

Report from the World Gold Council Toronto Consultative Roundtable on the draft Responsible Gold Mining Principles

Date & Time: April 1st, 2019

Location: 18 York Street #2600, Toronto, ON

Executive Summary

The roundtable discussion on April 1st, 2019 brought together individuals from academia, industry, the investor community, and civil society organizations to provide feedback on the World Gold Council's (WGC) draft Responsible Gold Mining Principles (RGMPs). The RGMPs and related assurance framework seeks to provide confidence to investors and users of gold and to support gold as a recognized financial asset, while evolving to meet stakeholders' expectations of environmental, social, and governance (ESG) best practices. Currently, there is not a well-integrated sustainable mining framework, but rather a wide range of standards and codes. The aim is to develop an overarching framework that addresses the following question: what constitutes responsible gold mining? The WGC has been intentional in developing the RGMPs—the aim is not to establish another box-ticking exercise, but to provide a framework that assists companies to systemically integrate ESG practices into their operations. Along these lines, the RGMPs have been crafted in a manner that consolidates several different Standards and builds upon existing best practices, as opposed to duplicating efforts and developing an additional standard for companies to comply with. The goal is to develop a sensible and practical standard that can be applied across a whole range of companies, including beyond the WGC member companies. Ultimately, the framework seeks to command respect and accountability. The input provided by the participants at the roundtable discussion, summarized below, assists in this effort.

Discussion of Principles

There are 10 umbrella RGMPs, with 4 underlying principles. The 10 umbrella principles are categorized into three main groups: governance, social, and environment. The WGC executives in attendance walked through the principles, provided context for their inclusion, and discussed how the principles had been amended to reflect previous feedback. At the end of each section—governance, social, and environmental—the attendees provided their feedback.

Discussion on Governance – Principles 1 - 3.

In regard to Principle 1: Ethical Conduct, The WGC emphasized how the language of this principle had been strengthened to ensure that legal compliance is regarded as a minimum expectation. Principle 2: Understanding our Impacts, is newly introduced and encourages meaningful stakeholder engagement and opportunities to provide redress when things go wrong. In this way, this principle is meant to encourage the collection of stakeholder information and feedback in order to inform companies' operational decisions, as opposed to checking a box.

One industry stakeholder commented that the blanket use of the word “stakeholder” overlooks the nuances at play when dealing with Indigenous groups and associations who are oftentimes considered

'rights'-holders, and not simply stakeholders. The importance of the distinction between stakeholder and 'rights'-holder was echoed by academic and civil society attendees. This distinction means that there are groups who have rights that must be acknowledged in a different way than other stakeholder groups. While it is difficult to include language which makes sense across all jurisdictions, when dealing with Indigenous owned land for example, this distinction is important.

Several attendees pointed to the language used in reference to publishing information on taxes and other payments to governments, which states that this information should be disclosed "except where prohibited by national law." There was a discussion concerning the potential for regional governments to use this statement to avoid disclosure, thereby weakening the good governance practices that could otherwise be achieved. It was suggested that the language be made more precise, that the clause about prohibition by national laws be removed, and that a reference to existing legislation (e.g. as set out in ESTMA) and principles around access to data be included.

In terms of governance generally, feedback from an investor and academic perspective called for stronger and more proactive language to deal with non-compliance and accountability. It was noted that a clause for accountability could be placed anywhere in the governance section. Tying non-compliance to remuneration was suggested as a potential method for tackling this issue. In this way, a more proactive approach would be encouraged by ensuring that if an issue arises, someone is accountable and there will be a direct outcome.

As well, issues surrounding gender and access to data were brought up as important additions to the governance section. Gender is important to include because it is a management system issue. If data is to be collected by a company anyways, it is a small effort to parse out the data to highlight gendered differences and issues. In regard to accessing data, it was noted that while oftentimes companies make a lot of data available, the sheer amount makes it difficult for stakeholders, especially local communities, to identify the data relevant to them. Data should be presented in a way that makes it easier for stakeholders to connect the concerns they have voiced with the method in which these concerns have been addressed. In this way, stakeholders can readily see that their opinion is being considered.

Discussion on Social – Principles 4-7.

The WGC representatives went through all of the social principles. Of note was the change to Principle 6: Labour Rights. As opposed to the prohibition of child labour, the section now adds the word "exploitative" before child labour, in order to capture important nuances related to the situation of 'child'-headed households, especially in Africa. In situations of need, there was a case for ensuring that any work undertaken by adolescents should be non-hazardous and that the young people should continue to have access to education.

Feedback around the social section concerned three main issues: a concern for the differential impact of mining operations on vulnerable individuals, including women, and Indigenous people. It was noted that there is no specific acknowledgement of vulnerable people, such as the elderly and those with disabilities in this section. The acute impact that mining operations may have on these populations necessitates that their interests are highlighted. The language used in Principle 7.2 was inadequate from the perspective of several attendees. Specifically, the notion that a company will "*strive to give equal weight to [the views of women and indigenous people].*" The difficulty surrounding the cultural nuances of this issue were acknowledged, but it was noted that, even with these complexities, the language of this

clause does not satisfactorily handle this issue, as it suggests that there is no onus on the company itself to give equal weight to the opinion of women and Indigenous people.

In addition, a stakeholder from academia noted that the “provision of fair and timely compensation” is insufficient, and suggested that the language be strengthened and taken one step further by seeking to restore “livelihood and kinship connections.” The importance of this distinction was illustrated through the example of a mining operation that disturbs subsistence farming communities. The long-term impact is to affect a community’s ability to sustain itself in the future. As such, a focus on providing a livelihood as opposed to simply providing compensation, lends to a more long-term, sustainable approach.

Discussion on Environment – Principles 8 - 10.

The WGC representatives explained that the most recent version includes a clause, in Principle 8, to deal with the proper stewardship of hazardous materials. Along these lines, a decision had to be made regarding the strength with which mercury use was to be prohibited. The WGC noted that while there are national complexities regarding the use of mercury with artisanal miners, priority should be given to ensuring that mercury is moved out of the supply chain as much as possible. The aim is to use companies’ leverage to influence others in the supply chain to get rid of mercury and, thereby, to realise the objectives of the Minamata Convention. As well, Principle 9: Biodiversity, Land Use and Mine Closure, aims for no net loss of critical habitat, with the long-term goal of ending up at net positive, including post-closure processes.

An industry stakeholder had several suggestions for improving the environment section. Specifically, there was significant discussion around Principle 8.2, which deals with tailings facilities. The takeaway was that this section does not capture all relevant facilities, such as water infrastructure and heap leach facilities, and that further clarification is required. One stakeholder suggested that the final language should spell out what is not allowed and leave out everything else, so as to not limit other mine developments and creative ways to store tailings. In addition, in regard to Principle 8.5, the prevalence and severity of the impacts of vibrations were brought up as a crucial addition to this section.

There was also investor and industry stakeholder feedback suggesting a more stringent and long-term perspective to mitigating environmental impacts relating to, for example, water and emissions. Specifically, it was noted that there should be a provision for companies to engage in a management plan for the future as well as an establishment of targets for future reduction. From an investor perspective, adherence to the Principles are a good start, but do not allow for comparability in performance across companies. This section would be a focal point of investors—as there is a big push by investors for comparability and transparency, in order to ensure that certain parameters of capital are protected.

Discussion of the RGMP Assurance Framework

The WGC noted that the overall approach to developing this framework is about providing confidence to the gold market that ESG issues are being managed, while also not being overly burdensome to implementing companies. The goal is for this to be a process that can be built into what they already have in place and incorporated into existing assurance processes. The requirements state that a company has up to three years to conform with the principles. All implementing companies should use their best efforts to encourage adoption of RGMPs at any operation where they have influence. The assurance

provider is crucial in determining materiality—with something being considered ‘material’ if it is expected to be disclosed. In terms of site selection and frequency of assurance, given that most companies have ten sites maximum, it is expected that between one and four sites (comprised of low and high-risk sites) would be assured each year depending on the size of the company. It was determined, through member feedback, that third-party reviews are the best way to encourage companies to conform. Instances of non-conformance are obviously inevitable and necessitates that credible assurance providers are selected.

As more time was spent discussing the principles above, there was less time for feedback from the attendees concerning the assurance framework. Some feedback included that there is the potential for issues to arise with the selection of the assurance providers (as they are to be selected by the company). As well, an industry stakeholder inquired about whether or not the WGC had considered a rating system, as is used, for example, by the MAC TSM framework. The WGC noted that while this was considered, it was determined that different grades of performance might complicate the framework. Therefore, the result will be conformance or non-conformance—one will ultimately be able to look at a product and say that yes, this conforms.

Identified Gaps & Final Stakeholder Comments

- In regard to Principle 3: Supply Chain, an industry stakeholder suggested that language to the effect of knowing your supplier and knowing your customer could be added to the Principles. This was seen as too ambitious from the perspective of some attendees. This comment was noted by the WGC.
- An attendee from academia suggested that Principle 2: ‘Understanding our Impacts’, may be a good place to acknowledge and discuss the various stages of the life of a mine. The WGC noted this and pointed to the overview section as a place in which this point may be best suited.
- There was another suggestion from an academic perspective to include a point related to diversity and measuring in Principle 6.5. It was suggested that language that speaks to measuring and following progress on a larger level, as well as setting targets for companies be included. This section was noted as a great opportunity to use this framework to start a conversation about planning, recording, and measuring policies and practices to promote diversity.
- There was consensus overall that the tone of the management plan puts the onus on the mining company. This may overshadow the role that local communities and governments need to play in this process. The WGC and all attendees agreed that while this is easier said than done, it is crucial and that sustainable outcomes require the involvement not just of companies but of government and civil society too.

Conclusion

The roundtable discussion above provided valuable feedback to assist the WGC in developing a framework that commands respect and accountability. The WGC closed by highlighting the importance of ESG performance for attracting capital investment. The closing remarks of the participants reflected the sentiment that the Principles are a good step forward, and that this exercise will benefit companies’ practices. Overall, this framework indicates that the gold mining industry is moving in a good direction and that this work is a great opportunity to bring different stakeholders together in an effort to build better communication and trust.