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Dear Committee

RE: RESPONSIBLE MINING INDEX
PUBLIC RESPONSE TO DRAFT

Thank you for the opportunity to comment on the draft release of the Responsible Mining Index. I do believe that the RMI project is a relevant and useful contribution to the world in general, and of specific value to the mining community. I wish you every success in the endeavour.

As background to my comments below; firstly something about me. I have worked in mining for 35^{+} years. I actually started working on mines as a manual labourer at 14, then as an underground miner from 17. I later gained degrees as a mining engineer and as an accountant I have since worked in many countries, involved in many projects at different stages, and all on the owner / developer perspective. Obviously the opinions here are my own.

GENERAL COMMENTS

To a large extent I see that the success of RMI will be based on two points;

a) Getting 'buy in' from the mining industry itself.
This can't be - nor is it intended to be - an antagonistic, external exercise.
However RMI does need to active participation of mining companies, to provide data. If tha tis not provided, then the validity of the index will be questioned.

b) Getting acceptance from the wider community that the resultant survey adds value to the global discussion.

Therefore my comments that following are aligned under the headings of mining industry buy-in, and value of the result.

MINING INDUSTRY

Some comments are offered here regards the mining industry;

1. The top 20 or so of the mining Industry are either;
    a. Multi-national companies that actually don't develop projects in the lowest socio-economic jurisdictions.
    b. Government entities, often focussed on a specific commodity. Coal India, Codelco , Shenhua are all examples of this.
    c. Mining houses that had origins in 'non-first world' countries, but who are trying to distance themselves from their roots. Eg. Vale & Anglo.

The result is that many of the largest mining companies don't fit your other criteria.

2. Definitely RMI needs to be connecting to the "junior" miners. This is the group that is actually doing fieldwork, exploration, developing projects etc. in the lesser developed regions. Often they sell projects to others to bring into production. However it is these companies that in doing the early work either get things right, or make mistakes that are forever associated with the project.
3. There is one important part of the mining industry that is overlooked. Namely service providers. In particular;
    a. Consultants. The reliance on consultants is a company-by-company characteristic. However it is much more prevalent with juniors, than with the Tier 1's. Importantly the smaller the company, the greater the influence is of their consulting advisors. It is not uncommon for nearly all of the defining characteristics and policies of a junior miner to have originated, in some form, from a consultant. RMI needs to connect to these people.

       Furthermore, is key to understand that it is the PFS stage of a project development, where most of the key philosophies are embedded in the development of the project. It is actually little understood outside the industry just how vital the PFS stage of the project development really is.

       Similarly companies that infrequently bring projects through a PFS stage, are usually characterised by unchanging, or outdated policies and procedures.

    b. Engineering Companies & OEMs. Again, more with junior mines, these two types of key service providers can have huge influence, and actually dictate, on many project development configuration, procurement policies and similar.
4. Need to be careful regards data. Mining companies see data and knowledge acquisition as being very expensive. Therefore it is valuable, and custody of data is highly prized.
5. Definitions used are not aligned with the common usage in the mining industry. This in itself is not a problem, however RMI does need to be ready with explanations as to why they are choosing different definitions. For example;
    a. Due Diligence. As used in the mining industry is defined in a manner quite different as to how you have defined it in your glossary.
    b. To a lesser extent the same may be encountered with your definition of remedy. As in a 'remedy' is seen as a solution or an answer. Not necessarily fixing negative.
    c. Tailings. Wider understanding would be to call it "waste produced by the processing operation.
    d. "…company performance against what society expects…." Especially in the sense of, who is the society that is making these judgments?
6. Very few companies have operations in 5 or more countries.
7. Mining industry doesn't really follow the practices of the major miners. It is generally the mid-tier companies that are the leading edge – especially in terms of designing and implementing social policy, community engagement, environmental protection etc.
8. It might be useful to make sure you have a selection of companies that also are known project developers. Companies that do not develop projects (ie. companies that buy assets developed by juniors) generally are more remote in attitude from the local community where the project is located.

VALUE AND ACCEPTANCE

1. Context for the index. It may help to include some more realistic background in the context section. For example;. Mining often is the only private sector industry that will invest in, or develop in, these remote and/or under developed regions. This is largely because they have no choice, as to where they operate – they have to go where the mineralisation is.
2. It may be of benefit to demonstrate how better to 'twin' the RMI result with other industry assessments, Eg. EITI and the good governance rankings and surveys. This second point is relevant in the sense that mining companies (generally) conform to the rules that they are given to perform within. This holds true where they are publicly listed on TSX, AIM or TSX boards. They cannot be held solely responsible in instances where they work in jurisdictions of poorly drafted regulations, or poor enforcement.
3. If this is a relative ranking of companies then you will need a high response rate, for it to be valid.
4. "who will use the Index results "- this is key, but sounds underdone and somewhat generic. Would suggest that this section needs attention.

SPECIFIC FEEDBACK

Ch 5

Key reference material. You might want to reference some other materials more aligned with company operation, to demonstrate comprehension of the drivers to their behaviours. I am thinking here of documents such as;

1. Listing and disclosure rules for AIM, TSX and ASX companies. That does control the behaviour of the vast majority of mining companies that have a public profile.
2. Equator principles. Particularly if they source financing from a bank that is a signatory to this
3. NI-43101 and JORC. The standards by which companies declare there resources and reserves. Again, nearly all the companies you will work with will either follow these standards explicitly – or by reference. Both of these contain requirements to comment on issues covered by RMI.

Actually, an interesting exercise may be to ask the companies how much the listed (Box 1) references are actually used in the company.

Ch 6

1. I like the Table 1 layout
2. Effectiveness => might need to recognise that (at times) the mining company has limited ability to be effective. Again, difficult to measure, but it is a real issue.

Ch 7

"….All information provided to RMI by companies will be considered as public domain data" What does this mean? If it means that data collected will then be released into the public domain, then you will find companies very reluctant to provide sensitive data / information.

Ch 8

B 3.1 => Some jurisdictions prohibit this disclosure.

B 3.1 => Other reason why companies support disclosure is that it provides some protection against future changes. For example, negotiations can be conducted and completed in good faith under the existing rules. Then comes a change in government – and the company receives a request to "re-open negotiations". Prior disclosure limits the effectiveness of this tactic.

B. 4.1 => is there a test for 'beneficial ownership' ?

B. 4.1 => may need to reassess the wording to account for the case where the mine owner employs a contractor to operate the mine on its' behalf.

B. 5.2 => Probably naïve to expect disclosure on such a sensitive issue. It goes to the commercial basis of the business. Especially if (as seems) that you will be regarding all supplied information as 'public domain'. This can vary quite radically for different entities. Eg. Amongst the largest mining companies on the world, there are public (government owned) entities. They have very different tax rules.

B 7.2 => again, disclosure is, at times, prohibited by the government.

C 2.1 => "However most companies make capital investment decisions……based on narrow financial…..relegates social / political factors " This is really opposite to the current practice in how these decisions are made. Certainly in the last 10 to 15 years there are many examples where projects were not advanced, despite there being good/favourable technical and financial characteristics.

As a test for this, most companies need to publish mineable reserves, as judged by a publicly recognised standard. These generally being either the JORC code, or the NI-43101 guide. Both of these are very emphatic in the need to consider non-economic factors.

The fundamental point is valid – that there is a need for multi-criteria decision making as a basis. However the explanatory notes will come across as naïve and outdated. Again, not really conducive to building a relationship with mining companies from whom you require data. Actually the real devil in the detail here are the weightings given to the individual elements in the multi-criteria decision tools.

C 2.2 => Following on from the project approval process; there should be clear, consistent and timely reporting against the commitments made during project approval. That is, how good are they at keeping promises?

D1.1 => And if the company is operating in a culture / location which itself discriminates against women and youth, such that they are not allowed to participate?

D 11.2 / MS3 => "Public reporting on this is definitely encouraged. However success can not solely be taken as proportion resolved to the complainants satisfaction. Particularly in settings where there are few community based grievance procedures (ie. Through courts) then the degree of vexatious claimants is high.

E => Working Conditions: I think there is room here to understand the gap between what is required to comply with local legislation, and what a fair standard would be in many of these items. In particular in a lot of countries there is real differences between what is required and what we would like to see in place.

F 2.2 => Could ask that the "Basis of Design" for key structures be made available. This would allow independent risk analysis.

F.3.1 => The request of publication of air quality data in a timely manner can be extended to **all** the data in section F being published in a timely manner. This data should also be published with;

a) Benchmark ranges (ie. Show where the actual test sits on the acceptable scale)
b) Certification data regards the testing protocols (ie. That testing conducted complies with relevant standards)

F 4.3 => Water Balance. Should assess if the company publishes a "water balance" for the site. This shows the incoming water from all sources, and the 'outgoing' water to all destinations and the uses onsite of the water.

F.7 => Would there also be consideration of HFCs and HCFCs? These probably represent a greater risk to the immediate community.

F 8.1 => Suggest you add the word "transport" in here. Is the transport of dangerous goods that often produces the worst impacts. And transport covers the off-site activities promoted by the on-site actions. Eg. Transport of fuel tankers though local communities, to deliver to the disel hungry mine.

F 8.1 => Might also want to consider hazardous materials that are manufactured on-site. For example the inert (safe) components for explosives are often transported safely (individually) to the mine site. Whereupon they are mixed together – thereby becoming unstable and a very different risk to the sum of the parts during transport. The spate of explosions in mine site explosive mixing facilities in the 1990's is testimony to this.

F => In general, might want to consider traffic management impact in the local communities as an impact area. Is usually a clear friction point.

F => These are really all Mine Site level indicators. Publication at a level higher than mine site is rather pointless.

CLOSING

Again I do repeat that I am very supportive of the overall positioning and intention of the RMI. Personally I am a big believer that responsible mining is a pre-requisite for the future, and not an option. If for no other reason than that mining is one of the few industries that will actual invest in remote and under-developed locations.

Should you wish to follow up with me on any of the points I have mentioned in this feedback, please do so. Again I wish you the best in your endeavours.

Yours sincerely,

Hugh Thompson

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