

## Towards Sustainable Mining

### Terms of Reference for Verifiers

#### Preamble

The Mining Association of Canada (MAC) has established a process of external verification to ensure that MAC Members' reporting on *Towards Sustainable Mining* (TSM) performance indicators is consistent, accurate and transparent. These Terms of Reference for Verifiers have been developed to ensure that:

- MAC Members follow a clear and consistent process for hiring Verifiers.
- Verifiers meet minimum standards and conform to defined procedures to perform an external verification that can be relied upon by MAC Members and their Communities of Interest (COI).

Additional guidance to support Verifiers in adhering to these *Terms of Reference for Verifiers* is available in the *TSM Verification Guide* on the MAC website.

#### Definitions

*Client*: The MAC Member that engages a Verifier to perform a TSM external verification.

*Communities of Interest (COI)*: Individuals and groups that have an interest in, or believe they may be affected by, decisions regarding the management of a MAC Member's mining or metallurgical operations.

*Community of Interest Advisory Panel (COI Panel)*: A formal, multi-interest group comprised of representatives of civil society, Indigenous communities, mining communities, organized labour, and the financial sector, among others. The COI Panel plays an advisory and oversight role with respect to TSM.

*Facility*: A distinct operating unit of a company at which the TSM performance indicators can be applied. Companies may categorize their facilities differently.

*Mining Association of Canada (MAC) Member*: A company that is a member of MAC.

*Verifier*: An individual that, meeting all the requirements of these *Terms of Reference for Verifiers*, is engaged by a Client to perform an external verification of TSM performance.

#### Application

These standards and procedural requirements apply to all individuals that provide TSM external verification services for a Client.

These requirements do not apply to individuals asked to assess a MAC Member's TSM systems or performance outside of the formal external verification process.

A MAC Member, with the support of the Verifier, will ensure that all requirements of these *Terms of Reference for Verifiers* are met before entering a contractual arrangement for external verification services.

A MAC Member is not required to engage a single Verifier to externally verify performance against all TSM protocols. One or more Verifiers can be contracted depending on areas of technical expertise or other factors deemed relevant to the MAC Member.

### **Verifier Qualifications**

A Verifier must, at a minimum, meet the following requirements:

1. Represent a legal business entity.
2. If part of a larger organization, clearly describe their relationships within the organizational structure.
3. Be independent, meaning that the legal business entity does not have ownership ties to a MAC Member. A Verifier can be employed by an Associate MAC Member.
4. Not in any way convey the impression that the use of other services offered by the Verifier or their company would result in preferential treatment during the external verification.
5. Clearly identify to the Client any technical or management work that their company has been retained by the Client to perform on any of the subject areas covered by the TSM external verification. Verifiers can be engaged to verify technical or management work conducted by others employed by their company, if they can demonstrate that they were not involved in the work being verified.
6. Not perform any activities related to the external verification of TSM indicators if they have performed technical or management work on those indicator areas at the facility in question in the past three years. Technical or management work does not include external audits or verification activities conducted under other reporting frameworks for those indicator areas.

A Verifier must participate in an initial TSM training workshop convened by MAC, either in person or online, and repeat this training workshop at least once every three years. A Verifier may be exempt from repeating the training workshop after three years if the *Verification Oversight Process* does not identify any issues with the quality of the Verifier's external verifications (see 'Verification Process' below for more information) and if the Verifier completes the online training modules for any new or revised protocols. A Verifier must also participate in an annual update webinar for Verifiers convened by MAC. Evidence of participation in the annual webinar (whether in real-time or asynchronously) is required to maintain accreditation.

A Verifier must demonstrate a minimum of five years of experience in auditing and in environmental and social subject matters relevant to the verification or have been involved in a minimum of 10 completed audits of environmental and social subject matter relevant to the verification. At a minimum, the Verifier should hold one or more of the following audit designations:

- 5-day Management Systems Lead Auditor

- Environmental Auditor or Environmental Professional (ECO Canada)
- Certified Environmental Auditor (Quebec Association of Environmental Auditing)
- ISO 14001 Auditor (Environmental Management Systems)
- ISO 45001 Auditor (Occupational Health and Safety)
- Cyanide Code Verification Auditors
- Green Marine Verifier
- SA8000 5-day Auditor Training Course
- Responsible Business Alliance Labour & Ethics Lead Auditor
- Worldwide Responsible Accredited Production Lead Auditor
- Association of Professional Social Compliance Auditors (APSCA) Certified Social Compliance Auditor
- AA1000 Certified Sustainability Assurance Practitioner

Qualified professionals must be registered with appropriate professional organizations, adhere to those organizations' codes of ethics, and be subject to any disciplinary mechanisms. MAC may consider, at its discretion and at the request of a Verifier, additional audit designations. Any additional approved designations will be added to the above list.

It is the responsibility of the Client to ensure the Verifier meets these minimum requirements. The CEO Letter of Assurance must attest to this.

### **Verification Process**

The aim of TSM is to drive performance improvement and, through demonstration of this improvement, build trust with COI. To do so, TSM includes several steps to ensure that reported TSM performance results present an accurate picture of each facility's management systems and performance. The steps of the verification process include:

1. *Self-Assessment*: Each year, facilities self-assess their performance against all TSM protocol indicators and publish these results on the MAC website.
2. *External Verification*: Every three years, a Verifier reviews a facility's self-assessment to determine if there is adequate evidence to support the performance ratings reported.
3. *CEO Letter of Assurance*: In the year of external verification, the company's CEO or equivalent submits a letter to MAC to confirm that the external verification has been conducted in accordance with these *Terms of Reference for Verifiers* and is an accurate reflection of performance. The letter is published on the MAC website alongside the company's TSM performance results.
4. *COI Panel Post-Verification Review*: Each year, the COI Panel selects a sample of companies to present and discuss TSM performance results with the COI Panel. Through these discussions, the Panel tests whether and how facility systems are leading to performance improvements. The Panel also explores the facility's challenges and any efforts to address performance gaps.

The Verifier is also subject to a verification oversight process whereby a third-party is contracted by MAC to ensure that active Verifiers are conforming with these *Terms of Reference for Verifiers* and demonstrating sound interpretation and application of TSM protocol requirements. This oversight process includes provisions for the direct oversight and review of Verifiers, a general evaluation of effectiveness of certain elements of TSM verification, and an annual report to share findings and recommendations. The complete process is outlined in the *TSM Verification Oversight Process* available on the MAC website.

### **Scope of Work**

The scope of work prepared by the Verifier for the external verification should consider the following elements:

#### *Planning for the verification*

- The Verifier engages with the Client prior to external verification to ensure that all required materials have been collected and made available for external verification.
- The Verifier discusses with the Client any proposed sampling strategy for the external verification and confirms whether a site visit will be required (see advice on sampling strategies and site visits below).
- The Verifier discusses length of time and cost implications with the Client.

#### *Conducting the verification*

- The core role of the Verifier is to externally verify whether the TSM performance results reported by the Client are consistent with the Verifier's determination, based on standard auditing tools, including interviews with company personnel and inspection of documentation.
- The Verifier may, at their discretion, expand the scope of an external verification based on the consistency of the findings.
- The Client will use existing communications mechanisms to provide advance notice of the verification to relevant COI regarding activities at the facility being verified. This advance notice will include an invitation for COI to engage with the Verifier and to provide information relevant to the verification, as well as contact information for the Verifier.
- The Verifier must interview a selection of COI representatives to confirm evidence to support Level A or higher results submitted by a facility. The selection of COI should be based on discussions between the Verifier and the Client, during which the Client will advise the Verifier of any sensitivities. The Verifier will then exercise their judgement with respect to which and how many interviews to conduct, with the objective that the Verifier is confident in their verification of the Client's TSM performance results. The Verifier's level of engagement with COI should increase in relation to the level of performance reported by the Client.
- The external verification should be completed using the TSM protocols provided by MAC. These will serve as the verification working papers.

- The Verifier should indicate in the appropriate comment box of the working papers why a level has been assigned, particularly if the verified level differs from the level assigned by the Client in the self-assessment.
- If, in the opinion of the Verifier and the Client, a minor issue in meeting a criterion is identified and would require limited effort to address, the Verifier can grant the Client a period of ten working days to address the issue. The Client must then provide the Verifier with evidence that the issue has been fully addressed. The Verifier will review this evidence to inform the final verified performance results for the facility.

### *Reporting of the verification results*

- The Verifier, in consultation with the Client, must complete the *Verification Summary Report* for publication alongside the Client's externally verified results on the MAC website. This report allows the Verifier to provide brief commentary about the types of evidence consulted to inform the external verification and any key findings.
- Should the Verifier and Client disagree on the interpretation of one or more criterion, they should jointly contact MAC to discuss this disagreement. In cases where a disagreement in interpretation requires the development of new interpretation advice, MAC will engage a sub-committee of its TSM Governance Team and a third party to resolve the issue. Details on this dispute resolution process are provided in the *TSM Verification Guide*.
- Once the Client has entered the verified TSM performance results in MAC's online reporting system, the Verifier will receive a request to confirm the reported results. The Verifier must review and respond to these notifications in a timely manner.

## **Additional Guidance**

### *External audits*

The external verification at a facility may be conducted at the same time as other audits or assessments, provided the TSM protocols are followed.

In addition to the external verification process, many TSM protocols include requirements for external audits at certain levels of performance. Such external audits differ from an external verification in that the audit is not only verifying evidence of a facility's self-assessed performance but conducting a full evaluation of the facility's performance against TSM requirements. An external audit can therefore be used to meet external verification requirements if the following conditions are met:

1. The external audit must cover all criteria in the protocol(s).
2. The external audit has been conducted within the last three years.<sup>1</sup>
3. The external auditor must prepare an annex to the external audit report that summarizes TSM performance.

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<sup>1</sup> If the verification occurs during a transition period to a new version of a protocol and the external audit was conducted using the older version of the protocol, the Client or Verifier should contact the relevant association implementing TSM for guidance.

4. The company's CEO Letter of Assurance must reference that an external audit was used to meet the requirement for TSM external verification.

The external audit must be completed by a qualified auditor with relevant subject matter expertise, but the external auditor does not need to be a TSM Verifier or have taken TSM training for the audit to be used in the process described above. If a facility decides to use the external audit to meet the external verification requirement for a particular protocol, then the Verifier must review the audit report to ensure it meets items 1-3. It is the Client's responsibility to ensure item 4 is addressed in the CEO Letter of Assurance.

#### *Use of sampling strategies*

The Verifier must verify each TSM protocol at each of the Client's facilities for which they have been contracted to conduct an external verification. However, the Verifier has the independence to conduct sampling among a given protocol's requirements based on standard auditing practice and professional judgment. Any sampling strategy used must be disclosed in the *Verification Summary Report* published alongside the externally verified results. All criteria must be verified during a facility's first external verification.

#### *Site visits*

Site visits provide an opportunity for a Verifier to hold interviews or brief discussions with a broader range of employees and to conduct direct observation over the course of the verification. As such, they can add value to a verification.

Site visits are not required for all external verifications but are encouraged. In the Canadian context, the Mining Association of Canada provides the following guidance on site visits in its Terms of Reference for Verifiers:

- For Canadian operations, to the extent feasible, the Client and the Verifier will arrange a site visit on the first occasion of a Verifier's verification of the facility, particularly if the company is requesting external verification of Level A or higher self-assessed results.
- The Verifier and Client should balance verification confidence level and resources when assessing the number and location of the facilities to be visited as part of the verification process.

For operations outside of Canada, where feasible, companies are encouraged to seek a local Verifier to conduct a site visit during an initial verification.

In preparing the Verification Plan, the Verifier and the Client should agree on the approach to site visits, including timing and duration.

If the TSM external verification is being used to demonstrate conformance with other standards, a site visit may be required. Verifiers are encouraged to reach out to the relevant national association implementing TSM and any other relevant standard owners when a Client is pursuing recognition for multiple standards through their TSM verification process.



### *Feedback*

To support the continual improvement of TSM processes, Verifiers are invited to provide feedback to MAC on any areas of the TSM protocols or related documents, including noting any inconsistencies or needs for clarification.