

GUIDANCE TO ACCOMPANY THE PRINCIPLES

4. COMMIT TO PROJECT DUE DILIGENCE AND RISK ASSESSMENT

***Objective:** To conduct an evaluation of risks, opportunities and challenges to exploration, and prepare strategies and operational plans to address them before going into the field.*

Introduction

Explorers should be well informed and prepared before going to the field in order to minimize the risks of confusion, wasted effort, unnecessary costs and possible social conflict, and to understand the potential for creating shared opportunities with local communities.

Project Due Diligence and Risk Assessment

Before committing to a new project and initiating activities on the ground, or returning to an area after an absence, explorers are advised to assemble and evaluate all available relevant information. This would include, but is not limited to, information on local and regional social, cultural, political, environmental, human rights and legal conditions, including the social and environmental consequences of any prior mining or exploration activities, and existing local, regional, and national economic development plans. Such information provides the basis on which an assessment can be made of probable issues and potential risk and forms part of the due diligence on which a reasoned decision can be made to go or not to go ahead with the project.

Within the context of due diligence and risk management, explorers are advised to:

- a. Identify the area of influence of the proposed or pre-existing exploration project and the population(s) and communities of interest that could be affected, both positively and negatively, by project implementation;
- b. Pay particular attention to the following situations and assemble sufficient information to adequately understand the social, socio-political and legal implications of:
 - The presence of indigenous peoples or vulnerable minorities;
 - The presence of small scale and artisanal mining activity;
 - Proximity to parks, reserves and areas of special environmental significance, cultural and heritage value or interest, or high bio-diversity;
 - The presence of endemic diseases, social or environmental factors with the potential to affect human health and safety;
 - The legal and regulatory framework including treaties and agreements with indigenous or tribal people;

- The character of national and local governments and indigenous peoples, where self governing, the strength of governance and the capacity of national and local institutions;
 - Regimes with an active record of human rights abuse;
 - The presence of active community level conflict or a history of conflict, particularly conflict over resource development or mining; and
 - Armed conflict, insurrection or civil war.
- c. Carefully assess and measure all risks and costs internal and external to the explorer, including risk to corporate reputation and cost of management options, and develop appropriate strategies and plans to avoid, manage or mitigate such risks; and
- d. Undertake periodic review and assessment of project risks and update risk management systems as and when necessary.

Planning and Preparation for Field Activities

In the event of a decision to proceed with exploration activities, use the results of the project due diligence and risk assessment to develop a strategy to manage issues and risks, and design a process for initial engagement with local populations and other stakeholders. To this end, explorers are encouraged to consider the need to:

- a. Provide information, instruction and, if necessary, capacity building including cultural awareness and cross-cultural communications to the project team;
- b. Provide specialist assistance to the project team to facilitate risk assessment and initial contact and consultations with local populations;
- c. Identify the procedures and timetable necessary to reach agreement with indigenous peoples, communities, groups or individuals whose permission or acceptance is required for exploration activity to take place. Explorers should take care to assess the capacity of such groups and individuals, and the resources required by them to participate in such a process;
- d. Develop and implement an action plan to manage and communicate the social, environmental, security, health and safety, and legal aspects of exploration activities in the area of influence, with provision for review and updating as experience is gained on the ground. In the case of exploration projects that have advanced to pre-feasibility or feasibility, explorers should consider negotiating an agreement that anticipates the conditions for development of a mine;
- e. Identify possible opportunities for creating early positive social and economic benefits that are consistent with the level of exploration activity, culturally appropriate and contribute to the well-being of the local community; and
- f. If found necessary, develop a plan to build capacity in groups and individuals so that they can participate in processes of consultation, communication and take advantage of social and economic benefits.

Indigenous and Tribal Peoples

Explorers should be aware that, when dealing with indigenous and tribal groups, in some countries it is necessary to meet the requirements for ‘Free Prior Informed Consent’ (FPIC) as defined in national legislation or by the provisions of international treaties such as the Indigenous and Tribal Peoples Convention (ILO 169)¹ and the United Nations Declaration on the Rights of Indigenous Peoples before initiating any exploration activities.² Explorers are advised to take all necessary steps to understand the position of the local indigenous or tribal group with respect to their requirements for granting access to conduct exploration activities (see also Principles 3 & 5).

¹ See ‘Quick Note - ILO 169 and the Private Sector’ published by the IFC in March 2007 for more information on the relevance and application of this convention to mineral exploration and mining.

² Explorers should be aware that, from the perspective of indigenous and tribal peoples, the requirements for free prior and informed consent (FPIC) and free prior and informed consultation are neither synonymous nor interchangeable. Rather, consultation is an essential component of the process of gaining consent.