



**A Corporate Social Responsibility Framework
for Canadian Extractives Companies**

Submitted by

The Ethical Funds Company

Submitted to

The National Roundtables on Corporate Social Responsibility

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Introduction

This document represents a formal submission by **The Ethical Funds Company** to the National Roundtables on Corporate Social Responsibility (CSR) and the Extractives Sectors.

We welcome the opportunity to participate in these roundtables and fully support the Canadian government's long term goal: to create a critical mass of Canadian extractives companies, operating in developing countries, which meet or exceed leading international corporate social responsibility standards and best practices.

The federal government initiated these roundtables in response to a 2005 report from the Standing Committee on Foreign Affairs and International Trade (SCFAIT). The SCFAIT report recommended that the Government of Canada convene relevant stakeholders to address the corporate social responsibility (CSR) of all Canadian extractives companies operating overseas. These recommendations stem from a growing number of reports made to SCFAIT alleging Canadian extractives companies are violating international human rights and failing to uphold applicable national environmental laws.

In this report, we:

1. Estimate the scope of the risks associated with extractives companies operating in developing countries without comprehensive and effective human rights management systems in place;
2. Describe the nature of these risks: legal, reputation, and operational;
3. Identify four tests for assessing the relative merits of candidate CSR management system frameworks with the potential to mitigate these risks;
4. Apply these tests to six CSR standards which have been identified in the National Roundtable discussions to date; and,
5. Recommend that the Government of Canada adopt the Principles and Criteria of the Mine Certification Evaluation Project (MCEP) as the preferred CSR standards framework.

Our approach to corporate social responsibility in the extractives sector is informed by a philosophy that is risk-averse, precautionary – and committed to human rights.

We maintain that companies operating in risky states should have in place a human rights policy and management system to help protect and promote international human rights standards. The human rights policy should take particular steps to ensure that the company avoids complicity in egregious human rights abuses such as war crimes, genocide, and crimes against humanity. In our view, implementation of a comprehensive human rights management system can help promote human rights and minimize legal, reputational, and operational risks.

Further, we believe that the Government of Canada has an obligation to promote the adoption of effective human rights management systems by Canadian resource extraction companies. This obligation emerges from Canada's existing international commitments to United Nations conventions and the OECD Guidelines for Multinational Enterprises. The obligation also emerges from the expectation held by Canadians that the Government of Canada must work assiduously to protect human rights and advance the rule of law.

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

1.0 Scoping the Problem

Energy and mining companies explore the world for the resources that fuel the global economy. They go wherever the resources are found. In search of new sources of raw materials, extractives companies are increasingly establishing operations in developing countries. In so doing, they have exposed themselves to risks and responsibilities related to the protection and promotion of human rights.¹

1.1 Country Risk Assessment

Some developing countries pose greater risks to companies because of their weak rule of law, endemic corruption, and levels of ongoing conflict. These risky states tend to have a poor human rights record as governments are either not willing or not able to enforce the rule of law.

This is relevant for Canadian extractives industries given that the TSX and TSX Venture exchanges host over 60% of the world's public mining companies, and about 50% of the world's oil and gas companies. According to the TSX, 32% of the 8,500 mining projects currently underway by TSX-listed companies are located outside of Canada. Further, both exchanges raise substantial capital allowing these companies to conduct their operations both in Canada and overseas. In 2005, mining companies on the TSX-Venture and TSX raised \$4.0 billion CDN in equity financing – the most raised on any exchange in the world. The oil and gas sector raised \$10.8 billion in equity financing on both exchanges in 2005.²

Concerned with the number of extractives companies operating in countries with poor human rights records, we conduct a global country risk assessment each year. Our objective is to estimate portfolio exposure to companies that have the potential to be complicit in human rights violations.

We evaluate 158 countries against a scoring system based upon three main sources of information: Transparency International's *Corruption Perception Index*, Freedom House's *Freedom In the World* survey of country political and civil liberties, and the Heidelberg Institute on International Conflict Analysis's *Conflict Barometer*.³ Our scoring results are broken into four categories of risk: extreme, high, medium, and low.

1.2 S&P/TSX Composite Index Human Rights Risk Exposure

We use data published by energy companies and metals and mining companies listed on the S&P/TSX Composite Index to determine where each is pursuing resource development opportunities globally.

¹ Originally, **The Ethical Funds Company** had not planned to bring this information forward to the National CSR Roundtables. Our previous understanding had been that there existed a shared perspective on the nature of the *problematique* the Roundtables are designed to address and the need for the Government of Canada to take action to improve the CSR performance of Canadian extractives companies. We present this information at this time because we have heard some participants express the view that there is not sufficient evidence to proceed with a governmental response to concerns about alleged human rights violations involving Canadian resource companies. We have listened to these views with alarm and wish to provide evidence that Canadian companies – and Canada's reputation – are indeed at risk.

² TSX Venture Mining Fact Sheet, <http://www.tsx.com/en/pdf/TSXandTSXVentureMiningFactSheet.pdf>

³ In developing our country risk methodology we also considered the Failed State Index compiled by the Fund for Peace as well as Maplecroft's recently released Human Rights Risk Index. In both cases, the methodology was compelling but too opaque to allow for confidence in the final results.

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

Results in 2005

In 2005, our assessment of 2004 company data showed 27 companies operating in 17 countries where the risk of human rights violations is extreme or high. These companies had a total market capitalization of \$168 billion, representing 15% of the total market cap of the S&P/TSX Composite Index as of May 1, 2005.

We found that of these 27 companies, just three disclosed a comprehensive human rights policy and management system sufficient to identify, assess, and control for human rights-related risks. A fourth company was in the process of developing management systems for human rights policy implementation in 2006. In assessing the existence and adequacy of human rights management systems, we look for: a comprehensive human rights policy statement, country risk assessment, impact benefit plans, security arrangements based upon the US/UK Code of Conduct on Security and Human Rights, transparent revenue payments, crisis management, monitoring, action plans, and management system implementation procedures such as specification of board and senior management responsibilities, staff allocation, training opportunities, and reporting.

Results in 2006

In 2006, our assessment of 2005 company data shows 22 companies active in 19 countries where we believe the risk of human rights violations is extreme or high. These companies had a total market capitalization of \$272 billion representing 18% of the total market cap of the S&P/TSX Composite Index, as of August 15, 2006. On the basis of company data published in 2005, we find 10 of these companies reference human rights in their policies but only five of these 22 present evidence of a comprehensive human rights management system.

We believe that companies listed on the S&P/TSX Composite Index are more likely to have sound policies in place than those companies not on the Index because of their greater market capitalization, and by extension, their greater access to internal and external resources. We believe that if our analysis was extended to all extraction company TSX listings and all similar listings on the TSX Venture Exchange (TSX-V), it would show that the vast majority of Canadian extractives companies do not have in place human rights management systems sufficient to mitigate risk and promote and protect human rights. This conclusion is supported by a survey of Canadian extractives companies listed on the TSX and TSX-V conducted by The Canadian Centre for the Study of Resource Conflict. This survey found that 42% of all major mining companies and 60% of all junior mining companies do not have an existing CSR policy or Code of International Business Conduct.⁴

We contrast the record of Canadian extractives companies with the record of Fortune 500 companies surveyed by the United Nations Special Representative to the Secretary-General. In this 2005 survey, more than 90% of respondents indicate having an explicit set of principles or management system practices regarding the human rights dimensions of their operations.⁵ In our view, many of these companies are not as exposed to human rights risks as Canadian extractives companies.

We also laud the leadership of those companies taking voluntary steps to define the full range of human rights obligations and to develop policies to protect and promote human rights. The Business Leaders Initiative on Human Rights (BLIHR) is a business-led program pursuing the development of practical tools and methodologies for applying human rights principles and standards across a range of sectors. BLIHR completed their three-year project in 2005, reporting much success but also the

⁴ See www.resourceconflict.org

⁵ Ruggie, John, *Human Rights Policies and Management Practices of Fortune Global 500 Firms: Results of a Survey*, Harvard University, September 2006

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

need for further work on the issue of business and human rights.⁶ Participants agreed that a second phase would be beneficial and recently initiated another three-year project. BLIHR also welcomed two new corporate participants, including Alcan.

2.0 The Nature of the Risk

The nature of the risk to extractives companies comes in three related forms: legal, reputational, and operational.

2.1 Legal Risk

The Ethical Funds Company believes that human rights violations under the categories of crimes against humanity, war crimes, and genocide represent the most significant legal risk to certain companies.

American, British, French, and Canadian companies have been implicated in crimes when contracting host country security forces to protect assets and/or after building transportation infrastructure that is subsequently used by host governments to inflict harm on civilian populations.

The most significant legal risk is for energy and mining companies operating in countries where human rights violations are endemic and with 'continuous presence and substantial operations' in the United States. These companies face potential civil litigation under the Alien Tort Claims Act. An unfavorable ruling in the US could mean the payment of significant damages. 'Complicity' has been defined by US courts as "practical assistance or encouragement that has a significant effect on the perpetration of the crime and the knowledge that these acts aid and abet the perpetrator". US courts have also held that companies can be deemed complicit if they should reasonably have known that their conduct would assist or encourage the principal.

More than 30 companies currently face legal action for alleged complicity in human rights violations under ATCA in US courts.

2.2 Reputation Risk

Reputation risks associated with complicity in human rights violations are more probable than legal risks, given the embryonic nature of international law in this area.

The nature of the reputational risk is gruesome. It is noteworthy that rapidly evolving international human rights law is emerging from the Geneva and Hague Conventions, the Nuremberg War Crimes Trials, and the International Criminal Tribunals for Rwanda and the former Yugoslavia. We believe that corporate directors and executives aware of these facts will take rapid steps to put in place the management systems necessary to avoid any linkage between the company they operate and efforts to call to account those responsible for genocidal events.

Recent examples of extractives companies suffering reputation damage as a result of allegations of complicity in human rights abuses include Shell in Nigeria, ABB in Sudan, as well as Talisman Energy. The impact on share price of such allegations can be severe: Talisman's share price dropped considerably as a result of shareholder concern over Sudanese operations.⁷ The company eventually made the decision to sell its assets and leave the country. Similarly, ABB, Alcatel, BNP Paribas, ENI Spa, Hyundai, Lundin Petroleum, Oil & Natural Gas Corp., Siemens AG, Statoil ASA, Stolt Nielsen,

⁶ *Report 3: Towards a 'Common Framework' on Business and Human Rights: Identifying Components*, Business Leaders Initiative on Human Rights, June 2006.

⁷ *The Globe and Mail*, May 7, 2002, *Daily Oil Bulletin*, May 2, 2002

A CSR Framework for Canadian Extractives Submission by The Ethical Funds Company September 2006

Technic Coflexip, Total SA, and UBS AG are all facing an active divestment campaign among US state pension funds and university endowment funds for continued operations in Sudan.⁸

2.3 Operations Risk

Extractives companies seeking to explore and develop resources in developing countries face a complex and challenging operating environment. Increasingly, companies are finding that the failure to protect human rights and to bring net benefits to impacted communities can have a direct impact on the ability of a company to secure an ongoing social license to operate. Failure to secure a license to operate can result in a failure to acquire and maintain access to resources.

The evidence for this is accelerating. In recent years several companies have seen their projects slowed or forced to a halt because of community opposition. Examples include Manhattan Minerals at Tambogrande, Peru, Gabriel Resources at Rosa Montana in Romania, Inco in New Caledonia, Meridian Gold at Esquel, Argentina, Ivanhoe Mines at Oyu Tolgoi in Mongolia, and Asia Pacific Resources in Thailand, to name a few.

To secure access to resources and avoid operational risks caused by community opposition, leading companies take steps to acquire the free, prior, and informed consent of affected communities, ensure minimization of negative impacts, and deliver net benefits to communities.

3.0 Evaluating CSR Frameworks for Extractives

The Ethical Funds Company proposes the use of four test questions to assess potential CSR frameworks.

3.1 Tests

The four tests are as follows:

(1) Is the CSR framework industry-leading?

The long term goal of The Standing Committee on Foreign Affairs and International Trade is to establish a "critical mass of Canadian extractives companies that meet or exceed leading international CSR standards and best practices in conducting their operations." In order to achieve this objective the Government of Canada must advance a CSR framework that is industry-leading. An incremental, cautious approach will position Canada behind the pack and hinder the achievement of this long term objective.

We believe that in order for a CSR framework to be considered industry-leading it must contain provisions that meaningfully address the three main pillars of sustainability: economic, social, and environment. Further, the framework should address major challenges facing extractives sectors. Specifically, the framework must address the issue of free, prior, and informed consent and the fair distribution of the economic benefits to impacted communities.

(2) Was the framework developed through a credible, participatory, multi-stakeholder process and has the framework maintained stakeholder support?

CSR frameworks developed in isolation lack credibility because they are often seen as mere public relations exercises. The most important test for any CSR framework

⁸ www.divestsudan.org

A CSR Framework for Canadian Extractives Submission by The Ethical Funds Company September 2006

is the extent to which it enjoys the support not just of industry, but also of critics who seek to measure, monitor, and raise the bar for CSR performance. Key stakeholders, including labour, indigenous peoples, impacted local communities, non-governmental organizations, and investors must contribute to the development of the CSR framework and remain supportive of the final result.

(3) Was the framework development process transparent?

Transparency helps foster trust among stakeholder groups and provides assurance for those entities that did not directly participate in framework development.

(4) Is it possible to assure stakeholders that companies are implementing the CSR framework and that implementation means better performance?

The CSR framework must contain measurable performance criteria amenable to audits and other forms of assurance.

4.0 Analysis

We have reviewed the more prominent initiatives and standards against these criteria. These are: IFC Performance Standards, the OECD Guidelines for Multi-National Companies, the UN Norms, the UN Global Compact, the Voluntary Principles, and the Mining Certification Evaluation Project. Table 1.0 below offers a summary of our assessment.

Table 1.0

Corporate Social Responsibility Standards

Evaluative Criteria/ CSR Standards	Global Compact Principles	IFC Performance Standards	MCEP	OECD Guidelines	UN Norms	Voluntary Principles
Industry leading best practices	no	no	yes	no	yes	yes
Multi-stakeholder support	Partial	no	yes	Partial	no	yes
Transparent development process	no	yes	yes	no	yes	yes
Assurance mechanism	weak	weak	robust	weak	not established	weak

We conclude that the MCEP Principles and Criteria represent the best candidate for modeling a CSR framework for Canadian extractives companies. Conversely we have serious concerns about the IFC Performance Standards as a credible off-the shelf CSR framework capable of addressing expectations of industry critics or the allegations of human rights abuses made against Canadian mining companies. In the following sections we offer a complete analysis of how the MECP and the IFC Performance Standards meet our four tests.

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

4.1 The International Finance Corporation (IFC) Performance Standards

The IFC Performance Standards were released in April 2006 following an eight-month public consultation process. They have their foundation in the IFC Safeguard Policies established in 1998. These Performance Standards aim to be more results-oriented compared to the process-oriented objectives of the IFC Safeguard Policies. Despite the results-oriented emphasis, these new Performance Standards have met with a decidedly mixed reaction from stakeholders.

(1) Are the IFC Performance Standards industry-leading?

The IFC Performance Standards fail to include FPIC as a best practice engagement standard despite recommendations from stakeholders during the consultation process.⁹ Impacted communities, civil society organizations, concerned investors, and other stakeholders are demanding movement toward the FPIC standard as a necessary condition for companies seeking to maintain a social license to operate. On both issues leading extractives companies are already responding.

The IFC Performance Standards also fail to include provisions to ensure communities share in the economic benefits arising from extractives projects. Leading extractives companies have been taking voluntary steps to ensure that communities receive economic and social benefits as a means to maintain good relations and to fulfill business' role to promote human rights within their sphere of influence.¹⁰

In addition, the IFC Performance Standards make no direct reference to international human rights standards and conventions such as the Universal Declaration of Human Rights, the International Convention on Economic, Social, and Cultural Rights, the International Convention on Civil and Political Rights, and ILO Convention 169. In an FAQ document on the IFC website, the IFC articulates the highly debatable position that international human rights law applies only to governments and not to business.¹¹ The failure to directly reference international conventions and the characterization of corporate human rights obligations as articulated in the FAQ undermines the requirement and the widely-held expectation that business respect and uphold internationally recognized human rights.

(2) Were the IFC Performance Standards developed through a credible, participatory, multi-stakeholder process and have the IFC Performance Standards maintained stakeholder support?

The consultation process which informed the IFC Performance Standards was carried out over eight months and included feedback from a wide group of interested stakeholders. Unfortunately, as noted in some recent critiques, the IFC failed to adequately address some of the key concerns of stakeholder groups, specifically

⁹ See IFC's archived consultation records at <http://www.ifc.org/ifcext/policyreview.nsf/Content/ConsultationDocuments>. CAO comments on the January 25, 2006 drafts of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information, <http://www.cao-ombudsman.org/html-english/documents/CAOcommentsonthefinalPPSdraftsFINAL-February22006.pdf>, A brief and preliminary assessment of the IFC's new Safeguard Policy Framework, Forest Peoples Programme, May 2006, http://www.forestpeoples.org/documents/ifi_igo/ifc_safegd_fpp_brief_may06_eng.shtml. And for an extensive critique of the IFC Performance Standards see *One Step Forward, One Step Back*, Halifax Initiative Coalition, May, 2006.

¹⁰ For example see the International Council on Mining & Metals Sustainable Development Framework

¹¹ FAQ on the IFC Sustainability Policy and Performance Standards and Disclosure Policy available at [http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pr_FAQ_Standards/\\$FILE/FAQ_Standards.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/pr_FAQ_Standards/$FILE/FAQ_Standards.pdf)

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

relating to issues of transparency, accountability, poverty alleviation objectives, and the concept of free, prior, and informed consent.¹²

(3) Was the IFC consultation process transparent?

The IFC consultation process was transparent but the resulting outcome failed to meet the expectations of industry critics.

(4) Is it possible to assure stakeholders that companies are implementing the IFC Performance Standards and that implementation means better performance?

Critics of the IFC Performance Standards are concerned that the assurance mechanism is insufficient and that application of the IFC Performance Standards will not improve performance. There are widely held concerns that the IFC Performance Standards represent a step back in terms of third party assurance.¹³ For example, the CAO expressed concern about the adequacy of the transparency and accountability of the revised Environmental and Social Review Procedure.¹⁴ The Bretton Woods Project summarized these critiques noting, "In general, there is an over-reliance on client-generated information, and insufficient requirements for effective and independent project supervision and verification. The standards also make weak statements on minimum binding standards, in particular on human rights and the environment and employ unenforceable language in relation to what is required from the IFC and its client."¹⁵

4.2 The Mining Certification Evaluation Project

Initiated by WWF-Australia, the Mine Certification Evaluation Project has been a three-year research project to investigate the feasibility of the third party certification of environmental and social performance of mine sites.

In January 2006, the MCEP issued its final report, concluding that a mine certification scheme is in fact feasible. The Final Report notes there is wide consensus among the working group members on adherence to CSR best practices as well as on how to measure and monitor these practices. For more information about the Mine Certification Evaluation Project see: www.minerals.csiro.au/sd/SD_MCEP.htm.

While the other CSR standards and principles reviewed met at least two of our tests, the MCEP (with qualifications) passes all of our tests and is the only standard to pass our tests for multi-stakeholder support and assurance.

¹² See footnote 5

¹³ *One Step Forward, One Step Back*, Halifax Initiative Coalition, May 2006; A brief and preliminary assessment of the IFC's new Safeguard Policy Framework, Forest Peoples Programme, May 2006, http://www.forestpeoples.org/documents/ifi_igo/ifc_safegd_fpp_brief_may06_eng.shtml.

¹⁴ *CAO comments on the January 25, 2006 drafts of IFC's Policy and Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information*, <http://www.cao-ombudsman.org/html-english/documents/CAOcommentsonthefinalPPSdraftsFINAL-February22006.pdf>

¹⁵ IFC Safeguard Review Finished: Client Risk over Protecting Rights, *Update 50 April 2006*, Bretton Woods Project

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

(1) Is the MCEP industry-leading?

The MCEP Principles and Criteria are based on the International Council on Metals and Mines Sustainable Development Framework, which promotes the integration of sustainable development principles into business decision-making. ICMM is made up of 14 of the world's largest mining and metal companies including Alcoa, Anglo American, AngloGold Ashanti, BHP Billiton, Falconbridge, Freeport-McMoran, Lonmin PLC, Mitsubishi Materials, Newmont Mining, Nippon Mining and Metals, Rio Tinto PLC, Sumitomo Metal Mining, Xstrata, and Zinifex. The Mining Association of Canada and the Prospectors and Developers Association of Canada are listed among the 24 association members.

MCEP criteria include governance, environmental impacts (direct and cumulative), human and labour rights, economic community development, and stakeholder engagement. The criteria draw on key human rights standards, norms, and conventions. The notes make specific reference to the Universal Declaration of Human Rights (UDHR), the International Covenant on Economic, Social, and Cultural Rights (ICESCR), the International Covenant of Civil and Political Rights (ICCPR), the Eight Fundamental International Labour Conventions of the International Labour Organization (ILO), and the Indigenous and Tribal Peoples Convention No 169 of the ILO.

The MCEP is based upon the Forest Stewardship Council Principles and Criteria. The FSC is widely regarded as the most successful effort of any industry to address and resolve environmental and social concerns raised by civil society organizations and impacted communities.

Perhaps most significantly, the MCEP working group tackled the concept of free, prior, and informed consent and established a set of criteria by which companies can seek to fulfill this right to self-determination. While the definition and means to evaluate adherence to FPIC have not been completely resolved, the MCEP criteria have achieved a consensus view among diverse stakeholders of best practices.

(2) Was the MCEP established through a multi-stakeholder process and has it maintained multi-stakeholder support?

The MCEP was developed by a multi-stakeholder group over a four year period. The group included mining companies (Newmont, Placer Dome, WMC Resources, Rio Tinto, BHP Billiton), industry associations (Minerals Council of Australia), labour (Construction, Forestry, Mining and Energy Union), indigenous peoples (Office of the Aboriginal and Torres Strait Islander Social Justice Commissioner), civil society organizations (Oxfam Australia, WWF-Australia, Commonwealth Scientific and Industrial Research Organization), academics (Centre for the Study of Health and Society, University of Melbourne), auditors (PricewaterhouseCoopers), and government (Australian Government Department of the Environment and Heritage).

The MCEP does not suffer from the political pitfalls of other CSR frameworks. For example, despite offering a comprehensive set of CSR standards embodied in existing international norms and conventions, the UN Norms have been rejected by the US Council for International Business, and even the UN Special Representative on Business & Human Rights. Similarly if the Canadian government seeks to adopt a CSR standard that satisfies all stakeholders, the IFC performance standards remain problematic because of a lack of support from civil society organizations and responsible investment institutions.

Following the release of the MCEP final report in January 2006, this initiative continues to enjoy the support of stakeholder participants. Concurrently there is

A CSR Framework for Canadian Extractives

Submission by The Ethical Funds Company

September 2006

emerging demand elsewhere for a mining sector certification system. It is noteworthy that the WWF–Australia staff member who spearheaded the MCEP is now CEO of the Council for Responsible Jewelry Practices.

(3) Was the MCEP process transparent?

The MCEP working group established a web site (www.minerals.csiro.au/sd/SD_MCEP.htm) and has released background reports, field trial reports, public comments, working group meeting notes, updates, and reports, since inception in 2001.

(4) Is the MCEP amenable to audits and other forms of assurance?

The MCEP process is designed to operate as a mine certification system, similar to the sustainable forest management certification system established by the Forest Stewardship Council. As such, auditability of corporate practices and mine management has been top of mind for those groups involved in the development of the MCEP. Development of the MCEP's Principles and Criteria included extensive field trials at operating mine sites. The MCEP Final Report concludes that their performance criteria are auditable.

National CSR Roundtable Advisory Group and Steering Committee members have recognized that assurance will be a necessary component for any successful CSR framework. In particular, there has been agreement that third-party audits – of the sort anticipated by the MCEP – will deliver the greatest credibility. At this conceptual stage, MCEP compliance audits will cover processes, outcomes, and stakeholder engagement, going beyond the process audit model of other CSR-related management systems.

Limitations of the MCEP

The limitations of the MCEP include:

- Initiated in Australia, the MCEP has not been widely discussed outside that country.
- While tackling the concept of FPIC, it leaves many questions unresolved.
- It is designed to certify mine sites, not mining companies, and not exploration activities specifically.
- It is designed for the mining sector, and would need to be refined for application to oil and gas projects.

A CSR Framework for Canadian Extractives
Submission by The Ethical Funds Company
September 2006

5.0 Recommendation

The Ethical Funds Company believes that the MCEP Principles and Criteria represent the best CSR framework yet devised for the extractives sector. Further, the MCEP Principles and Criteria development process combined a wide range of stakeholders with careful research, credible investigation of the most challenging issues, and high levels of transparency.

Adoption of the IFC Performance Standards will prevent the Government of Canada from achieving its five-year objective to create a critical mass of Canadian extractive companies, operating in developing countries, which meet or exceed leading international corporate social responsibility standards and best practices. Adoption of the MCEP Principles and Criteria will facilitate the achievement of that objective.

We recommend that:

1. The MCEP be adopted as the working model for a CSR framework.
2. The federal government establishes a working group to refine the MCEP Principles and Criteria for applicability to exploration companies and the oil and gas sector.

We are confident that adoption of the MCEP Principles and Criteria as the basis for a CSR framework for Canadian extractives will allow the Government of Canada and industry stakeholders to achieve the objectives established by SCFAIT. We are hopeful that regardless of how the Government of Canada proceeds, extractives companies will take note of the MCEP and begin working toward their implementation.