

**Comments on Responsible Mining Index
Draft Methodology**

Liz McGrath, Senior Researcher
David Mihalyi, Economic Analyst
Natural Resource Governance Institute

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We welcome this opportunity to contribute to the consultation on the Responsible Mining Index Draft Methodology initiated by the Responsible Mining Foundation. Our comments below seek to provide feedback on how we see the RMI complements NRGi's work in this area and suggestions on how data collection for the index might be refined and put to further use.

1) Linkage with the Resource Governance Index (RGI)

The Resource Governance Index (RGI) 2017 is a composite index that assesses the quality of governance in the oil and gas and mining sectors in 81 resource-rich countries. As the only international index dedicated to the measurement of governance of extractive resources, it is a considerable data collection initiative and underpinned by a vast amount of analytical and diagnostic information that will facilitate further research and foster theories about how to improve governance in the sector.

The RGI 2017 will be released in June 2017 and has been refined and strengthened since the last iteration in 2013. With a focus on ensuring its close alignment with NRGi's organizational strategy and improved utility for stakeholders, the underlying questionnaire has been revised to better align with the Natural Resource Charter. The index includes assessments of licensing, taxation, local impact, revenue management, as well as state-owned enterprises, revenue sharing and sovereign wealth funds, where they exist. The 2017 RGI is a hybrid index and primary data are combined with external data that captures the enabling environment, the broader context in which resource governance takes place. Twenty-eight additional countries have been included in the 2017 project, taking the sample size to 81 countries. The oil and gas sector is assessed in 47 countries and the mining sector is assessed in 26 countries. Eight countries are assessed twice, as dual sector, allowing analysis of governance gaps between sectors.

RMI is a very valuable complementary to the RGI using a similar expert questionnaire based methodology but focusing on ranking companies as opposed to governments. The indicators in the RGI and RMI overlap in some areas, but depart on many others, which is in line with the distinct roles governments and companies play in promoting good governance in the extractive sector.

An interesting application combining RMI and RGI might be to check whether companies that are registered or mostly operate in countries with good governance (high RGI) are more likely to follow good practice (high RMI). In other words, it can be useful to disentangle the country and company specific fixed effects in the rankings. This approach might be particularly useful using mine site level data, to compare companies, which may have their mines in very different country settings. Conversely, some countries might be attracting companies with higher RMI than others, which might provide further nuance to our RGI findings.

2) Indicators of business conduct

The review of company disclosure practices as part of the “Business Conduct” section aligns well with priorities NRG has been working on for a number of years. This includes the indicators on contract disclosure, beneficial ownership, tax transparency, payments to producing countries. Including these indicators will not only be valuable in strengthening the RMI but also to help advance transparency in the mining sector on these crucial issues.

We hope that our tools and analysis in these areas will prove useful to assess current practices of tax, contract and BO disclosure. Given the significant work done on these topics, it might be of interest to go beyond yes or no answers for these questions, and research the impetus, the extent and the quality of disclosures.

Contracts:

Our repository of annotated and searchable contracts, includes feature to filter by company www.resourcecontracts.org

We also recently completed a review of extractive contract disclosure practice in over 50 countries available here:

<http://www.resourcegovernance.org/blog/how-many-governments-are-disclosing-oil-gas-and-mining-licenses-and-contracts>

Our research suggests 15 countries have a law requiring countries to disclose and do in fact disclose all or almost all contracts.

Beyond these country specific factors, some home country regulations may also effect the practice:

In the case of listed companies, materiality requirements mean that that often smaller companies may need to disclose their most important extractive contracts to their investors.

This explains the large number of contracts found by OpenOil in company filings:

<http://repository.openoil.net/wiki/Downloads>

Also noteworthy that any extractive project with IFC co-funding requires contract disclosure.

Understanding the driver behind contract disclosure practice by various companies might prove to be valuable when assessing their practice. Further to this, our various contract reviews revealed that a single project may have multiple contracts (for example [Oyu Tolgoi](#) in Mongolia), not all of which may be made public. We also found that even if a contract is public, not all annexes may necessarily be public.

Payment disclosure:

While some mining companies (including Rio Tinto) have released payment data voluntarily, the majority of payment disclosures happened either through EITI or payment disclosure laws.

The recent advances in the disclosure laws mean that companies listed / registered in Canada, EU and Norway will all be reporting their payment, though not those in the US, due to reversal of requirements previously legislated in the Dodd-Frank Act.

Our repository of payment disclosures can be accessed, and filtered by reporting companies (so far covering all Norway, UK disclosures): <http://www.resourceprojects.org/transfers>

We will be releasing a report reviewing UK reporting practice in the next months.

This report highlights that reporting practice is mixed, with some companies circumventing requirement of project level break-down, and instead aggregating it at country/regional levels.

Beneficial Ownership:

The UK has now implemented a requirement for registered companies to provide data on People with Significant Control (PSC), based around a concept of beneficial ownership.

We have scraped the PSC data for all UK extractive companies, which we aim to publish in the coming months. EITI has been another vehicle to advance BO, with 11 countries signing up to carry out pilots. The approach taken and hence the quality of disclosures has been very mixed. Our recommendations on how BO can be effectively disclosed in extractive sector context can be found [here](#).

Overall, on the areas above it may be worth considering to differentiate between voluntary and mandated disclosures, to provide recognition for those going beyond legal requirements. Further refinement on what constitutes adequate BO disclosure, project level payment disclosure or contract disclosure may also prove valuable in applying consistent standard that meet best practice for RMI scoring.

3) Collecting project level data

The collection of information at the site level for 150 mines is hugely valuable. One promising avenue is that the content of these mine site level indicators could potentially be linked to contract and project level data, such as those we collect.

This may open up new areas of research:

- Linking contract provision to actual site level water or employment or grievance practices can enable innovative monitoring technique
- Studying the statistical relationship between project size, status, payment levels, etc. and those of mine-site level performance
- Linking spatial data to employment practice, emergency preparedness may allow to study the effectiveness of these measures

For this, we would recommend developing a robust system of metadata collection on each site, which maximizes ease to linking with other data:

- Various mine names and aliases
- Location (ideally with geocodes)
- Mine site type
- Storing the data in machine readable format

We hope these comments will prove useful in finalizing the design of the RMI and suggesting ways in which the information collected can be put to further use, seeking complementarity with other tools. We look forward to the compilation and publication of the Responsible Mining Index, a very valuable tool to further good governance in the resource sector.