

**Corporate Social Responsibility: Movements and Footprints of Canadian Mining and Exploration
Firms in the Developing World**

THE CANADIAN CENTRE FOR THE STUDY OF RESOURCE CONFLICT

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RESEARCH BACKGROUND

Canadian registered and listed mining and exploration companies represent one of the most economically powerful sectors of the Canadian economy. Collectively, the mining and exploration sectors account for 42 billion dollars of Canadian gross domestic product while providing hundreds of thousands of jobs for Canadian and foreign individuals employed by Canadian firms overseas. Canadian mining and exploration companies constitute over three quarters of the total number of mining and exploration companies in existence globally. Canada is only distantly challenged by peer sectors and super-power firms based in Australia, the UK and South Africa. In 2007, Canadian mining companies were responsible for over 60 billion dollars investment in projects in developing countries, contributing billions more in tax dollars to the local, regional and national governments where their operations are hosted.

Just as the Canadian mining and exploration sector leaves an indelible impression in the national economy and the global extractive industry, it has come under great scrutiny in recent years. The implication of Canadian mining and exploration companies in a multitude of ethical, unlawful, human rights and environmental infractions has drawn the attention of the Canadian and other governments, major international Non-Governmental and International Governmental Organizations seeking to ensure the social and environmental well being of communities in the developing world. Recognizing the implications of Canadian complicity in major humanitarian incidents of this sort, the Government of Canada coordinated a series of roundtables on Corporate Social Responsibility in the Canadian Extractive Sector, drawing on hundreds of stakeholder groups in a multi-city participatory process. Nearly three years later, the Advisory Group released a report with 17 recommendations, including the founding of a Corporate Social Responsibility (CSR) Centre of Excellence, the creation of a CSR framework specific to the sector complete with accountability mechanisms, and a provision for supporting a number of recognized voluntary Corporate Social Responsibility (CSR) frameworks such as the OECD Guidelines for Multinational Enterprises, the Global Reporting Initiative and the Extractive Industry Transparency Initiative. In March of 2009, the Government of Canada brought this process to a close by announcing a course of action based on a select few of the recommendations put forward by the roundtable Advisory Group.

Within two months of the conclusion of this three-year process, fresh allegations of a Canadian firm's involvement in unethical activity surfaced, bringing the validity of the Government's chosen course of action into question. In May of 2009, a private member's bill (C-300) was introduced by the Hon. John McKay an MP from the Liberal Party of Canada who proposed the creation of codified regulation for incidents involving Canadian firms operating in the developing world. Potentially, the mechanisms proposed in Bill C-300 would oblige the Canadian government to divest public funds and support from Canadian firms found to be complicit in activities deemed non-complicit with human rights, environmental or labour standards.

RESEARCH AIMS

Further to this discussion of accountability and responsibility, this study has been undertaken with two distinct aims; 1) to provide primary statistics and preliminary analysis of the number of incidents involving Canadian mining and exploration firms in the developing world in the last ten years, and; 2) to better understand whether CSR as a voluntary framework is evolving, including to what extent, if any, CSR may be progressing as a method for ensuring that mining and exploration firms are not adversely affecting communities in the developing world.

This research was commissioned by the Prospectors and Developers Association of Canada (PDAC).

CSR DEFINITION

This report uses a widely accepted definition of Corporate Social Responsibility as suggested by Micheal Blowfield of the London Business School and George Frynas of Middlesex University: "CSR is an umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); and that, (c) business needs to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society."¹

This understanding of CSR is important for the context of this research project for three key reasons. First, it acknowledges that CSR may be particularly relevant in situations where legal or regulatory frameworks do not exist or are insufficient. From the perspective of many Canadian mining and exploration firms, their operations are located in places where the rule of law is insecure or where international law is not seen as reliable. In these scenarios CSR encourages corporations to act 'responsibly'.

Second, this definition demonstrates that companies are responsible for the impacts of their relationships with contractors, governments and third parties. This has become a point of interest for Canadian firms in recent history, particularly in questions of contract or private security that may have subsequently engaged in unethical activity.

Third, this understanding promotes that idea that companies should be aware that the way in which they conduct business, with employees, local stakeholders, government and the community, shapes the context in which they work. By working towards strong relationships they can increase local ownership of their operation, ensuring that their activities are seen as contributing to local society.

METHODOLOGY

The purpose of this research is to give an overview of Canadian involvement in severe ethical, environmental, human rights and occupational incidents, and to provide a schematic of the current state and challenges for Corporate Social Responsibility among Canadian mining and exploration firms in the developing world. This research was undertaken over three weeks from September 21 to October 9, 2009. While comprehensive research on this topic would require much broader data collection, this project provides a topical background and novel statistical evidence to inform the policy discussions of Bill C-300 as it heads into a reading in the Standing Committee on Foreign Affairs and International Development.

This project has two complementary phases. The first phase consists of the compilation of incident reports and complaints involving the activities of all mining and exploration companies operating in developing countries over the last ten years. To this end, we gathered data from a wide variety of publically available,

¹ Blowfield, M. and J. Frynas. 2005. Setting new agendas: critical perspectives on corporate social responsibility in the developing world. *International Affairs* 81:499–513.

English-language sources including government reports, news filings, NGO investigations, academic research and regulatory bodies. For the purposes of this project, each infraction was counted after two corroborating sources of information were scrutinized and assessed by a member of the research team. Of these recorded incidents, researchers identified how many were connected to Canadian companies either through subsidiary companies or direct ownership and noted in what developing countries these incidents took place. Where possible the type of mineral being mined and whether the company was involved in exploration or development activities was noted. Also, the presence of a CSR policy on a company website or in an annual report was recorded.

The categorization of infractions was done based on assessments of the incident(s) in question. Where multiple types of infractions had occurred, they were registered as such. Categories include: environment (unintended environmental consequences), human rights (violating internationally recognized human rights principles), unlawful (violating law of the host country), community conflict (includes significant negative cultural and economic disruption to a host community, as well as significant protests and physical violence), occupational hazards (severe safety and health concerns of mine workers), and unethical (operating in an embargoed state, careless disregard for human rights, local laws, environment and communities).

The second phase of this research involved reaching out to prominent CSR institutions. We focused our efforts on organizations that have been instrumental in the recent Canadian government policy discussions of CSR adherence in the Canadian extractive sector. Telephone interviews were carried out with representatives from the Extractive Industry Transparency Initiative (EITI), the Voluntary Principles on Human Rights and Security (VPs), the International Finance Corporation/ Compliance Advisor Ombudsman (IFC/CAO) and the Organization for Economic Cooperation and Development (OECD). At special request, questions were emailed to the OECD Canadian National Contact Point (OECD-NCP) on the OECD guidelines for Multinational Enterprises. In addition, researchers spoke with two Canadian scholars based at Canadian Universities that are engaged in-depth study of CSR issues. Researchers attempted multiple times, by telephone and email to interview the GRI, the UN Global Compact and John Ruggie. Mr. Ruggie politely declined an interview, the GRI suggested a willingness to participate on the telephone but did not respond to the subsequent formal email requests, and the UN Global Compact was not responsive in any of the circumstances. The project also reached out via telephone and email to national level ombudsman organizations in the developing world, such as Argentina, Peru, Tanzania, Nigeria, India, Ghana, South Africa and Malaysia. Of these, we were successful in reaching the Indian and South African offices, however in both cases time constraints did not allow for interviews to take place. Where possible, we have drawn upon their reports in our analysis.

Interviews lasted between 25 and 40 minutes. Researchers asked a series of questions regarding current trends in various CSR frameworks, the uptake and internalization of these frameworks by Canadian mining and exploration companies, motivating factors for increased uptake, the ultimate effectiveness of these frameworks, the role of policy-based action by the Federal Government, the substitutability of these policy frameworks for legal regulation and their potential complimentary nature.

RESULTS AND ANALYSIS

This analysis seeks to provide a basic statistical background of how, where and in what ways, mining and exploration companies have been involved in unethical, unlawful, community conflictive or environmentally destructive incidents in the developing world. It is important to note that only information on incidents that

have attracted significant public attention are captured in this report. Countries where media or civil society groups are negatively controlled by the state or industry will necessarily have less transparency and accountability. As a result, those countries will appear to have limited violations.

Overview

How many incidents have there been in the last ten years?

Our data collection identified 171 incidents since 1999 where international mining and exploration companies were involved in community conflict, human rights abuses, unlawful or unethical practices, or environmental degradation in a developing country. This is an average of 17 incidents per year.

Who reported these CSR incidents?

There were over twelve types of reporting sources recorded. Human rights NGOs were the most prolific (65%), followed by local NGOs (25%), national governments (22%), local protests (21%), media (21%), international governmental organizations (15%), courts (13%), and academics (8%). NGOs proved to be an enormous source of information on alleged CSR violations in the mining sector. While not all NGOs publish verifiable data, their role as initial reporter of incidents is invaluable. They can alert governments, the judiciary and the media as well as organize communities to speak out against what they consider unjust. Indigenous groups had a lower than expected incidence rate (6%), although sometimes indigenous groups do not have the means to engage a broader audience. Moreover, human rights NGOs often speak on their behalf. Environmental NGOs also had fewer citations than expected (10%). This may be because of the effectiveness of human rights and local NGOs have in raising CSR concerns.

What kind of incidents are these?

The most common CSR violation was community conflict (62%), followed by environmental (37%), human rights (30%), unethical behaviour (28%). Both community conflict and environmental destruction are arguably the easiest violation of CSR principles to monitor and the most visible for the media and NGOs to report. Unlike occupational health and safety (13%), whose best practices can easily be standardized, the unique history and dynamics of local communities and ecosystems are evidently much more difficult for mining companies to manage. The types of infractions are depicted in Figure 1.

Do these companies have CSR policies?

Of the 124 companies that have publicly available annual reports and websites, 78% had some sort of CSR policy (Figure 2). There was significant breadth in policies, with the vast majority only having a few paragraphs describing what is done and what they aim to do concerning CSR. There were very few companies that employed or adhered to any form of independent monitoring and auditing of their CSR practices.

FIGURE 1: Types of infractions related to mining and exploration activities in the developing world

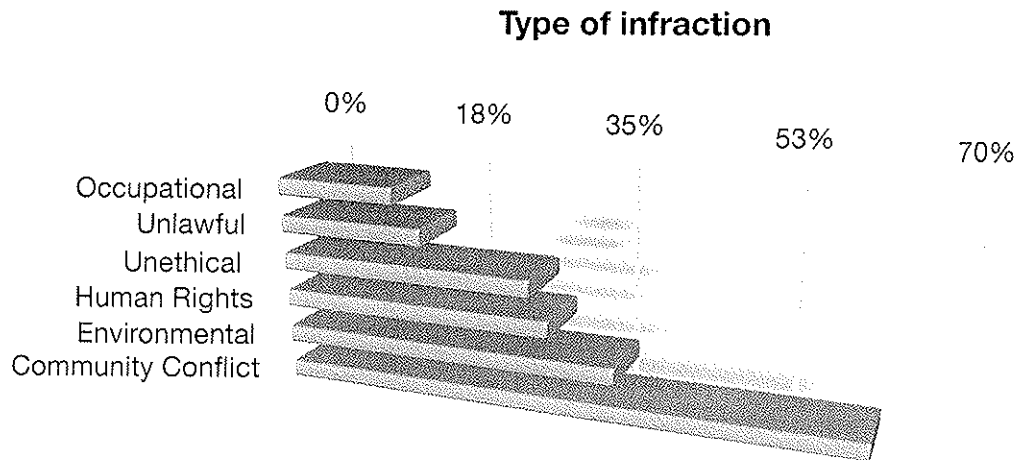
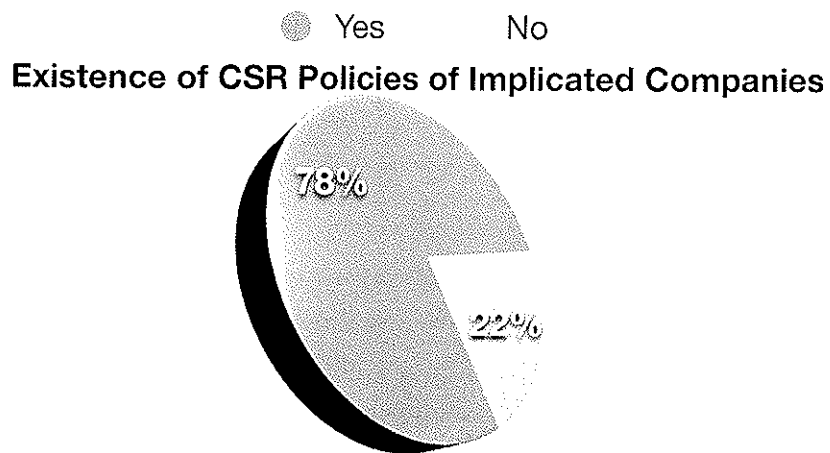


Figure 2: Existence of CSR policies in implicated companies

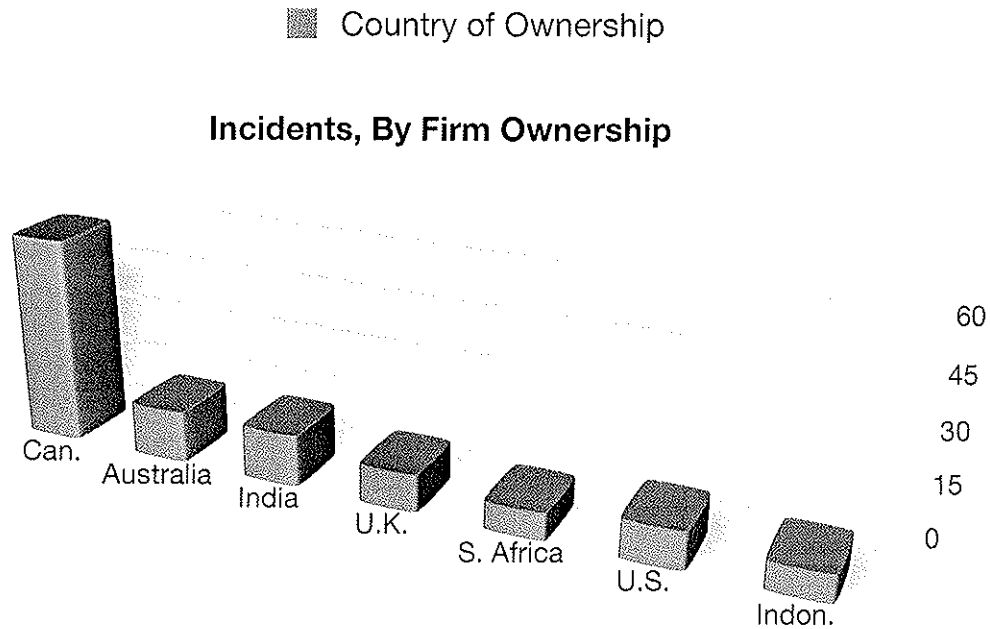


Where are these companies from?

Of the 171 CSR violating companies, over 63% of them are registered in only five countries. Canada (33% of total violations) has four times the number of incidents to India and Australia (8% each), followed by the United States and United Kingdom (6% each). Considering Canada does have over 75% of the world's mining and exploration company headquarters, it follows that there should be a proportional concentration of CSR violations. While our analysis suggests this is the case, this does not make the individual or

corporate violations any more ethically acceptable, especially considering the efforts in recent years taken by industry and government to improve practices. This data is rendered in Figure 3.

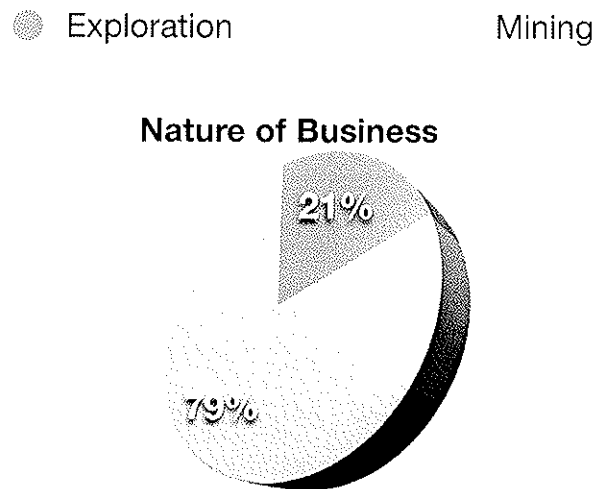
FIGURE 3: Location of ownership of companies involved in incidents



What types of mining companies are they?

Mining or development operations account for more than three-quarters of the CSR violations (79%), while exploration firms represented slightly more than one-fifth (21%) (See Figure 4). There are a number of possible explanations for this variation. Often the presence of exploration companies is not significant both in terms of time and environmental impact. As such they are less likely to have a large enough impact so as to cause incidents as major as mining and development companies. Secondarily, incidents often take prolonged contact and irritation to flare up. As such, incidents involving exploration companies may not be made known to a wider audience until the initial stages of mine development or beyond. While this disparity does not reduce the impetus for exploration companies to change, it does emphasize the long term perspective needed in corporate social responsibility. In Section 2 of this document, this trend was noted by numerous people that were interviewed. Indeed, many expressed concern that while exploration activities did not seem to be committing infractions, this can be due to the transitory and small-scale nature of these explorations which allow them to fly under the radar of many watch-dog NGOs, regulatory bodies, or ombudsman oversight.

Figure 4: Type of activity involved in infraction



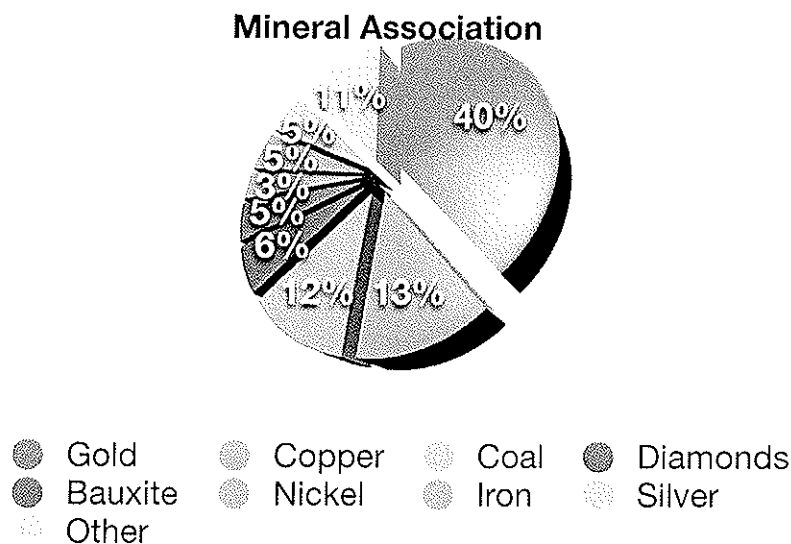
What minerals or resources are these incidents related to?

Of those incidents that reported the mineral being mined or explored, gold (40%), copper (13%) and coal (12%) are the top three. Historically, operations involved in the extraction of these three minerals have faced considerable environmental challenges, specifically during the extraction phase. The growing demand for these three minerals will only increase with time. Regulators, civil society groups, local communities and mining corporations should carefully scrutinize the associated CSR liabilities of these minerals. See Figure 5.

What countries are most commonly affected?

Out of 48 countries where the CSR violations took place, four countries constitute 'hotspots': India (10%), Indonesia (9%), Philippines (8%) and the Democratic Republic of Congo (7%). In regional terms, however, Latin America had the most incidents (32%), followed by Sub-Saharan Africa (24%), South East Asia (19%) and South Central Asia (12%). Not surprisingly, in areas with historically weak or closed governance (e.g. Sierra Leone, Liberia, Burma, North Korea), it was difficult to obtain data on CSR violations. The exception to this is the Democratic Republic of Congo where human rights tribunals have brought to light additional incidents.

Figure 5: Types of minerals and resources related to incidents



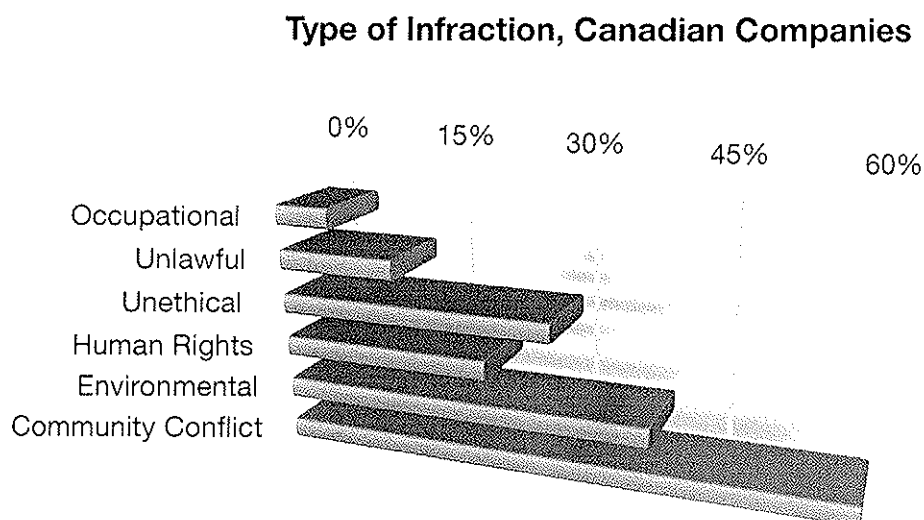
Canadian companies and CSR Policies

Canadian companies are a larger statistical share of the international mining sector, a fact which is borne out in the results of this research. Canadian owned mining companies are spread out across the globe and have invested in nearly every country of the world. As such, it is not surprising that Canadian mining and exploration companies are more likely to be involved in implications than companies from any other countries. However, one might expect that Canadian companies would have close 'competitors' or peers in this circumstance. That does not appear to be the case, as is evident in Figure 2.

What kind of incidents have Canadian companies been involved in?

According to our calculations, Canadian companies have been involved more than one in three incidents that have occurred in the developing world in the last ten years. In comparison to their closest peers, Australian and the United Kingdom, Canadians were involved in more than four times as many incidents. How Canadian companies have been involved is also interesting, since they are less commonly involved in occupational issues, and much more prone to conflict with local communities. Poor community relations were involved in 60% of incidents involving Canadian companies, while 40% involved environmental contamination or degradation. The third most common type of infraction were those of an unethical nature, which were prominent 30% of the occasion.

Figure 6: Infractions of Canadian Companies



What type of mining companies are they, and what minerals are involved?

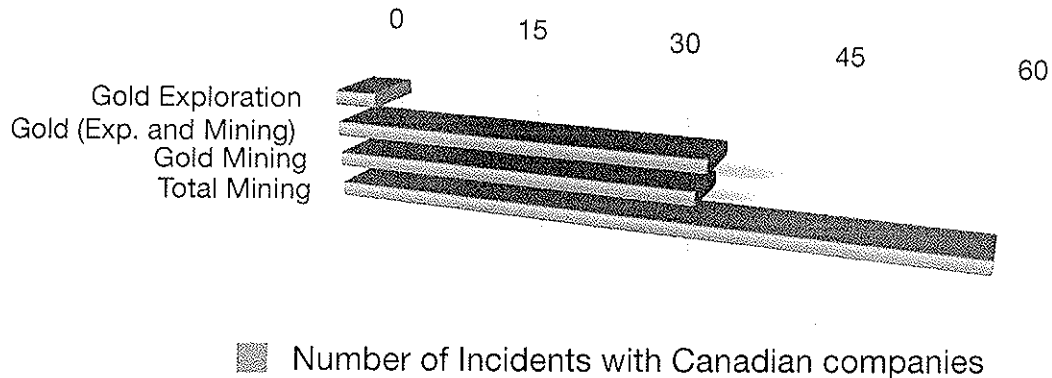
Nearly nine of ten (88%) Canadian companies involved were mining companies. Pure exploration companies were only implicated in 12% of the occasions. This finding is in keeping with the analysis above as represented in Figure 3. Subsequent analysis of the types of mineral, and nature of business reveals an interesting trend. Gold ventures are the most major source of problematic incidents, particularly among Canadian companies. More than 50% of these incidents involved gold related activity. Except for one instance involving gold exploration, all of these incidents were directly related to gold mining. This depicted in Figure 7.

How many of these Canadian companies have CSR policies?

As with the companies as a whole, the large majority of Canadian companies have CSR policies. This may seem counter-intuitive, however it is likely that in some cases the creation of CSR policies or declarations of support for CSR initiatives may have been done subsequent to company involvement in difficult circumstances.

In conclusion, the statistics demonstrate that Canadian companies have been the most significant group involved in unfortunate incidents in the developing world. Canadian companies have played a much more major role than their peers from Australia, the United Kingdom and the United States. Canadian companies are more likely to be engaged in community conflict, environmental and unethical behaviour, and are less likely to be involved in incidents related to occupational concerns. Nearly eight in ten companies that have been involved in incidents currently have a CSR policy of some kind.

Figure 7: Incidents involving Canadian companies



CSR: A MOVING OBJECT

The second phase of this research briefly analyzes the current state of CSR among Canadian mining and exploration companies, while seeking to better clarify how positive advancements in CSR can be measured. This phase is informed by interviews with representatives from the OECD, the EITI, the OECD National Contact Point, the Voluntary Principles, the International Finance Corporation/ Compliance Advisor Ombudsman and two CSR scholars, Dr. Wesley Cragg and Dr. Helvina Dashwood.

To understand how CSR sits among Canadian companies some basic facts about CSR institutions must be clarified. Corporate social responsibility as a movement and ideology is a very new phenomenon. The institutions and guidelines that have arisen to support it –which we interviewed for this report- are still maturing and formalizing their own identities, missions and visions. The CSR ‘industry’ itself continues to undergo a great deal of change and growing pains, which impacts how CSR is seen and accepted by industry². The proliferation of CSR institutions and guidelines is an example of this. As the movement matures, a handful of leading CSR institutions will emerge, making the uptake of CSR guidelines significantly less challenging for mining and exploration firms. At present, because of the scattered nature of CSR as a theme, companies may be struggling with understanding which CSR norms need to be conformed to. In the meantime, CSR continues to be a nebulous idea in search of a definition, a factor that continues to affect its uptake by stakeholder parties. Moreover, exploration and mining companies, especially those firms from the Western world, face additional challenges when operating in the developing world. It is in this foreign context where there arguably needs to be heightened and intentional consideration for social, cultural and political interests.

² This valuable point was raised by our interviewee from the Voluntary Principles, who also noted that he expects a great deal of institution consolidation as CSR continues to gain ground.

Still, to date Canadian mining and exploration companies have a very poor record of formal support for recognized CSR guidelines. This is despite efforts by the Government of Canada to promote CSR standards through financial and economic support. The EITI, which has been supported by 1.3 million dollars from the Government of Canada has only been endorsed by two Canadian mining companies. The Global Reporting Initiative is the strongest performer, having had a mere eight mining sector companies use the GRI framework for their CSR reporting at least once in the last ten years³. The Voluntary Principles on Human Rights and Security do not have a single formal adherent from the Canadian mining sector. By and large, there are a select few of the largest mining companies that continue to engage themselves with multiple CSR institutions. Beyond this handful of companies, engagement is remarkably sparse across the sector.

MEASURING A MOVING OBJECT

The challenges that the CSR movement faces as it matures (which may partially explain the limited but increasing adherence of Canadian mining companies) are also reflected on more micro terms. As demand has increased for companies to comply and engage, there has been increasing need for the measurement of to demonstrate whether progress is being made. Measurability and evaluation is complicated by a number of factors. Firstly, CSR remains a largely indefinable concept; there is no readily acceptable set of norms or CSR programs. CSR 'projects' are often ideologically scattered and most CSR policies are internally developed and/or lack feedback mechanisms⁴. Secondly, as our interviewees from the EITI and the Voluntary Principles were quick to point out, unless companies are adhering to a set of guidelines, measurement is virtually impossible. Thirdly, in order for accurate measurement to happen, it is not enough for companies to simply adhere to a guideline, they must be willing and engaged in a process of evaluation, review and auditing. For the most part, reporting and auditing remains voluntary, even for companies that are members or supporters of guidelines. How companies share their CSR performance and what they choose to disclose remains their impetus. Reports can make major claims of success and avoid discussion of contentious issues at the discretion of the reporting company. "We have no way of knowing if what they are saying is true," was a comment made by a Voluntary Principles representative. Measurement of CSR, without standardized metrics that can be evaluated by independent audits –whether for internal or external purposes- is at best precarious.

A general consensus among our interviewees was that the reporting and auditing process is central not only to evaluation, but also to increasing CSR's clout within industry and with civil society. The challenge for CSR going forward is not simply the creation of policies, but continual reflection and evaluation of CSR activities, a process that should be undertaken by an external party. Unfortunately, the current state of CSR in the international mining and exploration sectors makes the prospect of regular reporting and auditing difficult in the near term. Beyond a select few of the largest companies –often those that have experienced difficulties in the past and have been at the centre of NGO complaints- CSR policies are uncommon. There are a number of important actors that can promote CSR adherence. The government needs to push companies to actively utilize CSR, and industry associations and companies need to act as "peer pressure"

³ Of these 8, 3 have been bought out in takeovers within the last 3 years.

⁴ See CCSRC report: CSR in the Canadian International Extractive Sector: A Survey

promoters of the successes that they have seen⁵. In addition, our IFC/CAO interviewee pointed out the importance of stakeholders, who can push companies to innovate in order to minimize the risks associated with their investments.

Even as CSR matures and becomes recognized as a positive and competitive business practice, it will continue to face major growing pains. At present, the prevalent concern is to widen the club, as opposed to deepening the quality of company adherence⁶. What needs to occur, said Dr. Hevina Dashwood, the OECD representative and Dr. Wesley Cragg, is for companies to recognize that the due diligence involved in reporting and evaluation not only provides a unique way to track progress but also limits the likelihood of ethically difficult situations, potentially decreasing a company's exposure to long-term financial risk. Today, there is a significant difference between companies with formal but not-institutionalized CSR policies and those that have duly institutionalized CSR norms into their operational business fabric. As our statistical analysis has shown, simple adherence to a formal, recognized CSR policy (or even multiple policies) does not preclude whether or not a company becomes involved in ethical, environmental and human rights incidents. Some of the most notable CSR policy subscribers are those who have experienced major CSR issues in their operations. Unfortunately, evidence suggests that it is not sound to conclude that companies that have CSR policies will not be involved in future CSR violations,

Bill C-300 and CSR

Mining and exploration firms operating in Canada thrive while working under arguably more rigorous CSR and regulation paradigms when compared to their sister operations in developing world. This success of mining companies in Canada happens even as companies are faced with divergent cultural contexts while working alongside indigenous communities that are often marginalized.⁷ In Canada's North, CSR and regulation serve distinct purposes. CSR, increasingly enacted through Impact Benefit Agreements, ensures strong, mutually beneficial ties with the community and independent feedback. In contrast, effective regulation safeguards the basic rights of people, mandates respect of the environment, and helps create a stable and profitable venture for both the company and the government. Effective regulation also clarifies the expectations for all actors⁸. Clearly, both regulation and CSR policies have their unique roles, and one cannot be substituted for another. Just as CSR cannot play a regulative role, regulations cannot mandate social responsibility. Regulation, from the perspective of the IFC/CAO, should provide clarity while allowing companies to innovate with CSR in their own space.

From the academics to the OECD-NCP, there was consensus that regulation and CSR policies are not mutually exclusive and both are, ultimately, helpful. Certainly, the interviewees diverged in their perspectives of what accountability actions could or should be taken: from toughening procurement policies at Export Development Canada or CIDA, to hardening economic measures like the reform of federal

⁵ Interviews with the OECD, Wesley Cragg and Helvina Dashwood.

⁶ Interview with the IFC/CAO

⁷ Interview with Wesley Cragg

⁸ The case of Glamis Gold in Guatemala was given by an interviewee as illustrative of where the absence of regulation led to severe conflict.

government investments, to supporting companies in their learning process concerning CSR. Many of those interviewed agreed with the measures taken in a policy created in Norway to address federal investing. There, the Ministry of Foreign Affairs has created a Council on Ethics to advise the federal pension fund of the negative environmental, human rights and humanitarian impacts of certain companies. If, following a full review, a company is singled out as a habitual 'bad actor', the pension fund is required to divest from that company⁹.

The ideas shared in interviews coalesced around a basic respect for the recommendations laid out in the CSR Roundtable Advisory Group's final report on the CSR roundtable process. Those more familiar with the process and its recent developments lamented the "anemic" government reaction to those recommendations and the dilution of the results that came from "an unprecedented consensus"¹⁰ between industry, civil society, labour groups and socially responsible investment firms. The three years of multi-stakeholder participation and consensus building that was put forward in the final report of the roundtable advisory group represented more than just recommendations, it was the culmination of a collective process of deliberation that led to an agreeable solution for a problem that may now become much more inflamed.

Interviewees were strong in their conviction that action on regulation and CSR must not be divisive, but should encourage dialogue. Greater progress can be made –as were made in the roundtable process– through collaborative work that does not restrict our understanding of mining sector activities as a binary of 'good' and 'bad'. Bill C-300, because it comes in response to the Canadian Government's poor response to the Advisory Group Report, does not accomplish this goal. While regulation is a good thing in most contexts, it should not alienate the actors involved that may be willing to collaborate in other fora¹¹.

In many ways the comprehensive conclusions reached by the roundtable advisory group in its final report are quite similar to the results of this study. This is particularly true on three fronts. Firstly, actors continue to agree that it is necessary to increase adherence to CSR among mining and exploration firms in a way that is conducive to industry and innovation; that is, to promote the use and internalization of CSR as sound business practice to minimize risk. Secondly, to promote CSR in the medium and long terms government, industry and shareholders have a role to play in ensuring regular reporting, evaluation and compliance to recognized CSR frameworks. Thirdly, CSR and regulation cannot be left to industry or government as unilateral actors. Collective problems demand collective solutions. Action must be taken at various levels – from industry to civil society to government- to address the CSR 'problem' that has become acrimonious for many different groups. The findings of this report, which have been supported by interviews from key institutions and individuals, give strength to the work of the roundtable process while standing in sharp contrast to the current government approach to CSR in Canadian extractive sector in the developing world.

⁹ Two Canadian mining companies have been divested from. See: <http://www.regjeringen.no/en/dep/fin/Selected-topics/the-government-pension-fund/Ethical-Guidelines-for-the-Government-Pension-Fund---Global-/companies-excluded-from-the-investment-u.html?id=447122>

¹⁰ The Globe and Mail (2007 –March 29) *Breaking new ground on corporate social responsibility*. Retrieved on October 6, 2009 from: <http://www.theglobeandmail.com/report-on-business/article750157.ece>

¹¹ Interview with IFC/CAO and Helvina Dashwood

CONCLUSIONS

Unlike at any other point in history, Corporate Social Responsibility is on the radar screen for companies, government and communities. As our interviewee from the Voluntary Principles noted, "...five years ago companies would shut you down if you talked about human rights. Now, human rights isn't just for government." Not only has awareness been raised about CSR as a general theme, government and other influential bodies have provided ideological and financial support to prop up maturing international CSR institutions. In the case of the Canadian mining sector, suggestions that CSR is a passing fad are unsubstantiated. While still only nascent, corporate social responsibility in this sector has expanded promisingly despite the currently pervasive lack of optimism.

However, when one examines the current empirical reality, the results reveal a less than ideal picture of CSR in the Canadian extractive sector. The data summarized in this report demonstrates that while CSR policies are indeed becoming more ubiquitous among Canadian mining and exploration companies who operate in developing countries, there are still significant improvements that these companies must undertake if their efforts are to be seen as legitimate by local communities. In particular, our study shows that of the 171 companies identified in incidents involving mining and exploration companies over the past 10 years, 34% are Canadian. Canada has been the most involved in these incidents, tripling its closest peer, Australia. Of the events involving Canadian companies, 60% are related to community conflict, 40% to environmental degradation and 30% to unethical behaviour. Clearly, the Canadian mining and exploration community needs to shift its current strategy if it is to improve its relationships with communities, governments, civil society *and* risk mitigation.

While CSR may appear to be less important for miners and prospectors than for companies that have a consumer brand to promote, this is not the case. Recent studies have demonstrated that mining and exploration companies can benefit by getting ahead of the CSR trend by implementing CSR to prevent community conflicts, environmental and/or human rights incidents. At present, the converse appears true: companies are discovering CSR after incidents occur. Social responsibility frameworks should not be understood as a burden, but rather, as a tool for creating local ownership, investment security and the advancement of productive business.

From our interviews with leading CSR institutions and thought-leaders, we conclude that voluntary uptake of global CSR norms needs to be instituted in tandem with appropriate government accountability mechanisms in order to ensure that Canadian companies improve their practices in the developing world. Government regulation, stiff accountability mechanisms, and CSR frameworks cannot stand alone. Regulation must not be divisive and unilateral, but should come from collaborative dialogue. For CSR, what is required is a process of internalization by mining and exploration companies, a project that can be fostered by active industry groups like the Mining Association of Canada and the Prospectors and Developers Association of Canada, institutions that are uniquely placed to promote companies' internal learning. This should be coupled with a more serious government approach to accountability as was suggested in the final report of the roundtable advisory group. Increasing CSR uptake through these processes directly translates to better evaluation and measurement, and to the strengthening of the CSR movement as a whole. What is critical, given the current context of Bill C-300, is that all parties that have been involved in participatory dialogue are valued. The findings of the CSR roundtables demonstrate the unmistakable value of the multi-stakeholder consultation process. This is the most pragmatic, holistic and

intelligent way to support the CSR movement and to limit the Canadian mining and exploration footprint in the developing world.