

**Corporate social responsibility and
Canada's mineral exploration sector: Doing the right
thing wherever we work**

**Speech to
Economic Club of Canada
by**

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Thank you for your generous introduction, Bill.

In a 2007 speech here at the Economic Club, National Chief Phil Fontaine of the Assembly of First Nations didn't pull any punches.

He opened his talk by describing the poverty, suffering and frustration that too many of his people live with.

He called for businesses to join the AFN's Corporate Challenge and work together with First Nations to help address long standing problems and alleviate poverty.

The National Chief described the resource industry as a natural partner for First Nations and called on both groups to work together for their mutual benefit.

So it's fitting that the PDAC is here today to publicly introduce our new corporate social responsibility initiative, ***e3 Plus: A Framework for Responsible Exploration***.

Aboriginal people and Europeans have been working together on the hunt for minerals in Canada since Jacques Cartier arrived here 500 years ago looking for, he said, "gold, rubies and other gems."

The PDAC marks the industry's long connection with Aboriginal people with the Skookum Jim Award, which is presented at our convention in Toronto every March. It recognizes Aboriginal achievement in the industry. Skookum Jim was a Tagish man who led the group that discovered gold in the Klondike in 1896 and touched off the Yukon gold rush.

Those of you outside the mining community may not be aware of how closely geoscientists in this country work with First Nations people.

In my case, shortly after I graduated from U of T as a geophysicist, I spent a winter at an exploration site in Northern Ontario.

I shared a tent - complete with spruce boughs on the floor - with an Algonquin man and his two sons. I'd been raised in the city and had never lived in the bush in the winter before.

They taught me not only how to work efficiently in the woods but to survive.

Let me tell you, there's nothing like sharing a tent with three others for several months, to *really* get to know your roommates.

It was a simple life but by the time spring arrived, I'd gained an appreciation of First Nations people that's as fresh as it was when spruce boughs were my mattress. It was one of the richest times of my life because of the warmth and generous spirit of those Algonquins.

So when the National Chief gave that speech and reached out to business leaders asking them to join his Corporate Challenge, the PDAC and its members understood what he meant and we were ready.

Earlier this month Chief Fontaine announced his decision to not seek re-election for a fourth term. His unprecedented 12-year leadership will soon come to an end.

The PDAC respects the spirit and wisdom that have marked Chief Fontaine's term and his belief that by working together we can make the economic pie bigger and share it more fairly.

The PDAC signed a Memorandum of Understanding with National Chief Fontaine last year pledging to work together. Since then we've introduced a number of educational initiatives and have joined the AFN in calling for settlement of land claims and a sharing of government resource revenue with Aboriginal people.

The PDAC is honoured to have worked with someone of Chief Fontaine's integrity and courage. We look forward to establishing a constructive partnership with his successor and to keep working on his goal of ending poverty through economic development in First Nations' communities.

Fortunately, today, *my* goal is an easier one. I'll tell you a little about the PDAC itself and explain how junior exploration companies differ from mining companies. But mainly, I want to tell you about PDAC's newest initiative.

e3 Plus is the first comprehensive set of guidelines in the world designed to help mineral exploration companies excel at their environmental, social and health and safety responsibilities.

I've already mentioned our annual convention, which some people consider synonymous with the PDAC. It's the largest mineral industry gathering in the world. This year we welcomed 18,000 delegates from more than 120 countries.

But the PDAC is more than just the convention. We're a national association with 7,000 individual and corporate members from across Canada and around the world.

It was founded in 1932 as an advocacy organization to support the interests of prospectors.

At the PDAC we say that mineral exploration is to mining what research and development is to technology or medicine. Without exploration, new deposits would not be found, new mines would not open, mineral reserves would dwindle and prices of consumer and industrial goods would rise.

Exploration is the essential first stage of mining and the PDAC is the voice of exploration.

Mineral exploration is different than mining but we have many things in common. And the goal of every prospector is to find a deposit rich enough to become a mine.

Unlike old images of the industry, modern mining is a highly productive, scientific, innovation-driven industry.

In terms of safety, the latest statistics show that exploration has an accident frequency of less than half that of all industries. And for the entire mining sector, the rate is even lower.

Compensation is another area where perception lags behind reality. According to the latest statistics, miners and other resource workers receive the highest average pay of any industrial category tracked by Statistics Canada.

Those of you with kids in school might be interested to know that geoscience grads have been earning on average the highest starting salaries of any group of university graduates.

Not only are mining jobs safe and well paid, its products are essential for modern life.

Mining provides everything from fertilizers and energy sources to industrial goods that range from MRI scanners to telecom wire and consumer goods from bikes to cosmetics.

If you can't grow it, we like to say, you have to mine it.

Rare metals have been capturing special attention recently because their unique properties are critical to the success of many new green energy technologies.

Without rare metals, wind turbines, electric vehicles, solar panels and many other electronic devices would not be viable.

Avalon Rare Metals is a prime example of a 'green' exploration company looking for rare metals that will make a positive difference to our environment.

CEO Don Bubar says Avalon has worked to become a leader in CSR corporate social responsibility, in part, because the market for rare earths is mainly in innovative and green technologies.

Avalon is already attracting the interest of investors who are looking to put their savings into companies that offer socially responsible alternatives.

Surging demand for metals by rapidly developing countries like China, India, Brazil and Russia is increasing the demand for metals of all types. That's pushing juniors like Avalon to search for new ore deposits and replenish global reserves.

The most important distinguishing characteristic of what are often called junior mining companies is that they do NOT do any *mining*.

In fact, a typical exploration company doesn't have any source of operating revenue. They rely on the markets to finance their exploration programs.

Exploration companies are also highly entrepreneurial. Usually they're started by one or two experienced geologists who put together a small team of trusted professionals. A typical

junior has just a handful of full-time employees. But they make heavy use of a variety of specialized service providers and they also hire teams of seasonal field workers.

Canada is home to more mineral exploration companies than any other country in the world.

At least three-quarters of the fourteen hundred mining ventures now listed on the two Toronto stock exchanges, are exploration companies.

Usually, juniors are able to raise small amounts of capital gradually on the Canadian markets, as their work advances.

But since the market turmoil began last year, investors' willingness to risk their capital has dropped.

Only the most advanced exploration projects and those focusing on commodities like gold are still active.

Many other early-stage companies have gone dormant, suspending exploration, laying off staff and trying to conserve enough cash to keep the company alive until the market comes back.

Boom-bust cycles are familiar in the resource sector. We all know that this downturn will end and exploration will start again, bigger and better than before.

But until that recovery comes, many properties with real potential will have been put on hold and hundreds of remote communities will have lost jobs they desperately need.

More exploration is done in Canada than any other country in the world. About 20% of all exploration dollars are spent here and more is raised.

As a result there are strong financial underpinnings here. There are stock exchanges and investors willing to take a chance on high-risk resource exploration, stimulated by government support by way of the critical flow-through tax credit.

Flow-through financing is a Canadian innovation that is especially useful during downturns because it gives investors a little extra confidence when commodity cycles are at their worst.

As investors, explorers, operators and suppliers we dominate mineral exploration worldwide. You'd be hard pressed to name another Canadian industry where half of all activity takes place internationally.

According to the latest TSX statistics, more than 10,000 projects around the world are managed by mining and exploration companies listed on TSX exchanges. Half of them are outside Canada.

This international activity has opened new economic opportunities for the country. My day job is at the Canadian Association of Mining Equipment and Services for Export. CAMESE exists solely to support the export of mining equipment and services abroad.

But as exploration companies ramped up their international activity in the last 20 years, other trends were also taking hold. The environment gained more importance. Mining activities came under the microscope as small exploration companies expanded internationally.

They often went into less developed countries where mineral prospects were promising but appropriate legislative standards were in short supply.

Juniors were being called on to meet complex and constantly evolving economic, environmental and social responsibilities. At the same time, their stakeholders were demanding more transparency and accountability.

As a result, small companies were in the thick of conditions for which some weren't prepared.

This brings me to the key message I want to leave you with today. Exploration companies are the ambassadors for mining around the world and we must help them meet their responsibilities and perform to the highest standards.

They take 21st century knowledge and technology to remote, isolated communities living in environments that are much less advanced. As the first mining representative at a site, the practices of explorationists can make the difference between local residents welcoming a mineral discovery or being wary about what a mine development might do to their way of life.

Done properly, mineral exploration itself leaves a light environmental footprint. The remnants of activity usually disappear within a few years.

But weak first impressions can leave long lasting effects.

The origins of PDAC's **e3 Plus** initiative go back to 1999 when a group of industry professionals met to set standards for good environmental practice.

The PDAC quickly recognized the need to take a leadership role in educating and helping small exploration companies to do a better job.

The first version of our social responsibility initiative, introduced in 2003, was called **e3, *Environmental Excellence in Exploration***. It was a comprehensive tool that offered guidance and examples of environmental stewardship.

It was based on the internet so that companies could access full information on it from any location in the world, free of charge, whether they were PDAC members or not.

We continued refining and upgrading **e3** for the next three years. Three thousand companies and individuals are now registered to use it around the world. And it's been translated into at least seven languages that we know about.

Nevertheless, we came to realize that reports of controversies and conflicts continued. We knew that any industry might have a few bad apples but we were concerned to see companies that we knew to be responsible were getting caught up, too.

In preparation for the PDAC's participation in the federal government's roundtable on mining and social responsibility in 2006, we commissioned research into problems that took place at sites in developing countries.

The research findings were revealing. Among other things, it identified that problems arise from two types of drivers. There were those particular to the political, social and environmental settings of each project. These were beyond the control of the company.

They included such things as: the existence of civil conflict or lack of accountability of police or army officials; the presence of artisanal miners, indigent workers who carried out primitive and sometimes hazardous subsistence level mining operations, and campaigns by

NGOs that in the worst cases escalated conflicts, spread misinformation and were used to raise finances for the NGOs' operations.

Company practices that created problems included such things as insufficient stakeholder involvement; lack of respect for indigenous people's rights and inadequate environmental practices.

The research found that problems tended to escalate as a result of interplay between community and company drivers. Companies that had firmly established good practices and followed them carefully were often able to avoid serious problems. Good CSR practices were no guarantee that problems wouldn't arise. But it did reduce the impact.

By 2006 most of the larger companies had implemented some form of CSR. But since there was no single source of comprehensive guidelines, each company had to figure out for itself what needed to be done *and* how to do it most effectively.

Some companies tended to believe that acting in good faith and relying on "common sense" solutions was enough.

This led to outcomes that varied in quality and effectiveness and increased the possibility of mistakes and misunderstandings that could damage reputations.

With the research in hand, the PDAC went on to participate in the federal government's roundtables in 2006.

That process was helpful. It improved the PDAC's understanding of various aspects of CSR and it helped crystallize our thinking on the concept and structure of *e3 Plus*.

Another critical discovery was that many errors were caused by poor communication with local residents.

Improving communications may sound like a quick and easy solution. But it's not necessarily part of the training of company managers and geologists.

I take the point of one of the earth science students who participated in a workshop the PDAC offers to top students from across the country each spring. She observed that: "Sometimes

geologists are so concerned about what lies beneath the earth's surface that we forget about the stuff on top.”

Whatever the reason, open, frequent and honest communications with local communities - what, in CSR jargon, is known as community engagement - is an area where companies can greatly improve their chances of success.

The roundtable turned its recommendations over to the federal Department of Foreign Affairs and International Trade in March 2007. And the PDAC's CSR committee under its respected chair Dennis Jones, who had just retired as head of exploration at lamgold, got down to work on *e3 Plus*.

The development process took two years and involved more than 300 participants from across the country, including representatives from industry, governments, Aboriginal groups, NGOs, academics and the financial community.

At the convention this March, *e3 Plus* was introduced.

It is, I'm proud to repeat, the first comprehensive set of CSR guidelines for mineral exploration in the world.

Its goal is simple: to help companies to achieve *excellence* in each of those areas.

Six of the eight principles on which *e3 Plus* is based deal with the delicate and complex matters of society and social engagement. You'll find a brochure at your place setting with more information. The eight principles are on Page 2.

Take, for example the third principle: “Respect human rights.” Sounds simple. Easy to remember. But consider the questions it raises. What actions are required to fulfill ‘respect’? What ‘human rights’ are involved? Are they ones defined by Canada? Or by the host country?

e3 Plus explains the ‘respect human rights’ principle as: ‘To promote the principles of the United Nations Universal Declaration of Human Rights by incorporating them into policies and operational procedures for exploration.’

Having defined the principles, the next step was to build three tool kits with a total of more than 2,000 pages of information. The toolkits provide detailed guidance to help companies

manage each principle and, when complete, include hundreds of examples of both good and bad practices.

The toolkits are available on the *e3 Plus* website at www.pdac.ca.

Work is continuing on *e3 Plus* and it's now moving to Phase 2.

We'll now create **performance objectives**, which companies will use to measure their performance, and **reporting criteria**, that will help companies make their performance public in a clear and transparent way.

When that's finished next year, the next step for consideration is determining the appropriate process for verifying reported performance.

e3 Plus has been well received by our members.

They pressed ahead with the introduction even though it came during a severe economic downturn, when many companies were preoccupied with basic survival.

Avalon was the first junior to formally adopt it. A major international mining company has told us that its exploration department is in the process of testing it in preparation for adoption.

It speaks to the desire of the exploration industry to do the right thing.

For now, *e3 Plus* is a voluntary initiative that each company chooses to take on for itself.

The PDAC's experience with the environmental guidelines is that adoption spreads as companies become familiar with the obligations and as the suggested approaches prove successful.

This phase-in period allows small exploration companies to move at a speed they can manage. It is better for companies implement CSR more slowly, than try to do everything immediately and fail.

In March 2009, in a document entitled *The Canadian Advantage*, the federal government responded to the recommendations proposed by the CSR round tables. While the PDAC has

offered suggestions regarding implementation of this initiative, it moves the CSR yardsticks in the right direction.

Shortly after the government's response was issued, Bill C-300, a private member's bill, was introduced in the House of Commons. By a margin of only four votes it was sent to committee where it will remain until the fall.

If this bill were passed it would attempt to enforce the CSR practices of Canadian exploration and mining firms in their activities throughout the developing world.

The bill invites complaints and then requires Ottawa to be the judge and jury on complex activities taking place in foreign lands. Sanctions would be imposed on firms judged to be acting inappropriately.

The overall objective of the bill, however, is similar to the goals of *e3 Plus* and the government's *Canadian Advantage* proposal. They all aim to encourage environmental best practices and uphold human rights standards. But the bill approaches it from the opposite direction.

The Greek philosopher Plato foresaw the difficulties of trying to legislate good behaviour centuries ago when he wrote: "Good people do not need laws to tell them to act responsibly, while bad people will find a way around the laws."

Plato was right. Good behaviour can not be forced by legislation. It must be nurtured and encouraged and good examples must be displayed.

That is the conviction on which *e3 Plus* is built.

I can't tell you that good people head every Canadian mineral exploration company. But I do know that good people vastly outnumber the bad.

Canadians have been leading by example in mining around the world for many years. *e3 Plus* is the latest chapter in that long and excellent history.

Bill C-300, on the other hand, is an unfortunate example of a well meant but totally impractical solution that will do little to generate real progress. It would also would greatly disadvantage Canadian exploration, mining and mining supply companies.

I can't promise that **e3 Plus** will eliminate every problem or pluck every bad apple. But it sets an example that we believe Canadian companies will be willing and able to follow.

It recognizes the leadership and strengths of the Canadian exploration industry and it moves the standards higher. It will keep Canadian companies looking for minerals in remote and impoverished regions.

Canada is a country that has prospered and grown wealthy because of its own mineral riches. We believe that impoverished countries help their citizens by using their mineral resources.

Nor was it the intention of National Chief Fontaine to keep minerals locked in the ground, when he called for the resource industry to work together with First Nations.

You'll hear more on this debate in the fall. When you do, please remember the contributions the mineral industry makes to social and economic responsibility. Stand up for leading by example instead of legislating for effect rather than real improvements.

Thank you for your interest today.