

TOWARDS SUSTAINABLE MINING

TERMS OF REFERENCE

Verification Service Providers

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Preamble

MAC has established a process of external verification for ensuring that MAC member companies' reporting on TSM performance indicators is consistent, accurate and transparent. These Terms of Reference for Verification Service Providers have been developed to ensure that:

- MAC member companies follow a clear and consistent process for hiring verification services.
- verification service providers meet the minimum standards and conform to defined procedures to perform an assessment that can be relied upon by MAC Members and their communities of interest.

Definitions

“Client” means the MAC Member who engages a VSP to perform a TSM verification.

“Community of Interest (COI)” means any individual or group that sees itself to have an interest in the operation of a MAC Member.

“COI Panel” means the TSM COI Panel, including representatives of civil society, Aboriginal communities, mining communities, organized labour, the financial sector, business and the mining industry and which acts in an advisory role to MAC regarding TSM.

“Facility” or *“Facilities”* means a distinct operating unit(s) of a company to which the TSM performance indicators can be applied. It is recognized that companies may categorize their facilities in different ways.

“Independent” means that to be eligible to perform TSM verification services, a VSP must be an organization for the purpose of doing business without ownership ties to a MAC Member. Furthermore, VSP personnel cannot be directly employed by a MAC Member.

“MAC Member” means a mining and/or metals company who is a member in good standing of the Mining Association of Canada.

“Verification Service Provider” (VSP) is a company that, after meeting all the requirements of this procedure, is engaged by a client to perform the verification assessment.

“Verification Service Provider personnel” means a person or persons who is/are engaged by a VSP.

Application

These standards and procedural requirements apply to all companies who wish to provide TSM verification services to a MAC Member under the auspices of the TSM verification program.

This procedure does not apply to companies who are requested to provide assessments of a MAC Member’s TSM systems or performance that is outside of either the baseline (2006) assessment or triennial assessments required thereafter.

MAC Members, in conjunction with the VSP, shall ensure that all requirements of this procedure are met before entering into a contractual arrangement to provide verification services.

MAC shall ensure that the companies wishing to qualify as VSPs have the opportunity to participate in a MAC TSM verification workshop.

VSP Requirements

A company that wishes to provide verification services to a MAC Member must meet the following requirements, at a minimum:

The company must be a legal business entity for the purposes of conducting business.

All VSPs must participate in a MAC TSM verification workshop prior to performing any TSM verification work on behalf of a MAC Member. Where a VSP has not conducted a TSM self-assessment or verification within the last three years, the VSP will be required to undertake TSM re-certification training prior to conducting a TSM external verification. This training may be completed on-line or in person. VSPs must complete online training for any active protocols for which they have not performed verification within the last three years. If the VSP is part of a larger organization, those links shall be clearly described to the client, prior to engaging in a contract to perform a TSM verification assessment.

A VSP and VSP personnel must be “Independent” from the client.

The VSP shall ensure that it does not in any way convey the impression that the use of any other services would result in preferential treatment of the client or its operations during in the conduct of the TSM verification.

Prior to a contractual engagement for performing a TSM verification assessment, the VSP shall clearly identify to the client any technical or management work the company has been retained to perform by the client and/or its facilities on any of the subject areas covered by the TSM verification.

The VSP shall not perform any activities related to the verification of the TSM indicators where the VSP personnel involved in the verification have performed TSM-related technical or management work on those indicator areas for the client within the past two years at the Facility or Facilities being evaluated.

Exception:

A TSM External Verification may be conducted as part of fulfilling the external audit requirement as per individual protocol criteria. For an external audit to qualify as a TSM External Verification, the following are required:

1. The external audit must cover all criteria in the protocol.
2. The external auditor must prepare an annex to the audit report that summarizes TSM performance.
3. The company CEO letter of assurance must reference that an external audit was used to meet the requirement for TSM External Verification.

VSP personnel shall have demonstrated competence and experience in auditing and in the subject matter being verified (e.g. tailings management, external outreach, energy use and greenhouse gas management and crisis management).

The VSP has the independence to determine verification sample size on the basis of standard auditing practice and professional judgment. The VSP must balance between verification confidence level and resources when assessing the number and location of the facilities to be visited as part of the verification process.

VSPs must agree in writing that they understand and agree that the VSP report and/or verification conclusions may be shared with the TSM COI Panel, on a confidential basis, for the purposes of a post-verification review by the COI Panel.

Scope of Work

The Scope of Work prepared by the VSP for the verification shall include the following tasks:

Planning for the verification

Pre-verification communication with the client to ensure all required materials at the appropriate locations are available beforehand.

Discussion with the client regarding the sample size for the verification and location(s) for the verification activities. The baseline (2006) verification will include verification of all indicators at all operating Canadian facilities. Thereafter, the triennial verification sample size will be based on the judgment and experience of the VSP. The VSP must discuss cost implications of the verification in advance.

Conducting of the verification

Verify that the performance level reported by the client is consistent with the VSP's determination, based on standard auditing tools, including interviews with relevant personnel and inspection of relevant documentation. The VSP may, at their discretion, expand the verification (increase number of Facilities for the desktop exercise, etc) based on the consistency of the findings.

Based on the judgment of the VSP, dialogue (interviews) with local communities of interest regarding company performance may be necessary.

The verification shall be completed using the TSM protocols provided by MAC. These will be the audit working papers.

The VSP shall indicate in the appropriate comment box why a particular level has been assigned, particularly if the verified level differs from that assigned by the client in the self-assessment.

If the verification determines that a minor element of a criterion for a particular performance level is not met (e.g. a document is not page-dated) and, in the opinion of the verifier and the company, the element could be fully addressed by the company to the satisfaction of the verifier with relatively little effort, then the verifier will grant the company a period of ten (10) working days to address the issue. Within ten working days, the facility must provide the verifier with evidence the issue has been fully addressed. The VSP will review this evidence to inform the final performance level assigned for the facility

The verification at a Facility may be conducted in conjunction with or simultaneously with other audits or assessments provided the TSM protocols are followed.

Reporting of the verification results

The VSP report shall include, at a minimum, a verification statement from the VSP confirming the completion of the verification and its results.¹

The VSP report will be provided to the client. The client will submit the verified results of the assessment to MAC, for the purposes of publication in the TSM Progress Report.

¹ The Mining Association of Canada has developed two acceptable versions of a VSP Letter for use by the VSP. These may be obtained by contacting the association.