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1.0 Governance – Introduction

Governance is the process by which an organization charts and steers its course, to achieve its objectives and meet its commitments to its stakeholders. It is the process of defining the strategic decisions that shape the organization, the oversight and implementation of those decisions and ultimately assuming accountability for the outcomes. Governance is about making responsible decisions. Management is the process of planning, organizing and mobilizing people and resources to operationalize those decisions.

In this section we will discuss the elements of governance and management that provide the foundation for explorers to achieve their commitment to the principles of e3 Plus: A Framework for Responsible Exploration. We will introduce the concept of responsible governance, provide background on why responsible governance and effective management systems are important, and outline some recommended practices.

1.1 Corporate Governance and Responsible Governance

Until recently, corporate governance was narrowly viewed as being solely concerned with the financial performance and the way in which directors, officers and auditors handle their relationship with, and responsibilities toward, shareholders.

As a result of worldwide attention to corporate reform and in response to the increasing complexity and impact of a globalized economy, a broader notion of corporate governance has emerged. Corporate governance is now viewed as critical to the stability and equity of society and the relationships and the areas of performance that are the focus of governance are now seen as much broader in scope. This expanded concept is captured in the following definition:

"Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society."¹

This broader definition of corporate governance is sometimes called “good corporate governance”, “effective governance”, or “responsible governance”. It is about delivering effective financial, environmental and social performance and involves adopting a stakeholder perspective that recognizes companies have legal and other obligations to non-shareholder stakeholders (e.g., employees, partners and suppliers, clients and customers, the community as a whole). It is based on the changing role of companies in society. It is also rooted in growing evidence that organizations can generate positive returns and create better value for all of their stakeholders, through effective and efficient management of natural, human, social and other forms of capital.

Key Terms

corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. (Sir Adrian Cadbury Global Corporate Governance Forum, World Bank, 2000)

e3 Plus: A Framework for Responsible Exploration is the expanded framework that now includes not only principles and guidance related to environmental stewardship, but also to social responsibility, as well as health and safety

Key Reference Sources

[OECD Website on Corporate Governance](#)

[Framework Code Of Good Corporate Governance For Small And Medium-Size Enterprises](#)

Manual developed by the Colombian Federation of Chambers of Commerce (CONFECAMARAS) and the Center for International Private Enterprise or CIPE (an affiliate of the U.S. Chamber of Commerce) to adapt international corporate governance standards to the characteristics and needs of small- and medium-size enterprises (SMEs) in a crucial step toward gaining access to the global marketplace.

The Global Environmental Management Initiative has a number of good resources to help organizations implement components of social responsibility including:

[TRANSPARENCY: A Path to Public Trust](#) (2004)

[GEMI SD Planner™ & SD Gateway User Manual](#) V 3.1 (2007)

¹ Sir Adrian Cadbury in *Global Corporate Governance Forum, World Bank, 2000*

1.2 Why Are Responsible Governance and Sound Management Systems Important?

ASX Corporate Governance Council
[Principles of Good Corporate Governance and Best Practices Recommendations](#) (2003)

Lewis Carroll's famous quote, "If you don't know where you are going, any road will get you there" applies to organizations as well as to individuals. Without responsible governance, the destination is uncertain and the organization can be easily taken off course. However, even with a clear vision of the destination, it will still be unattainable if you do not effectively manage the people and resources to get there. Responsible governance and sound management systems are interdependent and both are necessary for an organization to achieve its objectives and its commitments to its stakeholders.

While governance and management systems exist in all organizations, it is the structure, character and robustness of those systems that make the difference between successful long-lived organizations and short-lived organizations that have fleeting success or fail altogether.

1.3 What Are the Elements of Responsible Governance?

The following elements of responsible governance have been distilled from a number of sources:²

- **Strategic Vision:** Establish a strategic vision that directs the organization toward a long-term perspective and aligns the organization's values with the principles of e3 Plus: A Framework for Responsible Exploration.
- **Culture of Compliance:** Implement and maintain effective controls and processes to:
 - comply with legal and regulatory requirements in all jurisdictions in which the organization operates;
 - comply with its own bylaws, policies, rules and procedures and apply them fairly and impartially;
 - comply with the legal and legitimate interests of stakeholders;
 - recognize and address situations where local laws and regulations do not exist, or are not sufficient to enable the organization to act in accordance to with its commitment to social responsibility; and
 - review compliance programs periodically to gain reasonable confidence that they are effective.
- **Effective Performance:** Produce results that best fit the organization's objectives, while making the most efficient and effective use of the resources at their disposal. This includes sustainable development of natural resources and the protection of the environment. Effective performance means:
 - minimizing and managing risk;
 - serving stakeholders within a reasonable timeframe;
 - being responsive and adapting to the changing needs and expectation of stakeholders; and

² The sources from which these elements were distilled include: (1) [The United Nations Development Program "Governance and Sustainable Human Development, 1997"](#); (2) [OECD Performance Guidelines on Corporate Governance 2004](#); (3) [Institute of Governance Website "What is Good Governance"](#); and (4) ASX Corporate Governance Council "[Principles of Good Corporate Governance and Best Practices Recommendations](#)", 2003.

- evaluating and improving performance.
- **Accountability:** Be answerable to those who are impacted by the organization's decisions and actions in important ways. Organizations have the responsibility to account for:
 - the performance of the organization and the results of its decisions; if the results were not as intended, the organization should report on what was learned and how it intends to apply the learning;
 - how the decisions and actions of the organization comply with the law and internal procedures;
 - any intended actions that could affect stakeholders in important ways, the outcomes they wish to bring about, for whom, and why they think the outcomes they intend are desirable and fair; and
 - how they are serving the interest of the stakeholders affected by their decisions.
- **Transparency:** Disclose the information that is material in order for accountability to function. Transparency requires that the standards of performance against which the organization can be evaluated are communicated and clear. Sufficient information must be provided to those who will be affected in important ways by the decisions of the organization. This will enable them to understand the implications those decisions will have on their interests. Information must be sufficient, accessible, freely available and understandable.
- **Legitimacy:** Make decisions that have the support and confidence of those implementing the decisions, and those who may be affected by the decisions. Legitimacy is based on:
 - authority and competence to make decisions that affect stakeholders;
 - decisions comply with legal obligations and are consistent with objectives, mandate and commitments of the organization;
 - involvement of the stakeholders affected by the decision in the decision making process; the type of involvement of stakeholders in decision-making will vary based on the decision and the stakeholders affected; however, involvement should be characterized by:
 - clear definition of the decision-making and implementation processes and the respective rights and responsibilities of the parties;
 - opportunity to be included at all stages of decision-making;
 - access to timely and complete information needed to make informed contributions and to exercise good judgment, including access to independent technical or legal advice, where necessary; and
 - the level of consensus between stakeholders and the organization when making a decision. Wherever possible, decisions that have the possibility to impact stakeholders in important ways should be made on the basis of consensus. This involves considering different interests and, where possible, trying to achieve a solution that is in the best interest of the greatest number of stakeholders.

[Related e3 Plus Guidance](#)
[Community Engagement](#)

- **Fairness:** In the context of responsible governance, fairness has two components: equity and ethical decision-making. There should be clear standards of ethical behaviour required of all personnel and particularly those that have the opportunity to materially influence the integrity, strategy and operation of the organization. All individuals are subject to the same decisions. Decisions should be fair and impartially implemented and enforced without discrimination of any kind.

1.4 Establishing a Management System To Support Your Commitments to e3 Plus: A Framework for Responsible Exploration

1.4.1 What Is a Management System?

A management system is simply a framework for connecting strategy, people and processes to achieve a desired result. “Results-based management” is a life cycle approach to management that integrates strategy, people, resources, processes and measurements to improve decision-making, transparency, and accountability. Results-based management does not just evolve or happen, but requires conscious design involving the construction of processes that are linked together into a management system.

The following table describes the components of a management system for social responsibility

Table 1: Management System Structure and Requirements

1. Define the strategy and make the commitment

1.1. Determine and understand the scope of commitment

- Develop the Business Case for your organization for adopting and implementing the *e3 Plus: A Framework for Responsible Exploration*
- Assess the costs and benefits
- Consider stakeholder interests
- Develop senior management awareness of scope of commitments

1.2. Define the strategy and direction

- Define the broad aspirations for social responsibility within the organization
- Determine the relationship between social responsibility and the organization’s values and objectives

1.3. Document your commitment in a social responsibility policy (Related Guidance – [Code of Conduct, Policies and Procedures](#))

- Develop a statement(s) of operational and performance commitments for social responsibility that encompasses the principles of *e3 Plus: A Framework for Responsible Exploration*
- Make the policy statement publically available
- Communicate and the policy to employees, contractors and agents

1.4. Establish the governance framework for social responsibility

- Establish senior management responsibility for implementation and oversight of commitments

- Define the decision making processes to support the governance of social responsibility within the organizations
- Establish the oversight mechanisms by senior management for social responsibility
- Commit the resources to achieve commitments

2. Plan for social responsibility at program level

2.1. Understand the requirements and standards of performance that apply to your activities

- Identify the applicable requirements and standards of performance including:
 - Laws and regulations
 - International standards
 - Best Management Practice
- Identify stakeholder requirements/expectations related to your activities– **(Related Guidance - [Stakeholder Engagement](#))**
- Communicate requirements to employees and contractors who need to be aware of them and need to comply with them in conducting their activities
- Establish a process to make to track changes in requirements over time so that you are aware and can continue to conduct activities in conformance with applicable requirements

2.2. Determine the social, environmental and safety performance areas that are priorities for your organization

- Assess the risks and impacts associated with your overall operations (environmental, health and safety, social) **(Related Guidance - [Risk Assessment](#))**
- Identify those risk areas that are most significant and will require ongoing management processes as part of the overall social responsibility program. For example, establishing processes to manage relationships with contractors

2.3. Set performance objectives and targets

- Objectives should be established to:
 - achieve strategy and policy commitments,
 - comply with performance requirements, and
 - address significant risks
 - Set targets of performance that include criteria to enable your organization to monitor performance against objectives

2.4. Establish the action plans and programs to achieve objectives and targets

- Develop plans that define tasks, responsibility and resources to achieve objectives and targets

3. Conduct project due diligence - plan for social responsibility at project level (Related Guidance – [Project Due Diligence](#))

3.1. Understand the requirements and standards of performance that apply to the project

- Identify the applicable requirements and standards of performance including:
 - Laws and regulations
 - International standards
 - Best Management Practice
- Identify stakeholder requirements/expectations related to the project– **(Related Guidance - [Stakeholder](#)**

[Engagement](#))

3.2. Identify the project risks

- Create a list of the various operational and support activities involved in the project and identify the social, environmental and economic impacts of these activities
- Determine what stakeholders may be impacted and how? -
- Conduct an environmental scan to determine what existing (social, political, economic, cultural, and environmental) conditions could contribute to the impact of any mineral exploration activity

3.3. Assess risks

- Determine the significance of the risks identified (**Related Guidance – [Risk Estimation](#)**)
- Evaluate whether the risks can be controlled to an acceptable level and whether the project should proceed (Go-no-go decision) (**Related Guidance – [Risk Evaluation](#)**)
- Define risk control strategies (**Related Guidance – [Risk Control](#)**)

3.4. Establish a Project Plan (Related Guidance – [Project Plan](#))

- Develop a plan to guide the implementation and management of the project and provide the basis for integrating risk control strategies into existing management and operating practices

4. Implement the Plan

4.1. Define the organizational structure for managing the activity

- Develop decision and reporting structure
- Define and document roles, responsibilities and authority
- Appoint a representative of management with the responsibility to implement, provide oversight and report to management on performance

4.2. Budget and make adequate resources to support achievement of performance goals

- Identify and put in place the resource requirements (physical, human and financial) to support management processes

4.3. Identify and put in place human resources to support the processes

- Identify skills and qualifications (competence, education and experience) required for personnel with responsibility for the activity being managed. This includes contract personnel and agents when they are carrying out operational activities on behalf of the organization
- Identify training required by personnel and contractors to enable them to effectively perform their responsibilities

4.4. Conduct training to achieve strategy, policy commitments, and comply with binding requirements, and address significant risks

- Establish programs to meet training needs
- Training should include training in:
 - Communication and understanding of policies and procedures applicable to the activity
 - Context and awareness of the subject matter and situation in which responsibilities are being undertaken. This could include training in: (1) the broad social, cultural and political context in which the activity is being undertaken and the risks and opportunities; (2) situation specific ethical issues; and (3) awareness of community relations, sensitivities and concerns

4.5. Establish networks/ mechanisms to communicate internally

- Processes should be established to enable free flow of information and discussion at and between different levels within the organization on:
 - Performance standards and operational controls
 - Legal requirements
 - Actual performance (what works, what is not working and what can be improved); and
 - Changes to risk

4.6. Establish networks/ mechanisms to communicate externally

- Develop a communication plan
- Communicate externally on performance against commitments and decisions and actions that can impact on affected stakeholders
- Establish a grievance reporting process to: (1) enable the public to submit requests for information or voice complaints or concerns, (2) route the request to the appropriate person, and (3) action and respond to request
- Trend and analyze complaints and inquiries and funnel information on trends back into the: strategy, objectives and targets; performance measures, and communication plan

4.7. Engage with Stakeholders – (Related Guidance - [Stakeholder Engagement](#))

- Identify stakeholders
- Classify stakeholders based on level of impact and influence
- Design engagement activities for stakeholder groups commensurate with classification of impact and influence (examples: advisory committees, town halls, open houses, net serves, personal contact, etc.)
- Conduct engagement activities
- Collect and analyze input and issues and funnel into strategy, objectives and targets, or non-conformance and preventive action as appropriate

4.8. Put in place control measures that provide reasonable assurance that activities will achieve the defined objectives and performance standards

- Establish documented procedures (**Related Guidance:** [Operating Procedures](#)) for activities associated with
 - commitments,
 - binding requirements, and
 - high-risk issues/activities
- Controls other than document procedures that explorers can consider include:
 - Periodic reviews of high risk activities (For example establishing ongoing performance checks of contractors or agents in jurisdictions with high corruption)
 - Checkpoints during the process where personnel assess and make determinations about whether to continue, take corrective action, or stop work

4.9. Establish mechanisms for data and document control

- Control how policies and procedures are developed, approved, reviewed and communicated. Establish controls to ensure that current copies are accessible and obsolete copies are removed from circulation
- Control how records are managed, stored and retrieved (Design for on-line and hard copy record keeping system)

- Archive and back up procedures for computer systems

4.10. Prepare to respond to emergencies

- Identify potential emergency situations as part of project due diligence
- Establish emergency response and contingency plans to deal with situations identified
- Train personnel in emergency and contingency procedures
- Periodically test your preparedness to deal with emergencies. Learn from emergencies by conducting post mortems

5. Monitor and Take Action to Improve Performance

5.1. Establish monitoring programs and procedures

- Monitor:
 - performance with objectives and targets,
 - compliance with legal requirements, company procedures, project plans, and
 - performance of risk management processes
- Criteria

5.2. Analyze monitoring results

- Identify trends and areas requiring improvement
- Identify areas of non-conformance with performance standards

5.3. Establish mechanisms for incident and issue reporting, investigation and tracking. (Related Guidance: [Grievance and Issue Reporting](#))

- Establish internal and external issue/ incident reporting mechanisms for:
 - incidents or concerns related to ethical conduct, human rights and other social responsibility commitments
 - outcomes and process deliverables that do not conform with requirements,
 - situations that impact the effectiveness of management processes, and
 - opportunities for improving management processes and outcomes
- **Respond** - Take immediate action to correct and mitigate any impacts
- **Investigate** - review and analyze the root cause of reported issues and
- **Prevent** - identify and implement actions to prevent issues from recurring
- Verify completion and effectiveness of corrective and preventive action
- Analyze issues and identify opportunities for improvement

5.4. Periodically verify performance (through internal or external audit) (Related Guidance: [Verification](#))

- Verify:
 - Compliance with legal requirements, company procedures, project plans, and
 - Ability and effectiveness of management processes to achieve objectives and commitments to stakeholders

5.5. Establish a performance review process conducted by senior management

- The management review process should consider:
 - Whether the management processes are effective and functioning as intended and what if any changes are required to improve performance; and
 - Changes if any required to policy commitments and standards of performance based on changing

circumstances and feedback from stakeholders

- Management review should be supported by sufficient information on the performance of the management system to enable meaningful evaluation and assessment effectiveness
- Use the compiled information to conduct the review
- Document and communicate results of the management review
- Define action plans including responsibility resources and timelines for acting on the results of the management review

6. Report

6.1. Report to Stakeholders (Related Guidance: [Social Responsibility Reporting](#))

- Establish reporting mechanisms based on stakeholder audiences and their needs;
- Define criteria to report performance

1.5 Management Review

Introduction

Every organization understands the importance of ongoing management review of financial performance to assess whether objectives, budgets, operating plans and forecasts are achieving financial goals and delivering on commitments made to owners and shareholders. They also recognize that being able to anticipate and respond to change is critical to financial success.

A similar review is critical for all other areas where the organization has set performance commitments, such as health and safety, the environment and social responsibility.

Key Terms

management review is a periodic review of performance, conducted by upper management: to assess the effectiveness, suitability and continued adequacy of plans and processes; to define actions to improve performance; and to adapt plans and processes to changing circumstances.

Key Reference Sources

1.5.1 What Is a Management Review?

A management review is a diagnostic and a strategic review of plans and processes by top management with the goal of improving performance and responding to changing risks and opportunities.

As a diagnostic activity, the management review should answer the questions: How are we performing? Does our performance meet applicable requirements standards? Are our processes and plans effective? Do they achieve our business objectives? Are existing plans and processes adequate in the face of changing business objectives, project and program risks, performance requirements and stakeholder expectations? As a strategic activity, it should identify the actions that should be taken to improve performance and to respond to changes in risk and opportunities.

Management review is not a meeting; although it typically involves meetings by management, it is a process of informed decision-making. To be effective as a diagnostic and strategic process, management review depends on complete and accurate information and mechanisms to translate decisions into action.

Management review relies on information from monitoring and measurement, audits and other performance assessments, community engagement and grievance processes, to provide input for informed decision-making (see Figure 1 as well as e3 Plus guidance on [Monitoring and Evaluation](#)).

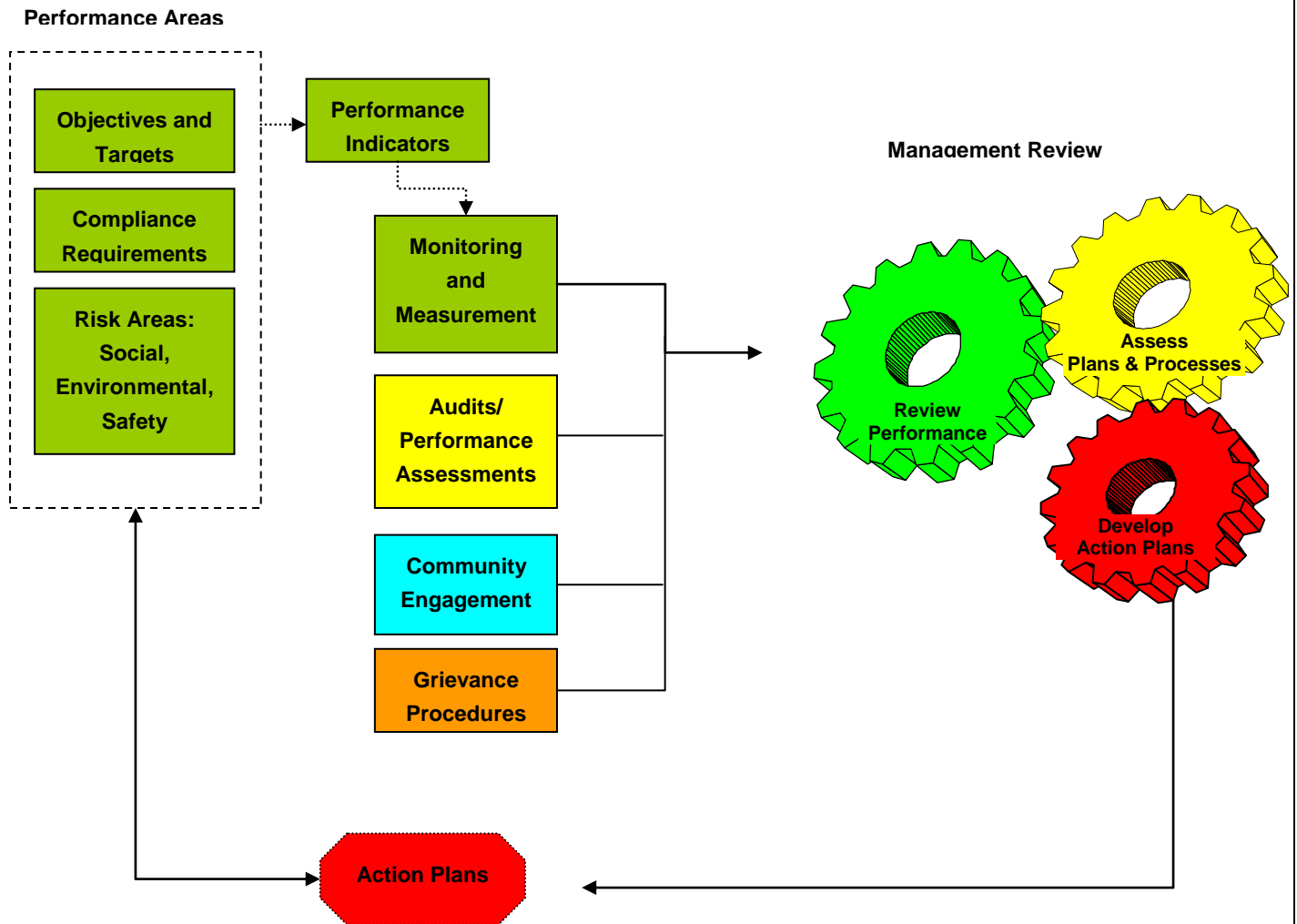


Figure 1: Performance Information for Management Review

1.5.2 Recommended Practices

Integrate management review into existing business and operations meetings. A management review of health and safety, environmental or social responsibility performance does not have to be its own stand-alone special process. It makes sense to integrate it into regular operations meetings. Setting up special separate meetings makes more work and often fails, because it is difficult to muster the participation of senior personnel who are always stretched for time.

The advantage of integrating management review into existing meetings is that environmental, social and safety performance becomes ingrained as part of doing business. The review of environmental, social or safety performance should be looked at in context of the organization's overall business plans and goals. Those goals should not be reviewed in isolation, as separate

programs or bolted-on initiatives. In this way, decision-making for these areas will become part of the organizational culture and integrated into the overall management and strategy.

Establish a standing agenda for the management review. A standing agenda will assist you to focus the discussion on the key performance areas and promote consistency in the process. An outline of a standing agenda is presented as Table X at the end of this section.

Provide adequate data for informed decision-making. Informed decision-making is based on adequate and complete information, both about actual performance as well as the changing risks and opportunities the organization faces. Responsibility for collecting and disseminating information to support the management review should be clearly defined. Information should be material to the decisions that need to be made and sufficient to support an informed decision. Information should be succinct, so that key information does not get lost in the detail. Information should be provided to participants sufficiently in advance of the management review to enable them to digest and think through the issues. The typical data that would be useful in a management review is included in the standing agenda Table X Standard Management Review Agenda at the end of this section.

Keep management reviews succinct and conduct them frequently. There is no need for long, drawn out reviews. More regular and focused reviews will maintain management focus. It is better to cover fewer topics in depth and establish action plans that can be practically implemented with the resources available to your organization.

The frequency with which management reviews should take place depends on the following: (1) the maturity of the system and processes; (2) the complexity of the issues and risks you face as an organization; (3) the stability of the system and the operating environment; and (4) the degree to which top management is involved in day-to-day operations. Less frequent review is required in smaller organizations where top management is involved extensively in day-to-day operations or in situations where systems and processes are mature and proven. However, if processes are new, if performance does not achieve planned requirements or if the organization operates in a volatile, high risk environment more frequent management reviews are likely necessary.

Involve personnel at both operational and top management levels. Operational personnel bring the right information and knowledge about the processes and challenges and top management can make decisions about the organization and its resources. Management review should be treated as a learning experience for both levels. Management should learn about the

scope of issues and performance challenges the organization faces and that need to be addressed. Operational personnel should learn about the strategic direction and business objectives of the organization. In this way, both levels assume ownership and accountability for improved performance. Consider telephone and web conferencing when it is not possible or cost effective to meet in person. This enables personnel who are in different locations and are responsible for key performance areas to participate remotely.

In many junior companies, most professional field people are contractors who have a looser attachment to the company than a normal employee would have. However, these contract professionals are the face, arms and hands of the company in the field. In some cases, the contract professional may be working for more than one exploration company during the year and these companies may have completely different operational methods. As a result, getting the buy-in from a contract professional to participate in a management review process may be more difficult. When engaging contract professionals, explorers should:

- make it a requirement of the terms of engagement that the professional participate and provide input into management review;
- set up a process to debrief professionals regularly during work assignments so that, if they cannot participate directly in the management review, their insights can be captured and incorporated into the management review.

Use management review to assess how you can improve the effectiveness of your plans and processes. Questions to consider include:

- Are we meeting our regulatory obligations and standards of best management practice?
- Are roles and responsibilities clear and do they make sense?
- Do we have the necessary resources and are we applying resources appropriately?
- Are the procedures and processes clear and adequate? Do we need others? Should we eliminate some?
- Are we engaging appropriately with stakeholders?
- How effective are our measurement and assessment systems?
- Is there a better way? What else can we do to improve?

Use management review to assess how changing circumstances influence your plans, process and objectives. Changing circumstances might be internal to your operations (such as new personnel, new areas of operation, financial constraints) or they might be external factors (such as new laws, new international standards or norms, new stakeholder expectations, changes in political or social risks). Questions for you to

consider include:

- Are there new internal constraints that impact our ability to meet our commitments?
- Have our business objectives changed?
- What stakeholder concerns/opportunities have arisen since the last review?
- Are there changes to laws or regulations, international norms or best management practices that impact or performance?
- Are there changes in the social and political risks in the areas in which we operate?
- Are there any new risks associated with the actions of our partners, agents, suppliers or contractors?
- Are our policies, commitment and performance objectives still relevant to what we do?
- Do changes require us to change some of our approaches?

Develop action plans and follow through. Translating decision-making into results requires processes to develop and execute on action plans. Make sure that someone records what issues were discussed, what decisions were made and what solutions were selected during management review.

Document the actions that need to be taken to implement the solutions chosen. Milestones for progress and completion of action steps should be set, responsibilities and accountability should be clearly assigned and the resources required to complete the tasks should be defined. Ensure that there is follow-up after documenting the action items, so that action items are tracked to completion. Reviewing the adequacy and progress of action items from previous management reviews should be a standing item of every management review.

Table 2: Standard Management Review Agenda

Agenda Topic	Information and Data Required
<p>1. Review of progress and closure of actions from the previous meeting</p>	<ul style="list-style-type: none"> • Action item tracking sheet, updated with status of actions, description of any problems encountered and any proposed changes to action items.
<p>2. Review performance for the period under review</p>	<ul style="list-style-type: none"> • Summary of progress towards objectives and targets. • Status of compliance with laws, regulations or company policies. • Performance related to areas of significant impact or high risk activities (from Project Plans).

<p>3. Identify changing risks and opportunities</p>	<ul style="list-style-type: none"> • Summaries of any safety, environmental and social incidents that occurred during the period. The summaries should provide: <ul style="list-style-type: none"> ○ brief outline of the incident; ○ identification of the root or underlying causes; and ○ any corrective action taken. • Summary of any key issues raised through internal or external grievance procedures. • Summary of any key issues identified during community engagement activities. • Results of audits or other performance assessments that may have occurred during the period. • Feedback from operational personnel. • Any significant changes in the political and social context in which operating activities are taking place or proposed. • Changes or proposed changes to laws and regulations. • Changes or proposed changes to international norms, industry standards, or best management practice. • Changes or trends in community expectations and broader societal expectations (e.g., feedback from NGOs, government agencies, industry associations).
<p>4. Assess the effectiveness, suitability and continued adequacy of plans and processes, including project plans</p>	<p>Evaluation and Analysis</p> <p>Based on the trends and issues that flow out of the performance review and the changing risks and opportunities:</p> <ul style="list-style-type: none"> • Identify any corrective and preventive actions that are required to improve performance and avoid future problems. Confirm those already taken. • Determine the need for changes to management processes, objectives and targets, project plans, etc. • Review commitments and policies, to ensure that they still meet the requirements of the organisation. • Define requirements for training and communication as a result of proposed changes.
<p>5. Establish action plans to improve performance</p>	<ul style="list-style-type: none"> • Define the specific tasks that need to be taken. • Establish the timeframe for completion. • Determine the resources required. • Assign responsibility for tasks and tracking progress with completion target dates.

1.6 Grievance and Complaints Mechanisms

Introduction

To achieve compliance with their commitment to the Responsible Exploration Framework, explorers need to provide mechanisms through which internal and external parties feel encouraged to come forward with concerns or grievances without fear or risk of reprisal. Internal parties include employees, business partners, suppliers, contractors and agents. External parties include members of the local community and the general public.

Grievance or complaints procedures function both as an effective early warning system and a dispute resolution process. They can help your company to identify and address many areas of risk, including:

- fraud, bribery, conflict of interest, and other forms of ethical misconduct;
- human rights abuses;
- safety hazards; and
- risks to the environment.

Establishing such procedures can:

- give you an opportunity to correct the immediate problem and prevent future problems;
- help you identify and address risks before they become liabilities, for example by addressing allegations of corruption and human rights abuse;
- establish good will and enhance your company's reputation;
- prevent community concerns from escalating into resistance;
- build the confidence of internal and external stakeholders; and
- demonstrate your company's commitment.

1.6.1 What Is a Grievance Procedure?

A grievance procedure is a standardized set of steps to follow to achieve resolution of a complaint or a problem. There are two types of grievance processes.

The first type of process can be characterized as an early warning system that is designed to handle problems or concerns reported by parties internal to the organization (typically an employee). In the early warning system, parties (typically employees) may raise concerns about a danger, illegality or wrongdoing within the organization that has the potential to harm the organization or harm others. Whistleblowing procedures are examples of this

Key Terms

grievance is an issue, concern, problem or claim (perceived or actual) that an individual or community group wants a company or contractor to address and resolve. [IFC Guide to Designing and Implementing Grievance Mechanisms for Development Projects](#)

grievance procedure is a standardized set of procedures to follow when someone has a complaint or a problem

whistleblowing is when an employee or worker reports wrongdoing within an organization to internal or external parties. Internal whistleblowing entails reporting the information to a source within the organization. External whistleblowing occurs when the whistleblower takes the information outside the organization, such as to the media or regulators.

type of grievance procedure.

The second type is a dispute resolution process. It is designed to deal with situations where the person making the complaint is directly aggrieved and expects some form of redress. Typically, this begins with a step that provides for some form of self-management of the complaint by those immediately involved, with escalation to higher levels of management or others in the event that lower-level resolution does not work. There is also an alternative procedure, to be used if several successive attempts at resolution have failed. Typically this involves some form of externally facilitated negotiation or resolution, such as arbitration.

Most grievances involving a dispute can be resolved quickly at the self-management stage, by correcting a misunderstanding or with a simple negotiation. In this case, the grievance procedure saves time, money and the relationship between the parties. Having the issue handled by those immediately involved is also a benefit, as they often know more about the problem at hand and may have an existing relationship with the concerned parties.

The exact design and scale of grievance procedures need to be tailored to the subject matter and the audience or users of the procedure. For example, mechanisms that will be effective in encouraging employees to report on and seek advice on ethical issues may not be appropriate for external parties, such as members of a local indigenous community. The formality of procedures will also depend on the subject area covered, the target audience and the size of the organization and its operations. For example, a process set up to solicit concerns from the local community related to potential abuses from security forces would likely require more formality than one related to general community complaints related to noise, traffic or dust. Explorers will require procedures that serve as early warning systems, provide dispute resolution and accommodate different levels of formality, depending on the subject matter and the situation of the concerned parties.

Explorers may have to establish a number of different processes to ensure that they are informed and responsive to potential risks. The following types of procedures should be considered:

- Internal whistleblowing procedure to encourage reporting related to: adherence to the Code of Ethics (bribery, corruption, conflict of interest, fraud, etc.) and conformance to your organization's policies and commitments to human rights, safety and the environment. The whistleblower procedure should cover individuals within the organization as well as external parties who conduct business with the organization. Many exploration companies rely on contractors, casual

Key Reference Sources

[Rights-Compatible Grievance Mechanisms: A Guidance Tool For Companies and Their Stakeholders](#), Corporate Social Responsibility Initiative, John F. Kennedy School of Government, Harvard University, January 2008. This reference provides comprehensive guidance for designing rights-compatible, dialogue-based grievance mechanisms at the operational level between companies and communities.

[Policy Guide & Template Whistleblowing](#), *People In Aid*, Created December 2002, Revised in 2008. This policy guide was developed for international aid agencies, but provides a quick, easy and useful reference source for explorers on internal whistleblowing or wrongdoing policy.

[IFC Guide to Designing and Implementing Grievance Mechanisms for Development Projects](#), IFC 2008. This guide consolidates knowledge and lessons regarding grievance resolution from various sources.

labour, agents and business partners to conduct operational activities and business negotiations on their behalf. These are parties that are external to the organization but to which such procedures should apply.

- Procedures to enable local communities, affected individuals or representatives acting on their behalf to report concerns related to the impact of exploration activities or actions of company personnel or those of agents and contractors working on the company's behalf .
- Special grievance procedures should be established for situations where the company contracts private firms or state personnel to provide security services.

1.6.2 Recommended Practices

While different processes with different levels of formality may be required, depending on the audience and subject area, there are some standard elements of a good grievance or complaints procedure. The procedure should:

- encourage the target audience to raise concerns;
- clearly state what kinds of problems and complaints it covers;
- use language that is easily understood;
- be accessible internally and externally;
- be developed in a culturally sensitive manner, considering the languages and customs of those who will be using the system;
- outline the different options available to the person reporting the concern (self-management, informal, formal, external);
- provide examples of the types of outcomes available through the procedure and set out the steps involved in each of the options;
- provide time frames for completing each step, if possible;
- define the principles of natural justice for dispute resolution, explain how they apply and provide information on an appeal system;
- define the process for maintaining confidentiality;
- state what types of documentation are required, how documentation will be stored and who will have access to it;
- outline a process for raising concerns about victimization;
- provide contact details for relevant people within and outside the organization who can provide information and assistance;
- include provision for regular review of the procedure; and
- describe how concerns will be investigated once received and whether and how the person reporting should expect to receive any feedback.

Two examples of a grievance procedure are provided at the end of this section.

One is a whistleblowing procedure for receiving and responding to internal concerns of wrongdoing; the other is a procedure to respond to and resolve concerns or complaints from members of local communities. These procedures are only designed to provide explorers with some ideas of where to start in developing grievance processes. Care should be taken to adapt and tailor them to the specific needs of the organization.

Grievance procedures do not necessarily have to be formal or elaborate. For small companies, internal whistleblowing procedures may consist of a few lines in an employee manual or the designation of a single point person to deal with problems as they develop. Procedures to respond and resolve complaints from communities typically require more formality, to provide greater awareness and certainty of the process for community members.

1.6.3 Other Considerations for Explorers

Training: Explorers should train the persons responsible for dealing with internal and external grievances, to ensure that matters brought to their attention are resolved in accordance with specified procedures, in a way which will provide meaningful resolution of those matters. Such training is particularly important in smaller organizations, where supervisors likely will have the primary responsibility for dealing with grievances and where the organization likely will not have support functions, such as human resources, environmental or community relations. Explorers may wish to consider bringing in an outside expert in grievance management to conduct the training. In all cases, through a combination of training and experience, the person responsible for receiving and handling grievances should be able to demonstrate:

- awareness and sensitivity to the cultural and social context of the operation and capacity to handle a grievance in a culturally appropriate manner;
- understanding of the sensitivities and impediments to reporting complaints by employees, contractors or members of the community; and
- knowledge and awareness of the issues that may be reported (e.g., corruption, fraud, discrimination).

Employees, contractors, agents and business partners should be trained on internal whistleblowing procedures and community grievance procedures. Training on internal whistleblowing procedures should emphasize the importance of reporting concerns immediately, unless there are reasonable grounds to believe that it would endanger their own or another person's personal safety. Training on community grievance procedures should emphasize respect for the concerns of the community and the importance of

immediately elevating any complaints they receive to the company's attention.

Employee training can be provided internally or by an outside party. Employees also can be informed through employee handbooks or information can be posted throughout the company and on Intranet sites.

Contractors and agents should be briefed on procedures as part of engagement processes. Explorers should require contractors and agents to demonstrate that they have communicated grievance procedures to their employees.

Provide alternatives: Informal procedures are effective in small organizations, enabling parties to report concerns directly to line manager who can most readily act on them. However, explorers should specify alternative avenues for parties to register concerns within the organization where they do not wish to approach the immediate line manager. Alternative avenues can include a telephone hotline or a designated manager or officer reporting to the most senior person in the organization. For grievance procedures for local communities, explorers may wish to consider using a party external to the company, such as a respected member of the community, respected NGO working in the area or a community liaison committee.

Publicize procedures: Having procedures in place is only effective if they are used. Explorers should publicize the complaint mechanism using methods that will reach the target audience. This will be much easier for internal than external stakeholders.

When engaging with indigenous and local communities, explorers will need to consult on the most appropriate methods for listening to, documenting and responding to complaints and concerns. Vulnerable groups, such as children or women, may not have access to mechanisms to report their concerns. By creating a climate of open communication, supported by a clear procedure for dealing with concerns, companies can help to build trust, reduce opportunities for misconduct and ensure that concerns are dealt with expeditiously.

Upper management, including the CEO, should encourage whistleblowing by employees, agents and contractors and demonstrate receptiveness to public concern. A commitment to whistleblowing should be communicated to and by line managers at all levels. Top management should make efforts in memos, newsletters and speeches to talk about the organization's commitment to ethical behavior and responding to concerns. To create a culture of openness and honesty, it is important that internal and external stakeholders hear about the policy regularly. Publicly acknowledging and rewarding employees who report wrongdoing or raise concerns is one way to send the message that management is serious about addressing issues before they become endemic. Similarly, responding promptly and transparently to complaints from the

community reinforces confidence in the company's commitment to resolving community concerns.

Confidentiality: Confidential and anonymous reporting should be permitted. Confidentiality is important, because it creates an atmosphere where persons can feel safe about submitting their names with their claims, thereby enabling access to further information to aid any future investigation. By their nature, anonymous claims are more difficult to investigate. Consider establishing hotlines, anonymous voicemail and anonymous e-mail or secure suggestion drop boxes to facilitate the complaint process.

Explorers should disclose the identity of the complainant only if the complainant agrees to such disclosure. Explorers should use all reasonable efforts to keep reports confidential.

Safety and discrimination: Person(s) making reports in good faith should be assured that they will not suffer any adverse discrimination as a result. Explorers should take all reasonable steps to protect the identity and safety of any individual who has made a report in good faith. The safety and confidentiality of such persons will be particularly important in locations where there are concerns of security, inter-group tension and discrimination or evidence of institutionalized human rights abuse.

Responsibility: The person(s) responsible for dealing with complaints should be assigned the responsibility and authority to:

- ensure that concerns raised are taken seriously;
- investigate thoroughly and make an objective assessment of the concerns;
- keep the complainant advised of progress; and
- ensure that the action necessary to resolve a concern is taken.

This does not require a specialist or person who is solely dedicated to this function. Delegate the responsibilities to your operations level managers, but train them first and give them the skills and authority to make people decisions. Good field supervisors are the eyes, hands and ears of the organization. However, if they are not properly trained, they can expose the organization to morale problems and exacerbate disputes with the community.

Senior management involvement: A director should be appointed to take ultimate responsibility for investigating and dealing with any serious allegation of misconduct, such as a report of bribery, fraud or violation of human rights, and ensuring that the individual who made the report is properly protected and does not suffer any adverse discrimination.

Larger organizations should consider appointing a compliance officer that reports to the Board of Directors. Trends in complaints and the grievance procedures themselves should be reviewed periodically by the Board or, where in place, the audit committee of the Board.

Documentation: Concerns should be recorded in writing and kept for as long as may be necessary. Concerns may indicate violations of laws and regulations. Procedures should be in place for seeking legal advice and ensuring information is available in the event criminal proceedings.

Follow-up: Explorers should keep the individual who made the original report informed of the action being taken, to the extent that this information does not prejudice any investigation or endanger the safety of the employee or any other person. Silence and perceived inaction will generate cynicism about the seriousness of an organization's commitment and will damage the trust-building process

Monitoring: Complaints should be reviewed regularly and trends should be identified. In addition to addressing immediate concerns, explorers should use information from grievance processes to review controls within the organization and identify areas that may need improvement.

Transparency: While respecting the confidentiality of sources, investigations and dialogue with complainants, companies should report regularly on the number and type of concerns that have been raised and the actions taken to resolve them.

Transparency is particularly important for community complaints processes. In these cases, reporting to an established community or stakeholder committee can be an effective way to provide transparency and also provides a vehicle to discuss recurring issues and identify actions to resolve them.

1.6.4 Sample Whistleblowing Procedure

Explorer Co. Wrongdoing Reporting Procedure

1. Introduction and Purpose

1.1 Explorer Co. believes that open communication throughout the organization and with our contractors, agents and others who work for or on our behalf promotes better operating practices.

1.2 It is our commitment to conduct ourselves with honesty and with integrity at all times. Explorer Co.'s policies (e.g., Code of Ethics, Environmental policy, Social Responsibility policy) require Directors, Officers, employees, and contractors, agents and others who work for Explorer Co. on our projects to:

- comply with all applicable laws and regulations;
- respect human rights;
- protect the environment;
- maintain a healthy and safe working environment; and
- observe high standards of business and personal ethics in the conduct of our duties and responsibilities.

1.3 All organizations face the risk of wrongdoing within their organizations. We believe we have a duty to take appropriate measures to identify such situations and attempt to remedy them.

This procedure is intended to:

- encourage anyone working for or on behalf of Explorer Co. to raise genuine concerns about wrongdoing without fear of reprisal; and
- identify issues of potential wrongdoing at an early stage so that corrective and preventive action can be taken in a timely and appropriate manner.

2. Scope

2.1 This procedure applies in all cases where there is a genuine concern of wrongdoing, regardless of the jurisdiction.

2.2 This procedure applies to anyone working for or acting of behalf of Explorer Co. on a project or activity; this includes Directors, Officers, regular and casual employees, contractors and their employees, agents and business partners.

2.3 Wrongdoing includes, but is not limited to, actions that could lead to:

- breaches of legal obligations (laws and regulations, permits and licenses, negligence, breach of contract);
- breaches of the Code of Ethics (fraud, corruption and conflict of interest);
- health and safety hazards;
- failure to respect human rights;
- incorrect financial reporting;
- damage to the environment; and
- the concealment of any of the above.

3. Responsibilities

3.1 Overall authority for this procedure sits with _____.

(Note: This should be a senior person within the company who has the ability to take action and manage the process.)

3.2 Managers and Field Supervisors have primary responsibility to promote the effective implementation and application of this procedure and to ensure that anyone working for or on behalf of Explorer Co. on any project or activity:

- understands their responsibility to raise concerns; and
- is capable of and feels able to raise concerns without fear of reprisals.

3.3 Anyone working for or acting of behalf of Explorer Co. on a project or activity is responsible for taking steps to disclose any wrongdoing of which they become aware.

4. Safeguards

Good Faith Reporting

4.1 Anyone reporting wrongdoing must be acting in good faith and have reasonable grounds for believing the information and should exercise due care to ensure the accuracy of the information disclosed.

4.2 If an individual makes an allegation of wrongdoing in good faith and the allegation is not confirmed by subsequent investigations, no action will be taken against the individual.

4.3 Disciplinary action may be taken against the individual making an allegation, however, if that individual makes an allegation frivolously, or maliciously raises a matter they know to be untrue or without reasonable grounds or the individual making the allegation is involved in any way in the malpractice.

Protection

4.4 Explorer Co. will treat all disclosures of wrongdoing seriously and ensure anyone who raises a concern in good faith is protected against harassment, retaliation or adverse employment consequences.

4.5 Any representative of Explorer Co. who retaliates against someone who has reported a violation in good faith is subject to discipline, up to and including termination of employment or removal from the Board.

5. Confidentiality

5.1 Every effort will be made to keep confidential the identity of anyone reporting a wrongdoing.

5.2 In order not to jeopardize the investigation, anyone reporting wrongdoing also will be expected to keep the report confidential.

5.3 There may be circumstances in which, because of the nature of the investigation or disclosure, it will be necessary to disclose the identity of the complainant. This may occur in connection with associated disciplinary or legal investigations or proceedings. In these circumstances, the implications for confidentiality will be discussed with the complainant.

6. Procedure for Raising a Concern

6.1 Explorer Co. has an open door policy and encourages employees and others working for or on our behalf to raise questions, concerns, suggestions or complaints related to wrongdoing with someone who can address them properly. In most cases this will be the _____ (Note: This should be someone in the supervisory role closest to the operating activity). This is the best position to address an area of concern.

6.2 However, if the complainant is not comfortable speaking with the supervisor or not satisfied with the supervisors' response, the complainant is encouraged to speak with the _____ (the senior person responsible for the procedure or someone within the organization assigned responsibility for receiving and investigating reports) or anyone in management whom the complainant is comfortable approaching.

6.3 If the complainant is not comfortable speaking with an Explorer Co. manager or supervisor, the complainant can send an e-mail to _____ by clicking here or call the hotline at _____.

6.4 A concern may be reported on a confidential basis or may be submitted anonymously. However, complainants who wish to remain anonymous should be aware that anonymous reports are more difficult to act upon, since there may be little evidence upon which to initiate an investigation and the investigator cannot obtain further information from the complainant. It is also difficult to ascertain whether the disclosure was made in good faith.

6.5 A concern may be reported verbally or in writing. The complainant should provide full details of the concern and, if possible, supporting evidence. The complainant should disclose any personal interest in the matter.

6.6 This procedure is not intended to replace the Grievance Procedure, which continues to be the appropriate way to raise personal issues relating to a complainant's specific job or employment.

7. How Reports of Wrongdoing Are Handled

7.1 All reports will be taken seriously and will be promptly investigated. Investigations will commence within _____ business days.

7.2 A manager and investigator will be assigned to handle the matter. Both the manager and investigator will be independent of and will have had no previous involvement in the matter. This manager will be someone who has the authority to take the necessary action, based on the outcome of the investigation

7.3 An initial assessment will be conducted to determine whether an investigation is appropriate and the scope and form of investigation that should take place.

7.4 The length and scope of the investigation will depend on the subject matter of the concern.

7.5 For some concerns, it may be more appropriate for the manager to take a more informal approach to dealing with the matter without need for an investigation. This may occur where there is not sufficient evidence of wrongdoing or the actions of the individual(s) are not serious enough to warrant disciplinary action,

7.6 The complainant may be asked to provide more information during the course of the investigation.

7.7 Part of the goal of the investigation is to provide recommendations on corrective and preventive actions that should be taken.

7.8 Where, as a result of investigation, a wrongdoing is confirmed, appropriate action will be taken, including:

- initiating a disciplinary process, or informing external authorities if a criminal action has been committed (e.g., fraud or theft);
- to the extent possible, redressing or mitigating the consequences of any wrongdoing; and
- preventing the risk of the recurrence.

8. Communications with the Complainant

8.1 The complainant will receive the following information:

- acknowledgement that the complaint was received;
- how the matter will be dealt with;
- estimated time for final response;
- status of the investigation process; and
- subject to legal constraints, information of the outcome of the investigation.

8.2 If a complainant is not satisfied with the actions taken in response to a report of wrongdoing, the complainant should raise the matter with the _____, outlining the reasons for dissatisfaction. If the complainant has asked to remain anonymous, care will be taken to respect this request (see Confidentiality above).

9. Monitoring and Reviewing

9.1 Explorer Co. will maintain a register of complaints received, the results of investigations and the actions taken.

9.2 The register will be reviewed semi-annually to identify trends and used as input into management review process to determine:

- actions required to prevent problems by changing practices at the operating level; and

- changes needed to overall company policies and systems.

1.6.5 Sample Community Complaints Procedure

1. Introduction and Purpose

1.1 Explorer Co. is committed to treating the members of the communities in which we operate with fairness and respect and it is our goal to maintain the trust and confidence of the community. We believe this can only be achieved through open, frank and informative dialogue. Providing a trusted channel for individuals or groups to raise concerns early, openly, on an informed basis and in an atmosphere of respect cannot only help resolve, but also to prevent full-blown disputes or conflicts.

1.2 The purpose of this procedure is to:

- document, investigate and resolve community concerns promptly and effectively;
- provide members of the community with an effective and efficient means of reporting concerns related to our activities and operations;
- provide a clear procedure for dealing with concerns;
- communicate effectively throughout the complaints procedure with a community member reporting a concern; and
- monitor complaints about our activities and use this information to help us review and improve our operations.

2. Scope

2.1 The procedure applies to all:

- jurisdictions in which we carry on business and in all affected communities; affected communities are communities where we carry out operations or that may be impacted by our operations in some way;
- members of affected communities or anyone acting on their behalf;
- complaints related to the impact of Explorer Co. activities and operations on members of affected communities.

3. Responsibilities

3.1 Overall authority for this procedure sits with _____.

(Note: This should be a senior person within the company who has the ability to take action and manage the process)

3.2 Operations Managers (Note: These should be the senior persons in charge of operations in the field) have primary responsibility to promote the effective implementation and application of this procedure and to:

- ensure that anyone working for or on behalf of Explorer Co. on any project or activity understands the importance respecting the concerns of affected communities;
- communicate this procedure to affected communities in their area of operations; communication should be in the local language(s) and appropriate to the social and cultural context of the operating area; and
- Ensure anyone working for or on behalf of Explorer Co. or any member of the affected communities feels able to raise concerns without fear of reprisals.

3.3 Anyone working for or acting of behalf of Explorer Co. on a project or activity is responsible for reporting immediately any complaints they may receive from members of affected communities.

4. How to Report a Complaint

Reporting Methods

4.1 Any member of an affected community may raise a concern by phone, in writing or in person to _____ (Note: This should be the local representative of the Explorer Co. that has most immediate contact with the community).

4.2 However, if complainants are not comfortable speaking with the _____ or are not satisfied with their response, complainants are encouraged to:

- speak with the _____ (the senior person responsible for the procedure or someone within the organization assigned responsibility for receiving and investigating reports) or any representative of Explorer Co. whom the complainant is comfortable approaching;
- send an e-mail to by clicking here; or
- call the hotline at _____.

4.3 Any member of an affected community that has a complaint but is not comfortable raising the matter personally with an Explorer Co. representative, can:

- report the complaint to any member of the Community Stakeholder Committee, who will then submit the concern on the complainant's behalf. (Note: Where a Committee is established, this Committee can function as a forum for receiving complaints and concerns from community members); or
- appoint someone the complainant trusts to raise the concern on the complainant's behalf; this may be another community member or NGO.

Confidentiality

4.4 The person lodging the complaint can do so in confidence. Every effort will be made to keep the complainant's identity confidential. In some cases, in order not to jeopardize the investigation, we also may ask the complainant to keep the report confidential.

4.5 There may be circumstances in which, because of the nature of the investigation or disclosure, it will be necessary to disclose the identity of the complainant. This may occur in connection with associated disciplinary or legal investigations or proceedings. In these circumstances, the implications for confidentiality will be discussed with the complainant.

Protection

9.3 Explorer Co. will ensure anyone who raises a complaint is protected against harassment, retaliation from any representative of Explorer Co.

9.4 Any representative of Explorer Co. who retaliates against someone who has reported a concern is subject to discipline, up to and including termination of employment or removal from the Board.

5. How Complaints Are Handled

5.1 The Explorer Co. representative receiving the complaint shall complete Form 001 – Community Complaints Report, noting: the time and date of complaint; name, address and contact number (if possible) of the complainant; the means of communication; and the nature of the complaint. (Note: This can be a paper form, an on-line form or simply an e-mail with the details. However, there should be some mechanism of logging the concern, tracking its status and documenting the outcome.)

5.2 The complaint will forwarded to _____ (Note: This should be someone at the local level or with contact at the local level (e.g., Project Manager) that can appoint someone to manage and investigate the complaint. However, care has to be taken to ensure that this person is independent of the matter and capable of acting objectively.)

5.3 The _____ (Note: This should be a senior company representative who can escalate action on the concern to mitigate impact and protect the company) should be informed immediately of community concerns of a significant nature. Examples of a significant concern can include:

- allegations of corruption or fraud;
- violations of local laws;
- infringement of human rights;
- damage to environmental or cultural resources; and
- injury to members of the community.

5.4 Explorer Co. will assign a Complaints Manager. The Complaints Manager is a company representative independent of the matter who will investigate the concern, communicate with the complainant and take the necessary action on the outcome of the investigation to resolve the complaint.

5.5 An initial assessment will be conducted to determine whether an investigation is appropriate and the scope and form of investigation that should take place.

5.6 The length and scope of the investigation will depend on the subject matter of the concern. Depending on the complexity and sensitivity of the issues involved, the Complaints Manager may appoint an Investigator to carry out the investigation or seek the assistance of an external neutral party to participate in the investigation.

5.7 The primary goal of the investigation is to ascertain the facts underlying the complaint and provide recommendations on corrective and preventive actions that should be taken to resolve the concerns and provide redress as appropriate.

5.8 The Complainant may be asked to provide more information during the course of the investigation.

5.9 The Complaints Manager will record details of actions taken in Form 001 – Community Complaints Report. Additional pages and reference documentation should be attached to the complaint form as appropriate to ensure that the complaint, background information and resolution is clearly documented.

5.10 Where an investigation identifies wrongdoing by company personnel or anyone acting on behalf of the company, appropriate action will taken, including:

- to the extent possible, redressing or mitigating the consequences of any wrongdoing;
- initiating a disciplinary process or informing external authorities if a criminal action has been committed (e.g., fraud or theft); and
- preventing the risk of recurrence.

5.11 Where an investigation identifies that a complaint is justified Explorer Co. will take prompt and appropriate action to provide redress to members of the community who have been aggrieved by our actions or operations. Redress is about putting things right when they go wrong. Redress needs to be tailored to the circumstances and can involve a variety of responses, such as:

- an explanation and an apology;
- action to ensure the problems do not happen again;
- remedial action to correct the impact or consequences of the activities giving rise to the complaint; or

- in exceptional cases, compensation for damages to those aggrieved by the activities giving rise to the complaint.
- Confidentiality

6. Communications with the Complainant

6.1 Explorer Co. will acknowledge the receipt of a complaint within five working days and respond to the complainant in full within 15 working days.

6.2 Where it is not possible to respond in full within this period, due to the scope of the investigation, the complainant will be informed of that situation within 15 days and every five days thereafter and the performance will be monitored on a regular basis.

6.3 To the greatest extent possible, given the nature and circumstances of the complaint and the preference of the complainant, the Complaints Manager should enter into dialogue with the complainant to better understand the nature of their concerns and identify appropriate actions to resolve the matter.

6.4 When the Complaints Manager is satisfied that they have gained sufficient information through the investigation and have a proposed resolution, they will contact the complainant and inform them of their investigation and any actions taken or to be taken, as appropriate, to resolve the issue.

6.5 The Complaints Manager will provide information that is factual, unbiased and, wherever possible, scientifically based, in an effort to address the concerns to the satisfaction of the complainant.

6.6 If an initial assessment or subsequent investigation of complaint identifies that the complaint is frivolous, vexatious or in some other way entirely inadmissible, this conclusion and the reasons for it should be communicated to the complainant. If the complaint is not withdrawn, the conclusion and its reasons should be disclosed to the Community Stakeholder Committee and, if necessary, the community at large.

6.7 In cases where the complainant continues to be dissatisfied, the complainant will be informed of their right to refer the complaint to the attention of _____.
(Note: This can be a person within the company or it could be someone who can facilitate an alternative dispute resolution process.)

7. Monitoring and Reviewing

7.1 Explorer Co. will maintain a register of complaints received, the results of investigations and the actions taken to resolve complaints.

7.2 The register will be reviewed (monthly) at the operations level and semi-annually across the organization.

7.3 The monthly reviews will be used to:

- provide reports to community residents through the Community Stakeholder Committee;
- identify issues that need to be raised with the Community Stakeholder Committee for discussion and resolution at a community level; and
- identify trends that require actions to prevent problems by changing practices at the operating level.

7.4 The semi-annual review will be used as input into the management review process to identify the need for changes to overall company policies and systems.

1.7 Reporting Performance

Introduction

Explorers should periodically report their environmental, social and safety performance to internal and external stakeholders. The motivation and rationale for reporting performance will vary with the audience; so too will the scope and subject matter of reporting and the methods used to report. However, while the rationale for reporting varies, depending on the audience there are two unifying themes: accountability and transparency. Accountability and transparency are fundamental principles of socially responsible behaviour and keystones of good governance and reputation management.

Responsibility is the obligation to act; accountability is the obligation to answer for an action. Accountability is about explaining what you are doing, why, how and the consequences or results of your decisions and actions. Transparency is about being open and honest to those to whom you are accountable. Accountability depends upon and is driven by transparency.

Why Report?

Performance reporting is the mechanism by which an organization accounts to its stakeholders for its performance in relation to a specific program or activity, in light of agreed upon expectations. The expectations can be explicit – such as those defined in law, a documented agreement or specific performance target. Or, expectations can be implied – such as the social license to operate, given to an explorer by a local community-based on expectations that an explorer will operate responsibly. Expectations may be legally mandated or voluntarily assumed.

Companies report performance to different audiences, based on different obligations and expectations. For example, explorers have a regulatory responsibility to account to regulators, shareholders and investors. They may have contractual expectations to their insurers, lenders or partners. They will have an ethical or social obligation to account to stakeholders impacted by their actions in a significant way, such as a local community living in proximity to their activities. They also will have internal obligations to report to the Board, management and personnel based on operational expectations to improve performance, manage risk and demonstrate due diligence.

Table 1 illustrates the different expectations and rationale for performance reporting in relation to different audiences.

What Should Be Reported?

Information used in performance reporting can be qualitative or quantitative. The type of information reported should be relevant or “material” to the audience to which the reporting is targeted. However, the same information is

Key Terms

audit is a systematic, independent and documented process for obtaining evidence and evaluating it objectively, to determine the extent to which criteria are fulfilled (ISO 19011)

evaluation is an assessment process designed to determine the effectiveness and impact of what was or is being done

monitoring is the day-to-day management task of collecting and reviewing information that reveals how an operation is performing and what, if anything, needs to change to improve performance

verification is an independent review process to confirm or authenticate performance by seeking additional proof.; auditing is the most common form of verification process

likely to be relevant to more than one audience. Table 2 provides an example of how different types of information may be relevant to different audiences. To be effective, performance reporting should be tailored to the needs of the audience, both in the type of information reported and the tone and presentation of the information

In this section, we will provide general guidance on reporting to different audiences. We also will provide a brief introduction to sustainability or social responsibility reports. There is substantial guidance available on how to develop sustainability or social responsibility reports, so this will not be covered in detail in this section. However, references to key internal sources are provided.

1.7.1 Methods of Communicating Performance

If explorers are to spend money and resources on data collection and reporting, those resources should return maximum value, both in terms of meeting company business objectives and satisfying stakeholder expectations. Reporting in itself is not the end goal. Transparency and accountability are the goals and these depend on a commitment to communicate effectively with stakeholders. Explorers should use multiple communication methods and tailor content, format and delivery to the needs of the intended audience. There are several effective methods for communicating performance:

Face-to-Face communications: Information can be presented orally, at regularly scheduled meetings or special events. This includes internal business meetings, public meetings, annual meetings of shareholders, open houses – in essence, any event where information can be presented and discussed.

Annual reports: Many companies now publish print or web-based annual sustainability or social responsibility reports or include reporting on social, environmental and safety performance in their annual financial reports. Annual reports are geared to a broader audience and typically follow a standardized reporting format. Annual financial reports for publically traded companies must meet regulatory disclosure requirements applicable in the jurisdiction in which the company's stock is listed.

Performance publications: Short documents communicating performance can take many forms, including newsletters, internal memos, information circulars, performance report cards, etc. These documents are typically written for a distinct audience, such as management, employees or a local community, and are focused on the specific subject matter or issues of direct relevance to the target audience to which they are directed. .

Web-based communication: Increasingly, performance information is communicated on-line, either through an internal Intranet for employee

audiences or via the Internet for external groups. Social media, such as blogs and Twitter, are other communication tools that are used to reach a broad based audience.

Regulatory reports: Companies also submit reports submit to regulatory agencies to satisfy legal requirements. In some cases, these reports, or at least the data from these reports, can be used to communicate performance to other audiences.

Reports to socially responsible investors: Socially responsible investment (SRI) funds and indexes request and conduct research on company performance related to governance, social, environmental and safety performance.

Advisory panels, liaison committees: Performance information can also be communicated through groups that represent a larger stakeholder audience.

1.7.2 Characteristics of Good Reporting

The content and format of performance reporting should be tailored to the type of information being communicated and the intended audience. Good reporting should be:

Clear: The purpose of the information, the audience to whom it is directed and how the information is intended to be used should be clear. Other desired aspects of clarity are the assumptions and standards of data collection and reporting used.

Understandable and accessible: Information should be presented in a way that is immediately useful, easily understood and consistent with the knowledge and experience of the intended audience. For example, complex graphs and spreadsheets may have little value to a local community or to busy managers that have to decipher the information before they can understand or apply it. However, information about a complex matter that is relevant should not to be omitted simply because it may be too difficult for some users to understand.

Information should be reported to stakeholders in their local languages and easily understandable formats. For example, face-to-face presentations rather than written reports may be the most appropriate method of communicating performance in indigenous and local communities that have a strong oral tradition.

Timely: Information should reflect current conditions and be reported within a reasonable timeframe so that the intended audience can take appropriate action.

Consistent and comparable: Reporting should contain a core of information that is consistent and comparable, so that the intended audience can assess

progress over time and ideally compare performance with other similar organizations. Attention should be given to ensuring that reported information is also consistent with other company or organizational disclosures.

Complete: Reports should provide sufficient coverage of issues to enable stakeholders to draw their own conclusions about a company's performance.

Accurate: Information should be free from error and material misstatement. It should give a true, complete and balanced view of the actual situation and faithfully reflect activities and processes.

Contextualized: Information should be presented in context so that proper analysis can be made as to the significance of the information. For example, the creation of five full-time equivalent jobs may be insignificant in an urban setting but very significant in a small rural community. Provide an overview of the business activities and operating environment to contextualize the reporting for the audience.

Balanced: Information should present a balanced perspective of actual performance without bias in selection and presentation of data. Include successes as well as problem areas or poor performance. Do not gloss over negative impacts. Where there is deviation from plans and commitments, explain why deviations are taking place and where and how improvements will be made.

Responsive: Performance reporting should provide information that responds to the actual stakeholder expectations and not what the organization would like its stakeholders to know or "thinks" they want to know. This means that there needs to be dialogue with different stakeholders to enable the organization to understand what stakeholders want to know and how they want information to be communicated. Provide a contact point at the company that can respond to further questions and clarify anything that remains unclear.

Reliable and verifiable: Information should be reliable and verifiable. This means that the information is collected, recorded, compiled, analyzed, and disclosed in a manner that would enable an independent person to trace the information and confirm its reliability. The quality of information can only be confirmed if the processes, procedures and assumptions used in preparing the information are transparent.

Relevant and material: Information is relevant when it meets the needs of users in forming an opinion or making a decision. Information should help users to evaluate past, present or future performance or confirm or correct their evaluation of performance. Information is material when it focuses on issues of significance to the performance of the organization that could influence users' decisions or actions. See also discussion on materiality in the guidance on [Boundaries of Responsibility](#).

1.7.3 Getting Started

Performance Reporting and [Monitoring and Measurement](#) are interdependent activities and should be designed and developed together. The following are steps that explorers should consider in developing their reporting framework:

- Develop and maintain a register of commitments your organization has made and to whom. Tracking progress against these commitments should be a core component of your monitoring program. You should be prepared to report on the actions you have taken, the results achieved and, where there are any material changes to commitments or implementation, what those changes are and why they were made.
- Compliance with regulatory requirements is another core component of monitoring performance and accountability. Identify the information that you are required to make public as a result of the laws, regulations and contracts with which you must abide. Develop and maintain a register of this information, including the scope and frequency of reporting required.
- Engage with stakeholders to understand what information they are interested in receiving and how they would like information communicated. Stakeholder needs can be identified in a range of ways, including advisory panels, opinion surveys, soliciting feedback during workshops and meetings on specific issues, providing feedback forms in published reports or on company websites to encourage stakeholder input.
- Use a table similar to Table 2 to map out what information needs to be reported, to which stakeholders, by what method and how frequently. Some information and methods will apply to multiple stakeholders. The following questions may help you develop the reporting map:
 - Who are your key stakeholders and audiences for receiving information?
 - What are your objectives in reporting performance to each audience?
 - What are their expectations of performance, accountability and transparency?
 - Which of these expectations is material to your organization?
 - What is the current relationship your organization has with each audience? How do you want reporting and transparency to contribute to that relationship?
- Analyze the risks and opportunities of reporting performance information to the different stakeholders identified and develop

strategies for maximizing the opportunities and addressing the risks. Consider the following:

- What information should not be disclosed, to protect your competitive position and proprietary knowledge, or to conform to confidentiality agreements or other contractual requirements?
 - Do you have the existing systems and resources to collect and report meaningful quality information?
 - What challenges might you face as a result of the different cultural and legal standards in the jurisdictions in which you operate?
 - How can you use transparency to improve your competitive position?
 - What conflicts have arisen or may arise as a result of greater openness and transparency with stakeholders?
- Mobilize the resources to report performance. Resources are a major operational constraint for all sizes and types of organizations, but particularly for small exploration companies. The greatest expenditure of resources actually occurs in the data collection and analysis that is part of monitoring performance. By mapping the type of information you need to report and to which audiences, you can define the best method(s) to reach the greatest number of audiences with the same types of information.
 - Organizations face ever increasing demands for information from their stakeholders. You may be overwhelmed by the information you are required to collect and report, but your stakeholders likely are equally overwhelmed by the information they have to absorb. Set priorities, in terms of what you report, to whom and the reporting methods. Work with your stakeholders to identify the information that is most critical to them and the best way to present it. Leverage information that you are already collecting or that is already available (i.e., on a website or elsewhere). In many cases, the difference in reporting to different audiences is not what information you report but how it is reported.
 - Determine when and where to use standardized versus customized reporting frameworks and metrics. A number of external organizations, such as the Global Reporting Initiative (GRI), have put considerable effort into developing standardized reporting frameworks and performance metrics that are intended to provide meaningful information, consistency and comparability in performance reporting. Relying on standardized metrics may make reporting more straightforward, but standardized metrics may not reflect the performance commitments you have made as an organization or

provide meaningful information to your stakeholders. Therefore, when choosing metrics, ensure that you consider the expectations and needs of the different stakeholders to whom you will report performance. It is unlikely that you will find one perfect set of metrics that will meet all of your reporting requirements.

- Standardize and automate reporting functions to the extent practical, as this will help reduce the level of effort and resources required as well as ensure consistency. This is particularly important for internal reporting where reliable access to information is essential for managing performance. Do not get seduced by technology and form versus substance. A simple one-page newsletter or fact sheet produced at reliable frequencies and with information targeted to the needs of the specific audience is more effective and accessible to a local community than a glossy website that only a few community members may be able to access and that contains reams of information that they do not really care about. Similarly, many companies invest large sums of money and resources in performance tracking and reporting software for internal use that does not really deliver value in terms of efficiency or performance improvement. Focus on the topic and goal of what you are trying to communicate and then find the appropriate tools for the job.

1.7.4 Sustainability or Social Responsibility Reports

Sustainability or social responsibility reports are targeted at a broad multi-stakeholder audience. Increasingly, these reports are being used by organizations as an integral part of their overall stakeholder engagement and communications strategies. They are complementary to other forms of targeted performance reporting but should not be used as a substitute for reporting back to affected stakeholders about commitments, projects or activities that directly affect them.

The benefits companies that undertake sustainability reports have experienced include:

- improved brand and reputation;
- higher profile and attractiveness to socially responsible investors and investors in general;
- development of corporate systems that drive performance improvements; and
- increased trust and support from key stakeholders (e.g. shareholders, employees and local communities). Employees are a key audience for reports, as they help raise awareness and boost staff loyalty and morale.

These types of reports are expensive to produce and may simply not make sense for many small exploration companies. However, explorers can draw upon existing sustainability reporting guidelines to help them define performance indicators and structure their reporting framework. Instead of separate sustainability reports, explorers can also consider integrating elements of sustainability reporting into the financial annual reports. Explorers can also consider scaled down versions of sustainability reports by drawing on the principles and performance indicators of sustainability reporting guidelines, such as the GRI. GRI already provides for different scales of reporting; however, small explorers can draw upon an even more limited number of indicators to produce an abbreviated performance scorecard or a report that they can manage more practically.

The GRI G3 provides a standardized set of indicators against which companies can measure their sustainability performance. GRI and the International Council on Mining and Metals (ICMM) have developed sector specific reporting protocols for mining and metals companies.³ The GRI indicators include the following topics:

Key Reference Sources

[Sustainability Reporting Toolkit](#) is an on-line tool developed by various Canadian government agencies to assist businesses in learning more about sustainability reporting, assessing the need to report and creating an effective report

[Global Reporting Initiative](#) (GRI) has established indicators and reporting frameworks, as well as numerous resources to assist companies in developing sustainability reports

³ The Guidelines were issued in draft in April 29, 2009 and are expected to be finalized in 2010.

ECONOMIC

Economic Performance
Market Presence
Indirect Economic Impacts

SOCIETY

Community
Corruption
Public Policy
Anti-Competitive Behavior
Compliance

LABOR PRACTICES AND DECENT WORK

Employment
Labour/Management Relations
Occupational Health and Safety
Training and Education
Diversity and Equal Opportunity

HUMAN RIGHTS

Investment and Procurement Practices
Non-Discrimination
Freedom of Association and Collective Bargaining
Abolition of Child Labour
Prevention of Forced and Compulsory Labour
Complaints and Grievance Practices
Security Practices
Indigenous Rights

ENVIRONMENT

Materials
Energy
Water
Biodiversity
Emissions, Effluents and Waste
Products and Services
Compliance
Transport

PRODUCT RESPONSIBILITY

Customer Health and Safety
Product and Service Labeling
Marketing Communications
Customer Privacy
Compliance

STAKEHOLDER ENGAGEMENT

Basis for identification and selection of stakeholders
Approach to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group
Type of information generated by stakeholder consultations
Use of information resulting from stakeholder engagement

1.7.5 Verification and Assurance of Performance Statements

Assurance generally means enhancing the degree of confidence that intended users can have in information by an organization. This is typically an evaluation (usually an audit) of the information against a specific set of criteria by an independent third party. The outcome of an assurance exercise is an “assurance statement” or “assurance opinion” containing a conclusion on the quality of the subject matter. More and more companies are moving to have their sustainability reports independently verified or assured by a third party. When considering this as an option, explorers should consider the following questions.

- What are the expectations of our stakeholders, including investors, with respect to third-party verification?
- Will third-party assurance strengthen the credibility of our performance

reporting with our stakeholders?

- Are our stakeholders asking for some form of assurance? Or are they asking for other processes to confirm the reliability of information (e.g., stakeholder assessments)?
- What is the cost of third-party assurance and do the benefits identified warrant the costs?
- Are there other benefits that we could realize from third-party assurance? For example, improved business performance, improved reporting processes and data management or better grasp of reputation risks?
- If we choose not to seek third-party assurance, should we report why?

Explorers should also understand that different levels of assurance are possible on a scale of high to low, as well as both positive and negative assurance opinions and different types of opinions. Explorers can also limit the scope of the assurance by focusing on a select group of important indicators or a selected number of sites. More assurance means more work by the assurance provider and hence more cost.

The recognition of the risk that the auditor's conclusion may be inappropriate is captured in the notion of level of assurance. A major determinant of the type of assurance that can be provided is scope of the evaluation and extent of the procedures adopted, to gather evidence on which to base the conclusion. The higher the level of assurance, the more comprehensive the procedures performed must be.

Audits are assurance engagements designed to provide a high level of assurance. A high level of assurance (usually referred to as reasonable assurance or audit assurance) can usually be provided by designing procedures and following standards that reduce the risk of an inappropriate conclusion to a low level. Other assurance engagements that do not provide a high level of assurance should not be referred to as audits.⁴

Fundamentally, negative assurance indicates nothing came to the attention of the auditor during the audit. Positive assurance indicates the auditor has performed sufficient testing and believes it is very unlikely that there is anything materially wrong with the claims that are being made.

⁴ Other types of assurance engagement include stakeholder surveys and reviews, risk assessments, reviews and assessments.

1.7.6. Reporting Tables

Table 3: Audiences, Expectations, Objectives and Benefits of Performance Reporting

Audience	Source of Obligation or Expectation	Purpose for Communicating Performance	Outcome or Benefit to Explorers
Board of Directors	Regulatory requirements Fiduciary responsibilities Internal policies Governance obligations	Comply with regulatory and other requirements Due diligence	Manage and reduce risk Improve governance Improve performance
Management	Internal policies and commitments Performance objectives and targets	Manage and improve performance	Improve performance
Employees	Regulatory requirements Performance objectives and targets	Manage and improve performance Raise awareness Generate ownership and buy-in	Stimulate pride and commitment Increase employee loyalty Attract new employees
Regulators	Regulatory requirements	Demonstrate compliance	Legal license to operate Reduce time required for regulatory approvals Access to resources
Shareholders/investors	Regulatory requirements Fiduciary duty	Comply with regulatory requirements Investor Relations	Maintain investor and shareholder confidence Attract new investors and shareholders
Lenders/insurers	Contractual obligations	Comply with contractual obligations	Improve access to capital

Table 3: Audiences, Expectations, Objectives and Benefits of Performance Reporting

Audience	Source of Obligation or Expectation	Purpose for Communicating Performance	Outcome or Benefit to Explorers
Local communities, affected stakeholders	Regulatory requirements Community agreements Social and ethical Duty to respect human rights	Manage relations with affected stakeholders Manage reputation risk	Gain trust/mitigate risk of opposition Engage stakeholders Social license to operate Reduce time required for regulatory approvals/permitting Access to resources
General public	Social and ethical	Manage reputation risk	Competitive advantage Social license to operate

Table 4: Audiences and Information Needs

Audience	Primary Information Needs	Frequency	Communication Methods
Board of Directors	Status of compliance with laws and regulations and company commitments	Quarterly Immediately for significant incidents or high risk events	Board reports Presentations
Management	Progress with objectives and targets Incidents and issues of risk to the organization Achievements and accomplishments	Monthly, or as needed to manage performance	On-line reports Presentations at regular business meetings
Employees	Remuneration, plans and intentions of the business, job prospects, personnel development opportunities Working conditions Health and Safety Achievements and accomplishments	Monthly	Intranet site Newsletters Presentations at employee meetings

Table 4: Audiences and Information Needs

Audience	Primary Information Needs	Frequency	Communication Methods
Regulators	Information mandated by law	As required	Regulatory reports
Local communities, affected stakeholders	<p>Progress and compliance with commitments made to the community</p> <p>Issues related to economic development – jobs, contributions to the tax base, community development contributions, local investment, use of local suppliers and contractors</p> <p>Issues related to the management of local health, safety, security and environmental risks</p> <p>Information on community complaints about corporate activities and how these are dealt with</p> <p>Performance in relation to social and environmental impacts of immediate impact to the community</p>	Monthly or less frequently depending on level of activity in the area	<p>Presentations through open houses and community events</p> <p>Presentations to Liason Committees</p> <p>Community newsletters</p> <p>Internet, depending on the extent of community access</p>
Shareholders/investors	Status of compliance with laws and regulations and company commitments	Annually, or quarterly in case of material disclosures	Annual reports/sustainability reports
Lenders/insurers	<p>Issues of material risk to the financial performance of the organization</p> <p>Information to compare performance to other companies and standard</p>	<p>Annually</p> <p>As mandated by contractual obligations</p>	Internet site

Table 4: Audiences and Information Needs

Audience	Primary Information Needs	Frequency	Communication Methods
Civil society organizations	benchmarks Corporate responsibility policy and implementation A wide range of corporate responsibility issues, including labour practice, human rights, anti-corruption, economic development and environmental protection	Annually Opportunistically	Presentations and face-to-face meetings Annual Reports Internet site, social media (e.g., , blogs, Twitter)
General Public	Information to compare performance to other companies and standard benchmarks	Annually Opportunistically	Annual reports Internet site, social media (e.g., blogs. Twitter)

1.8 Monitoring and Evaluation

Introduction

Explorers are increasingly confronted with many questions about their social, environmental and safety performance from both internal and external stakeholders. Some of these questions include:

- Are you meeting your commitments?
- Are you making progress with objectives and targets?
- Are you complying with laws and regulations?
- Are you adhering to the stipulated standards of performance you have adopted?
- Are the processes, controls, plans and risk management strategies that have been implemented working and achieving the required results? Are they effective?
- Are the results in line with the level of effort?
- Are resources being used properly and applied effectively?

In addition to wanting answers to these questions, internal and external stakeholders also want confidence that the information that they are given is an accurate reflection of actual performance and results. To be in a position to answer these questions, explorers need to monitor, measure, evaluate and report performance to their stakeholders. To provide a greater degree of confidence in the integrity of performance measures, explorers need to verify their performance through some form of confirmation. Explorers also may want or need to engage an independent party to provide assurance of their performance statements.

The relationship between performance monitoring and verification to other elements of the management system can best be illustrated by the following travel analogy. In a management system, the policy commitments define the travel destination. The objectives and targets are the route for getting to the destination. Monitoring and measurement are the navigation instruments for directing travel. The odometer, fuel gauge and a compass tell us how far we have travelled, what resources have been used and whether we are headed in the right direction. Verification lets us know whether the navigation instruments are accurate and working correctly.

1.8.1 What Is Monitoring, Evaluation and Verification?

Monitoring is the day-to-day management task of collecting and reviewing information that reveals how an operation is performing and what, if anything, needs to change to improve performance. It is a process of routinely gathering

Key Terms

audit is a systematic, independent and documented process for obtaining evidence and evaluating it objectively to determine the extent to which criteria are fulfilled (ISO 19011)

evaluation is an assessment process designed to determine the effectiveness and impact of what was or is being done

monitoring is the day-to-day management task of collecting and reviewing information that reveals how an operation is performing and what, if anything, needs to change to improve performance

management review is a periodic review of performance, conducted by upper management: to assess the effectiveness, suitability and continued adequacy of plans and processes; to define actions to improve performance; and to adapt plans and processes to changing circumstances

verification is an independent review process to confirm or authenticate performance by seeking additional proof; auditing is the most common form of verification process

information to check on how planned activities or processes are progressing, whether they are having the desired performance outcomes and whether specified performance requirements are being followed. Evaluation is an assessment process designed to determine whether the organization is headed in the right direction. Management review is an internal evaluation process (see e3 Plus guidance on Management Review).

Verification is a related and complimentary activity to monitoring and evaluation. Verification is a periodic process to confirm or authenticate performance by seeking additional proof. The primary defining characteristics distinguishing verification from monitoring are independence, objectivity and frequency.

The primary distinguishing characteristics of verification from evaluation are purpose and the difference in evaluation criteria. The purpose of verification is to confirm or authenticate performance; this means that the verification is a comparison process. Verification activities focus on comparing what was or is being done against what was planned or specified. Evaluation focuses on assessing effectiveness and impact of what was done and is therefore typically much more subjective.

The most common form of verification activity is auditing. Other verification processes include: inspections, testing, retracing and calculation of data and results, vouching, etc.) Auditing is a formal, systematic, disciplined and independent examination of a given area, directed at verifying whether it is being conducted according to pre-determined requirements (laws and regulations, internal standards, performance measures, etc.) Independent does not mean that the individuals that conduct the audit must be external to the organization being audited; it only means that they are independent of the process being audited.

Auditing and monitoring can benefit from each other. Auditors can use the results of monitoring efforts to identify risks, reduce audit duration or frequency and focus more audit efforts in other areas. Monitoring is also part of the internal control structure evaluated by auditors. Auditing and evaluation also benefit each other. Evaluators can use the results of audits as a basis for reaching conclusions on the effectiveness and impact of specific activities.

Why Monitor and Evaluate Performance?

For explorers, monitoring and evaluating their social, environmental and safety performance provides information to:

- demonstrate the results of program activities;
- show how these results support policy commitments and performance objectives;
- determine what works and what doesn't, and use the information to

- adapt processes and plans or to revise objectives;
- spot – and promptly address – problems;
 - promote accountability;
 - determine whether resources are well utilized and justify resource allocations;
 - enhance ability to communicate with stakeholders;
 - motivate and provide tangible feedback to employees, contractors and agents;
 - ensure that policies, processes and activities are carried out in accordance with agreed upon requirements by the right people and in time;
 - comply with government regulations or international standards;
 - compare actual performance against industry benchmarks;
 - use the lessons learned from one project, process or program to improve others; and
 - determine whether the solution or action taken (objectives and targets, action plans, processes and solutions) is the most appropriate and effective way of achieving the desired results.

1.8.2 What to Monitor and Evaluate?

Explorers should put into place processes to monitor, measure, evaluate and verify performance of:

- programs, processes, controls and plans established to meet their commitments to the Framework for Responsible Exploration;
- risk management plans and controls established as part of project due diligence;
- objectives and targets;
- operations and activities that have significant social, environmental or safety impact;
- operations and activities of business partners, contractors, agents and service providers that have the potential to impact the explorer's performance in relation to its commitments to the Framework for Responsible Exploration.

For each of these areas, monitoring should be focused on providing information on:

Compliance: Whether what is being done (controls, programs, projects, processes, activities, plans) conforms to prescribed requirements, such as applicable laws and regulations, international norms of behaviour, applicable best management practices, and company policies and procedures.

Efficacy: Whether what is being done is consistent with company commitments and achieves the intended results. Does it meet objectives and targets?

Effectiveness: How well what is being done achieves intended results. In other words, is it the best method and is it the most efficient use of resources?

Impact: Whether what is being done actually makes a difference in terms of addressing impacts that your activities have on society, the environment and your workforce. This should help you determine whether the objectives and targets are appropriate.

1.8.3 How to Monitor and Evaluate Performance

A monitoring and evaluation program involves three basic components:

1. Metrics (performance indicators) to measure your performance.
2. Systems and methods to collect and organize data.
3. Processes to analyze and evaluate the information and feed it into decision-making

Guidance on each of these components is discussed in the following sections.

Your monitoring and evaluation program should be tailored to your organization; one size does not fit all. In designing and implementing a monitoring and evaluation program, you need to consider the size of your organization, your organizational and financial structure, the legal and regulatory requirements under which you operate, stakeholder expectations, the maturity of existing monitoring programs, resources available and the impacts that your activities have on society, the environment and your workforce.

Explorers who operate in multiple jurisdictions will need to structure programs differently than those who operate only in one geographic region. Metrics appropriate to one explorer may be of less interest to another. For example, measuring human rights compliance in relation to security arrangements will be very important to an explorer who has operations in conflict zones, but will be less likely to be important for explorers who operate in more stable jurisdictions. The scope of your program, the metrics you choose, the data collection and evaluation processes should be appropriate to your organizational needs. Some basic factors to consider in designing your monitoring and evaluation program include:

1. What Do Internal and External Stakeholders Want to Know?

Every explorer will have a combination of key internal as well as external audiences. Your monitoring program should be designed to enable you to communicate performance effectively to those audiences. To identify the information you need, you should develop a grid of the key stakeholders to which you report and the type of information they require. See e3 Plus guidance on Reporting for an example. Once you have identified the information needs of different audiences then you can begin to identify the performance metrics and design the monitoring program to collect and analyze the information.

2. Scope – hat Areas of Performance Will Be Included in the Program?

Will the monitoring program be designed to collect data and measure performance in an integrated approach across all of the functional areas of the Framework for Responsible Exploration (i.e., social, environmental and health and safety)? Or, will you establish separate monitoring programs for each?

For public reporting, most companies report the spectrum of responsibility metrics (social, environmental, and health and safety) in one reporting framework. However, the data collection and internal reporting in many companies is separate. The decision to integrate or run parallel monitoring programs depends on what works best for your organization; there is no right or wrong option. This is a decision that you should consider carefully prior to initiating development of the monitoring program. Changing approaches midstream can be costly and can require revision of metrics and performance indexes. In making the decision, you should consider both what is most efficient in terms of data collection and what is most effective in terms of communicating performance to internal and external stakeholders.

3. Senior Management Commitment and Staff Buy-In

Strong management support is essential for two reasons. First, to ensure that sufficient personnel, financial and information management resources are dedicated to the monitoring and evaluation program. Second, to ensure that monitoring information is taken seriously and acted upon in decision-making.

The monitoring and evaluation program will not succeed without also receiving support and input from those who actually will have to conduct the monitoring or who will be held accountable for the performance monitored. Internal stakeholders should understand why data is collected and how it is used.

1.8.4 Establishing Metrics – Performance Indicators

Performance indicators are what you measure and monitor – they define the data to be collected to measure progress and enable actual results to be

achieved over time. They are the measurable or tangible signs that something has been done or that something has been achieved. Performance indicators are the core of a performance monitoring system because they help answer the questions: Who? How many? How much? How often? How well? A performance metric defines a specific means of measuring and tracking a performance indicator. In general, a variety of metrics can be chosen for any given performance indicator.

Performance indicators can be unique to an organization or program, common to many different types of organizations or common to an industry sector. Examples of commonly shared performance indicators include those developed by the Global Reporting Initiative or those mandated by government regulation.

To develop indicators explorers should:

1. Develop an initial list of possible indicators, by using the following sources:
 - brainstorm indicators with internal personnel with knowledge of the performance objectives your organization is trying to achieve;
 - identify the performance indicators specified by laws and regulations;
 - consult with experts in the substantive program area;
 - consult with other explorers or draw from sources of industry specific indicators; and
 - draw from indicators used in widely accepted programs or initiatives (for example, the Global Reporting Initiative).
2. Next, remove duplicates and overlaps, then assess the remaining indicators against the characteristics of good indicators described below.
3. Finally, narrow the list to the best indicators that meet the need for useful information at a reasonable cost.

The seven characteristics of good performance indicators are:

Clarity: Precise, with no ambiguity about what is being measured and agreement in interpretation of the results.

Relevance: Provide a direct and adequate measure. In some cases, direct measures are not available at a frequency that is useful to managers and proxy indicators are needed to provide timely insight on progress.

Practicality: Capable of being collected and tracked in a timely and cost-effective manner.

Robustness: Sufficient to assess performance and get to the root of what you

need to know for future improvement, rather than just measure performance.

Meaningful: Stakeholders should be able to easily understand the indicators and make an independent appraisal of performance.

Reliability: The data available should be of sufficiently reliable quality for confident decision-making.

Controllable: Actually measure performance that the organization, group, manager or employee can influence to achieve the desired result. If managers are held accountable for indicators that they cannot significantly influence, resentment or apathy can easily result.

The following are some guidelines for establishing good performance indicators/metrics.

1. Make Use of Both Quantitative and Qualitative Measures

The metrics used in monitoring and evaluation can be quantitative or qualitative. Quantitative measurement gives us information about “how much or how many” and is capable of being expressed as:

Absolute metrics: These are expressed in relation to a fixed measurement scale, for example the total number of local people employed in exploration activities.

Relative metrics: These are expressed in relation to another metric or variable, for example, the total number of local people employed in exploration activities relative to the total employment dollars spent. Another approach is to use time-based relative metrics, which describe change in a particular quantitative metric over a given time period. For example, the percent increase in employment dollars going to local people from 2008 to 2009.

Normalized metrics: These are expressed in relation to per unit of production or activity, for example total revenue.

Qualitative measurement gives us information about how things are done or how people feel or behave. External stakeholders typically find quantitative information more comforting than qualitative information, because it appears solid and more objective. However, qualitative information gives us insight into the reasons why something may not be effective or working as planned. In some cases, what we are trying to measure is more suitable to qualitative information (e.g., community satisfaction or opinion). A well-rounded monitoring program will have both quantitative and qualitative metrics.

2. Use Indicators that Drive Performance

Performance indicators should drive performance, not be a running tally of performance results. This involves using leading as well as lagging indicators of performance.

Leading indicators are metrics that refer to future developments and drivers/causes. Leading indicators provide information about practices that are expected to lead to improved performance. They point to where assets, teams, processes or other resources are going and allow the organization to take action to steer performance. The main weakness of leading indicators is that they are typically not easy to quantify and often require more effort in data collection.

Lagging indicators are metrics that mainly refer to past developments and effects/results. Lagging indicators provide information about what has been done and allow the organization to take reactive action. Lagging indicators are the types of data typically required by regulatory agencies to determine compliance with laws and regulations (e.g., number of spills, lost time incidents). Lagging indicators are usually quantifiable and easy to understand and the information is normally already collected for other business purposes. The main disadvantage of lagging indicators is that they occur after the fact and thereby rely on corrective action to improve performance. The importance of a lagging indicator is its ability to confirm that a pattern is occurring or about to occur.

3. Establish Performance Measures that Enable Comparability

Performance measures should provide a context within which to assess performance. We all understand the importance of being able to compare our financial performance from one year to the next, or to compare between what was forecasted and what was achieved or against the financial performance of a competitor. Comparison of financial statements forms the basis for much financial analysis and requires consistency in metrics. The same applies to social, environmental and health and safety performance. To achieve this, explorers should establish key performance measures that:

- remain consistent from year to year;
- draw on a number of broadly recognized performance measures, for example those derived from the Global Reporting Initiative; and
- provide direct comparison between performance commitments.

This does not mean that explorers should not put in place short term or single purpose metrics to gauge performance of a specific project or process. However, the overall design of performance measures should enable comparability.

4. Less Is More – Avoid Using Too Many Metrics.

Avoid the use of too many performance measures. Choose a few measures focused on essential information needs that drive performance. Having too many performance measures uses up valuable resources, burdens staff and management with unnecessary data collection and analysis and can overwhelm and confuse the very audiences they were designed to satisfy.

If a company has diverse operations or operates in many different parts of the world with different operating and regulatory environments, it should consider developing metrics that are flexible and adaptable to the specific situations.

5. Get Stakeholder Feedback

Solicit input from the key stakeholders on how well performance metrics meet their needs. Stakeholder feedback can be solicited in many ways and can be integrated with other types of engagement activities. Some methods of soliciting input include workshops, focus groups, websites, questionnaires, surveys, and comment cards.

Data Collection and Analysis

Establish robust and reliable data gathering and information management systems to enable you to manage the data effectively.

This does not mean that explorers need to invest in expensive software solutions to establish effective data gathering and management systems. Data collection and tracking can be as simple as recording information in a spreadsheet. It does mean that explorers have to carefully think through:

- What information they need to manage?
- What is the most efficient way to collect it?
- Who will collect what kind of data?
- How will they be trained to collect data?
- How will accuracy of the data be verified?
- How the information will be used?
- Who will use it and in what form do they need it?
- What type of information management system will be used to manage the data?
- What type of computer software will be used to report data (if it is entered electronically)?

The costs of monitoring and measuring performance can be minimized by using information that is already being collected for other business purposes. Where data is not already being collected, the data collection processes should be integrated into existing business processes. It is important not to create a

separate measurement bureaucracy. Establish formats and procedures for data collection and data entry that make it practical and part of a routine activity. Determine a process for tracking and reporting all relevant data. Report on trends that emerge from your findings on a regular basis.

Analysis of monitoring information should be integrated into regularly scheduled business processes or it is likely to fall through the cracks. Social, environmental and health and safety performance should be analyzed and discussed in the same way that the organization deals with financial and operational performance. Analysis and evaluation should be built into regular business meetings.

Monitoring and evaluation have little value if the organization or project does not act on the information that comes out of the analysis of the data collected. Once you have the findings, conclusions and recommendations from your monitoring and evaluation process, you need to:

- make concrete decisions about how to move forward; and
- establish action plans with defined timelines for putting the actions into place.

Evaluation

Analysis of monitoring information that feeds into decision-making is designed to help steer the organization toward its intended direction. Evaluation is an assessment process designed to determine whether the organization is headed in the right direction. Management review is the principal means by which explorers can evaluate their programs, processes and policies to evaluate whether they are headed in the right direction in terms of their social, environmental and health and safety performance.

In addition to management review, explorers also may wish, depending on the program or project, to undertake other forms of evaluation. For example, explorers may wish to hire subject matter experts to evaluate a specific program or performance area or to use focus groups or stakeholder panels to conduct evaluations of critical areas of performance.

Regardless of whether the evaluation is internal or external, it relies upon the monitoring information and should answer the following questions:

Purpose: Why did we do what we did? What was our intended goal and why did we choose the direction or action to achieve it?

Results: Did we achieve or make progress toward our intended goal? Did it make a tangible difference in our performance? Did it make a

difference in the area we are trying to affect (e.g., community development)? Do we have the right objectives and targets?

Effectiveness: Was our approach effective? Did it make the best use of people and resources? Was it received well by internal and external stakeholders?

Alternatives: Are there better ways of achieving the desired result?