to 7 of this report.

## Payments to Government

Disclosure expectations in this area are converging around the following indicators:

1. **Economic Value Created** including revenues, operating costs, employee compensation, donations and other community investments and retained earnings (GRI, EITI, Canadian Disclosure Obligations)
2. **Corporate Taxes** paid to government including income tax, customs tax, windfall tax (GRI, EITI, DF)
3. **Royalties** paid to government (GRI, EITI, Dodd-Frank)
4. **Other Payments to Government** including rental fees, entry fees, signing bonuses paid to governments, facilitation payments, production entitlement fees (EITI, Dodd-Frank)

Based on our review of company reports and emerging expectations, we found that comprehensive disclosure addresses these indicators and has the following characteristics:

- **Disaggregated** data, reported at a minimum on a country by country basis, leading reporters providing information on a site by site basis
- Sufficient data to demonstrate **trends over time**
- **Distinct line items** that differentiate between different types of payment to government (i.e. Royalties and Taxes Paid reported separately)

In reviewing the disclosure practices of the seven benchmark companies, we observed generally strong disclosure related to economic value created and royalties paid. Reporting companies could continue to improve their disclosure by providing:

- A breakdown of the types of payments made to government, along with a qualitative description to provide context
- A clear description of the scope and definition of values reported
- Disclosure of payments to government on a country by country basis, and
- Disclosure around how royalties are calculated (i.e. based on production, stage of operation, or other basis).

Looking ahead, Stratos expects that several pieces of national legislation will further shape future expectations for disclosing payments to government. The *Foreign Corrupt Practices Act* and the subsequent *Dodd-Frank Act* are two pieces of U.S. legislation requiring greater corporate disclosure. In August 2012, the final sections of The *Dodd-Frank Act* relating to Disclosure of Payments in Extractives Companies were adopted. This legislation will require companies listed on the US Securities Commission Exchange to report payments to government, as outlined by the *Extractives Industry Transparency Initiative*. At a high level, this initiative requires companies to disclose payments to government (in the categories listed at the top of this page) on a project by project basis. There is also an increasing expectation from NGOs for companies to disclose the content of government contracts. Recent Canadian legislation has been put forward which builds on EITI requirements. If the Private Member's *Transparency of Payments Made by Mining, Oil and Gas Corporations to Foreign Governments Bill* is passed, it would require Canadian companies to prepare an annual transparency report for submission to the Minister of Foreign Affairs. Even if it is not passed, the bill will continue to raise the profile of this issue within Canada. The European Union is also considering implementing similar legislation, which will further state disclosure requirements.



## Human Rights

Disclosure expectations in this area cover a range of individual, labour, indigenous peoples and security-related factors and are converging around the following indicators:

1. A qualitative and quantitative discussion of contracts that **include human rights clauses** and suppliers who have undergone **human rights screening**. (GRI, IFC Performance Standards)
2. Data and information related to **employee training** regarding human rights (GRI, IFC PS)
3. Incidents of **discrimination and corrective actions taken** (GRI, IFC PS)
4. Assessment and description of site by site risk relating to **freedom of association, child labour or forced labour** (GRI, IFC PS)
5. Data and information on **training of security personnel** on the company's approach to managing **human rights** (GRI, IFC PS)
6. **Description of grievance process** employed, grievances filed and outcomes (IFC PS, UN Guiding Principles, TSM, Voluntary Principles, Equator Principles)
7. **Violations involving the rights of Indigenous Peoples** and actions taken. (GRI, TSM)

Based on our review of benchmark company reports and emerging expectations, we found that comprehensive disclosure addresses these indicators where relevant and provides the following detail:

- Description of **how human rights policies and procedures are implemented** across the company, including employees and contractors, and
- Description of **company actions and outcomes relating to human rights** including discrimination, grievances and/or violations of rights overall, and for Indigenous Peoples.

In reviewing the disclosure practices of nine companies, we observed the strongest reporting in the areas of non-discrimination policies and recorded incidents, and training of security personnel on human rights. Reporting companies could continue to improve their disclosure by providing:

- A clear description of processes used to screen operations and contracts/ contractors to determine the level of human rights related risk
- A description of formal grievance mechanisms, including disclosure of the issues being raised through these mechanisms, and the company's response
- An explanation for why a specific risk is not applicable or material to certain operations (i.e. child labour) , and
- Distinguishing between training provided for company security personnel and that provided to third party contracted security personnel.

Looking ahead, Stratos anticipates stakeholder demands for disclosure on human rights to continue with greater emphasis on human rights assessments to inform decisions on properties under development and new mining projects. We also anticipate demands for increasingly granular disclosure of both human rights management practices and performance, including grievance mechanisms, incidents and responses. Chain of custody tracking and identification of origin of metals are issues which are gaining increased recognition, notwithstanding the difficulties associated with tracking in global commodity markets. Components of the *Dodd-Frank Act*, the Kimberley Process and the newly formed International Conference on the Great Lakes Region (ICGLR) all aim to establish mechanisms to monitor the supply chain of minerals from conflict-prone regions.

## Community Engagement

Disclosure expectations in this area are converging around the following indicators:

1. Information on **community impact assessment results and mitigation** programs and practices throughout the mining cycle (GRI, IFC Performance Standards TSM)
2. Any **significant disputes** related to land use, customary rights of local communities or Indigenous Peoples and the use of grievance mechanisms (GRI)
3. Actions taken to mitigate and address the risks of **artisanal and small scale mining (GRI)**
4. The number of **formal agreements in place with local Indigenous People** and the number of **sites which affect Indigenous People** (GRI, TSM), and
5. Description of the **mechanisms used to communicate and engage** with local communities. (GRI, IFC PS, TSM)

Based on our review of benchmark company reports and emerging expectations, we found that comprehensive disclosure covers each of these indicators, where relevant, and provides the following detail:

- Information on processes and practices in place and the extent to which these have been implemented **based upon community needs assessments** throughout the mining life-cycle
- Quantitative data supported by a **qualitative description**, and
- Information that goes beyond process based reporting to also **describe outcomes and demonstrate follow-up actions**.

In reviewing the disclosure practices of seven benchmark companies, we observed that reporting companies could continue to improve their disclosure by describing:

- Both the positive and negative impacts of operations on communities
- The current status and outcomes of any significant disputes, including any changes made to company policies, and
- How the company tailors its engagement approach to different stakeholder groups.

Looking ahead, there are two key trends which Stratos expects to drive future reporting expectations. Free, prior and informed consent (FPIC) is emerging as a clear expectation amongst Indigenous Peoples exercising their rights ahead of resource development. Precedents have been set in other sectors – with the Nagoya Protocol on Access to Genetic Resources under the Convention on Biological Diversity having specific provisions requiring Prior Informed Consent.

The second trend involves the identification and engagement of vulnerable and marginalized groups among communities of interest. Growing awareness of the heterogeneity of privilege and power existing within groups as well as across them is driving some companies to actively seek out and engage underrepresented members of local communities, such as women and youth. Companies are expected to report on what they have heard from these groups, and to evaluate how they may be differently affected.

## Broader Community Impact and Benefit

Disclosure expectations in this area are converging around the following indicators:

1. A **comparison of entry-level wage to local minimum wage** and **local procurement spending** including related policies and procedures (GRI)
2. **Community investment** dollars spent and impact of **infrastructure projects** (GRI, IFC Performance Standards)
3. The company's understanding of **indirect economic impacts** (both positive and negative), (GRI, IFC PS) and
4. Information on any **community resettlements**, including community engagement, number of individuals relocated and follow-up support activities. (GRI, IFC PS, Equator Principles)

Based on our review of benchmark company reports and emerging expectations, we found that comprehensive disclosure addressed the above indicators and demonstrated the following characteristics:

- Sufficient data to demonstrate **trends over time**
- **Clear definition** of key terminology related to wages and procurement (i.e. what is a 'local employee' and what constitutes 'local procurement', how the company defines senior management), and
- Description of **strategy behind community engagement activities** related to infrastructure development and community investment, including any assessment undertaken of community needs.

In reviewing the disclosure practices of seven benchmark companies, we observed the strongest reporting related to local procurement, resettlement, and community investment. Reporting companies could continue to improve their disclosure by:

- Developing consistent methods for reporting metrics relating to local employment and procurement
- Enhancing the description of how the company determines community investment and infrastructure priorities, and
- Better describing local procurement practices, including the themes and criteria used for selection.

Looking ahead, as mining companies enter new jurisdictions that do not have experience with mining, and/or as the number of mining operations in specific areas grows, Stratos anticipates that companies will increasingly need to demonstrate their benefit to the local community to secure their support as well as the support of government. The value in clearly communicating the benefits of operations is expected to drive better tracking and disclosure of broader economic benefits.

## Conclusion

Canadian mining companies are facing and, to a fair degree, responding to increased stakeholder expectations, international standards and national legal requirements to disclose their practices and quantitative information on the four areas studied in this review: payments to government, human rights, community engagement, and broader community impact and benefit.

As disclosure practices improve, they will help Canadian mining companies to respond and demonstrate adherence to these local and national expectations and international voluntary requirements, and compliance to these and future legal requirements. Further, good quality disclosure can provide business value by supporting strong community relations, project cycle approvals and corporate reputation. We encourage companies to consider the value that different performance indicators provide to stakeholders and management, and balance this with the level of effort required to systematically collect, analyse and report these indicators to ensure they focus their efforts on the most meaningful and useful indicators for their external and internal stakeholders.

Looking forward, Stratos anticipates that evolving disclosure expectations to watch will include:

- increased granularity and disaggregation of payments to governments and communities, including at the contract level
- disclosure related to human rights impact assessments and their results
- information on how a company has determined if it has achieved Free, Prior and Informed Consent (FPIC) of communities, and Indigenous communities in particular, with regard to acceptance of projects,
- increased diligence and transparency in corporate tracking of broader community impacts and benefits, and
- The emergence of chain of custody tracking and demonstration of the source of metals, which currently covers diamonds and strategic minerals from conflict zones, but may be extended to base metals in the future.

# 1 Introduction

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## 1.1 PURPOSE AND SCOPE

Over the past 15 years, we have seen a growing interest and demand for companies to disclose a greater amount of socio-economic data and information. This demand has come from a range of stakeholders, including investors, communities, governments, labour organizations, and non-governmental organizations (NGOs). While some of these information demands are made on a voluntary basis, others have been incorporated within national regulations or international standards, initiatives or industry programs. Corporate disclosure practices have had to evolve rapidly to address these changing expectations and emerging disclosure requirements.

This report seeks to support Canadian mining companies in understanding the range of disclosure expectations and requirements currently in place, as well as expected future directions. It examines the changing landscape for transparency and disclosure and, within that landscape, provides a snapshot of the current level of disclosure amongst a sample of companies.<sup>2</sup> Based on this examination, the report identifies components of good disclosure, highlights peer examples, and identifies areas where we expect to see future disclosure requirements emerge. Companies typically consider a range of factors as they make decisions regarding what information will be most meaningful and material to their stakeholders and management; it is our hope that the information and analysis presented in this report will provide a useful input to these decisions, alongside other variables such as size, geographic location, history, and local stakeholder interests.

The scope of analysis focuses on disclosure requirements in four subject areas identified by the Mining Association of Canada's (MAC's) International Social Responsibility (ISR) Committee:

- **Payments to Government**
- **Human Rights**
- **Community Engagement**
- **Broader Community Impact and Benefit**

This detailed analysis should assist Canadian mining companies to improve their transparency and disclosure in these four important areas.

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<sup>2</sup> The snapshot of current disclosure practices is based on information publicly available as of March 31, 2012.

## 1.2 METHODOLOGY

**Figure 2** provides an overview of the four phase methodology used to prepare this report.

**Figure 2 - Research Methodology**



To inform this research, we considered a broad range of both national and international disclosure requirements, including those both regulatory and voluntary in nature. This approach enabled us to understand the range of requirements which may be applied to or by a Canadian mining company. In total, we reviewed 15 different initiatives (see Section 2 for a list of these initiatives) to understand their applicability in the Canadian context and, more specifically, the disclosure provisions related to each of the four focus areas. This review generated a long-list of detailed disclosure provisions which were then grouped and summarized into a benchmarking framework for assessing the public disclosures of the identified benchmark companies.

The benchmarking work focused on the public disclosure practices of a range of mining and extractive companies, including a mix of Canadian and foreign-owned companies:



For the focus area of Human Rights, we examined two additional companies facing human rights issues within their supply chain to understand how their disclosures have evolved to provide greater transparency about their management of this challenging issue.



The benchmark research focused on three primary forms of public disclosure: Annual Reports, Corporate Social Responsibility (CSR) Reports and corporate websites. The analysis is based on publically available information as of March 31, 2012; in most cases, this was a company's 2011 Annual Report and 2010 CSR Report. The analysis does not take into account any updates, changes or reports made available after March 31, 2012<sup>3</sup>. A full list of the specific documents and websites reviewed is provided in [Appendix A](#).

<sup>3</sup> Companies continue to enhance their public disclosures, and peer benchmarking companies may have further advanced their reporting practices since that time. However, any reports released after March 31, 2012 were not examined within this study.

For each disclosure expectation, we assessed the company's disclosure using a three point scale: No Disclosure, Partial Disclosure or Full Disclosure (see Figure 3).

**Figure 3 - Categories of Disclosure**

●	Full Disclosure	Fully reports on all (or virtually all) aspects of the requirement, strongest reporting when compared to peers.
◐	Partial Disclosure	Reports on some of the aspects of the requirement, moderate reporting when compared to peers
○	No Disclosure	Reports on very few or none of the aspects of the requirement, poor reporting when compared to peers.
+	Notable Example	Highlights a notable example and/or an effective and transparent communication method.

In determining the appropriate rating, Stratos rigorously compared the data and information from the company's public reports with the detailed disclosure expectations in the assessment framework. In many cases, these expectations were drawn from multiple standards or initiatives and included a number of sub-elements. We considered:

- a) the comprehensiveness of the information provided (that is, whether it met all of the sub-elements included in the disclosure expectation), and
- b) the quality of the information (that is, did it provide the reader with a clear understanding of related management practices and/or performance).

Completing this assessment required application of professional judgement. Stratos acknowledges there is a degree of subjectivity inherent in this type of assessment. We worked to increase objectivity and consistency in our assessments by using only two assessors trained in the methodology, ensuring frequent communication and collaboration between the assessors, and conducting a detailed quality assurance review of the results, both individually and relative to one another to identify and address any discrepancies.

In order to demonstrate **Full Disclosure**, a company was required to fully report on the specific requirement. For example, a number of Global Reporting Initiative (GRI) indicators require several layers of data, often broken down by location or by employee category. If a company provides a detailed description of the key issues and impacts of their operations, but does not break down the information by location, their disclosure was assessed as Partial Disclosure. It is important to note that companies select from a range of disclosure requirements and standards when reporting. There is no single, absolute standard and with

disclosure requirements constantly evolving, companies may provide good disclosure without addressing all aspects of all requirements.

For **Partial Disclosure**, companies reported on some of the aspects of the disclosure expectation. Partial disclosure indicates that, while some good quality information is provided related to the disclosure expectation, some gaps remain in the information requested by the standards and initiatives reviewed.

For **No Disclosure**, companies reported very little or no information relating to the disclosure expectation. In these instances, the public reports did not include meaningful data and information relevant to the specific elements of the identified disclosure expectation.

Throughout the report, we also highlight Notable Examples which demonstrate the strongest disclosure demonstrated and/or an effective and transparent method of communication.

Stratos conducted a detailed analysis of the benchmarking results to characterize the current state of disclosure across the sample companies and to identify notable examples and best disclosure practices. From this analysis, and our understanding of current and emerging requirements, we identified core elements of good disclosure in each of the four focus areas.



## 2 Landscape

There are a number of ways to categorize the range of disclosure requirements and expectations that have been introduced and continue to emerge. For example, we can classify each initiative as:

- International or national
- Regulatory or voluntary, and/or
- Broad in scope or issue specific.

In 2012, we examined 15 initiatives to understand how they are shaping transparency and disclosure expectations for Canadian and foreign mining companies. Table 1 provides an overview of each of these initiatives, which have been broadly grouped as: Investor Requirements; International Voluntary Requirements; and Legal Requirements.

**Table 1 - Characterization of Initiatives Reviewed**

Investor Requirements	
<b>Initiative</b>	<b>IFC Performance Standards</b>
<b>Sponsor Organization</b>	International Finance Corporation (IFC)
<b>Type of Requirement</b>	Mandatory for all companies seeking project finance from an IFC or Equator Principle institution
<b>Initiative Description and Company Disclosure Requirements</b>	Under its Sustainability Framework, the IFC has eight performance standards (PS) that establish expectations for companies' project-level management of environmental and social risks and impacts. In order to secure IFC funding, all projects must, at a minimum, adhere to PS1 (Assessment and Management of Environmental and Social Risks and Impacts) and application of the remaining standards is determined based on the results of the assessment completed under PS1.
<b>Initiative</b>	<b>Equator Principles</b>
<b>Sponsor Organization</b>	Large private international banks
<b>Type of Requirement</b>	Voluntary and internationally agreed framework for financial institutions
<b>Initiative Description and Company Disclosure Requirements</b>	Based on the IFC Performance Standards, the Equator Principles are a credit risk management framework for determining, assessing and managing environmental and social risk in project financing transactions. The principles are used to assess project lending for major development projects (i.e., where total project capital costs exceed US\$10 million). In order to secure funding from EPFI's, applicant companies are expected to review and discuss specific issues as part of a project Environmental and Social Impact Assessment.

<b>International Voluntary Requirements</b>	
<b>Initiative</b>	<b>Extractive Industries Transparency Initiative (EITI)</b>
<b>Sponsor Organization</b>	Coalition of governments, companies, civil society groups, investors and international organizations
<b>Type of Requirement</b>	Voluntary and internationally agreed framework for governments and companies of participating countries. (Once company is identified to fall within the material reporting thresholds, the requirement is mandatory.)
<b>Initiative Description and Company Disclosure Requirements</b>	The EITI is a global standard that promotes revenue transparency by monitoring and reconciling company payments and government revenues at the country level. Reporting requirements differ from country to country and are determined by an oversight body in the host country (i.e., a Multi-Stakeholder Group (MSG)). Reporting requirements can include corporate taxes paid, customs tax, windfall tax, real estate tax, land rent, dividends on state property, and can also include broader CSR issues such as community investment dollars. Companies operating in an Implementing Country, which fall under the material bounds determined by the MSG-established criteria, must report against the host country EITI requirements.
<b>Initiative</b>	<b>Global Reporting Initiative (GRI)</b>
<b>Sponsor Organization</b>	The GRI is a non-profit organization
<b>Type of Requirement</b>	Voluntary reporting guidelines, for use by organizations
<b>Initiative Description and Company Disclosure Requirements</b>	The GRI is a sustainability reporting framework that sets out the principles and a series of recommended indicators for organizations to use to measure and report on their economic, environmental and social performance. An organization can choose the level to which it applies the guidelines and whether or not to have the content of the report and/or the declared level of application externally assured. For the purpose of this report, GRI's G3.1 Guidelines were the basis for analysis. The G4 is GRI's fourth generation of Reporting Guidelines and currently under development and consultation. The G4 Guidelines are scheduled for release in May 2013.
<b>Initiative</b>	<b>Carbon Disclosure Project (CDP) and CDP Water (CDPW)</b>
<b>Sponsor Organization</b>	The CDP is a non-profit organization
<b>Type of Requirement</b>	Voluntary (requests are made by customers and investors and companies can choose to respond)
<b>Initiative Description and Company Disclosure Requirements</b>	The CDP and CDPW survey companies to assess corporate performance and disclosure around management of GHG emissions and climate change risk and opportunities; and corporate management on water-related risks and opportunities and water accounting. Companies receive a request from CDP, on behalf of investors and stakeholders, asking for completion of the CDP or CDPW survey. Company responses are voluntary, with the option to

	make information public or non-public
<b>Initiative</b>	<b>Towards Sustainable Mining (TSM)</b>
<b>Sponsor Organization</b>	Mining Association of Canada (MAC)
<b>Type of Requirement</b>	Industry association program, with mandatory application by MAC members
<b>Initiative Description and Company Disclosure Requirements</b>	TSM is an initiative developed by MAC to improve the industry's performance on key issues (including Aboriginal and community outreach; biodiversity conservation management; crisis management planning; energy use and greenhouse gas emissions management; safety and health management; and tailings management). MAC members are required to self-assess and publicly report performance on indicators at the facility-level. Every three years, facility-level self-assessments are externally verified.
<b>Initiative</b>	<b>Guiding Principles for the Implementation of the UN's 'Protect, Respect, and Remedy' Framework (the Ruggie Principles)</b>
<b>Sponsor Organization</b>	United Nations (UN)
<b>Type of Requirement</b>	A standard of practice that defines expectations for company and state practices/behaviour (not a mandatory requirement on its own)
<b>Initiative Description and Company Disclosure Requirements</b>	The UN Guiding Principles provide an authoritative global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. The Principles apply to all States and business enterprises. Part b) of the Principles establishes principles and expectations for how business enterprises can demonstrate due diligence to avoid infringement of the human rights of others and address adverse impacts.
<b>Initiative</b>	<b>Kimberley Process Certification</b>
<b>Sponsor Organization</b>	Joint government, industry and civil society initiative (initially sponsored by the UN)
<b>Type of Requirement</b>	Voluntary initiative with mandatory requirements
<b>Initiative Description and Company Disclosure Requirements</b>	The Kimberley Process (KP) is a joint government, industry and civil society initiative to stem the flow of conflict diamonds, with a Certification Scheme that imposes extensive requirements on its member countries to enable them to certify shipments of rough diamonds as 'conflict-free'. Each country is responsible for establishing a template for the certificate which includes all of the minimum mandatory criteria set out in the KP. Companies report on and are third-party verified against country-specific voluntary System of Warranties, which are developed by industry.
<b>Initiative</b>	<b>ICGLR's Certification Mechanism</b>
<b>Sponsor Organization</b>	The ICGLR is an international organization of the countries in the African Great Lakes Region
<b>Type of Requirement</b>	Voluntary initiative with mandatory requirements (under

	development)
<b>Initiative Description and Company Disclosure Requirements</b>	The International Conference on the Great Lakes Region (ICGLR) aims to establish a Regional Certification Mechanism to monitor the supply chain of minerals in the conflict-prone region. The purpose is to break the link between mineral exploration and the financing of armed rebellion. The four main elements of the system are: Chain of custody tracking from mine site to export, Regional tracking of mineral flows via ICGLR database, Regular independent third-party audits and Independent mineral chain auditor. All actors in the mineral chain will be required to implement the mineral tracking system, report on the monthly volumes of mineral flows and undergo regular third-party audits.

<b>Legal Requirements</b>	
<b>Initiative</b>	<b>Dodd-Frank Wall Street Reform and Consumer Protection Act (US)</b>
<b>Sponsor Organization</b>	Securities and Exchange Commission
<b>Type of Requirement</b>	Mandatory disclosures for all companies currently filing reports with the SEC under Section 13(a) or Section 15(d) of the Exchange Act
<b>Initiative Description and Company Disclosure Requirements</b>	The Act was drafted in reaction to the economic crisis of the late 2000's with the intent to improve corporate transparency and became effective in July 2010. The Act has three main components which apply to mining companies: disclosure of payments by resource extraction, disclosure of mine safety incidents and violations and disclosure of the use of conflict minerals originating from the Democratic Republic of Congo or an adjoining country.
<b>Initiative</b>	<b>Continuous Disclosure Obligations (CAN)</b>
<b>Sponsor Organization</b>	Canadian Securities Administrators (CSA)
<b>Type of Requirement</b>	Mandatory for all companies trading on the TSX
<b>Initiative Description and Company Disclosure Requirements</b>	The Continuous Disclosure Obligations outline company disclosure requirements around Management Discussion and Analysis (MD&A), Annual Information Forms, Material Change Reports and other filing requirements. Material disclosures could include a range of environmental, social or governance (ESG) risks, depending on the company's situation. Guidance is available on determining materiality and how to report on environmental risks. In 2010, the Ontario Securities Commission (OSC) released the results of its corporate governance disclosure compliance review (Staff Notice 58-306), and provided additional guidance for issuers on how to report against existing environmental disclosure requirements (Staff Notice 51-333). These notes provide additional guidance information for companies, but do not change existing disclosure requirements.
<b>Initiative</b>	<b>The Corruption of Foreign Public Officials Act (CAN)</b>

<b>Sponsor Organization</b>	Government of Canada
<b>Type of Requirement</b>	Mandatory – but no specific disclosure requirements
<b>Initiative Description and Company Disclosure Requirements</b>	The Act was enacted in 1998 to help deal with the corruption of foreign public officials, allowing for both federal and provincial prosecution. The Act covers three main offences: Bribing a foreign public official; Possession of property and proceeds; and Laundering proceeds of the offence. There are no corporate disclosure requirements under the Act; however, the Act requires the Government of Canada to prepare an annual report on the implementation of the OECD Convention and on the enforcement of this Act.
<b>Initiative</b>	<b>The Foreign Corrupt Practices Act (US)</b>
<b>Sponsor Organization</b>	US Department of Justice (enforcement); Securities and Exchange Commission (coordination)
<b>Type of Requirement</b>	Mandatory for all US firms seeking business in foreign markets
<b>Initiative Description and Company Disclosure Requirements</b>	The Foreign Corrupt Practices Act (FCPA) was enacted in 1977 and addresses transparency in accounting practices. The Act allows facilitation (grease) payments and distinguishes these from bribery. Other payments may be allowed if they are acceptable under local law. The Act requires that all companies who list securities in the US meet the accounting provisions to make and keep books and records that accurately and fairly reflect the transactions of the corporation and to devise and maintain an adequate system of internal accounting controls. The FCPA's accounting provisions are designed to prevent illegal conduct by publicly traded companies by requiring them to keep records that would reveal illegal payments.
<b>Initiative</b>	<b>Transparency of Payments Made by Mining, Oil and Gas Corporations to Foreign Governments Bill (not approved)</b>
<b>Sponsor Organization</b>	Private Members Bill (from a Member of the Opposition)
<b>Type of Requirement</b>	Not applicable (The Bill was tabled for first reading in the House of Commons on February 26, 2013)
<b>Initiative Description and Company Disclosure Requirements</b>	A member of the Opposition introduced a Bill that, if passed, would require mining, and oil and gas corporations to submit an independently audited annual transparency report that discloses all payments provided by them or their subsidiaries to a foreign government for the purpose of furthering mining, oil or gas activities. It would also make it an offence to fail to comply with these requirements and establish a penalty for such contravention. Extractive corporations would be required to submit the annual transparency report to the Minister of Foreign Affairs and post it on their primary corporate website annually.

Figure 4 - Overview of Initiative Coverage by Focus AreaFigure 4 indicates which initiatives address each of the four focus areas examined in this study. This figure shows that Payments to Government and Human Rights have both regulatory and voluntary disclosure requirements, while disclosure expectations around Community and Broader Economic Benefit, and Community Engagement are primarily voluntary in nature (with the exception of requirements related to projects as applied through the Environmental and Social Impact Assessment process).

**Figure 4 - Overview of Initiative Coverage by Focus Area (Voluntary initiatives in *italics*)**



Stratos examined the transparency standards, expectations, and current practices across the peer benchmark companies to identify disclosure expectations, characteristics of good quality disclosure, and the current state and range of disclosure for each of these four areas of focus. Information on the source of these expectations, the range of disclosure practices, and



examples are provided in Sections 4 to 7 below.

## 3 Payments to Government

### Overview and Summary of Findings

#### Companies are expected to disclose:

1. **Economic Value Created** including revenues, operating costs, employee compensation, donations and other community investments and retained earnings
2. **Corporate Taxes** paid to government including income tax, customs tax, windfall tax
3. **Royalties** paid to government
4. **Other Payments to Government** including rental fees, entry fees, signing bonuses paid to governments, facilitation payments, production entitlement fees

#### Comprehensive disclosure should include:

- **Disaggregated** data, reported at a minimum on a country by country basis; leading practice reporting provide information on a site by site basis
- Sufficient data to demonstrate **trends over time**
- **Distinct line items** that differentiate between different types of payment to government (i.e. Royalties and Taxes Paid reported separately)

#### Opportunities to enhance disclosure could include:

In reviewing the disclosure practices of the seven benchmark companies, we observed generally strong disclosure related to economic value created and royalties paid. Reporting companies could continue to improve their disclosure by providing:

- A breakdown of the types of payments made to government, along with a qualitative description to provide context
- A clear description of the scope and definition of values reported
- Disclosure of payments to government on a country by country basis. Disclosure around how royalties are calculated (i.e. based on production, stage of operation, other)

#### Future expectations:

Looking ahead, Stratos expects that several pieces of national legislation will further shape future expectations for disclosing payments to government. The *Foreign Corrupt Practices Act* and the subsequent *Dodd-Frank Act* are two pieces of U.S. legislation requiring greater corporate disclosure. In August 2012 the final sections of The *Dodd-Frank Act* relating to Disclosure of Payments in Extractives Companies were adopted. This legislation will require companies listed on the US Securities Commission Exchange to report payments to government, as outlined by the *Extractives Industry Transparency Initiative*. At a high level, this initiative requires companies to disclose payments to government (in the categories listed at the top of this page) on a project by project basis. There is also an increasing expectation from NGOs for companies to disclose the content of government contracts. Recent Canadian legislation has been put forward which builds on EITI requirements. If the Private Member's *Transparency of Payments Made by Mining, Oil and Gas Corporations to Foreign Governments Bill* is passed, it would require Canadian companies to prepare an annual transparency report for submission to the Minister of Foreign Affairs. Even if it is not passed, the bill will continue to raise the profile of this issue within Canada. The European Union is also considering implementing similar legislation, which will further state disclosure requirements.

Implementing the disclosure practices recommended in this report will help Canadian mining companies to respond and demonstrate compliance to these future regulatory requirements.

### 3.1 DISCLOSURE EXPECTATIONS

#### ***What is shaping the expectations in this area?***

Requirements for mining companies to disclose what they pay to governments are being driven by a combination of national legislation with international effect – in the United States and the United Kingdom – and strong pressures from the NGO community for corporations to reveal what governments will not. A past history and, in some cases, continuing practices of corruption in host countries, and a corresponding implicit view held by some NGOs and communities that companies are complicit or turn a blind eye to these practices, has led civil society to demand that companies demonstrate where and how they pay governments. This information is used either as a proxy for government transparency, or preferably as a complement to government transparency to enable reconciliation of the figures reported both by companies and governments. It also helps stakeholders understand the magnitude of this portion of direct economic benefits associated with mining and oil and gas projects and operations. Non-equitable distribution of the gains from mining in many countries has further driven the demand for increasingly detailed and disaggregated disclosure of payments to governments.

#### ***What are the key sources of demand?***

The Extractives Industry Transparency Initiative (EITI) is the most wide-reaching initiative driving greater disclosure of payments to government. It is a global standard that promotes revenue transparency by encouraging companies to publish what they pay and encouraging governments to disclose what they receive. By encouraging greater transparency, EITI aims to strengthen accountability and good governance in implementing countries, as well as promote greater economic and political stability. *Reporting requirements differ from country to country and are determined by the host country's Multi-Stakeholder Group (MSG).* Typical reporting requirements can include corporate taxes paid, customs tax, windfall tax, real estate tax, land rent, and dividends on state property, among others. It is important to note that, although this is a voluntary program in which governments can choose to participate, companies operating in an Implementing Country which fall under the material bounds determined by the MSG-established criteria are required to report against the host country EITI requirements.

As of April 2013, Canadian companies are required to report in the following EITI Compliant Countries<sup>4</sup> (when Canadian companies fall within the material bounds determined by the MSG): Azerbaijan, Burkina Faso, Ghana, Iraq, Kyrgyz Republic, Liberia, Mali, Mongolia, Mozambique, Nigeria, Niger, Norway, Peru, Republic of the Congo, Tanzania, Timor-Leste and Zambia. Within the last year, there has been a change in the perception of EITI, in that it is no longer seen as only for developing nations; Norway is an EITI Compliant Country and, Australia and the United States have also joined EITI recently.

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<sup>4</sup> As of April 2013 there are six countries currently suspended from EITI: Central African Republic, Democratic Republic of Congo, Madagascar, Mauritania, Sierra Leone and Yemen. Once these countries return to compliant status, companies with operations located within their borders will be required to report payments to government and any other data determined material by the host country Multi-Stakeholder Group (MSG).



In some jurisdictions, regulatory changes are requiring greater disclosure of payments to government. For example, the United States has enacted the *Dodd-Frank Wall Street Reform and Transparency Act*. Section 1504 of the Dodd-Frank Act outlines new disclosure requirements for oil, natural gas and mining companies that currently file annual reports under the US *Securities Exchange Act*. In August 2012, the U.S. Security Exchange Commission voted to adopt the proposed regulations around payments to government (Section 1504) and conflict minerals (Section 1502). The disclosures are to be included in the company's annual report and include the type and total of payments for each project and the type and total amount of payments made to each government. The types of payments to be reported include taxes, royalties, fees (including license fees), production entitlements, bonuses and other material benefits that are deemed part of the commonly recognized revenue stream to host countries for the commercial development of oil, natural gas or minerals. These disclosures are consistent with the guidelines of the Extractives Industry Transparency Initiative. Specific content of the required disclosures is outlined in the final SEC rules<sup>5</sup> and companies have a grace period before being required to report.<sup>6</sup>

In Canada, the *Transparency of Payments Made by Mining, Oil and Gas Corporations to Foreign Governments Bill* was introduced for first reading in the House of Commons as a Private Member's Bill. If passed, the Bill would require companies to produce an annual transparency report disclosing total payments made to foreign governments categorized by government, by project and by type of payment. If not passed, this Bill will nonetheless continue to bring attention to the issue of payments to governments in the mining and oil and gas sectors.

The most widely used CSR Reporting framework, the Global Reporting Initiative (GRI), also encourages companies to disclose payments to government. The GRI has one specific indicator relating to payments to government – EC1 Direct Economic Value Generated and Distributed. The components of this indicator include revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments. Compared to Dodd-Frank and EITI, the GRI requests the least amount of disaggregation in the data reported. For example, in order to fully report EC1, a company would disclose the sum of all company taxes by country of operation. EC1 does not require companies to provide a breakdown of the types of payments (royalties, taxes, facilitation payments etc) nor does it require a breakdown by region or operation.

Canadian securities regulators are also providing more specific direction related to disclosure of payments to governments. In 2011, the Canadian Securities Administrators revised the Continuous Disclosure Obligations to reflect the change over to the International Financial Reporting Standards. The Continuous Disclosure Obligations advise companies to disclose:

1. any changes in taxes over the previous year on a net basis against revenues

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<sup>5</sup> August 2012. Securities and Exchange Commission, [Final Rules of the Disclosure of Payments by Resource Extraction Issuers](http://www.sec.gov/rules/final/2012/34-67717.pdf) <http://www.sec.gov/rules/final/2012/34-67717.pdf> , accessed on August 23, 2012.

<sup>6</sup> Companies will be required to comply with the new rules for fiscal years ending after September 30, 2012.

2. the terms of any relevant royalties, back-in rights, payments or other agreements and encumbrances for each project that is identified as material to the Company, and
3. an analysis of taxes, royalties and other government levies or interests applicable to the company.

### ***What type of information is being requested?***

Stakeholders and regulators are looking to better understand: the contributions that companies make to the communities and countries in which they operate; and the revenue flows to national governments and distribution to communities. Stakeholders, including communities, NGOs and investors, are seeking increasingly granular data and information around payments to government including:

- Country by country breakdown of payments made to government, and
- Breakdown of the different types of taxes and royalties.

In particular, stakeholders are seeking information on payments to government at the project level so that they can better understand the project-level contributions to the regional and national economy.

The NGO community and the emerging international initiatives are seeking more detailed information about payments so that governments can be held accountable for how these revenues are being used. The Publish What You Pay Coalition, a global network of over 650 civil society organizations, are calling for oil, gas and mining revenues to demonstrate the contribution they make to development and improvement in the lives of citizens in resource-rich countries. The Coalition supports implementation of EITI and is actively encouraging governments, security exchanges and bilateral and multilateral financial institutions to require disclosure. Publish What You Pay is playing an integral role in driving attention to the industry, specifically through voluntary disclosures such as EITI.

Table 2 identifies the specific payments to government data and information requested by the initiatives examined.

**Table 2 - Payments to Government Disclosure Requirements Summary**

Sub-Topic	Disclosure Aspect	Initiative
<b>Direct Economic Value Created</b>	Direct economic value generated and distributed. Including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	GRI EC1 CDOs
<b>Taxes Paid</b>	Corporate Taxes Paid	EITI Dodd-Frank GRI EC1
<b>Royalties</b>	Royalties Paid	EITI Dodd-Frank

<b>Other Payments</b>	Rental or Lease or License Fees	EITI Dodd-Frank
	Payments or Other Fees to Government	EITI Dodd-Frank

## 3.2 CURRENT DISCLOSURE PRACTICES

Stratos examined the public disclosures of seven extractives companies to determine the current state of transparency surrounding payments to government. This section provides an overview of the disclosure practices across the companies examined and then provides a more in-depth discussion of disclosure for each of the sub-topics examined: economic value generated, corporate taxes, royalties and other payments.

### 3.2.1 Summary of Disclosure Practices

The seven companies reviewed provided a moderate level of disclosure surrounding their management systems and processes relating to payments to government. All companies provided a full-text version of their Corporate Code of Conduct or Code of Business Ethics, along with a description of how such instruments are implemented. Anti-corruption, anti-bribery or anti-fraud policies were also available in full-text from three of the companies.

Common themes found in these codes and policies include:

- Bribery and corruption
- Gifts
- Facilitation payments
- Dealing with public officials
- Conflicts of interest
- Political contributions
- Money laundering

Disclosures around more specific management practices relating to payments to government were generally light in approach.

Three of the benchmark companies discussed their involvement in emerging initiatives or provided corporate position statements of relevance to this area of focus. More specifically, companies discussed their involvement with Transparency International's Canada Business Roundtable and their position relating to EITI and the US Security Exchange Commission disclosure requirements.

Table 3 provides a high-level assessment of the quality and comprehensiveness of disclosures relating to payments to government for specific disclosure requirements drawn from the examined initiatives. The table is followed by a more detailed description of the specific disclosure requirements, the level of disclosure observed and key challenges faced by companies for each of the identified sub-issues.

**Table 3 - Disclosure Performance Snapshot for Payments to Government**

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Economic Value Generated</b>								
Direct economic value generated and distributed. Including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	GRI EC1 CDOs	●	●	◐	◐	●	●	●
<b>Corporate Taxes</b>								
Corporate Taxes Paid	EITI Dodd-Frank GRI EC1	◐	◐	◐	◐	◐	◐	◐+
<b>Royalties</b>								
Royalties Paid	EITI Dodd-Frank GRI EC1	◐	●+	◐	●+	●+	●+	●
<b>Other Payments</b>								
Rental or Lease or License Fees	EITI Dodd-Frank GRI EC1	○	○	○	○	○	○	◐
Payments or Other Fees to Government	EITI Dodd-Frank	○	●	○	○	◐	○	○

●	◐	○	+
Full Disclosure	Partial Disclosure	No Disclosure	Notable Example

### 3.2.2 Economic Value Generated

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Economic Value Generated</b>								
Direct economic value generated and distributed. Including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	GRI EC1 EITI	●	●	◐	◐	●	●	●

Disclosure amongst the benchmarked companies is quite strong, with all companies reporting on the majority of components required. Three companies provided multiple years of data, while five companies provided information disaggregated by facility or country.

Though all benchmark companies reported on most of the components outlined in GRI indicator EC1, data were often split between annual reports and sustainability reports covering differing geographic/operational areas and varied across periods of time. This limits accessibility of information to stakeholders/ In order to have a clear understanding of the economic contributions of the company, this split approach requires stakeholders to search multiple documents or sources of company information, limiting the accessibility.

Clear scope and definition of specific data reported is another constraint to clear disclosure practices, for example, does employee compensation include pensions or other benefits? Do community investments include infrastructure development? There is a need for companies to report all aspects of this indicator in a consistent and comparable manner, across all areas of operation, with clear descriptors of scope and definition for their indicators.

### 3.2.3 Corporate Taxes

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Corporate Taxes</b>								
Corporate Taxes Paid	GRI EC1 EITI Dodd-Frank	◐	◐	◐	◐	◐	◐	◐+

Three different initiatives require the disclosure of corporate taxes paid to governments. Reporting the amount of tax paid to governments helps stakeholders, and in the case of regional disclosures, local communities, understand the flow of revenues to governments. Understanding this value helps encourage the accountable use of tax revenue by national and local governments.

Overall, disclosure in this area was moderate. All companies reported some data on taxes paid in either the annual report or the sustainability report. It was most common for companies to report taxes paid together with royalties as one line item in the annual report.

Other types of taxes reported included mining tax, payroll tax, sales tax, 'other' tax, federal tax and provincial tax. BHP Billiton, Agnico-Eagle and Teck reported corporate taxes paid by country. BHP Billiton provides the most detailed commentary, disclosing taxes paid on a country by country basis for operations. Inmet provided a break down of tax payments by site, with one site located in each country of operation.

Companies are challenged to include clear descriptions and definitions of the different types of taxes paid to governments, by country or operation. The types of taxes paid vary by region and, in many cases, the same type of tax has a different regional name. A more detailed presentation of taxes paid by country or operation, along with contextual information to explain variances, will be required to meet existing and emerging stakeholder expectations in this area.

### 3.2.4 Royalties

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Royalties</b>								
Royalties Paid	EITI Dodd-Frank GRI EC1	◐	●+	◐	●+	●+	●+	●

Disclosure of royalties paid is a key requirement of all EITI country reports. Under EITI, each country's multi-stakeholder group defines a level of materiality which identifies the level of scope and the specific operations which are required to disclose royalty payments. The Dodd-Frank Act mirrors this requirement by stating that disclosures are to be "consistent with the guidelines of the Extractive Industries Transparency Initiative". Similarly, GRI recognizes royalty payments as a component of operating costs under indicator EC1.

Disclosure of royalties was strong. Six of the seven benchmark companies reported royalties by country or by operation. Xstrata, Agnico-Eagle and BHP Billiton reported royalties by country. Inmet, IAMGOLD and Barrick Gold provided further granularity and reported royalties by project. Inmet, Teck, IAMGOLD, Agnico-Eagle and Barrick Gold all published additional contextual information such as the basis of the royalty (flat rate or percent of production) and the type of royalty paid. Inmet, IAMGold, Agnico-Eagle and Barrick Gold all provided information on the factors affecting royalty amounts and the basis for royalty calculations. A notable example from Agnico-Eagle can be found in section 4.3.3.

Companies are not yet separating taxes and royalties into two different line items and, for one company, reviewed royalties for each country of operation were not disclosed. If royalties in some countries are immaterial or negligible in size, this can be stated for purposes of completeness.

### 3.2.5 Other Payments

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Other Payments</b>								
Rental or Lease or License Fees	EITI	○	○	○	○	○	○	◐
Payments or Other Fees to Government	EITI Dodd-Frank	○	●	○	○	◐	○	○

EITI's flexible structure allows it to be adapted to the particular circumstances of any economy or country. EITI requirements are country-specific, as tailored by each country's multi-stakeholder group. More common disclosure requirements under EITI include rental or lease fees, also sometimes known as license fees. EITI can also require the disclosure of other fees to governments which includes facilitation payments, signing bonuses, entry fees or production entitlement.

The applicability and materiality of these other payments can vary by company and by jurisdiction. As such, it is difficult to determine if the lack of disclosure in this area is a true gap, or if the benchmark companies do not make material payments in these categories. Companies are encouraged to assess the applicability of these types of payment for each of their operations and/or countries of operation. Where they are not material, it is recommended that companies explicitly state this within their disclosures.

The benchmark review found that BHP Billiton reported paying a resource rent tax, for which it disclosed two years of data; however, their report did not include disclosure of lease fees.

## 3.3 COMPONENTS OF COMPREHENSIVE DISCLOSURE

Based on Stratos' review of standards and expectations and the current range of corporate disclosure practices observed, we have identified several components that, together, provide comprehensive disclosure related to Payments to Government. We have also identified relevant examples to illustrate how some companies are presenting this information within their public reporting.

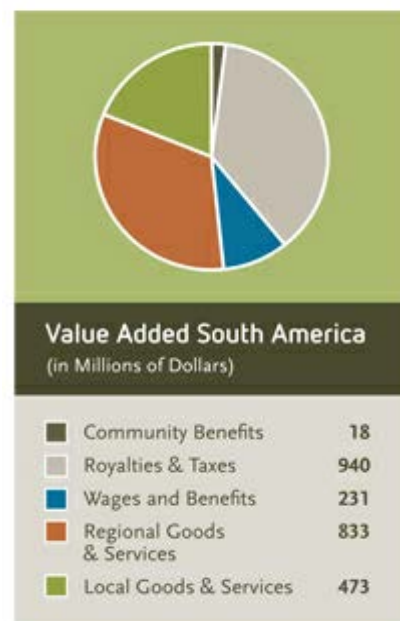
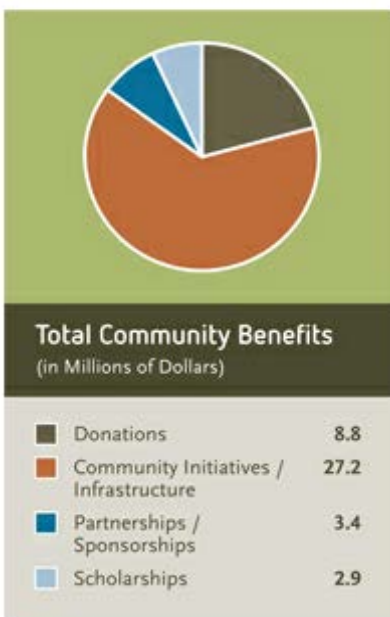
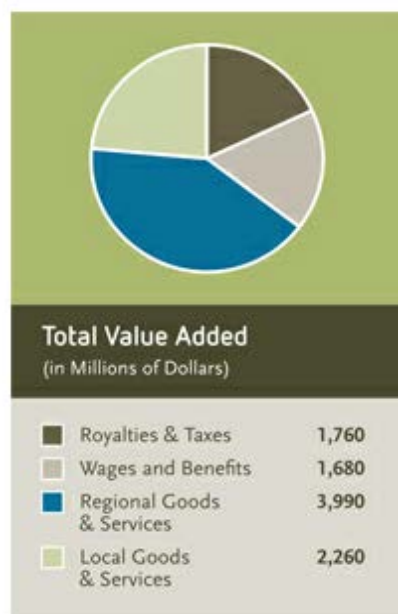
### 3.3.1 Economic Value Generated

#### What does comprehensive disclosure look like?

- Disclosure of revenues, operating costs, employee compensation, community donations, retained earnings, payments to government
- Provide a clear description of the scope of values being reported (i.e. which projects, operations and countries are included)
- Disaggregate data by country or by operation
- Provide some description of the context around each of the values reported.
- Three or more years of data
- Robust reporting provides all of the information in the sustainability report or integrated report. At a minimum, we encourage companies to provide a direct link to external documents which hold the information (i.e. Annual Report).



As part of their online 2010 Sustainability Report, Barrick Gold reports total value added and total community benefits. The website also includes a breakdown by four different operating regions. The South American example is shown on the right. Retained earnings, payments to governments and revenues can be found in the company's annual report, for which a hyper-link is provided. **Online 2010 SR** <http://barrickresponsibility.com/2010/en/about/aboutbarrick>





### 3.3.2 Corporate Taxes Paid

#### What does comprehensive disclosure look like?

- Provide a breakdown by country or by operation/project; leading practice discloses the % of total taxes paid to each country
- Disclose and define the types of taxes paid
- Distinguish between the value of royalties and taxes paid
- Three or more years of data



“Our payments to governments in the past year, listed in the table on page 38 (see below), included US\$10.2 billion in company taxes and approximately US\$1 billion in taxes collected on behalf of employees. More than 99 per cent of our payments are made to 14 countries. Of these, our largest payments are made in Australia, where we have the majority of our assets. The ‘other’ category includes minor payments in a further 16 countries.” **P26 2010 SR**

#### Taxes and royalty payments on a country-by-country basis <sup>(a)</sup>

Country	Taxes borne by BHP Billiton US\$ million <sup>(b)</sup>	Taxes collected by BHP Billiton US\$ million <sup>(c)</sup>
Australia	6,657	642
Chile	1,410	40
Colombia	533	9
Algeria	342	–
Brazil	291	<1
South Africa	182	121
Canada	202	20
US	124	75
Peru	187	–
United Kingdom	89	26
Pakistan	61	<1
Switzerland	47	–
Netherlands	20	23
Trinidad & Tobago	33	1
Other <sup>(d)</sup>	26	11

<sup>(a)</sup> The Group claims refunds of transaction taxes (for example GST/VAT and Fuel Tax) paid to suppliers for in-country purchases of goods, services and eligible fuel and also collects GST/VAT in respect of certain sales to customers. These amounts are not included in taxes borne or taxes collected as set out in the table.

<sup>(b)</sup> Taxes borne by BHP Billiton primarily comprise income tax and royalty related taxes paid, royalties paid in kind, customs and excise tax payments, social taxes paid, payroll taxes paid, payments of Fringe Benefits Tax and production based royalties accrued, which approximate cash payments. Ancillary payments, such as licences, visas, sales taxes, stamp duty payments and land tax, are included.

<sup>(c)</sup> Taxes collected and paid on behalf of our employees are also measured on an equity share basis, but only for those assets that we operate. Where the payroll calendar year is different to the Group's financial year, the most recent annual data has been used.

<sup>(d)</sup> The countries that make up the ‘other’ category have not been disclosed as they are not material and not considered among the high-risk countries according to the Human Rights Risk Atlas 2011, Business Integrity and Corruption Index.

### 3.3.3 Royalties

#### What does comprehensive disclosure look like?

- Provide a breakdown by country or by operation/project; leading practice is to report by project
- Define the types of royalties; leading practice is to describe how the royalties have been calculated
- Distinguish between royalties and taxes paid
- Leading reporters disclose future expected royalties
- Three or more years of data



The example below includes the % of payments, types of payments and the basis on which payments are calculated for four different operations. **P108 2011 AR**

#### 12. COMMITMENTS AND CONTINGENCIES

As part of its ongoing business and operations, the Company has been required to provide assurance in the form of letters of credit for environmental and site restoration costs, custom credits, government grants and other general corporate purposes. As at December 31, 2010, the total amount of these guarantees was \$111.3 million.

Certain of the Company's properties are subject to royalty arrangements. The following are the most significant royalties.

The Company has a royalty agreement with the Finnish government relating to the Kittila Mine. Starting 12 months after the mining operations commenced, the Company is required to pay 2% on net smelter returns, defined as revenue less processing costs. The royalty is paid on a yearly basis the following year.

The Company is committed to pay a royalty on future production from the Meadowbank Mine. The Nunavut Tunngavik-administered mineral claims are subject to production leases including a 12% net profits interest royalty from which annual deductions are limited to 85% of gross revenue. Production from Crown mining leases is subject to a royalty of up to 14% of adjusted net profits, as defined in the *Northwest Territories and Nunavut Mining Regulations under the Territorial Lands Act* (Canada).

The Company is committed to pay a royalty on production from certain properties in the Abitibi area. The type of royalty agreements include but are not limited to net profits interest royalty and net smelter return royalty, with percentages ranging from 0.5% to 5%.

The Company is committed to pay a royalty on production from certain properties in the Pinos Altos area. The type of royalty agreements include but are not limited to net profits interest royalty and net smelter return royalty, with percentages ranging from 2.5% to 3.5%.

### 3.4 FUTURE DIRECTIONS TO WATCH

Stratos anticipates stakeholder demands for disaggregated data on payments to government will continue to grow, manifesting themselves in additional countries of operation as EITI and Publish What You Pay continue to extend their reach, and as other countries introduce legislation similar to the *Dodd-Frank Act*. We also expect to see demands for more detailed information related to the terms and conditions of government contracts.

**Table 4 - Payments to Government Emerging Expectations**

Trend	Emerging Expectations
Increasingly disaggregated information	<p>EITI is still a relatively young initiative but it is gathering momentum with recent statements of support and implementation from a growing list of countries – both developed and developing. The EITI structure allows each country working group to set material thresholds and acceptable levels of data aggregation. As these reporting processes evolve and become more mature, we expect that EITI working groups will look for even greater levels of disclosure. EITI guidance documents help inform working group activities and the identification of country specific disclosure requirements. Currently, these documents encourage region by region or project by project information, and this type of reporting is already present in some EITI countries.</p> <p>See, for example, Mongolia's EITI Reconciliation Report:  <a href="http://eiti.org/files/MEITI_3rd%20RR_ENG_20100610_FINAL%20(1).pdf">http://eiti.org/files/MEITI_3rd%20RR_ENG_20100610_FINAL%20(1).pdf</a></p> <p>We expect to see increasing requests for detailed and disaggregated information from these working groups.</p>
Requests for information surrounding government contracts	<p>Revenue Watch and Publish What You Pay have been pushing for increased disclosures around the contracts signed between governments and extractives companies. NGOs are pushing for stronger contract transparency to improve the management of natural resource wealth for the benefit of citizens. If contracts are publically available, citizens are able to hold their governments accountable to negotiate stronger deals with industry. This transparency would also allow citizens to benefit from better contracts, governments from greater public trust and companies from a more stable investment climate. Revenue Watch has published a paper which addresses some of the concerns voiced by companies around disclosing the content of government contracts. The research provides a number of confidentiality clause examples and describes in detail the important drivers behind contract transparency initiatives.</p> <p><a href="http://www.revenuwatch.org/publications/contracts-confidential-ending-secret-deals-extractive-industries">http://www.revenuwatch.org/publications/contracts-confidential-ending-secret-deals-extractive-industries</a></p>
Annual transparency reports	<p>A Private Member's Bill has been tabled in the House of Commons that, if passed, would require mining, and oil and gas corporations to prepare and submit an independently audited annual transparency report that discloses all payments provided by them or their subsidiaries to a foreign government for the purpose of furthering mining, oil or gas activities. The Bill also proposes to make it an offence to fail to comply with these</p>

	<p>requirements and would establish a penalty for such contravention. Extractive corporations would be required to submit an annual transparency report to the Minister of Foreign Affairs and post it on their primary corporate website annually. Whether or not this Bill passes in its current form, we expect to see further pressure within Canada for disclosure of all payments provided to foreign governments by extractive companies.</p>
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## 4 Human Rights

### Overview and Summary of Findings

#### Companies are expected to disclose:

1. A qualitative and quantitative discussion of contracts that **include human rights clauses** and suppliers who have undergone **human rights screening**.
2. Data and information related to **employee training** regarding human rights
3. Incidents of **discrimination and corrective actions taken**
4. Assessment and description of site by site risk relating to **freedom of association, child labour or forced labour**
5. Data and information on **training of security personnel** on the company's approach to managing **human rights**
6. **Description of grievance process** employed, grievances filed and outcomes, and
7. **Violations involving the rights of Indigenous Peoples** and actions taken.

#### Comprehensive disclosure includes:

- Description of **how human rights policies and procedures are implemented** across the company, including employees and contractors, and
- Description of **company actions and outcomes relating to human rights** including discrimination, grievances and/or violations of rights overall, and for Indigenous Peoples.

#### Opportunities to enhance disclosure could include:

In reviewing the disclosure practices of nine companies, we observed the strongest reporting in the areas of non-discrimination policies and recorded incidents, and training of security personnel on human rights. Based on this review, the following areas could benefit from additional focus:

- Provide a clear description of processes used to screen operations and contracts/ contractors to determine the level of human rights related risk
- Describe formal grievance mechanisms, including disclosure of the issues being raised through these mechanisms, and the company's response
- Provide an explanation on why a specific risk is not applicable or material to certain operations (i.e. child labour) , and
- Provide a distinction between training provided for company security personnel and that provided for third party contracted security personnel.

#### Future expectations:

Stratos anticipates stakeholder demands for disclosure on human rights will continue with greater emphasis on human rights assessments to inform decisions on properties under development and new mining projects, and increasingly granular disclosure of both human rights management practices and performance, including grievance mechanisms, incidents and responses. Chain of custody and identification of origin are issues which are gaining increased recognition. Components of the *Dodd-Frank Act*, the Kimberley Process and the newly formed International Conference on the Great Lakes Region (ICGLR) all aim to establish mechanisms to monitor the supply chain of minerals from conflict-prone regions.

## 4.1 DISCLOSURE EXPECTATIONS

### ***What is shaping the expectations in this area?***

The minerals and mining sector operates in many regions of the world with political regimes that vary in their adherence to universal human rights principles, and may have weak legislation and/or enforcement of human rights requirements. At the local level, companies face political instability and conflict, and either depend on or have to work at the interface between their operations and local security forces.

Human rights has a long and inconsistent history as a high-profile international issue treated in the United Nations and, more recently, in international development organizations such as the IFC and World Bank and in national and state legislation in a number of countries, including the United States. Notwithstanding the UN members' checkered history of human rights practices, a clear framework with detailed expectations for the protection, respect and remedy of human rights has developed within the UN through the efforts of the respected and knowledgeable John Ruggie, resulting in the Guiding Principles for Business and Human Rights. These efforts have been bolstered by a strong and well organized NGO movement around human rights led by such international NGOs such as Amnesty International and Human Rights Watch, which have strong and active branches in Canada, the U.S. and European countries. Joint industry-NGO–government efforts have also put a spotlight on the need for strong local human rights practices by companies which have been codified in the Voluntary Principles on Human Rights and Security and its accompanying Implementation Guidance Tool. Continuing incidents or allegations of human rights incidents in and around mining operations have further fuelled the demand by legislators, NGOs and affected communities for disclosure of company practices and measures taken to address human rights issues.

Concerns over sourcing of minerals from conflict zones have also become more prevalent and organized, resulting in pressure to ensure respect of human rights across the supply chain. To date, these efforts have focused on diamonds, gold, and the Dodd-Frank minerals (coltan, cassiterite, gold, wolframite or their derivatives).

### ***What are the key sources of demand?***

In response to these changing forces, a large number of initiatives (both voluntary and regulatory) have arisen to focus on improved performance and disclosure related to human rights. Some of these are broad in scope, while others focus on particular elements, such as security or conflict minerals.

In June 2011, the UN Human Rights Council endorsed the Guiding Principles for Business and Human Rights (Ruggie Framework). The Principles were developed to support the implementation of the UN Protect, Respect and Remedy Framework which includes three components:

- The State Duty to Protect Human Rights
- The Corporate Responsibility to Respect Human Rights, and
- The need for greater Access to Remedy for victims of business-related abuse.

The Guiding Principles offer tangible advice and frameworks for companies to manage and understand key human rights issues. For example, the document provides a set of self-assessment questions for companies to consider when drafting their own human rights policy.

The Global Reporting Initiative (GRI) includes 11 different indicators relating to human rights. The most recent GRI 3.1 revisions<sup>7</sup> were introduced in 2011 and expanded the set of human rights indicators to include two new indicators - one relating to human rights impact assessment and the second on human rights related grievances filed.

The International Finance Corporation's (IFC) Performance Standards address human rights through three Standards:

- Performance Standard #1 – Assessment and Management of Environmental and Social Risks and Impacts
- Performance Standard #2 – Labour and Working Conditions
- Performance Standard #4 – Community Health, Safety and Security

Companies seeking IFC financing are required to demonstrate that they have applied the Performance Standards at each stage of their projects. The Standards require that companies establish a grievance mechanism for affected communities, and that they encourage relevant public authorities to disclose the security arrangements for the client's facilities to the public (subject to overriding security concerns).

The Voluntary principles on Security and Human Rights were launched in 2000 by the US and UK governments and an initial group of companies and NGOs. The Voluntary Principles (VPs) provide a set of guidelines to help extractives companies maintain the safety and security of their operations while ensuring respect for human rights. The VPs are the only human rights guidelines which are designed specifically for extractive companies. A number of companies have recently signed on to the VPs including Inmet in 2011 and Total in 2012. This expanding support demonstrates the increasing importance of human rights issues in the mining sector.

National regulators in some jurisdictions are also requiring corporate disclosures related to human rights, with a focus on conflict minerals and supply chain certification. For example, in the United States, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* and supporting regulations (forthcoming) are requiring companies listed on the US Stock Exchange to make disclosures around conflict minerals originating from DRC countries country (Democratic Republic of Congo or an adjoining country<sup>8</sup>). At the state level, California's *Transparency in Supply Chains Act* came into effect on January 1, 2012. This

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<sup>7</sup> The GRI 3.1 framework was released in mid-2011. As such, the two new GRI human rights indicators (HR10, HR11) are only expected to appear in 2011 sustainability reports. At the time of writing, the majority of companies had yet to release their 2011 reports. The G4 is GRI's fourth generation of Reporting Guidelines and currently under development and consultation. The G4 Guidelines are scheduled for release in May 2013.

<sup>8</sup> The Act does not specifically list the adjoining countries. However, the adjoining countries currently include: Southern Sudan, Uganda, Rwanda, Burundi, Tanzania, Zambia, Angola, Republic of Congo or the Central African Republic.

Act requires large retailers and manufacturing companies to publicly disclose what, if any, efforts they have taken to eliminate slavery and human trafficking from their supply chains. These types of regulations are expected to drive further supply chain management efforts which could affect companies that extract or process minerals used by these manufacturers, including component parts used in electronics.

The Canadian Continuous Disclosure Obligations encourage companies to disclose a description of human rights or other social policies which are fundamental to operations and the steps taken to implement them within their Annual Information Form.

Several commodity-based or regional certification programs have also emerged to demonstrate that specific commodities have not originated in conflict zones. While diamonds were the first commodity with such a system (the Kimberley Process Certification system), programs have since been established for gold and are under development for a list of other conflict minerals present in conflict-prone regions in Africa. Conflict minerals, as defined under the Dodd-Frank Act, include, in addition to gold: coltan, cassiterite, wolframite or their derivatives. The International Conference on the Great Lakes Region (ICGLR) is an emerging initiative which aims to establish a regional certification mechanism to monitor the sourcing and movement through the supply chain minerals from this conflict-prone region in Africa. A third-party certified mineral tracking system has been designed and is proposed to be put in place that will report on monthly volumes of mineral flows to break the link between mineral exploration and the financing of armed rebellion. Manufacturers who use these minerals in their products have identified this as a source of brand vulnerability with a number of high profile companies (including Apple and Hewlett-Packard) have initiated programs to ensure that their suppliers can demonstrate the supplied minerals do not originate in conflict zones.

### ***What type of information is being requested?***

Stakeholders are expecting companies to demonstrate that they understand the human rights-related risks across their operations and how these vary based on local conditions. To understand how companies are actively managing human rights across all of their operations, stakeholders are expecting disclosure of specific policies and the management programs and systems used to implement them, both across the company and across contractors and partners.

Table 5 identifies the specific human rights-related data and information requested by the initiatives examined.



**Table 5 - Human Rights Disclosure Requirements Summary**

Sub-Topic	Disclosure Aspect	Initiative
<b>Contracting</b>	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	GRI HR1 IFC PS
	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken.	GRI HR2 IFC PS
<b>Training</b>	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GRI HR3 IFC PS
<b>Discrimination</b>	Total number of incidents of discrimination and corrective actions taken	GRI HR4 IFC PS
<b>Operational Risk</b>	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	GRI HR5 IFC PS
	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	GRI HR6 IFC PS
	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	GRI HR7 IFC PS
<b>Security Personnel Training</b>	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	GRI HR8 IFC PS
<b>Grievances</b>	Human Rights grievance processes	IFC PS UN Guiding Principles for Business & Human Rights TSM Voluntary Principles Equator Principles
<b>Rights of Indigenous Peoples</b>	Total number of incidents or violations involving rights of indigenous people and actions taken.	GRI HR9 TSM, IFC PS

## 4.2 CURRENT DISCLOSURE PRACTICES

Stratos examined the public disclosures of seven extractives companies and two manufacturers who report on their supply chain management programs to determine the current state of disclosure in this area. This section begins with an overview of the disclosure practices across the companies examined. It then provides a more in-depth discussion and overview of disclosure in each of the sub-topics examined: contracting, training, discrimination, operational risk, human rights training for third party personnel, and grievances.

### 4.2.1 Summary of Disclosure Practices

The seven extractives companies, as well as the two manufacturers with established supply chain management programs that address human rights (Timberland and Apple) that we reviewed, demonstrated a good level of disclosure around their corporate management systems relating to human rights.

Companies are communicating their policy commitments related to human rights either within a stand-alone Human Rights policy, a Corporate Standard on Human Rights, a Code of Conduct, and/or a combination of these. All benchmarked companies make the full text of their Code of Conduct or Human Rights Policy publicly available online, most often with a hyperlink in their sustainability report. In addition, Timberland and Apple also disclose issue specific position statements or corporate standards for identified high risk issue areas. For example, Timberland publishes a policy statement on the use and harvesting of cotton from Uzbekistan with respect to child labour. The prevention of involuntary labour and human trafficking are two issues which Apple has addressed through more detailed policy statements, likely in reaction to media reports around working conditions at a number of Apple's manufacturing plants.

Disclosures of specific management practices were generally strong across the benchmark companies. Corporate sustainability reports discussed the use of human rights management plans, human rights risk and compliance assessment tools, implementation guidance for projects and general disclosures around the corporate position on human rights, often referencing international frameworks such as the UN Guiding Principles. Companies also identified key areas where they plan to improve their human rights disclosures over the coming years, including implementation of Human Rights Impact Assessments, improving internal reporting mechanisms, establishing employee training objectives and plans for rolling out these initiatives across all sites and business lines.

Table 6 provides a high-level assessment of the quality and comprehensiveness of specific disclosures relating to human rights drawn from the examined initiatives. The table is followed by a description of the specific disclosure requirements, the level of disclosure observed and key challenges faced by companies for each of the sub-topics.

**Table 6 - Performance Snapshot of Human Rights Disclosure**

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
<b>Contracting</b>										
Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	GRI HR1 IFC PS	●	○	○	●	●	●	●	○	○
Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken.	GRI HR2 IFC PS	●	○	●	●	●	●+	●	●	●
<b>Training</b>										
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GRI HR3 IFC PS	○	●	●	○	●	●	●	○	○
<b>Discrimination</b>										
Total number of incidents of discrimination and corrective actions taken	GRI HR4 IFC PS	●	●+	●	●	●	●	●	●+	●+
<b>Operational Risk</b>										
Operations and significant suppliers identified in which the right to exercise <u>freedom of association and collective bargaining</u> may be violated or at significant risk, and actions taken to support these rights.	GRI HR5 IFC PS	●+	●	●	●	●	●+	●	●	●
Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of <u>child labour</u> .	GRI HR6 IFC PS	●	●	●	●	●	●	○	●	●+
Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of <u>forced or compulsory labour</u> .	GRI HR7 IFC PS	●	○	●	●	●	●+	○	●	●+
<b>Security Personnel Training</b>										
Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	GRI HR8 IFC PS	●	●	●+	●	●	●	●	○	○
<b>Grievances</b>										

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
Human Rights grievance processes	IFC PS, TSM UN GPs, VPs EPs	●+	○	●	●	○	◐+	◐	○	○
<b>Rights of Indigenous Peoples</b>										
Total number of incidents or violations involving rights of indigenous people and actions taken.	GRI HR9 TSM IFC PS	●	●	●	●	●	●	○	-	-

●	◐	○	+
Full Disclosure	Partial Disclosure	No Disclosure	Notable Example

## 4.2.2 Contracting

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
<b>Contracting</b>										
Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	GRI HR1 IFC PS	◐	○	○	●	●	●	◐	○	○
Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken.	GRI HR2 IFC PS	◐	○	◐	●	●	◐ <sup>+</sup>	◐	◐	●

The primary purpose of these GRI indicators is to measure how well a company integrates human rights considerations into its contracting decisions. GRI indicator HR1 requests that companies disclose the percent and total number of contracts which include human rights clauses or where partnering organizations have undergone human rights screening. HR2 asks companies to report the percentage of suppliers, contractors or business partners who have undergone human rights screening, including actions taken. Companies can use this type of disclosure to help demonstrate the reduced risk of investment. When determining which contracts to include, companies are encouraged to determine their own threshold of materiality and disclose this definition.

Disclosure in this area is mixed, with a number of companies reporting they were in the process of developing human rights screening procedures at the time the reports were written (usually in 2011). Reporting that no contracts or no screening has taken place would constitute full disclosure, according to the GRI framework. Almost all companies require that contractors abide by their Corporate Code of Conduct or other human rights policy documents. However, only IAMGOLD explicitly states that all contracts include human rights clauses and the number of contractors which have undergone screening. Teck provides robust information, disclosing its determination of materiality and the information that it requests of contractors. Xstrata PLC reported the number of terminations due to non-compliance with business principles. No companies disclosed information related to specific cases where employees were fired or contracts terminated or subject to actions as a result of human rights screening, which may reflect the need for confidentiality related to legal implications of disclosure. Four companies disclosed they were in the process of developing human rights screening procedures or assessing the applicability of existing corporate standards for suppliers and contractors. Barrick was flagged as a notable example for disclosing the percentage of suppliers who had self-certified against the company's Supplier Code of Ethics which is based upon the UN Global Compact.

Companies are encouraged to report these indicators in their entirety, especially with respect to specific contracting clauses, determining materiality, the number and percentage of suppliers and contractors screened, and any resulting actions around non-compliance with these requirements.

### 4.2.3 Training

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
<b>Training</b>										
Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	GRI HR3 IFC PS	○	●	●	○	●	◐	◐	○	○

The GRI indicator around human rights training asks companies to report both the total number of hours of training on policies and procedures relating to human rights and the percentage of employees trained. This indicator helps companies demonstrate how they are implementing corporate policies and providing guidance to employees. Disclosing information about human rights training coverage helps stakeholders understand the organization's depth of knowledge surrounding human rights.

All companies at least mentioned some form of employee training on human rights within their reports; however, the amount of data on training delivery and the associated detail was fairly light. Some reports provided a general description of the types of training, without data on the breadth and success of training delivery. In others, reporting was limited to the number of employees or number of sites where training has been rolled out or a discussion of future plans to roll out training. More specifically, three companies reported both the percentage of employees who have received human rights training and the number of hours of training on human rights and related policies.

Disclosure challenges faced by companies may relate to collection of site-specific data and the level of information tracked in corporate human resource management systems. In some cases, companies track the number of hours of training received by employees, but a breakdown on types of training may not be collected.

### 4.2.4 Discrimination

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
<b>Discrimination</b>										
Total number of incidents of discrimination and corrective actions taken	GRI HR4 IFC PS	●	●+	●	●	◐	●	●	●+	●+

GRI indicator HR4 requests that companies disclose the total number of incidents (legal actions, complaints registered with the organization or authorities through formal processes) of discrimination and the corrective actions taken.

All companies consistently disclose the minimum requirements of this indicator. In the cases where there were no reported incidents, full disclosure is relatively simple. Once an incident has been recorded, the level of disclosure required increases to include actions taken and the current status of the issue raised. Six reporting companies provided some detail including the outcome for the victim and any disciplinary action taken against the perpetrator. It was most common for companies to disclose information on incidents that occurred during that current reporting year, with only one company reporting multi-year data (Timberland, which provided 5 years of data).

The notable disclosure examples from Apple and Inmet are highlighted in section 5.3.3. Timberland's disclosure was identified as notable because of the granularity of data disclosed including the percentage of factories which have current (i.e. last 3 months) violations and a detailed description of the remediation and audit process which have been implemented as a result. Timberland also discloses an assessment of the effectiveness of the remediation and a 5 year target for further reduction of violations.

#### 4.2.5 Operational Risk

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
<b>Operational Risk</b>										
Operations and significant suppliers identified in which the right to exercise <u>freedom of association and collective bargaining</u> may be violated or at significant risk, and actions taken to support these rights.	GRI HR5 IFC PS	●+	●	●	●	●	●+	●	●	●
Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of <u>child labour</u> .	GRI HR6 IFC PS	●	●	●	●	●	●	○	●	●+
Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of <u>forced or compulsory labour</u> .	GRI HR7 IFC PS	●	○	●	●	●	●+	○	●	●+

Companies are required to identify any operations or suppliers where the right to exercise freedom of association may be violated and where there may be risk of child labour or forced or compulsory labour. These three human rights issues are key provisions of the UN Universal Declaration of Human Rights. The indicators provide stakeholders with an understanding of how a company evaluates these issues across operations as well as the contributions made to support freedom of association and abolish child and forced labour.

Disclosure around freedom of association and collective bargaining was moderate across the benchmarked companies, and frequently included the number of complaints by operation. Four of the companies also disclosed the percentage or number of employees covered by collective bargaining agreements.

We observed moderate disclosure concerning the identification of operations with a significant risk of child labour. The majority of companies make reference to commitment statements or report that no risks have been identified. Barrick Gold and Inmet also disclose the minimum hiring age as well as the types of work that younger employees can conduct. Xstrata requires that all operations report the age of the youngest employee and these data are disclosed by region in the 2010 CSR report. Agnico-Eagle discusses some of the actions it takes to reduce the risk of child or forced labour by committing to terminate contracts with any outsourced suppliers who make use of such labour. Timberland reports the percentage of factories facing violations, highlighting immediate actions being taken within their supply chain<sup>9</sup>.

Three companies reported that forced labour was either not material to their operations or was not a known issue. Overall, the amount of information disclosed around forced labour is minimal. Providing further information about how the company has assessed its risks in this area (e.g. through a human rights impact assessment) would offer additional information and clarification for stakeholders.

The notable disclosure examples from Apple and Teck are highlighted in section 5.3.4. Barrick Gold's description of its assessment process and use of an IFC-specific definition for child and forced labour is also notable.

#### 4.2.6 Security Personnel Training

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
<b>Security Personnel Training</b>										
Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	GRI HR8 IFC PS	●	●	●+	◐	◐	●	●	○	○

<sup>9</sup> [http://responsibility.timberland.com/reporting/goals-and-progress/#csr-factory\\_chain\\_actions](http://responsibility.timberland.com/reporting/goals-and-progress/#csr-factory_chain_actions).



The GRI requests that companies disclose the percentage of security personnel who have received training on the company's policies and procedures relating to human rights. Reporting against this indicator helps to demonstrate how a company's management systems are applied to help ensure that all security personnel (whether internal or third party) conduct themselves in accordance with company standards. This indicator does not show compliance with these standards, but rather the proportion of security personnel who are aware of the company's expectations of human rights performance. The indicator asks companies to disclose training coverage of all security personnel, including whether training has been provided to third party organizations providing security personnel.

Disclosure in this area is moderate. Three companies report on their implementation of the Voluntary Principles on Human Rights and Security (VPs). Teck outlines the characteristics used to identify if specific training is required, which include the use of third party security companies, the location of the operation, and areas identified as having a high level of human rights risk. Only three companies make specific reference to the training of private or third party security personnel, other companies do not provide a distinction between directly employed security personnel and private or third party personnel.

#### 4.2.7 Grievances

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton	Timberland	Apple
Grievances										
Human Rights grievance processes	IFC PS UN Guiding Principles TSM EPs RF	●+	○	●	●	○	●+	●	○	○

Five of the initiatives reviewed request companies to disclose information related to the human rights grievance processes in place. A description of the processes and mechanisms used allow stakeholders to understand the approach taken by companies to protect human rights. The types of mechanisms, grievances received, corporate actions taken and the resulting outcomes are the most common elements expected to be disclosed.

Disclosure around human rights grievance mechanisms is mixed. All companies stated that they have a process in place or that one was under development at the time of writing their sustainability report (which was in 2011 for most of the companies reviewed). Only three companies provided details on the specific grievance processes they had in place and corporate actions taken. For example, Teck outlined eight different levels of grievance and the relating actions taken. The mechanism implemented by Teck varies by location and implementation is often based on the assessed level of risk.. Although Inmet was not able to provide a detailed description of their grievance mechanism since it was under development in 2010/11, the report discussed how the company was moving forward on this issue,

including a description of how the company was rolling out its Human Rights Policy and its plans for implementation across all sites. Though Barrick Gold's disclosure around the grievance process itself is limited, the company provided information about the roll-out of formal procedures at five high-risk sites and expanding to all sites in the following year. This type of disclosure was identified as notable and provides stakeholders with an understanding of future planned actions.

A notable disclosure example from Teck is highlighted in section 5.3.6. IAMGold has also been highlighted, showing strong disclosure around resettlement and the use of grievance mechanisms.

Companies are encouraged to provide a good description of the grievance mechanism(s) in place and how the company responds to human rights grievances. The challenge lies in providing enough information to demonstrate that systems are in place across the operation, while allowing them to be tailored to reflect the varying levels of risk encountered in different operating environments.

#### 4.2.8 Rights of Indigenous Peoples

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
Rights of Indigenous Peoples								
Total number of incidents or violations involving rights of indigenous people and actions taken.	GRI HR9 TSM IFC PS	●	●	●	●	●	●	○

Of the six companies assessed as having full disclosure, four of them reported that there were no incidents of violations involving the rights of Indigenous People. In these cases where there were no incidents, disclosure was relatively light. Xstrata and Barrick Gold use a case study approach to discuss specific incidents.

## 4.3 COMPONENTS OF COMPREHENSIVE DISCLOSURE

Based on Stratos' review of standards and expectations and the current range of corporate disclosure practices observed, we have identified several components that, together, provide comprehensive disclosure related to Human Rights. We have also identified relevant examples to illustrate how some companies are presenting this information within their public reporting.

### 4.3.1 Contracting

What does comprehensive disclosure look like?
<ul style="list-style-type: none"><li>→ % of significant contracts or investment agreements which include human rights clauses and/or % of contracts which have undergone human rights screening (level of materiality defined by the company)</li><li>→ % of suppliers who have undergone human rights screening</li><li>→ % of suppliers or contracts who were subject to actions as a result of human rights screening</li><li>→ Description of any human rights criteria used in screening contracts or suppliers, and description of any planned actions to incorporate human rights screening into future contracts</li><li>→ Description of any significant acquisitions which may have human rights concerns</li><li>→ Categorization and disclosure of the types of corrective actions taken</li><li>→ Provide data for multiple years, by region, country or other geographic scope</li></ul>



IAMGold's disclosure is found in the company's GRI Index, which accompanies the 2010 Health, Safety and Sustainability Report. The company discloses that all investments undergo a human rights screening process. The Index also outlines progress made around human rights screening for suppliers and contractors. **P18, 19 2010 GRI Index.**

HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening		<p>100%.</p> <p>All of our investments and potential investments in properties undergo a thorough due diligent process, which includes a community relations and human rights screening process.</p>
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken		<p>At the corporate level, none of IAMGOLD's suppliers undergo human rights screening. At the site-level, we have not yet begun to track this number or implemented broad-scale human rights screening processes. Both the procurement teams and community relations teams work with local level producers and service providers to ensure that they can meet company standards in terms of quality, timing and respect for human rights. We recognize, however, the limitations of our teams to effectively screen for human rights without a broad-scale regime.</p> <p>All contractors and suppliers are required to sign IAMGOLD's code of conduct.</p>

## 4.3.2 Training

### What does comprehensive disclosure look like?

- Total hours of employee training on policies and procedures relating to human rights
- % of employees receiving human rights training
- Three or more years of data
- Description of how the company identifies who will receive human rights training
- Description of the scope and content of the human rights training
- Leading practice includes a breakdown of training received by employee category (employee, contractor etc.) and on a site by site basis



BHP Billiton reports that employees received on average 62 hours of training in FY2011. Though the report does not disclose the breakdown of this training, BHP reports the number of employees who received training in four specific areas: anti-corruption, human rights, cross cultural and security. **P11, P38 2011 SR**

Training	FY2011	FY2010
<b>Anti-corruption Training <sup>(1)</sup></b>		
Employee	2,560	–
<b>Human Rights Training</b>		
Employee	8,725	4,515
Contractor	10,811	4,450
<b>Cross-cultural Training</b>		
Assets that conduct cross-cultural training for employees	32	22
<b>Security</b>		
Security employees	84	108
Security employees trained in Human Rights	61	58
Security contractors	1,671	1,549
Security contractors trained in Human Rights	1,196	1,136

<sup>(1)</sup> Delivered to employees, including senior management and employees considered to be in higher risk jurisdictions and positions.

Agnico-Eagle reports against GRI indicator HR3 on a site-by-site basis, including the number of hours of training and the percentage of employees who received training. **P92 2010 SR**

**HR3**

Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

	LaRonde	Goldex	Lapa	Kittila	Pinos Altos	Meadowbank
Did this mine provide training to its employees in 2010 on human rights policies or cross-cultural awareness training – yes or no?	No	No	No	No	Yes	Yes
If yes – how many hours of training were provided?	–	–	–	–	11,220	1,514
If yes – approximately what percentage of the workforce received this training?	–	–	–	–	61.1%	25.0%

### 4.3.3 Discrimination

#### What does comprehensive disclosure look like?

- Disclose # of significant incidents over the past year, current status (i.e. open, closed) and company actions taken
- Describe the basis for the incident (i.e. type of discrimination, as defined by the International Labour Organization Core Conventions)
- Three or more years of data



Inmet provides disclosure in a tabular format including the number of incidents, the location and a description of the actions taken in response to the incident. **P52 2010 SR**

#### HR4 Discrimination (incidents and actions)

##### DISCRIMINATION INCIDENTS AND ACTIONS TAKEN

Number of Incidents 2010		Actions Taken in Response to Incidents
Location		
Ok Tedi	1	One female employee was sexually harassed by another employee. The victim underwent three sessions of counselling and agreed with the case outcome – the perpetrator was disciplined with an Open Final Warning, meaning that any further incidents would result in their immediate termination from employment. The victim was relieved and happy to have undergone counselling and the rehabilitation.



Apple provides an example of corporate disclosure of supplier performance around discrimination prevention. In the 2012 Supplier Responsibility Report (SRR), Apple discloses the results of compliance audits and the percentage of suppliers with management systems in place. The report highlights two key issues identified in supplier recruitment practices and Apple's response. **P7 2012 SRR**

## Audit Results

Each year, Apple audits suppliers in eight areas relating to labor and human rights. We look for compliance of both their practices and management systems.

### Labor and human rights 2011 audit data

Category	Practices in compliance	Management systems in place
Antidiscrimination	78%	61%
Fair treatment	93%	76%
Prevention of involuntary labor	78%	72%
Prevention of underage labor	97%	83%
Juvenile worker protections	87%	74%
Working hours	38%	38%
Wages and benefits	69%	64%
Freedom of association	95%	91%
Overall Compliance	74%	67%

Category percentages represent the average across all facilities of the line items scored under that category. Overall Compliance percentages are the average of every line item in every category.

Below are the issues and Apple responses for the standard audits in the labor and human rights category.

### 2011 labor and human rights audit issues and responses

#### Antidiscrimination

Apple's Code protects against discrimination on the basis of race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, national origin, and marital status, and prohibits pregnancy tests or medical tests for discriminatory use.

Issues	Apple response
18 facilities screened job candidates or current workers for hepatitis B, and 52 facilities lacked policies and procedures that prohibit discrimination based on results of medical tests.	We classified these practices as discrimination—even if permissible under local laws. At our direction, the suppliers have stopped discriminatory screenings for medical conditions or pregnancy. We also required them to establish clear policies and procedures to prevent recurrence.
24 facilities conducted pregnancy tests, and 56 facilities did not have policies and procedures that prohibit discriminatory practices based on pregnancy.	



#### 4.3.4 Operational Risk

##### What does comprehensive disclosure look like?

- Disclose # of operations and significant suppliers who are identified as having significant risk of incidents related to freedom of association and collective bargaining, child labour and/or forced or compulsory labour
- Three or more years of data
- Description of the process used to identify operations or significant suppliers who may be at risk
- Description of the actions taken to address any operations or suppliers identified as at risk
- Comprehensive disclosure includes a description of common characteristics of operations or suppliers who are identified as at risk (i.e. by geographic location or type of operation)



Xstrata PLC provides detailed information around child labour in the 2010 Sustainability Report. Disclosure includes identification of the countries where child labour has been identified as a risk, the number of managed operations where under-age or forced labour has been identified and the criteria used by the company to determine the minimum working age. **P54 2010 SR**

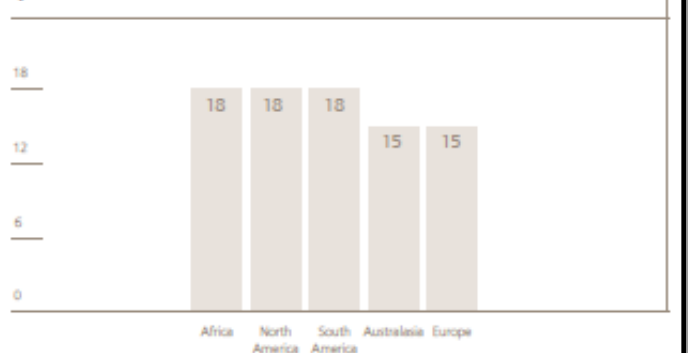
##### Child and forced labour

Child labour is a common problem in a number of the regions in which we have operations, in particular Brazil, Tanzania and the Dominican Republic. Xstrata's Statement of Business Principles upholds the elimination of all forms of forced or compulsory labour and prohibits any form of child labour.

None of Xstrata's managed operations have been found to have significant risks for incidents of forced, tied or compulsory labour. No cases of under-age or forced labour among employees or contractors has come to our attention during 2010.

All operations report the age of the youngest employee and the minimum working age permitted in the relevant jurisdiction. In general, we employ people aged 18 or older. In 2010, two 15 year olds were employed; one at Newlands coal operation in New South Wales, Australia through a structured work placement for local students and the other at the Nikkelverk site in Norway who is a school-based apprentice working two days per week while attending school for three days per week.

Age of youngest employee by region (2010)  
(years)



# Teck

Teck provides a detailed description of the characteristics of current collective agreements including dates of expiration, wage increases, percentage of workforce unionized, suspensions and the reasons behind these interruptions in production. **P69 2010 SR**

As per our Environment, Health, Safety and Community Management Standards, we fully recognize the rights of employees to freely associate and join trade unions. Approximately 62% of our workforce is unionized, while the balance is covered by individual agreements. Health and safety topics are typically included in collective bargaining agreements. These topics vary by region based on practice and legislation; therefore, there is no common set of topics.

Line Creek Operations ratified a five-year collective agreement in February 2010, replacing a prior agreement that expired on May 31, 2009. The new agreement provided a 3% annual wage increase and will expire on May 31, 2014.

Production was suspended at Coal Mountain Operations due to strike action taken by the United Mineworkers of America, Local 7292, from August 6, 2010 until September 29, 2010. Operations resumed when employees ratified a new five-year agreement, replacing an agreement that expired on December 31, 2009.

There was a temporary suspension of work due to strike action at Elkview Operations, taken by Local 9346 of the United Steelworkers of America, which occurred from January 30, 2011, until April 8, 2011. Mine production resumed following the ratification of a new five-year agreement, replacing an agreement that expired on October 31, 2010.

In 2010, we identified no operations in which the right to exercise freedom of association and collective bargaining may be at significant risk.

We measure the number and percentage of employees covered by collective bargaining agreements; however, this indicator is only relevant for operations with union representation.



Apple discloses core violations relating to involuntary and underage labour including the number of facilities, the type of violation and the actions taken by Apple. **P9 2012 SRR**

## Core Violations

In addition to issues found in our standard audits, our supplier responsibility program discovered the following core violations in supplier labor and human rights practices. When a core violation is found, suppliers are put on probation and required to immediately address the violation. Every year, we reaudit all suppliers with core violations. The following chart shows the core violations and the actions we required in response.

### 2011 labor and human rights core violations and actions

Facilities	Violation	Apple Response
<b>Involuntary labor</b>		
2 facilities	Repeat offenders	We terminated business with one supplier and are correcting the practices of the other supplier.
15 facilities	We discovered foreign contract workers who had paid excessive recruitment fees to labor agencies.	We required suppliers to reimburse any fees that exceeded Apple's limits. In 2011, \$3.3 million was reimbursed, bringing the total that has been repaid to workers since 2008 to \$6.7 million.
<b>Underage labor</b>		
5 facilities	We discovered a total of 6 active and 13 historical cases of underage labor at 5 facilities. In each case, the facility had insufficient controls to verify age or detect false documentation. We found no instances of intentional hiring of underage labor.	We required the suppliers to support the young workers' return to school and to improve their management systems—such as labor recruitment practices and age verification procedures—to prevent recurrences.

### 4.3.5 Security Personnel Training

#### What does comprehensive disclosure look like?

- The total number of security personnel directly employed by the company
- The # and % of security personnel who have received training on policies and procedures relating to human rights
- Disclose whether the training requirements also apply to third party organizations providing security personnel
- The # and % of third party security personnel receiving human rights training
- A description of the training scope, frequency and content
- Any significant changes in the scope of operations receiving training (i.e. acquisitions or new projects)
- Three or more years of data
- Leading practice includes the disclosure of the use of any government security personnel (where permissible subject to overriding security concerns)
- Leading practice includes site-specific human rights training coverage, for both direct security employees and third party security personnel



BHP Billiton reports the breakdown of employees receiving training around security and human rights. This table shows the number of direct and contracted employees receiving security and human rights training for both 2011 (bold) and 2010 (regular font). **P38 2011 SR**

#### Security

Security employees	84	108
Security employees trained in Human Rights	61	58
Security contractors	1,671	1,549
Security contractors trained in Human Rights	1,196	1,136

<sup>(1)</sup> Delivered to employees, including senior management and employees considered to be in higher risk jurisdictions and positions.



Xstrata PLC reports the percentage of their workforce who received human rights training in 2010, by region. Disclosures also include how the company identifies who received training as well as performance against two objectives relating to security and human rights (bottom) and objectives for 2011. **P52, P12 2010 SR**

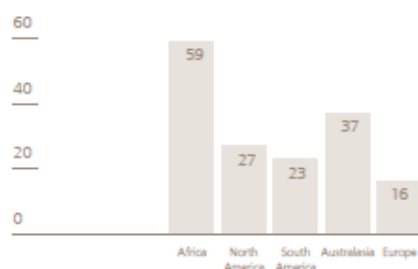
### Voluntary Principles on Security and Human Rights

Xstrata is committed to implementing the Voluntary Principles on Security and Human Rights (VPs) across our global operations.

The stated aim of the VPs is "to guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms." Among other aspects, the principles highlight the role companies can play in promoting respect for human rights and assisting host governments with security sector reforms and strengthening the rule of law.

### Human rights training

**Human rights training by region (2010)**  
(% of workforce)



A total of 28,920 employees and contractors undertook human rights training during the course of 2010, representing approximately 41% of the total combined employee and contractor workforce. We focus our training and awareness-raising efforts on those regions and countries where our risk assessments suggest the greatest potential for human rights abuses exist. In 2010 we prioritised our operations in South Africa, Colombia, the Philippines, Dominican Republic and Australasia. We use the findings from these risk assessments to select relevant and locally appropriate topics for our training programmes.

The Tampakan project is located in the Philippines, in a high-risk region for security. SMI (the operating company) has worked together with local communities, public and private security forces to improve security in the region. Local communities asked the Philippines authorities to establish volunteer reserves (CAFGU) in the region to further enhance security. CAFGU groups comprise community members who are comprehensively trained to form volunteer reserve forces. Any mobilisation of forces is closely controlled by the Philippines army. SMI is not involved in the management, recruitment or training of these forces. In 2008, SMI adopted the Voluntary Principles on Security and Human Rights, implemented training for all SMI and private security personnel and raised awareness of the VPs among national government agencies, non-governmental organisations and other mining companies.

### Security and human rights

All commodity businesses to report on implementation of the Voluntary Principles on Security and Human Rights

✓ Reporting undertaken in all commodity business units

All commodity businesses to document an annual review of their compliance with the Voluntary Principles on Security and Human Rights

All operations in higher risk areas for human rights to complete training for third party security personnel

✓ Training complete in Xstrata Alloys, Xstrata Coal and Xstrata Nickel. Xstrata Copper has provided training to >90% of security personnel at Tampakan and all security personnel at Frieda River have been trained. Xstrata Zinc has no operations in high risk areas

All managed operations in higher risk areas for human rights to provide human rights training to all new third party security personnel prior to deployment

### 4.3.6 Grievances

#### What does comprehensive disclosure look like?

- Description of the grievance mechanism(s) in place, including the type of mechanism, its coverage (i.e. region, project) and any recent, significant changes made
- Disclose the # of grievances filed relating to human rights and the actions taken by the company and resulting outcomes
- Three or more years of data
- Leading practice provides a step-by-step description of the grievance process



IAMGOLD discloses where grievance mechanisms exist, the number of recorded grievances for the current reporting year and any new mechanisms planned for implementation. The 2010 report also reports that the grievances were most frequently around two key issues and gives additional detail regarding company action specific to livelihood replacement and resettlement. **P26 2010 HSS Report**

#### Grievance Mechanism

Grievance mechanisms are present at all international operations. While some mechanisms are more sophisticated than others, all neighbouring communities of IAMGOLD sites and activities are informed of IAMGOLD contact people and grievance procedures. In 2011, a review of grievance mechanisms at Rosebel and Essakane is planned, where the need for effective mechanisms is strongest.

The open-door policies that currently exist in IAMGOLD's Canadian operations are reflective of the region's culture, history and tradition. However, a more formal grievance mechanism for the Niobec site in Quebec is on plan for 2011.

In total 77 grievances were recorded in 2010. Our most frequently heard concerns include resettlement and livelihood replacement.

#### Resettlement

Over the past two years, a major resettlement initiative has taken place at and around the Essakane mine site. A multi-year effort began in 2005 to engage community members in the consultation and consent for this project. The communities participated in every aspect of the relocation, including design and labour. Details of this project can be found in the 2009 CSR report.

Another phase of the resettlement process was undertaken between January and April 2010, with the move of the Essakane site community. In summary, this project included the movement of:

#### Livelihood Replacement

Replacing a house or a school can be an easier exercise than replacing a livelihood. IAMGOLD tries to provide options for people whose livelihoods are interrupted by its operations. Compensation is made to landholders and livelihood restoration and/or improvement initiatives are offered to those who want either to change their occupation or improve their current activities. Some of those programs have included:

- Palm production
- Agricultural improvement
- Market garden
- Business development

Many infrastructure construction and livelihood improvement projects are featured in the Social Stewardship section.

- 2,158 households
- 2 schools
- 11,000 people (approximately)
- 1 mosque, 1 church and 1 market
- 1,666 housing units
- latrines, public showers and other communal structures



# Teck

The table below outlines how Teck categorizes feedback or grievances received, and the corresponding actions taken by the company. **P40 2010 SR** Earlier in the report, Teck also discloses the key steps of their feedback mechanism process, detailing the decision points and how and when the company will communicate back to the individual who gave feedback or filed a grievance. **P39 2010 SR**

**Table 9: Feedback Categories and Relevant Parties for Response**

Term	Response Activity and Party
<b>Level 1a Feedback</b> – Positive feedback that requires thanks and acknowledgement	<ul style="list-style-type: none"> <li>Assessment and response by Feedback Coordinator</li> </ul>
<b>Level 1b Feedback</b> – Feedback that is not related to the site or Teck and needs to be directed elsewhere	<ul style="list-style-type: none"> <li>Sign off by Community Relations (CR) Manager/person with responsibility for CR (this may be the same as the Feedback Coordinator)</li> </ul>
<b>Level 1c Feedback</b> – Feedback that is a specific donation request	<ul style="list-style-type: none"> <li>Sign off by Community Relations (CR) Manager/person with responsibility for CR (this may be the same as the Feedback Coordinator)</li> </ul>
<b>Level 2a Feedback</b> – A question or request for information	<ul style="list-style-type: none"> <li>Assessment and response by Feedback Coordinator with involvement of specialist departments to collect or provide information requested</li> <li>Sign off by Community Relations Manager/person with responsibility for CR</li> </ul>
<b>Level 2b Feedback</b> – A suggestion or recommendation with regard to practices or performances	<ul style="list-style-type: none"> <li>Assessment and response by Feedback Coordinator with involvement of specialist departments to collect or provide information requested</li> <li>Sign off by Community Relations Manager/person with responsibility for CR</li> </ul>
<b>Level 3 Feedback</b> – A grievance that is not a breach of law or company policy and is not related to death or serious illness or a recurrent question/request for information	<ul style="list-style-type: none"> <li>Investigation by Feedback Coordinator and Representative of relevant specialist department</li> <li>Sign off by Community Relations Manager/person with responsibility for CR and Specialist Department Head</li> </ul>
<b>Level 4 Feedback</b> – A repeated or widespread grievance, or a grievance that is a breach of law or company policies, is a direct accusation of breach of human rights, or relates to death or serious illness	<ul style="list-style-type: none"> <li>To be investigated by Feedback Coordinator, representative of relevant specialist department and mine manager as required</li> <li>Sign off by Community Relations Manager/person with responsibility for CR, mine manager and corporate personnel</li> </ul>

Significant issues, complaints or disputes can be categorized as level 3 or 4 feedback. We request information on the nature of the issues or complaints, including: the parties involved, key issues and points of disagreements, any ongoing programs or efforts to resolve the disputes, and the mechanisms and approaches used to resolve the issues, complaints or disputes. By recording and assessing the details of such grievances across operations and over time, we will be able to identify areas of significant social risk to our business, and in doing so, learn about the approaches that can best work to resolve them.

#### 4.3.7 Rights of Indigenous Peoples

##### What does comprehensive disclosure look like?

- Discussion of the process through which incidents come to the attention of the company
- Extension of disclosure to include contractors and suppliers
- Discussion of response/resolution of incident and steps taken to prevent reoccurrence



Xstrata is the only company to disclose an incident relating to the rights of Indigenous Peoples that was addressed through internal processes. They demonstrate good disclosure by including the actions of their contractors as well as the steps taken to prevent reoccurrence. **P88 2010 SR**

No incidents of a breach or unauthorised disturbance of cultural heritage sites or artefacts were reported in 2010. However, in July 2010, Xstrata Mount Isa Mines was fined AUD80,000 in respect of inadvertent damage to cultural heritage objects while a contractor worked to upgrade a road in Mount Isa in 2008. While no heritage objects were actually damaged, the contractor breached an area that should have been maintained off limits. Draft internal Aboriginal Cultural Heritage and Land Clearance procedures had been developed in consultation with the Kalkadoon people and were being trialled when the incident occurred. The procedures were reviewed in the light of the incident and are now being fully implemented. We take the issue of protecting aboriginal cultural heritage very seriously and deeply regret this incident. Mount Isa Mines has a good working relationship with the Kalkadoon people and continued to work collaboratively with them to improve operational procedures to ensure the protection and preservation of aboriginal cultural heritage sites of significance in 2010.



## 4.4 FUTURE DIRECTIONS TO WATCH

Stratos anticipates that stakeholder demands for disclosure on human rights will continue with greater emphasis on human rights assessments to inform decisions on properties under development and new mining projects, and increasingly granular disclosure of both human rights management practices and performance, including grievance mechanisms, incidents and responses.

**Table 7 - Human Rights Management and Performance Emerging Expectations**

Trend	Emerging Expectations
Company response to whistle-blowing claims	The use of whistleblower mechanisms is a key component of a successful management system. Common disclosure around these mechanisms typically consists of a few paragraphs discussing the use and need and, occasionally, the inclusion of an illustrative case study. Only a few companies discuss the types of submissions made using a hotline or other mechanism. We expect the level of information reported on whistleblower systems and their use to increase as companies look to demonstrate stronger levels of transparency in response to stakeholder and investor concerns around corruption and improper spending. These future disclosures may include the number of incidents, the types of incidents and information on how the company has responded.
Human rights impact assessment content and implementation	Conducting and disclosing human rights impact assessments is a new indicator included in the G3.1 guidelines and also a key component of Guiding Principle 21 for the implementation of the UN Protect, Respect and Remedy Framework (The Ruggie Principles). Principle 21 specifically outlines the importance of clear communication around how companies address their human rights impacts, encouraging companies to conduct impact assessments and issue formal public reports. These formal public reports act as both an internal tool to help embed human rights understanding in the organization but also to communicate policies and actions externally. Human rights impact assessments are becoming more commonly applied in companies with international operations. We expect companies will see growing stakeholder expectations and demands for information related to the use of human rights impact assessments, their results, and management systems and processes implemented to respond to the results of these assessments.
Human rights related grievances	This is a new indicator included in the G3.1 guidelines, and we have already seen a growing number of companies provide disclosure in this area. As companies gain experience implementing their grievance mechanisms, we expect to see greater disclosure surrounding the types of grievances received, and how the company has responded.
Chain of custody and identification of origin	Chain of custody certification and disclosure for conflict minerals is evolving rapidly. We anticipate companies will see increasing supply chain and regulatory pressures to disclose the origin of conflict minerals and provide certification of the chain of custody as both region-specific and commodity-specific certification schemes are put in place, as was the case for diamonds. Schemes such as the Initiative for Responsible Mining Assurance (IRMA) are more broadly developing requirements for site certification of mining operations regardless of the supply chain driver in place for diamonds and conflict minerals.

## 5 Community Engagement

### Overview and Summary of Findings

#### Companies are expected to disclose:

1. Information on **social impact assessment and mitigation** programs and practices throughout the mining cycle
2. Any **significant disputes** related to land use, customary rights of local communities or Indigenous Peoples and the use of grievance mechanisms
3. Actions taken to mitigate and address the risks of **artisanal and small scale mining**
4. The number of **formal agreements in place with local Indigenous People** and the number of **sites which affect Indigenous People**, and
5. Description of the **mechanisms used to communicate and engage** with local communities.

#### Comprehensive disclosure has the following characteristics:

- Information on processes and practices in place and the extent to which these have been implemented **based upon community needs assessments** throughout the mining life-cycle
- Quantitative data supported by a **qualitative description**, and
- Information that goes beyond process based reporting to also **describe outcomes and demonstrate follow-up actions**.

#### Opportunities to enhance disclosure could include:

In reviewing the disclosure practices of seven different companies, we observed the following areas could benefit from additional focus:

- Provide a balanced description of both the positive and negative impacts of operations on communities
- Describe the current status and outcomes of any significant disputes, including any changes made to company policies, and
- Describe how the company tailors its engagement approach to different stakeholder groups.

#### Future expectations:

There are two key trends which Stratos expects will drive future reporting expectations. Free, prior and informed consent (FPIC) is emerging as a clear trend amongst Indigenous Peoples exercising their rights ahead of resource development. Precedents have been set in other sectors – with the Nagoya Protocol on Access to Genetic Resources under the Convention on Biological Diversity having specific provisions requiring Prior Informed Consent. The second trend involves the identification and engagement of vulnerable and marginalized groups among communities of interest. Growing awareness of the heterogeneity of privilege and power existing within groups as well as across them is driving some companies to actively seek out and engage underrepresented members of local communities, such as women and youth. Companies are expected to report on what they have heard from these groups, and to evaluate how they may be differently affected.

## 5.1 DISCLOSURE EXPECTATIONS

### ***What is shaping the expectations in this area?***

The need to seek ways to gain and maintain a social licence to operate at the local level has increasingly led minerals exploration and mining companies to focus on early and continuing community engagement, and to demonstrate greater transparency.

Community engagement disclosure is driven by two mutually reinforcing forces, one external and the other internal. Externally, governments, lenders and investors are requiring greater disclosure regarding community engagement processes and their results in order to better assess project plans and subsequent performance of extractive companies. Internally, companies are engaging with communities to meet regulatory requirements, gain a greater understanding of community expectations and needs, and develop stronger relationships based on mutual understanding and trust. Direct reporting of companies to communities on their community engagement processes and results helps to build this mutual understanding and trust.

Beyond regulatory requirements, a long history of lack of involvement of local communities in extractives projects which affect them – by both governments and industry – has led to a growing demand for and understanding of the need for communities to have a voice in decisions around major projects.

The concept of Free, Prior and Informed Consent (FPIC) has developed as the means for giving effect to these expectations. The context and interpretation of FPIC is rapidly evolving and companies should anticipate changing disclosure expectations in the coming years.

### ***What are the key sources of demand?***

Financial institutions, industry initiatives, and securities administrators are increasingly requiring disclosure of community engagement practices and results. The level of attention on engagement is reflected in the GRI's G3.1 Guidelines. These Guidelines include both Standard Disclosures and a sector-specific Mining and Metals Supplement which together have 14 community engagement indicators. These indicators focus on assessment and mitigation of impacts on communities, stakeholder identification, engagement activities and responses to community concerns, the rights of Indigenous Peoples, and engagement with artisanal miners.

The International Finance Corporation Performance Standards contain six community engagement indicators. The focus is on Informed Consultation and Participation (ICP) where there are potentially significant adverse impacts on communities of interest, including specific indicators for Indigenous Peoples. ICP covers the impacts of the project, the envisaged engagement process and grievance mechanism and, resettlement (if necessary). Company communications toned to receive, assess and respond to concerns raised by affected stakeholders and communities can expect to receive periodic updates on progress made on the implementation of Mitigation Action Plans.

The Equator Principles contain five high-level, broad indicators related to community engagement, with a focus on socio-economic impacts, impacts on Indigenous Peoples, consultation of and participation by communities of interest in project design, and review, implementation and protection of cultural property and heritage.

The Mining Association of Canada's Towards Sustainable Mining initiative includes a protocol that focuses on Aboriginal and community outreach. The indicators relate to: establishment of a community of interest identification process; implementation of engagement and dialogue processes; establishment of systems to respond to community of interest input and feedback; and public reporting on outreach activities and results. Through this protocol, the program encourages facilities to adopt a systematic approach to identifying, engaging, and responding to their communities of interest.

The Canadian Continuous Disclosure Obligations contain three community engagement indicators with a focus on investor risks originating from poorly managed socio-economic and infrastructure impacts on communities. Two indicators focus on the project level and one at the corporate. Companies are required to disclose the proximity of the site to a population centre and how they propose to transport their products. Also required is a discussion of reasonably available information on social or community factors related to each mineral project, including any potential social or community related requirements and plans for the projects and the status of any negotiations or agreements with local communities. At a corporate level, a description of social policies which are fundamental to operations, including policies related to community engagement, is required along with a discussion of the steps taken to implement them.

Host country legislation often requires that extractive companies consult local communities, along with requiring some form of social impact assessment as part of an environmental assessment. In Canada, specific obligations for Aboriginal duty to consult by the federal and provincial governments are often transferred to project proponents through regulatory requirements. Much of this information is then reported to various levels of government, thus setting the stage for public disclosure of already collected information.

### ***What type of information is being requested?***

Stakeholders are seeking to understand whether and how the company has engaged with community members, including Indigenous Peoples, and the key issues that have been raised through these engagement efforts. They use this information to help assess the project or operation's level of community support and associated risks to the company's social licence to operate.

Table 8 identifies the specific community and Indigenous Peoples engagement data and information requested by the initiatives examined.

**Table 8 - Community Engagement Disclosure Requirements Summary**

Sub-Topic	Disclosure Aspect	Initiative
<b>Impact Assessment and Mitigation</b>	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	GRI SO1 IFC PS TSM
<b>Dispute Resolution</b>	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	GRI MM6
	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.	GRI MM7
<b>Artisanal Mining</b>	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	GRI MM8
<b>Indigenous Peoples</b>	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	GRI MM5 TSM

## 5.2 CURRENT DISCLOSURE PRACTICES

Stratos examined the public disclosures of seven extractives companies to determine the current state of transparency surrounding payments to government. This section provides an overview of the disclosure practices across the companies examined and then provides a more in-depth discussion of disclosure for each of the sub-topics examined: economic value generated, corporate taxes, royalties and other payments.

### 5.2.1 Summary of Disclosure Practices

Disclosure of community engagement policies and/or policy commitments among the seven companies was moderate. Several companies reported they have specific standards relating to community engagement, and these standards were made publicly available. The trend observed across the majority of companies is to integrate policy commitments related to

community engagement within broader sustainable development policies, rather than presenting these commitments in a stand-alone policy document.

However, over half of companies disclose the existence of an Indigenous engagement policy or specifically mention Indigenous peoples within broader engagement policies.

Almost all of the benchmark companies reported on their management approach to community engagement, including description of strategies, procedures and/or actions taken. We noted the development and disclosure of specific engagement plans for Indigenous communities to be an emerging trend, with only four companies providing detailed information on their corporate engagement policies and management approach specific to Indigenous communities, but with almost all disclosing that they engage Indigenous Peoples.

Disclosure of employee training on community engagement was moderate, with almost all companies disclosing the existence of employee training, without supplying information on the content or the extent of employee training. Only two companies disclosed that they provide engagement training for employees specific to indigenous people.

Table 9 provides a high-level picture of the disclosure requirements evaluated relating to Community Engagement.

**Table 9 - Community Engagement Disclosure Requirements Performance Snapshot**

Disclosure Requirements	Initiative Alignment	Teck	Inmet	Xstrat a PLC	IAM Gold	Agnico -Eagle	Barrick Gold	BHP Billiton
<b>Impact Assessment and Mitigation</b>								
Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	GRI SO1 IFC PS TSM	●	●+	◐	●	◐	●	●
<b>Dispute Resolution</b>								
Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	GRI MM6	●	○	●	○	●	●	●
The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.	GRI MM7	●	○	●	○	●	◐	○
<b>Artisanal Mining</b>								
Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	GRI MM8	●	○	●+	◐	○	◐	◐
<b>Indigenous Peoples</b>								
Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	GRI MM5 TSM	●+	●	○	●	●	●+	◐

●	◐	○	+
Full Disclosure	Partial Disclosure	No Disclosure	Notable Example

## 5.2.2 Impact Assessment and Mitigation

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
Impact Assessment and Mitigation								
Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	GRI SO1 IFC PS TSM	●	●+	●	●	●	●	●

In addition to the above-listed GRI disclosure expectations, the IFC Performance Standards and the Equator Principles also require that companies identify project risks and opportunities and impacts of operations on local communities, including the nature, scale and project stage. This information is often contained in project specific documentation rather than corporate reports; since the benchmarking focused on corporate level reporting, these requirements were not included in the benchmark review framework.

The assessment of community risks, opportunities and impacts is an important underpinning for successful community engagement at each stage of a project or operation's life-cycle. The indicators under this category provide stakeholders with a view on the robustness of the approach taken to manage the community risks and impacts and maximize the opportunities arising from an operation.

Companies demonstrated good disclosure on this indicator, with most discussing the benefits and impacts of operations on local communities during operations and how these are managed. Only two of the benchmark companies discussed impacts specifically related to Indigenous communities

The disclosure of non-economic impacts and risks was substantially weaker, with less than half of companies discussing non-economic impacts and risks. One company specifically cites the understanding of non-economic impacts as a challenge area meriting further study. Only one of the benchmark companies discussed impacts specifically related to Indigenous communities



### 5.2.3 Dispute Resolution

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Dispute Resolution</b>								
Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	GRI MM6	●	○	●	○	●	●	●
The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.	GRI MM7	●	○	●	○	●	◐	○

Taken together, these indicators form a two part process in which companies are expected to not only disclose the number of disputes, but also how they were handled.

Disclosure in this area is mixed, with five of the benchmark companies disclosing information on the number of disputes; the quality of descriptive information provided in this area varies substantially. Disclosure related to grievance mechanisms was lower, with only three companies disclosing sufficient information to meet the requirement. This result may be indicative of a lack of formal grievance mechanisms in place at some companies, or may reflect hesitancy to publicly report on disputes.

### 5.2.4 Artisanal and Small-scale Mining

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Artisanal and Small-scale Mining</b>								
Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	GRI MM8	●	○	●+	◐	○	◐	◐

The poor level of disclosure reflects the multi-level information required by the indicator, with only two companies providing information on all aspects, despite four companies identifying the existence of ASM activities near their operations. Management practice centers around the engagement and education of artisanal miners, with a view to minimizing the safety risks of ASM.

Managing ASM activities is a challenge for companies as they are external to company managed activities while having immediate impacts upon them. The three companies who disclosed engagement activities regarding ASM each describe a different approach ranging from including ASM miners in lease agreements to introducing assistance programs that provide education, training and financing to ASM miners who seek to improve safety and environmental practices.

## 5.2.5 Engagement with Indigenous Peoples

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Indigenous Peoples</b>								
Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	GRI MM5 TSM	●+	●	○	●	●	●+	●

When assessed directly against the GRI requirement, overall disclosure in this area is strong. While six of the benchmark companies report on the total number of operations taking place in or adjacent to Indigenous Peoples' territories and on the number of agreements in place, two of these companies provide only minimal quantitative information with no discussion of the measures taken to address the specific requirements for engaging Indigenous groups. However it is important to recognize that indigenous and other communities may not wish the details of their agreements with companies to be made public.

Free, Prior and Informed Consent (FPIC) is an important and emerging concept. In the reports examined (most of which were written in 2011), four companies included a discussion of this issue. The levels of disclosure ranged from a stated commitment without further detail, to an involved discussion of the challenges posed by FPIC and how these are being met (BHP Billiton). Barrick Gold is notable for its disclosure around agreements signed with various indigenous groups and specific discussions around the potential and known impacts identified. A notable disclosure example from Teck is highlighted in section 6.3.4. Barrick Gold

### 5.2.6 Communication

Currently there are no project-level disclosure requirements for stakeholder identification and mapping, stakeholder input and feedback processes and systems, and external communication and grievance processes. However, the GRI Standard Disclosures, the IFC Performance Standards, Equator Principles and Towards Sustainable Mining all include corporate-level disclosure requirements for community communication processes and systems. As these are material to a discussion of community engagement disclosure, they have been included in this section, but do not appear in the benchmarking summary (Table 9).

Few companies disclosed corporate-level processes for stakeholder identification and mapping. Most of the benchmarked companies identified broad categories of stakeholders within their reports, but did not discuss how local stakeholders are identified.

How communities are engaged is well reported on and most companies disclosed how feedback is received. However, there was limited disclosure of how feedback received is used in business planning or influences project or operational decisions, especially in regards to Indigenous Peoples. The implementation of community grievance processes is an emerging trend with a number of companies in the process of piloting them at select sites.

## 5.3 COMPONENTS OF COMPREHENSIVE DISCLOSURE

Based on Stratos' review of standards and expectations and the current range of corporate disclosure practices observed, we have identified several components that, together, provide comprehensive disclosure related to Community Engagement. We have also identified relevant examples to illustrate how some companies are presenting this information within their public reporting.

### 5.3.1 Impact Assessment and Mitigation

What does comprehensive disclosure look like?
<ul style="list-style-type: none"><li>→ Methods used in identifying community impacts, risks and opportunities, including collection of baseline data and geographic scope</li><li>→ Demonstrates understanding of cultural context, including identification of vulnerable or marginalized groups within communities of interest</li><li>→ Tracking and measurement of mitigation activities against identified impacts and commitments made</li><li>→ Inclusion of long-term social well-being factors in business planning, including closure</li></ul>

# INMET

## MINING

Inmet uses comprehensive environmental and social impact assessments (ESIA) to assess impacts and develop mitigation plans that are acceptable to local communities. Inmet discloses and discusses likely positive and negative impacts as identified by the community and by the ESIA. Inmet reports annually against an internal ESIA performance measure **P15 & 26 2010 SR**

The purpose of the ESIA is to consider all components of the social and environmental context of the Cobre Panama project and how those could be affected, both positively and negatively, by the development of Cobre Panama. The overall objective of the ESIA is to conclude whether the project is technically,

economically, socially and environmentally viable. The ESIA is also the place where commitments are made by Minera Panama to mitigate the adverse impacts.

economically, socially and environmentally viable. The ESIA is also the place where commitments are made by Minera Panama to mitigate the adverse impacts.

In the community consultation sessions the most frequently mentioned concerns of local residents were:

- employment;
- community health and safety;
- the potential need for resettlement of local residents; and
- potential environmental damage to water, air and the rich biodiversity of the area.

The primary socio-economic impacts of the project are likely to be increases in economic stimulation and employment, improvements in education, healthcare and other infrastructure and adverse impacts related to in-migration and resettlement.

### 5.3.2 Dispute Resolution

#### What does comprehensive disclosure look like?

- Description of formal grievance process in place and its use
- Three or more years of data on disputes and responses/ resolutions
- Qualitative information on disputes and their resolution, including follow-up
- Long-term tracking and assessment of the effectiveness of existing grievance and response mechanisms

## Teck

Teck provides a case study of how the grievance process succeeded in dispute resolution as one site. The description includes the outcomes of the grievance and the ultimate partnership with a local NGO. **P41 2010 SR**

#### Dusting Grievance at Carmen de Andacollo

In 2010, we received one significant grievance from a local environmental NGO regarding dusting issues at our Carmen de Andacollo (CdA) site in Chile. The NGO provided video and photographs alleging dusting events in the surrounding community. Dust is a recognized material issue at CdA and they have been implementing mitigation measures in the last year, including dust suppressant on roads and the construction of a stockpile cover. To better understand the exact nature of the grievance, representatives of our corporate office and CdA met with the NGO. As a result of that meeting and an analysis of our dust monitoring data, it was determined the NGO was correct in their assertion that the site had notable lapses in dust control. In response, we introduced an hourly monitoring program to capture more precise data on the timing of dusting events, and made a commitment to improve internal compliance and dust control measures. Discussions with the NGO continued throughout 2010 and we have fully implemented a formal feedback mechanism at CdA to respond to any community suggestions, comments or concerns.

Our proactive approach with the local NGO has transformed our relationship into a strong working alliance. CdA and the NGO were able to meet several times following the initial grievance, which established the shared basis of a common concern for the environment. Once both organizations realized the mutual support that could be gained by working together, they developed three key initiatives:

1. The NGO was a key partner in an Andacollo-wide project sponsored by CdA to certify all schools as environmentally sound. Through this project, the 2000 children were given trees to plant, an effort shared by the NGO.
2. We supported the NGO's proposal to the Chilean government to win grant funds to further local environmental initiatives.
3. One member of the NGO will participate in an upcoming course sponsored by CdA at the local university on environmental management in mining.

The evolution of our relationship with the NGO demonstrates our commitment to community engagement, and confirms that an open, transparent, proactive relationship leads to value created for the company and community.

### 5.3.3 Artisanal Mining

#### What does comprehensive disclosure look like?

- Number of operations and percentage of operations where artisanal mining takes place
- Methods used to identify risks and engage ASM miners
- Plans and actions undertaken to manage risks and improve outcomes
- Tracking and measurement of plans and actions against expected outcomes



Xstrata provides a detailed discussion of the risks commonly associated with ASM and the specific risks and mitigation activities undertaken at the two sites where ASM is occurring on or adjacent to sites and exploration licence areas. Below is a case study of the site where engagement with ASM miners and mitigation of the risks posed by ASM is most advanced. **P92 2010 SR**

ASM activities are currently present near to or in a number of Xstrata's mine concession areas including our Tampakan copper project in the Philippines and our Frieda River copper project in Papua New Guinea.

Illegal small-scale mining operations are present in the Tampakan project area. Baseline water quality monitoring in the water catchments surrounding the Tampakan project indicates the presence of mercury in the upper catchment of the Pulabato River system in the Philippines as a result of artisanal mining activities in the area near our Tampakan project. The concentrations of total mercury detected in the Pulabato River system periodically exceed the Philippine drinking water guidelines (1µg/l) at some locations. While this water source is not known to be used directly for drinking water, the presence of mercury poses a risk to human and ecological health.

The Tampakan project continues to work with key stakeholders, including local authorities and host communities, to address the issue of ASM mining in the project area. Tampakan provides the results of its environmental monitoring to local authorities to assist in identifying areas of illegal ASM. More importantly, the project has a policy of employing locally and provides employment opportunities for members of the local community, who make up over 80% of our workforce, including those previously engaged in illegal ASM.

Through its livelihood development programme, the project provides funding and skills training to host communities to enable community members, including individuals who previously participated in artisanal mining activities, to establish micro-enterprises that provide legitimate and sustainable forms of income, such as high-value crop farming, beadwork and poultry farming.

In 2010, the Tampakan project supported 31 livelihood development initiatives that will benefit around 2,000 households in the project area. To support the implementation of these initiatives, the project provided financial and technical assistance to 38 organisations, including community-based groups, tribal councils and local government units. In conjunction with the livelihood development programme, the project is working with host communities to raise awareness of the health, safety and environment risks associated with artisanal mining practices.

### 5.3.4 Engagement with Indigenous Peoples

#### What does comprehensive disclosure look like?

- Identification of Indigenous Peoples affected by operations and description of any agreements in place
- Discussion of context, impacts and community concerns,
- Overview of Indigenous-specific engagement strategies
- Inclusion of this information related to exploration and closed properties

## Teck

Twelve out of Teck's fourteen operations are located on or adjacent to Indigenous People's territories. The table below (see excerpt) describes the types of formal agreements in place and disclosure around significant disputes and actions taken. **P35 2010 SR**

Operation Within or Adjacent to Indigenous Peoples' Territory <sup>(1), (2), (3), (4)</sup>	Name of the Indigenous Group(s)	Formal Agreements in Place Between Indigenous Group(s)	Significant Disputes, if Applicable, Under the Existing Agreements, and Any Steps Taken to Resolve the Disputes.
Cardinal River Operations (CRO)	Cardinal River Reserve of the Alexis Nakota Sioux Nation Mountain Cree First Nation	The Memorandum of Understanding (MOU) between Teck and Alexis Nakota Sioux Nation, which has been in place since 1997, is in the process of being updated. The existing MOU provides a framework for employment and economic development opportunities, as well as education and training, monitoring, economic development trust fund, environmental impacts and traditional use.  There is no formal agreement in place with the Mountain Cree First Nation. Teck is planning to engage this small, remote community in the coming year.	None.
Coal Operations (5 operations including Coal Mountain, Elkview, Greenhills, Fording River and Line Creek Operations)	Ktunaxa Nation Traditional Territory	The Ktunaxa Nation Council Society (as the representative body of the Ktunaxa) and Teck formalized their relationship with the signing of the joint Working Protocol Agreement on November 1, 2007. Teck has a draft procurement and employment strategy with the Ktunaxa to promote business and employment opportunities for the Nation.	None.
Highland Valley Copper (HVC)	Nlaka'pamux First Nation Secwepemc First Nation	HVC operations lie within the traditional territory of the Nlaka'pamux First Nation, which comprises 15 bands.  We recently signed an agreement to conduct a Nlaka'pamux traditional use study, with a portion of the Nlaka'pamux First Nation, the Nlaka'pamux Tribal Council. Currently HVC and several of the bands are working to create agreements that contemplate capacity building, jobs, business opportunities, environmental and cultural protection and a financial component that addresses past impacts of the operation.	None. However, the bands generally do not feel their concerns around Aboriginal rights, including title, have been adequately addressed by the provincial and federal governments or by Teck.
Pend Oreille Operations	Kalispel Tribe of Indians	No formal agreement is in place. Recent consultation involved a plan to remediate old pre-existing tailings ponds on our property. Ongoing discussions and open dialogue have been maintained.	None. There are currently no agreements in place.
Red Dog Operations	Iñupiat	The Iñupiat people are shareholders of the NANA Regional Corporation. NANA is the landowner for the Red Dog mine. In 1982, Teck and NANA signed an Operating Agreement governing the operation. The Agreement provides for several committees that assist with the management of the mine. In addition to the existing working committees, a new Communications Committee was created in 2010.	None.
Trail Operations	Overlapping territory of various First Nations including, but not limited to, Ktunaxa Nation.	No formal agreement is in place. There are relatively few Aboriginal Peoples residing directly in the Trail community and area. A strategy for engaging with Aboriginal Peoples in the region, recognizing the complexity	None. There are currently no agreements in place.



### 5.3.5 Communication

#### What does comprehensive disclosure look like?

- Three or more years of data on frequency and type of engagement and external communication activities undertaken, including engagement with Indigenous Peoples
- Description of feedback processes, including how concerns are internalized into business planning processes
- Description of culturally appropriate engagement practices and approaches used
- Tracking and measurement of activities against identified impacts and commitments made
- Description of efforts made to identify and engage vulnerable and marginalized groups, such as Indigenous Peoples and sub-groups, such as women and youth.



BHP Billiton is the only company that discloses the existence of a specific Indigenous Peoples- engagement strategy and method. They also disclose the material issues for their Indigenous stakeholders. **P37 2011 SR**

Interest		Engagement methods
<b>Local and Indigenous communities</b>		
Most of our operations are located in rural and remote areas. We therefore have a broad spectrum of local and Indigenous communities with interests and concerns.	Potential environmental and social impacts associated with our operations. A focus is to ensure opportunities presented by our operations are optimised (for example, maintaining sustainable community development opportunities after a mine closure). Results from stakeholder perception surveys, regularly conducted by operations, rate local employment and business creation, support for social infrastructure and programs, a desire for improved community engagement mechanisms and improved environmental performance as local communities' most important interests and concerns.	<ul style="list-style-type: none"> <li>• community consultation and engagement groups;</li> <li>• participation in BHP Billiton activities;</li> <li>• newsletters and targeted communications;</li> <li>• community perception surveys;</li> <li>• support through local foundations (for example, in Chile, Peru, Colombia and Mozambique);</li> <li>• other operation-specific engagement developed as part of operation community relations plans.</li> </ul>



## 5.4 FUTURE DIRECTIONS TO WATCH

Stratos anticipates that stakeholders will expect greater disclosure on how the company determines if it has secured community consent for a project (including application of FPIC) and the identification and engagement of vulnerable and marginalized groups.

Trend	Emerging Expectations
Free, Prior and Informed Consent (FPIC)	While it is uncertain how FPIC will affect extraction companies, there is a clear trend amongst Indigenous People to exercise their right to FPIC before resource development occurs. Precedents have been set in other sectors – with the Nagoya Protocol on Access to Genetic Resources under the Convention on Biological Diversity having specific provisions requiring Prior Informed Consent.
Identification and engagement of vulnerable and marginalized groups in COIs	Growing awareness of the heterogeneity of privilege and power existing within groups as well as across them is driving some companies to actively seek out and engage underrepresented members of local communities, such as women and youth. We encourage companies to ensure that their engagement seeks not only to hear from these groups, but also to evaluate how they may be differently affected.

## 6 Broader Community Impact and Benefit

### Overview and Summary of Findings

#### Companies are expected to disclose:

1. A **comparison of entry-level wage to local minimum wage** and **local procurement spending** including related policies and procedures
2. **Community investment** dollars spent and impact of **infrastructure projects**
3. The company's understanding of **indirect economic impacts** (both positive and negative), and
4. Information on any **community resettlements**, including community engagement, number of individuals relocated and follow-up support activities.

#### Comprehensive disclosure has the following characteristics:

- Sufficient data to demonstrate **trends over time**
- **Clear definition** of key terminology related to wages and procurement (i.e. what is a 'local employee' and what constitutes 'local procurement', how does the company define senior management), and
- Description of **strategy behind community engagement activities** related to infrastructure development and community investment, including any assessment undertaken of community needs.

**Opportunities to enhance disclosure could include:** In reviewing the disclosure practices of seven different companies, we observed the strongest reporting related to local procurement, resettlement, and community investment. Based on this review, the following areas could benefit from further focus:

- Development of consistent methods for reporting metrics relating to local employment and procurement
- Enhancing the description of how the company determines community investment and infrastructure priorities, and
- Better describing local procurement practices, including the themes and criteria used for selection.

#### Future expectations:

As mining companies enter new jurisdictions that do not have experience with mining, and/or as the number of mining operations in specific areas grows, companies increasingly need to demonstrate their benefit to the local community to secure their support as well as the support of government. This need to communicate clearly the benefits of operations is expected to drive better tracking and disclosure on broader economic benefits.

## 6.1 DISCLOSURE EXPECTATIONS

### ***What is shaping the expectations in this area?***

In many developing countries – and in OECD countries including Canada and Australia - minerals exploitation is a major driver of economic growth. Governments see the potential for strong local economic benefits through such developments, and rural and Indigenous communities have the potential to gain substantially through the negotiation of economic benefits with the companies involved. As a corollary, in many countries extractives companies face a lack of infrastructure and government services around their minerals properties that not only influence their projects but directly affect the surrounding communities. This has led companies to invest in local infrastructure and, at times, in local services which would normally be the domain of governments. Both dynamics have raised expectations for companies to demonstrate the economic benefits of their projects to local communities – in terms of employment, business opportunity and community development. Negotiation of appropriate and lasting benefits with governments and communities can be complex, and raise issues of confidentiality which may affect the nature of disclosure. However, the licence to grow for mining companies will increasingly be determined by the demonstration of local economic benefits.

### ***What are the key sources of demand?***

The Global Reporting Initiative (GRI) 3.1 Guidelines include six indicators which address the broader economic benefit and impact of business operations. These indicators are focused in three main areas: Local wages and procurement, community benefit and understanding impact. More specifically, three indicators provide information on how a company's activities contribute to the local economy through local wages and spending: EC5 asks for the ratio of standard entry level wage compared to the local minimum wage; EC6 asks companies to share their policies, practices and proportion of spending on locally-based suppliers; and EC7 encourages companies to disclose their procedures for local hiring and the proportion of senior management hired from the local community. These indicators help to communicate how well the local communities benefit from company operations and the efforts that companies make to include local suppliers and individuals. EC8 looks at the development and impact of infrastructure investments made by the company, while EC9 asks companies to describe the significant indirect economic impacts, both positive and negative, felt by local communities. The GRI's mining and minerals sector supplement indicator MM9 encourages companies to disclose information about resettlements as a result of operations.

The Extractives Industry Transparency Initiative (EITI), as discussed in section 3 of this report, is playing a key role in driving disclosure around payments to government. Though specific disclosure requirements will differ from country to country based on the nation multi-stakeholder groups' recommendation, the precedent has been set for requiring disclosure related to community investment. EITI also requires companies to disclose royalties paid to governments. In some cases, this information can help local communities ensure that they are receiving the corresponding amounts from government departments. For example, a community might be told that they will receive 10% of a company's royalty payment. Without

knowing the total royalty paid to the government, it is difficult for communities to ensure they are receiving the correct level of funding.

The IFC's Performance Standards are mandatory for all companies seeking IFC project finance. These standards include requirements for companies to develop compensation standards for displaced communities which are transparent and applied consistently to all communities. The standards also require companies to disclose information around any required resettlements including evaluation of compensation payments and livelihood resettlement activities.

***What type of information is being requested?***

Both qualitative and quantitative information is being requested by the initiatives and frameworks described above. Stakeholders want to understand how a company interacts and benefits local communities. Stakeholders also look for some type of assurance that companies have taken into account and made allowances for the adverse affects of their operations. These disclosures tend to be more qualitative in nature, describing the results on a community by community basis.

Table 10 identifies the specific economic benefit data and information requested by the initiatives examined.

**Table 10 - Broader Community Impact and Benefit Disclosure Requirements Summary**

Sub-Topic	Disclosure Aspect	Initiative
<b>Local Hiring and Procurement</b>	Range or ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	GRI EC5 (AI)
	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	GRI EC6
	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	GRI EC7
<b>Community Benefit</b>	Community Investment	EITI GRI EC1
	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	GRI EC8 IFC Performance Standards
<b>Understanding Impacts</b>	Understanding and describing significant indirect economic impacts, including the extent of impacts.	GRI EC9 IFC PS
	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	GRI MM9 IFC PS Equator Principles

## **6.2 CURRENT DISCLOSURE PRACTICES**

Stratos examined the public disclosures of seven extractives companies to determine the current state of transparency surrounding payments to government. This section provides an overview of the disclosure practices across the companies examined and then provides a more in-depth discussion of disclosure for each of the sub-topics examined: local wages and procurement, community benefit, and understanding impacts.

### **6.2.1 Summary of Disclosure Practices**

Companies have developed specific policies, programs and practices to address the main elements of community development: employment, business development and community investment. Elements of this category overlap to some degree with other categories examined in this paper, including payments to government, and community engagement; we have worked to delineate across these categories, but cannot ignore the inter-relationships.

Table 11 provides a high-level assessment of the quality and comprehensiveness of specific disclosures relating to broader economic benefit drawn from the examined initiatives. The table is followed by a description of the specific disclosure requirements, the level of disclosure observed and key challenges faced by companies for each of the sub-topics.

**Table 11 - Broader Community Impact and Benefit Disclosure Practices: Performance Snapshot**

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Local Wages and Procurement</b>								
Range or ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	GRI EC5 (AI)	○	○	○	●	●	◐	○
Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	GRI EC6	●	●	◐	◐	◐	●	◐
Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	GRI EC7	○	◐	◐	◐	●	◐+	●+
<b>Community Benefit</b>								
Community Investment	EITI GRI EC1	●	◐	◐	●	◐	●	●
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	GRI EC8 IFC Performance Standards	●	◐	◐	●	●	●	○
<b>Understanding Impacts</b>								
Understanding and describing significant indirect economic impacts, including the extent of impacts.	GRI EC9 (AI) IFC Performance Standards	◐	○	●	●	○	●+	○
Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	GRI MM9 IFC PS Equator Principles	●	●	●	●	○	◐	●

●	◐	○	+
Full Disclosure	Partial Disclosure	No Disclosure	Notable Example

## 6.2.2 Local Wages and Procurement

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Local Wages and Procurement</b>								
Range or ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	GRI EC5 (AI)	○	○	○	●	●	◐	○
Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	GRI EC6	●	●	◐	◐	◐	●	◐
Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	GRI EC7	○	◐	◐	◐	●	◐+	●+

Of the initiatives reviewed, only the GRI specifically requests information relating to local wages and procurement. Disclosing entry level wages compared to local minimum wage is one measure to understand how competitive the organization is in the local labour market and how a company contributes to the economic well being of its employees. The indicator more specifically expects companies to identify the variation in wages across significant operations and to disclose if there is no minimum wage, or if it varies between significant locations of operation. As with other GRI indicators, companies are asked to also describe how they define 'significant location.' EC5 is an Additional Indicator which is most relevant for organizations that hire a significant number of entry level or minimum wage employees. This may partially explain why only three benchmarked companies chose to report against this indicator. IAMGOLD and Agnico-Eagle both report the wage ratio at significant operations. However, neither company provides qualitative discussion around the values reported.

Companies can also have a significant effect on the local community by supporting locally-based suppliers and contractors. Information on the policies and practices that a company has in place which promote the use of locally-based suppliers are a key element of EC6. These policies can help to attract additional investment to the local economy. For this indicator to be fully reported, companies are asked to define the term 'local', the coverage of policies and practices (i.e. enterprise wide or at specific locations), the factors or characteristics used to select suppliers and a percentage of the procurement budget spent on local suppliers. All companies but one reported some aspect of this indicator, with six of seven companies reporting a description of policies and procedures that encourage local procurement. Only three companies specifically reported a definition of 'local'.

GRI EC7 encourages companies to provide information around procedures for local hiring and the proportion of senior management from the local community. When senior management positions include local residents, companies can benefit from an increased understanding of

local needs and issues. In addition to the economic benefit, local employees also benefit from increased knowledge and capacity. Full disclosure would include discussion of local hiring policies or practices for granting preference to local employees, reporting the proportion of senior management who reside locally and providing a definition of both 'local' and 'senior management.' Disclosure around local hiring is mixed amongst the benchmarked companies. Companies highlight a number of innovative practices to encourage local hiring and the majority discuss the challenges involved. Three companies (Inmet, Xstrata and Agnico-Eagle) disclose goals around local hiring. BHP Billiton provides a notable disclosure around EC7 including clear definitions of 'local' and 'management' along with a description of some of the challenges and opportunities related to local hiring. Barrick Gold provides some information on the internal practices and policies in place to help encourage and develop local employees.

However, there remain barriers to reporting fully on the quantitative aspects of this indicator. Three companies reported the percentage of local employees but were not able to provide a breakdown for employees in senior management positions. Teck demonstrates a good example of transparency in its disclosure by describing the challenges of reporting the percentage of senior managers who are local (different interpretations of the word 'local' result in data that are not directly comparable) and how the company will address this issue in future reports.

Agnico-Eagle demonstrated the strongest disclosure and is highlighted in section 7.3.1.

### 6.2.3 Community Benefit

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Community Benefit</b>								
Community Investment	EITI GRI EC1	●	◐	◐	●	◐	●	●
Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement.	GRI EC8 IFC PS	●	◐	◐	●	●	●	○

The GRI G3.1 framework has two indicators related to community benefit. EC1 discussed earlier in section 3 of this report, has a subcomponent which requests that companies disclose voluntary donations and investment of funds in the broader community, including charitable donations, by country of operation. EITI reporting requirements, which are determined on a country by country basis by multi-stakeholder groups (MSG), can also include broader CSR issues such as community investment or costs disbursed for the protection of the environment. Any disclosure requirements identified by an EITI MSG would most likely require a higher level of disaggregation (project by project). Disclosure around community investment across the benchmark companies was moderate and approaches taken by companies varied. With one exception, benchmarked companies reported community investment for at least three years.



Community investments were grouped into various categories of focus (i.e. arts, sports, health.) and also by type (i.e. donation, sponsorship, scholarship).

Measuring the impact of local infrastructure investments is a metric identified by the GRI as an indicator of an organization's capital contribution to the economy beyond investments in its own operation. EC8 requests that companies explain the extent of infrastructure projects (i.e. size, cost, duration) as well as the current or expected impacts of the project. Companies are encouraged to disclose if these investments and services are commercial, in-kind or pro-bono. In relation to community infrastructure projects, companies are encouraged to report if they have conducted a community needs assessment and the results of the assessment. All of the benchmark companies discussed how they influence community well-being through infrastructure projects. The stronger disclosures provided quantitative data at the site level, discussed the desired impacts from the investment, and communicated the decision process used for selecting infrastructure projects.

Most of the companies described the outcomes and impacts of their community investment programs. In the future, disclosure could be improved by providing a clear description of how community investment initiatives align with corporate business strategy.

#### 6.2.4 Understanding Impact

Disclosure Aspects	Initiative Alignment	Teck	Inmet	Xstrata PLC	IAM Gold	Agnico-Eagle	Barrick Gold	BHP Billiton
<b>Understanding Impacts</b>								
Understanding and describing significant indirect economic impacts, including the extent of impacts.	GRI EC9 (AI) IFC PS	◐	○	●	●	○	●+	○
Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	GRI MM9 IFC PS Equator Principles	●	●	●	●	○	◐	●

The Global Reporting Initiative's EC9 indicator encourages companies to disclose information describing any significant indirect economic impact of products or services supplied. This is an additional indicator which represents an emerging practice. The requirement asks companies to explain any research or initiatives conducted to understanding indirect economic impact, discuss any specific indirect economic impacts as a result of operations (both positive and negative), and provide some context as to the significance of the impacts. IAMGOLD and Teck both disclosed that it was challenging to report on this indicator due to the complexity of analysis over different regions and difficulties in making correlations between a company's activities and indirect impacts. Barrick Gold, Teck and Xstrata PLC all discussed both the positive and negative indirect economic impacts. Overall, the majority of disclosure focused on high-level impacts and did not provide regional or local level information.

The Mining and Metals Sector Supplement of the GRI includes an indicator on resettlement. MM9 directs companies to disclose any sites where resettlement took place, the number of affected households or individuals, the consultation process and actions taken to re-establish the affected communities, any significant disputes relating to resettlement and the resolution of these disputes. Disclosure in this area was relatively strong. For example, Barrick Gold provided a detailed description of their resettlement-related management system standards.

One limitation to full disclosure of economic impact, particularly at the community level, is the terms and conditions of agreements between a company at the communities where it works, for example in Impact Benefit Agreements where the Indigenous or other community may consider such information as confidential and to be held between the parties to the agreement particularly if they touch on traditional knowledge.

## 6.3 COMPONENTS OF COMPREHENSIVE DISCLOSURE

Based on Stratos' review of standards and expectations and the current corporate disclosure practices, the following components and examples represent good quality disclosure related to Broader Community Impact and Benefit.

### 6.3.1 Local Wages and Procurement

#### What does comprehensive disclosure look like?

- Provide the definition used by the company for *local* and *senior management*
- Describe policies and procedures in place which encourage local hiring and local procurement
- Describe minimum wage policy
- Three or more years of data
- Describe how policies and procedures apply to contractors
- Describe the characteristics used to select local suppliers and service providers
- Provide qualitative information to allow the reader to interpret the local context in terms of local minimum wage, education and business capacity.

AEM

Agnico-Eagle reports the total percentage of locally sourced employees for select sites with an ultimate goal of 100%. The report also identifies the percentage of locally hired management for some select sites (see excerpt below) as well as measures taken to ensure that employees are from the region (transportation and training considerations). **P21 2010 SR**

AEM strives to maximize local employment at each of its operations worldwide, with the ultimate goal of having 100% of our workforce (including management) coming from the local region in which the operation is located.

More than 99% of our workforce in Mexico is from Mexico, primarily from the northern states of Chihuahua, Sonora and Sinaloa. Sixty-three percent of the workforce is from the immediate local area in the Sierra Madre region. Nearly all of our management team at Pinos Altos is from Mexico.

At our Meadowbank mine, approximately 40% of our workforce are Inuit beneficiaries from the Kivalliq Region of Nunavut. AEM transports employees to the mine at AEM's expense from all seven of the communities in the Kivalliq Region (Arviat, Baker Lake, Chesterfield Inlet, Coral Harbour, Rankin Inlet, Repulse Bay and Whale Cove) to ensure that employment opportunities are equally available across the region. Employees work a 14-day in – 14-day out work rotation.

Agnico-Eagle reports each of the local wages and procurement indicators across six different operations. EC6 and EC7 both include a brief definition of *local*. The report also includes a discussion of how the company works with the communities and government to help regional business grow and develop as part of the Inuit Business Opportunities Initiative **P30, P42 2010 SR**

<b>EC5</b>							
Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation							
	LaRonde	Goldex	Lapa	Kittila	Pinos Altos	Meadowbank	Average
EC5A) What was the starting entry level wage (\$/Hr) at this mine in 2010?	\$ 26.67	\$ 24.67	\$ 27.74	\$ 17.31	\$ 20.05	\$ 18.97	\$ 22.57
EC5B) What was the local minimum wage in the jurisdiction in which the mine is located?	\$ 9.50	\$ 9.50	\$ 9.50	\$ 15.00	\$ 6.81	\$ 10.00	\$ 10.05
The ratio of the mine's entry level wage to the local minimum wage = EC5A/EC5B	2.8	2.6	2.9	1.2	2.9	1.9	2.2

<b>EC6</b>							
Policy, practices and proportion of spending on locally based suppliers at significant locations of operation							
	LaRonde	Goldex	Lapa	Kittila	Pinos Altos	Meadowbank	Average
Proportion of mine spending (%) on supplies that goes to local suppliers – where local is defined as the geographic or economic region in which the mine is located, such as northern Quebec for the Abitibi, Chihuahua State for Pinos Altos, Lapland for Kittila, Nunavut for Meadowbank	57.19%	57.81%	57.00%	27.00%	69.00%	47.80%	52.63%

<b>EC7</b>							
Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operations							
	LaRonde	Goldex	Lapa	Kittila	Pinos Altos	Meadowbank	Average
Proportion of the mine workforce (%) that is hired from the local region in which the mine is located, such as northern Quebec for the Abitibi, Chihuahua State for Pinos Altos, Lapland for Kittila, Nunavut for Meadowbank	93.00%	100.00%	100.00%	90.00%	62.75%	37.50%	78.05%
Proportion of the mine management team (%) that is hired from the local region in which the mine is located, such as Northern Quebec for the Abitibi, Chihuahua State for Pinos Altos, Lapland for Kittila, Nunavut for Meadowbank	100.00%	100.00%	100.00%	50.00%	51.25%	0.00%	66.88%

### 6.3.2 Community Benefit

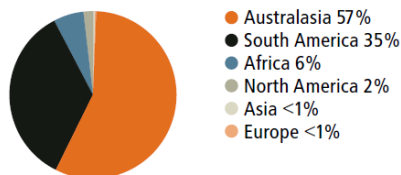
#### What does comprehensive disclosure look like?

- Description of the community investment program or strategy, including key program focus areas
- Community investment spending reported by focus area and by type of investment (commercial, in-kind, pro-bono)
- Description of infrastructure developments, spending on infrastructure and project selection criteria
- Three or more years of data, broken down by country
- Description of how CI is integrated and aligned with business objectives

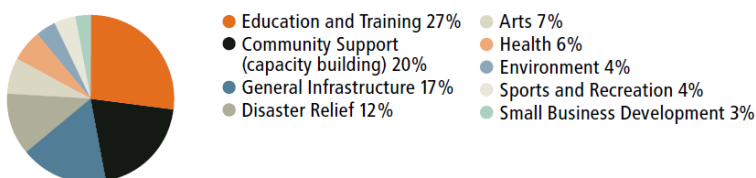


BHP Billiton reports a breakdown of community investment by program category and by geographic region for the current reporting year. The CSR report also includes the five year community investment target and performance. **P23 2011 SR**

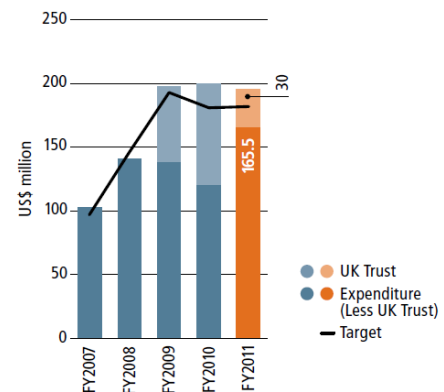
Community Investment Expenditure by Geographic Region\*



Community Investment Expenditure by Program Category\*



Community Investment Target



\* Excludes expenditure from foundations and trusts.

† Further details on BEE are available in section 2.7.1 of our Annual Report.

### 6.3.3 Understanding Impact

#### What does comprehensive disclosure look like?

- Description of work undertaken to understand indirect economic impact and examples of those impacts (both positive and negative)
- Provide context around examples provided as they relate to external benchmarks and standards
- Identification of sites where resettlement has occurred and the number of individuals or households affected
- Description of the consultation process undertaken ahead of the resettlement
- Description of company actions to minimize any impacts of relocation and re-establish the community
- Description of any significant disputes and outcomes relating to resettlement



Barrick Gold discusses their approach to resettlement, alignment with external standards (IFC) and lists two locations where resettlement took place. **P72 2010 SR**

#### Resettlement

Barrick works together with host governments to manage, in a manner consistent with local laws and international best practice, the resettlement of people that may be affected by our operations. Engagement of affected communities is the cornerstone of Barrick's commitment and the key to successful resettlement programs.

In alignment with the IFC standards on resettlement, we seek to avoid, or at least minimize, involuntary resettlement by exploring alternative project designs. Where resettlement is required, a Resettlement Action

Plan (RAP) is prepared. A comprehensive RAP includes an entitlement framework, comprehensive compensation standards, livelihood development programs, and ongoing monitoring and evaluation, to deliver our commitment to improve or, at least, restore the livelihoods and standards of living of displaced persons.

Resettlement activities continued at Porgera and North Mara in 2010, along with follow-up activities (livelihood restoration, monitoring, etc.) related to previous resettlement at the Pueblo Viejo project and at Buzwagi.

IAMGOLD reports company actions specific to livelihood replacement and resettlement. **P26 2010 HSS Report**

#### Livelihood Replacement

Replacing a house or a school can be an easier exercise than replacing a livelihood. IAMGOLD tries to provide options for people whose livelihoods are interrupted by its operations. Compensation is made to landholders and livelihood restoration and/or improvement initiatives are offered to those who want either to change their occupation or improve their current activities. Some of those programs have included:

- Palm production
- Agricultural improvement
- Market garden
- Business development

Many infrastructure construction and livelihood improvement projects are featured in the Social Stewardship section.

#### Resettlement

Over the past two years, a major resettlement initiative has taken place at and around the Essakane mine site. A multi-year effort began in 2005 to engage community members in the consultation and consent for this project. The communities participated in every aspect of the relocation, including design and labour. Details of this project can be found in the 2009 CSR report.

Another phase of the resettlement process was undertaken between January and April 2010, with the move of the Essakane site community. In summary, this project included the movement of:

- 2,158 households
- 2 schools
- 11,000 people (approximately)
- 1 mosque, 1 church and 1 market
- 1,666 housing units
- latrines, public showers and other communal structures

## 6.4 FUTURE DIRECTIONS TO WATCH

Stratos anticipates future disclosure in this area will demonstrate greater diligence and transparency in tracking and reporting on broader economic benefits, as described below.

Trend	Emerging Expectations
Increased diligence and transparency in corporate tracking of broader economic benefits	As mining companies enter new jurisdictions that do not have experience with mining, or as the number of mining operations in specific areas grows, companies increasingly need to demonstrate their benefit to the local community to secure support. This need to communicate clearly the benefits of operations is expected to drive better tracking and disclosure on broader economic benefits.
Building stronger community relationships	By quantifying economic benefits to communities, companies are better understanding what is of value to communities and can better meet their needs and expectations. Formal disclosure on existing projects informs development of economic benefits for future projects and locations.

## 7 Conclusion

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Canadian mining companies are facing and, to a fair degree, responding to increased stakeholder expectations, international standards and national legal requirements to disclose their practices and quantitative information on the four areas studied in this review: payments to government, human rights, community engagement, and broader community impact and benefit.

The current state of disclosure practices is overall strongest for payments to government, where disclosure ranged from partial to full for most companies reviewed, with the exception of other payments where little information is disclosed. This may reflect convergence of expectations in this area through the Extractive Industries Transparency Initiative, despite country-specific variations.

For human rights, there is a wider range of disclosure practices across the benchmark companies, from full to no disclosure. This may reflect less clarity around the company's role and what types of information should be disclosed. With the publication of the Guiding Principles for the Implementation of the UN's 'Protect, Respect, and Remedy' Framework (which came out after the majority of reports we reviewed were published), we expect to see enhanced and more consistent disclosure in this area.

For community engagement, we observed that disclosure is mixed, ranging from full to no disclosure – a somewhat surprising result given the well developed community engagement practices of many companies. This may be indicative of the challenge companies face in determining what types and level of information are meaningful to disclose regarding community engagement.

Finally, for broader community impact and benefit, the disclosure ranges from full to partial, with a number of good examples related to community investment, infrastructure, local procurement and resettlement. This demonstrates companies are increasingly tracking and reporting on the broader range of community benefits their presence brings to support their value proposition for local communities and governments.

As disclosure practices improve, they will help Canadian mining companies to respond and demonstrate adherence to these local and national expectations and international voluntary requirements, and compliance to these and future legal requirements. Further, comprehensive disclosure can provide business value by supporting strong community relations, project cycle approvals and corporate reputation. We encourage companies to consider the value that different performance indicators provide to stakeholders and management, and balance this with the level of effort required to systematically collect, analyse and report these indicators to ensure they focus their efforts on the most meaningful and useful indicators for their external and internal stakeholders.



Looking forward, Stratos has identified the following evolving disclosure expectations to watch:

- increased granularity and disaggregation of payments to governments and communities, including at the contract level
- disclosure related to human rights impact assessments and their results
- information on how a company has determined if it has achieved Free, Prior and Informed Consent (FPIC) of communities and Indigenous communities in particular, with regard to acceptance of projects,
- increased diligence and transparency in corporate tracking of broader community impact and benefit, and
- the emergence of chain of custody tracking and demonstration of the source of metals, which currently covers diamonds and strategic minerals from conflict zones, but may be extended to base metals in the future.

## Appendix A – References

This section identifies the annual and CSR reports that were reviewed for each of the benchmark companies.

Organization	Report title	Web link
<b>Agnico-Eagle Mines</b>	2010 CSR Report	<a href="http://www.agnico-eagle.com/Theme/Agnico2/files/csr_reports/2010/AEM_2010_CSR_en_v06.pdf">http://www.agnico-eagle.com/Theme/Agnico2/files/csr_reports/2010/AEM_2010_CSR_en_v06.pdf</a>
	2010 Annual Report	<a href="http://www.agnico-eagle.com/Theme/Agnico2/files/pdf/AEM_AR_2010_Booklet_v001_t9fkf3.pdf">http://www.agnico-eagle.com/Theme/Agnico2/files/pdf/AEM_AR_2010_Booklet_v001_t9fkf3.pdf</a>
<b>Apple</b>	Apple Supplier Responsibility 2012 Progress Report	<a href="http://images.apple.com/supplierresponsibility/pdf/Apple_SR_2012_Progress_Report.pdf">http://images.apple.com/supplierresponsibility/pdf/Apple_SR_2012_Progress_Report.pdf</a>
<b>Barrick Gold</b>	2010 Responsibility Report	<a href="http://barrickresponsibility.com/2010/en/online_pdf.html">http://barrickresponsibility.com/2010/en/online_pdf.html</a>
	Annual Report 2010	<a href="http://www.barrick.com/theme/barrick/files/annual-report-2010/PDF/Barrick-Annual-Report-2010.pdf">http://www.barrick.com/theme/barrick/files/annual-report-2010/PDF/Barrick-Annual-Report-2010.pdf</a>
<b>BHP Billiton</b>	Annual Report 2011	<a href="http://www.bhpbilliton.com/home/investors/reports/Documents/2011/BHPBillitonAnnualReport2011.pdf">http://www.bhpbilliton.com/home/investors/reports/Documents/2011/BHPBillitonAnnualReport2011.pdf</a>
	Sustainability Report 2011	<a href="http://www.bhpbilliton.com/home/aboutus/sustainability/reports/Documents/2011/BHPBillitonSustainabilityReport%202011.pdf">http://www.bhpbilliton.com/home/aboutus/sustainability/reports/Documents/2011/BHPBillitonSustainabilityReport%202011.pdf</a>
<b>IAMGOLD</b>	2011 Q4 and Full-Year REPORT	<a href="http://www.iamgold.com/Theme/IAmGold/files/docs_financial/2011%20Full%20Report.pdf">http://www.iamgold.com/Theme/IAmGold/files/docs_financial/2011%20Full%20Report.pdf</a>
	2010 Health, Safety, and Sustainability Report	<a href="http://www.iamgold.com/files/IMG_HSS_Report_2011_FINAL/pdf/HSS_Report_2010.pdf">http://www.iamgold.com/files/IMG_HSS_Report_2011_FINAL/pdf/HSS_Report_2010.pdf</a>
	2010 GRI Index	<a href="http://www.iamgold.com/files/IMG_HSS_Report_2011_FINAL/pdf/GRI_Index_2010.pdf">http://www.iamgold.com/files/IMG_HSS_Report_2011_FINAL/pdf/GRI_Index_2010.pdf</a>
<b>Inmet</b>	2009 Annual Report	<a href="http://www.inmetmining.com/Theme/Inmet/files/2009%20Annual%20Report.pdf">http://www.inmetmining.com/Theme/Inmet/files/2009%20Annual%20Report.pdf</a>
	2010 Sustainability Report	<a href="http://ir.inmetmining.com/getattachment/a4ba2d75-b4ee-4fd3-b9d0-ae9b6f747dd/Full-Report">http://ir.inmetmining.com/getattachment/a4ba2d75-b4ee-4fd3-b9d0-ae9b6f747dd/Full-Report</a>

Organization	Report title	Web link
<b>Teck</b>	2010 Annual Report	<a href="http://www.google.ca/url?sa=t&amp;rct=j&amp;q=teck%202010%20annual%20report&amp;source=web&amp;cd=2&amp;ved=0CFIQFjAB&amp;url=http%3A%2F%2Fwww.teck.com%2FDocumentViewer.aspx%3FelementId%3D191101%26portalName%3Dtc&amp;ei=eb7QT-K6Klbn0QG94PjeDQ&amp;usg=AFQjCNEli0Rx3NlcwuZf9EfVm0pVGw9l4g&amp;cad=rja">http://www.google.ca/url?sa=t&amp;rct=j&amp;q=teck%202010%20annual%20report&amp;source=web&amp;cd=2&amp;ved=0CFIQFjAB&amp;url=http%3A%2F%2Fwww.teck.com%2FDocumentViewer.aspx%3FelementId%3D191101%26portalName%3Dtc&amp;ei=eb7QT-K6Klbn0QG94PjeDQ&amp;usg=AFQjCNEli0Rx3NlcwuZf9EfVm0pVGw9l4g&amp;cad=rja</a>
	2010 Sustainability Report	<a href="http://www.google.ca/url?sa=t&amp;rct=j&amp;q=teck%202010%20sustainability%20report&amp;source=web&amp;cd=1&amp;ved=0CGUQFjAA&amp;url=http%3A%2F%2Fwww.teck.com%2FDocumentViewer.aspx%3FelementId%3D198097%26portalName%3Dtc&amp;ei=ub7QT7bQJuvk6QHd-6V7&amp;usg=AFQjCNHjig8pUCFNKKTm5wvEp5eWQSBXQQ&amp;cad=rja">http://www.google.ca/url?sa=t&amp;rct=j&amp;q=teck%202010%20sustainability%20report&amp;source=web&amp;cd=1&amp;ved=0CGUQFjAA&amp;url=http%3A%2F%2Fwww.teck.com%2FDocumentViewer.aspx%3FelementId%3D198097%26portalName%3Dtc&amp;ei=ub7QT7bQJuvk6QHd-6V7&amp;usg=AFQjCNHjig8pUCFNKKTm5wvEp5eWQSBXQQ&amp;cad=rja</a>
<b>Xstrata</b>	Annual Report 2010	<a href="http://www.xstrata.com/annualreport/2010/servicepages/downloads/files/full_xta_ar10.pdf?cat=b">http://www.xstrata.com/annualreport/2010/servicepages/downloads/files/full_xta_ar10.pdf?cat=b</a>
	Sustainability Report 2010	<a href="http://www.xstrata.com/content/assets/pdf/x_sustainability_2010.pdf">http://www.xstrata.com/content/assets/pdf/x_sustainability_2010.pdf</a>

## Appendix B – Company Alignment and Participation in Specific Initiatives

The following table provides background information for each of the benchmark companies to identify the extent to which they have explicitly aligned their management systems and/or reporting approaches with several initiatives. This information is drawn from their public reports.

Element	Teck	Inmet	Xtrata PLC	IAMGold	Agnico-Eagle	Barrick Gold	BHP Billiton
TSM Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes BHPB Canada (EKATI Mine)
GRI Reporting Level	A+ (GRI G3)	B+ (GRI G3)	A+ (GRI G3)	B (GRI G3)	A (GRI G3)	A+ (GRI G3)	A+ (GRI G3)
Ruggie Framework	Assessed against the framework	HR policy is based on framework	Indirectly	Being assessed by HR working groups for implementation	Consulted with Prof Ruggie & pilot framework	Prof. Ruggie is a consultant on HR	No
IFC Framework Implementation	Yes	Yes	Yes, Land acquisition and involuntary resettlement	Yes	No	Yes	Yes
EITI Requirement	Peru	No	Peru	Burkina Faso	No	Tanzania, Zambia, Peru,	None, but voluntarily reports basic info (taxes, royalties)
EITI Supporting Company	Yes	No	Yes	No	No	Yes	Yes