

# **Doing Business the Canadian Way:**

## **A Strategy to Advance Corporate Social Responsibility in**

### **Canada's Extractive Sector Abroad**

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The Government would like to thank the many extractive sector stakeholders and Civil Society Groups, particularly the Executive Committee of the Centre for Excellence in CSR, and members of the public for their valuable contributions to the review of the CSR Strategy. These helped craft a stronger Strategy for 2014.

## Introduction

Canada's history demonstrates that the extractive sector can help build a country. Our extractive companies in the mining, oil and natural gas industries make a major contribution to Canadian prosperity, and are making substantial contributions to economic development in other countries in which they operate. Canadian extractive sector activity abroad can result in a win-win outcome both for the Canadian economy and that of host countries.

In 2009, the Government of Canada launched its first Corporate Social Responsibility (CSR) Strategy, "[Building the Canadian Advantage: Canada's Corporate Social Responsibility Strategy for the Canadian International Extractive Sector](#)." It outlined Canada's commitment to promoting CSR, defined as the voluntary activities undertaken by a company, over and above legal requirements, to operate in an economically, socially and environmentally sustainable manner.

Canada is strengthening its commitment to enhance the ability of Canadian extractive sector companies to integrate CSR into their practices through a renewed Strategy, building on experience gained since 2009. The updated Strategy makes clear the Government's expectation that Canadian extractive sector companies reflect Canadian values in all their activities abroad. While its primary audience is intended to be Canadian extractive sector companies, the Strategy is also meant to provide a more general audience with an overview of Canada's approach to promoting and advancing CSR abroad. For Government of Canada representatives, the Strategy provides a framework to guide their efforts to promote CSR policies, tools and guidance.

## CSR Strategy Review

The CSR Strategy launched in 2009 included a commitment that it be reviewed after five years. The review was conducted over several months by Canada's Department of Foreign Affairs, Trade and Development (DFATD) and Natural Resources Canada (NRCan), with partners across government. Review activities included an internal evaluation, based on Treasury Board guidelines; behavioural surveys of Canadian extractive sector companies on CSR awareness; an NRCan research project on inclusion by mining companies of CSR and related issues in their reporting to securities exchanges; consultations on the CSR Strategy with industry and civil society representatives; and an online public consultation. The 2013 consultations on the Government's Extractive Sector Strategy also fed into the CSR Strategy review, as many submissions related to the CSR Strategy.

Review findings indicated that the CSR Strategy has played a valuable role in focusing the Government's efforts related to encouraging CSR among Canadian extractive sector companies operating abroad. Provision and promotion of CSR tools, guidance and advice were identified as core activities that should be carried forward to assist Canadian companies in enhancing their CSR efforts.

The review also highlighted increased recognition by companies of the need to consider CSR in planning and operations, and heightened awareness of CSR guidelines and standards. However, managing environmental and social risks of operations abroad remains complex. These ever-present challenges demonstrate the ongoing need for a CSR Strategy focused on the extractive sector.

### Canada: A Strong Player in the Global Mining Industry

In 2013, Canadian-headquartered mining and exploration companies accounted for nearly 31% of global exploration expenditures. In 2013, over 50% of the world's publically listed exploration and mining companies were headquartered in Canada. These 1500 companies had an interest in some 8000 properties in over 100 countries around the world.

## Driving Improved Company CSR Performance

The global presence of Canadian extractive companies represents a potential force for responsible resource development around the world. Many Canadian companies are committed to high ethical, environmental and social standards - indeed, Canadian industry associations and extractive companies have been recognized domestically and internationally for their leadership on these issues. These companies embody the Canada brand. As companies continue to expand and seek more opportunities in remote areas, including those with weak governance, the social and environmental challenges they face become more complex, and the need to act responsibly more important. The Government recognizes that positive impacts from extractive sector activity in host countries are not automatically realized. Companies must operate responsibly in a conscious and consistent way to mitigate environmental and social risks, including those related to human rights.

The Government's goal in strengthening the CSR Strategy is to enhance the ability of Canadian extractive sector companies to manage social and environmental risks in a manner that aligns with international CSR guidelines and best practices and also brings lasting benefits for those affected by their projects. It is a way of doing business that not only contributes to success abroad but also reflects Canadian values and reinforces Canadian leadership in responsible business practices. That is what it means to do business the Canadian way.

Furthermore, the Government expects Canadian companies to integrate CSR throughout their management structures so that they operate abroad in an economic, social and environmentally sustainable manner. This means that companies should understand the impact of each of their functions on the surrounding economy, community and environment, and adjust their activities and operations to create value for themselves and for other stakeholders.

### **Effective CSR Right from the Start**

To get more fulsome risk assessments for managers and investors, and improve the chances of far-reaching benefits from Canadian investments, the Government of Canada encourages companies to:

- Respectfully engage relevant stakeholders, early on and regularly;
- Understand local customs, culture and expectations, and how they affect, and are affected by, the project;
- Work with stakeholders to determine and communicate environmental, social and economic impact solutions;
- Explore opportunities to build local capabilities;
- Work with locals to develop a joint plan to contribute to local development; and
- Strategically incorporate this information throughout their planning and management structures

The Government of Canada expects Canadian companies operating abroad to respect human rights and all applicable laws, and to meet or exceed widely-recognized international standards for responsible business conduct. For those companies working or exploring opportunities in jurisdictions where local laws are not aligned with Canadian values, the Government of Canada encourages them to find ways to reflect Canadian values that also respect local laws. If this is not possible, companies may wish to reconsider their investment.

### **CSR Benefits Extend Beyond Doing the Right Thing**

Experience has shown that, particularly for extractive sector companies operating in challenging environments, those that go above and beyond basic legal requirements to adapt their planning and operations along CSR lines are better positioned to succeed in the long term, and to contribute to a more stable and prosperous environment for all affected parties. This is best done as early as possible, taking into consideration the project's life cycle from initial exploration to closure and beyond. As exploration firms are often the first point of contact with communities, they have an important role in setting the tone for stakeholder relations

over the life of a project. Having these firms recognize the need to integrate CSR into their activities will help them establish good stakeholder relations and will make their projects more attractive to investors.

Many Canadian extractive sector companies, particularly those in the mining industry, understand that incorporating CSR practices into their operations contributes to their success. By doing so, companies can manage risks more efficiently and effectively; foster good relations with investment partners, employees, and surrounding communities; increase access to capital; and improve their reputation. Managing social risks, including through conscious efforts to respect human rights, is increasingly important to companies' success abroad. As more becomes known about the costs of poor stakeholder relations, both in terms of share price and the bottom line, the more investors will want to see evidence of effective CSR.

### **Canada's Comprehensive Approach to CSR**

Canada has a multifaceted approach to help Canadian extractive companies mitigate social and environmental risks and improve their CSR performance, as well as their contribution to host country benefits. The wide range of the Government's efforts aimed at helping Canadian extractive sector companies improve their awareness and integration of CSR guidance into their practices can be grouped into the following sets of activities:

- 1) Promoting and advancing CSR guidance;
- 2) Fostering networks and partnerships; and
- 3) Facilitating dialogue towards dispute resolution.

In addition, Canada undertakes or participates in a broad range of activities whose direct purpose is not to improve private sector CSR practices but which nonetheless affect how well a company's CSR efforts achieve desired positive outcomes, both internally and for the surrounding area. Such activities include negotiating CSR-related language in Free Trade Agreements, helping build the capacity of local government officials in responsible resource management, and reducing corruption globally. This fourth set of activities can be grouped under the heading of:

- 4) Strengthening the Environment Affecting Responsible Business Practices

Taken together, these activities represent a comprehensive approach to advancing CSR, to help companies succeed in a manner that creates value for them and for those affected by their activities. Canada seeks a well-regarded and globally competitive extractive sector, and also works to broaden the local development benefits that extractive sector investment can bring to a community and country.

Implementation of the updated Strategy will be led by DFATD, working closely with other government departments including NRCan and Industry Canada, and the Canadian National Contact Point (NCP) for the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Results will be achieved through continued work with the Office of the CSR Counsellor, the Centre for Excellence in CSR, and Canada's network of missions around the world.

### **The Office of the Extractive Sector CSR Counsellor**

The [Office of the CSR Counsellor](#) was established under the CSR Strategy in 2009. The mandate of the Office will continue to relate exclusively to the activities of Canadian extractive sector companies operating abroad. This mandate is dual in nature. First, it offers advice and guidance for all stakeholders on implementing CSR performance guidelines. This role will be strengthened, particularly to provide guidance on developing meaningful, effective dialogue between companies and communities, and will be brought to bear in situations where such guidance can be used for early detection and resolution

### **Sharing Effective Practices**

Canadian companies have significant experience related to what works, and what doesn't, in implementing CSR in the extractive sector. The Government will help share this experience with other extractive sector companies – and those in other sectors – to improve CSR performance across the board.

of issues. The second part of the CSR Counsellor's Office mandate is to review the CSR practices of Canadian extractive sector companies operating outside Canada. The Office's non-judicial Review Process, designed to bring companies and project-affected stakeholders together to resolve differences, will be offered to parties at early stages of a dispute, as part of the Government's efforts to help companies and communities resolve issues before they escalate. The Review Process will operate more closely with Canada's NCP for the OECD Guidelines for Multinational Enterprises to ensure coherence. Specifically, as outlined later in this document, in cases where formal mediation is required, the Parties will be referred to the National Contact Point.

### **The Centre for Excellence in CSR**

The Government contributed to the creation of the Centre for Excellence in CSR (the CfE) as a key element of its CSR Strategy in 2009. Housed within the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), the CfE was envisaged as a focal point for the development and dissemination of practical tools and information to a broad range of extractive sector stakeholders. Through its Executive Committee, the CfE has provided an important venue for regular dialogue among key actors in the extractive sector, and has helped to identify extractive sector needs, understand diverse stakeholder views, and forge a common way forward on guidance for responsible resource and community development. Recognizing the potential of the CfE to effect improvement in companies' CSR performance on the ground, the Government of Canada values its role as an observer on the CfE Executive Committee and will continue to participate in CfE activities.

### **Canada's Network of Missions Abroad**

With regional offices across Canada and diplomatic missions in more than 100 countries around the world, the Government is well positioned to assist Canadian companies abroad. [The Canadian Trade Commissioner Service \(TCS\)](#) provides on-the-ground intelligence and practical advice on foreign markets to help companies make better, timely, and cost-effective decisions. The TCS can assist extractive sector companies that are part of the Canadian business community, are actively contributing to Canada's economic growth, have a demonstrated capacity for internationalization, and have strong potential to add value to the Canadian economy.

Canada's representatives around the world are a crucial delivery mechanism for advice and guidance to help raise CSR performance among Canadian extractive sector companies on the ground. Canadian Trade Commissioners can provide contacts and advice related to identifying, managing and mitigating environmental and social risks, including those related to human rights. Trade Commissioners are well-placed to share information on what works and what doesn't in a given country. Going forward, stronger support will be provided for CSR initiatives at Canada's missions abroad, aimed at ensuring a consistently high level of CSR-related service globally.

## Promoting and Advancing CSR Guidance

Canadian extractive sector firms are at the leading edge of innovative CSR practices and reporting. Still, the Government recognizes that practical guidance is needed to help companies integrate CSR practices into all aspects of their extractive sector operations, and to report credibly on their efforts. It also recognizes that the guidance needed by exploration, mining, and oil and gas firms may differ. To meet these needs, Canada will continue to create, advance, promote and share practical guidelines, standards, tools and other resources on CSR.

### Do Better Than the Minimum

Where host country requirements differ from the international standards listed below, the Government of Canada expects Canadian companies to meet the higher, more rigorous standard.

### Advancing International CSR Guidelines

Internationally recognized CSR guidelines and standards are important for companies operating abroad. They provide information on all the considerations that can improve companies' economic, environmental and social performance, including respecting human rights. By establishing common expectations internationally, they help companies and stakeholders benchmark performance, levelling the playing field and facilitating continuous improvement across the extractive sector as a whole. For these reasons, the Government of Canada has been engaged in the development and advancement of key international CSR standards, and has also been working with international partners to encourage standardized CSR reporting.

Building on Canada's steadfast engagement, the Government will continue to be involved in the development, promotion and dissemination of widely-recognized international CSR performance and reporting guidelines, with the expectation that Canadian companies will align their practices as applicable. Canada will promote the following international guidance to Canadian extractive companies operating abroad, including two fundamental documents introduced since 2009:

- **OECD Guidelines for Multinational Enterprises (MNEs):** The [OECD Guidelines for MNEs](#) provide recommendations for responsible conduct on a broad range of business activities and are applicable to all sectors. Canada was one of the original signatories to the 1976 [OECD](#) Declaration on International Investment and Multinational Enterprises, and the associated Guidelines. Canada continues to be an active supporter and promoter of the Guidelines, having participated in their periodic updates and contributed to the development of implementation guidelines of particular interest to the extractive sector. Updates in 2011 brought in chapters related to human rights and due diligence, areas pertinent to the extractive sector.
- **United Nations (UN) Guiding Principles on Business and Human Rights (GPs)** (new to the Strategy in 2014): The [Guiding Principles](#) (GPs) operationalize the Protect, Respect and Remedy Framework first presented to the UN Human Rights Council in 2008 by the Special Representative on Business and Human Rights, Dr. John Ruggie. The GPs identify distinct but complementary responsibilities of companies and governments regarding human rights, resting on three pillars: 1) the state duty to protect against human rights abuses by third parties, including business; 2) the corporate responsibility to respect human rights through due diligence; and 3) ensuring greater access to effective remedies for victims. Co-sponsored by Canada, the GPs were unanimously endorsed by the Human Rights Council in June 2011, and have since been referenced in a number of international standards, including the OECD Guidelines for MNEs. Canada has supported work to develop the GPs since 2005 and continues to promote and align its efforts with them.

- ***Voluntary Principles on Security and Human Rights (VPs)***: The [Voluntary Principles on Security and Human Rights](#) were designed to help extractive sector corporate actors anticipate and mitigate risks related to the deployment of public and private security, such that operations can be protected without excessive force or human rights abuses. This guidance has proven helpful to corporations operating around the world, including in high-risk zones. Canada joined the VPs in March 2009 and served as Chair of the initiative in 2011-2012.
- ***International Finance Corporation's (IFC's) Performance Standards on Social & Environmental Sustainability***. The IFC's eight [Performance Standards](#) set expectations for conduct that companies receiving IFC support are to meet throughout the life of a project, including on stakeholder engagement and human rights. Updated in 2012, the Performance Standards form a basis for the [Equator Principles \(EPs\)](#). Signatories to the EPs are financial institutions (80 in 35 countries, including all five of Canada's major banks) which collectively provide more than 70 percent of project financing in emerging markets, where many extractive sector opportunities are located. These financial institutions use the EPs as their benchmark for assessing environmental and social risk in projects. Export Development Canada (EDC), the official export credit agency of Canada, signed on to the EPs in October 2007 and became a member of its Steering Committee in 2011 (to which it was re-elected in 2014). EDC's annual reporting on its implementation of the EPs is available on its [website](#).
- ***OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*** (new to the Strategy in 2014): The 2011 [Guidance](#) was developed in response to the problems posed by conflict minerals, whereby minerals and metals are illegally mined and their illicit proceeds used to finance armed conflict. The core guidance document and two mineral-specific supplements explain how multinational companies sourcing gold, tin, tantalum, and tungsten can avoid fuelling conflict and responsibly source and trade minerals. While the Guidance is voluntary in nature, it has strong industry support, and has contributed to peace-building and stabilization efforts in mineral-rich fragile states, particularly in the Great Lakes Region of Africa. Canada chairs the OECD forum on responsible mineral supply chains as well as the Multi-stakeholder Steering Group which oversees the initiative, and played a leading role in negotiating the Guidance document.
- ***Global Reporting Initiative (GRI)***: The [GRI](#) is a broadly recognized international reporting standard which includes reporting principles, guidance and indicators for organizations of all sizes and sectors. Canada worked with the GRI and stakeholders to develop supplements for reporting by oil and gas and by exploration companies. Canada promotes the use of the GRI standard for CSR reporting by the extractive sector to enhance transparency and encourage market-based rewards for good CSR performance.

Canada's promotional activities are not limited to the guidelines and standards described above. The Government will continue to support other international CSR efforts and initiatives that prove helpful to extractive firms in improving their performance, and that align with Canada's foreign policy objectives.

### **Sharing CSR Guidance Developed in Canada**

Following its 2014 update, the Strategy now includes flexibility for the Government to develop and share, in Canada and abroad, additional CSR guidelines that are found to be of practical use by the industry, including those made in Canada and those that specifically target responsible resource development. For example, several of our embassies abroad have adapted and promoted NRCan's [Exploration and Mining Guide for Aboriginal Communities](#) to their specific local or regional contexts. Also, Industry Canada has the [CSR Implementation Guide for Canadian Business](#). Practical guidance developed by Canadian industry

associations will also be highlighted, such as [e3 Plus](#), developed for exploration companies by the Prospectors and Developers Association of Canada, and [Towards Sustainable Mining](#), created by the Mining Association of Canada.

### **Recognizing the Importance of CSR to Investors**

Many investors are already taking CSR considerations into account in their investment choices. A number of pension funds have formed coalitions around issues such as climate change in order to pressure companies, including those in the extractive sector, to report on related risks to their operations and performance.

#### **Value of Credible CSR Practices and Reporting**

Some corporate leaders understand the intrinsic value of contributing to society over and above job creation and investment wealth. Others will continue to subscribe to more traditional notions of profit and success. Both will find it useful to have credible reporting on the financial impact of social risk mitigation.

As the costs to business, including impacts on share price, of poor corporate behaviour become better known, the higher the demand will be from a broad spectrum of investors for credible reporting of CSR-related efforts, and the stronger the incentive for companies to improve their CSR performance. However, firms that cannot demonstrate the alignment of their practices with widely-accepted CSR-related standards and guidance will find access to capital increasingly limited. Financing considerations can drive corporate behavioural change. The Government already actively promotes awareness and understanding of the importance of responsible business practices and human rights, but will increase its efforts to communicate the financial benefits of responsible behaviour that meets and exceeds widely-accepted international guidelines and standards, including those related to reporting.

### **Adapting to Evolving Best Practices**

The range of issues connected to responsible corporate behaviour is broad. Private sector operations can impact, and be impacted by, security and conflict, human rights issues (including those affecting women and children), the environment, corruption, indigenous rights, local economic conditions, and more. The importance of each of these issues to the risk analysis of a particular project will vary depending on the local context. As more Canadian companies integrate CSR into their operations, a wealth of experience and knowledge grows on what works and what does not.

As global knowledge about CSR evolves, the Government will continue to develop and share material that captures best practices resulting from practical experience in areas such as stakeholder engagement, human rights due diligence, conflict-sensitive business practices, and transparent, non-corrupt practices. With this in mind, Canada remains committed to working with international partners and a variety of organisations, including the Centre for Excellence in CSR, industry associations, educational institutions, civil society groups, and sector-relevant initiatives, to promote information-sharing on best practices and the development and dissemination of practical, innovative guidance to improve CSR performance.

## Fostering Networks and Partnerships

The first five years of the CSR Strategy demonstrated the importance of the Government's convenor role to the extractive sector. This role includes helping connect companies with practitioners in the areas of social, environmental and economic performance, as well as creating dialogue spaces and venues for bridge-building between companies, communities, and other interest groups. This helps create a positive climate for responsible investment, and improves the potential for the success of, and lasting local benefits from, Canadian extractive sector investments abroad.

### Building on What Works

Beyond the typical business contacts, Canadian Trade Commissioners in South America and West Africa have helped build networks and engagement between extractive sector companies and civil society groups. In recognition of this innovative and effective work, the Government is strengthening its CSR-related support to missions to build extractive sector-related networks, dialogue and partnerships on the ground, around the globe.

Recognizing that the greatest mutual benefits arise from the constructive engagement of all relevant stakeholders, the Government is stepping up efforts to support engagement between companies and communities, including at the exploration stage. Meaningful and regular dialogue between companies, local communities, civil society and host country governments at all levels can be of critical importance to

### Stakeholder Engagement: Key for Juniors Too

Including a full stakeholder mapping, an established community engagement strategy, and a community development plan can make a project more attractive to investors.

addressing potential conflicts and managing expectations associated with the development of extractive sector projects. It is also important to determine what each party will contribute to local development. The Government will increase its efforts to prepare Canadian Trade Commissioners in Canada and at missions abroad to provide country-specific guidance in this area.

## The Role of Canada's Trade Commissioner Service

Canada's Trade Commissioner Service (TCS) is an important resource for Canadian extractive companies operating abroad. TCS officers at Canadian missions around the world promote Canadian industry, and can [help Canadian client companies](#) by providing local contacts, helping to solve problems, and assisting with market preparation and assessment. As part of the [enhanced CSR Strategy](#), Trade Commissioners will increasingly be able to provide contacts beyond the typical business services, to include those that could enable companies to conduct social risk analyses, or conflict analyses, as appropriate. Contacts such as these can provide companies with more fulsome market assessments on which to base their decisions and mitigation measures. Missions will also increasingly be able to provide contacts to assist in establishing partnerships between companies and development organizations, enabling companies to gain valuable expertise and information in areas such as community relations and building local capabilities. Trade Commissioners will play a proactive role in this regard as an integral part of their service to Canadian companies.

### Canada's Offices around the World can Connect Extractive Companies with Existing Initiatives

One initiative that has already been of interest to extractive companies is the International Model Forest Network (IMFN). Developed by Canada, with its Secretariat housed in NRCan, the IMFN comprises more than 55 Model Forests in nearly 30 countries. Participation in a Model Forest offers extractive companies an opportunity to become part of transparent and lasting relationships with local communities and governments, and to contribute to sustainable local economic development and conservation efforts.

TCS officers will be asked to play an important role in identifying other projects or programs which may welcome extractive sector participation, through their work with diplomatic and development colleagues, and with colleagues in other government departments. In any given country there may be initiatives in health, education, local economic growth, or others (such as the IMFN, highlighted in the text box), which can benefit from extractive sector support, and which offer opportunities for extractive sector companies to add social value through their operations.

One such example is through local procurement, whereby Canadian companies operating in foreign countries choose to buy appropriate products from host country sources. Under the enhanced Strategy, trade commissioners will bolster their capacity to identify local procurement opportunities and help Canadian companies work with communities to take advantage of them. This process will ensure that local communities reap the benefits of responsible resource development, both directly and indirectly.

### **CSR-related Activities at Missions**

Canada's diplomatic missions abroad actively promote awareness and understanding of the importance of responsible business practices. They create opportunities for Canadian companies to engage in relationship-building through conferences, workshops and other activities involving companies, representatives of host governments, and civil society. Over the first five years of the CSR Strategy, Canadian officers abroad organized or contributed to over 250 CSR-related initiatives. Such activities provide evidence of the value of integrating CSR into business functions, and of building local networks towards long-term relationships. They have also been instrumental in bringing together companies, communities, and other local groups to facilitate dialogue and partnerships, dispelling misconceptions, and contributing to the breakdown of barriers between stakeholders. Partnerships across stakeholder groups increase knowledge and awareness and help all actors make informed decisions. As part of its updated Strategy, Canada will mobilize resources to provide more specific guidance on CSR-related topics of particular relevance to each country or region.

The strengthened Strategy ensures that missions are given increased CSR-related training and materials to provide support to companies that are looking for opportunities to integrate corporate social responsibility into their practices. This includes training on how to help companies build networks and partnerships with local communities, encourage dialogue between Canadian companies and local stakeholders, and use their on the ground experience to help maximize the effectiveness of CSR efforts.

## Facilitating Dialogue Towards Dispute Resolution

Canada's efforts to share practical CSR information and help foster partnerships and effective, respectful engagement can be viewed as proactive prevention. They encourage early, deliberate action by companies to adjust the way they do their day-to-day activities to prevent harmful impacts from projects.

Nonetheless, given the challenging environments in which the extractive sector operates, disputes can and do arise. Disagreements can divide communities, keep them from obtaining resolutions to their concerns, and can create a negative cycle of disputes, limiting the community's access to the benefits of natural resource development. Unresolved disagreements with communities can also affect businesses through expensive project delays, damaged reputations, high conflict management costs, investor uncertainty, and in some cases, the loss of investment capital.

Canada understands that dialogue facilitation and non-judicial dispute resolution mechanisms, which bring parties together to find mutually-beneficial solutions, are crucial to the long-term success of extractive projects abroad and the sustainability of benefits to host communities. The UN *Guiding Principles on Business and Human Rights* recognize the importance of making a range of dispute resolution mechanisms available, in particular non-judicial grievance mechanisms, to bring parties together to find mutually-beneficial solutions. Canada has two dialogue facilitation mechanisms for helping communities and Canadian extractive sector companies resolve differences. These are the [Office of the Extractive Sector CSR Counsellor](#), and the [Canadian National Contact Point](#) for the *OECD Guidelines for MNEs* (NCP).

Together, the CSR Counsellor and the Canadian NCP form key elements of the Government of Canada's efforts to foster constructive relationships between Canadian extractive sector companies and project-affected stakeholders. Both these mechanisms are designed to facilitate dialogue between companies and communities, and Canada will further align their dialogue facilitation functions. It should be noted that these Canadian mechanisms are not meant to replace local processes, nor do they preclude the use of court systems, either locally or in Canada, to seek legal restitution.

### Early Detection and Resolution of Problems

Reducing barriers to community engagement is an important role for the Government of Canada. The Government will take steps to provide improved guidance related to stakeholder engagement, with a view to prevention of disputes and their early detection and resolution. This will include information on local processes, the use of which will be encouraged in the first instance. If local processes are unavailable or have not succeeded, guidance on Canadian and international mechanisms will be made available to relevant parties.

#### **Credible Mechanisms to Establish or Restore Trust and Dialogue**

Both the Extractive Sector CSR Counsellor and the Canadian NCP are key to Canada's efforts to foster constructive relationships between Canadian extractive sector companies and project-affected stakeholders. The Government will introduce consequences for companies that are not willing to participate in the dialogue facilitation processes of either the CSR Counsellor or the NCP.

Helping companies and communities rebuild relationships where trust has been lost or never truly established is important to secure the benefits of extractive sector investment in the host country. Canada will bolster support to early detection and resolution of problems before they escalate into more serious situations. This will include marshalling the expertise of the CSR Counsellor.

The Office of the CSR Counsellor is a valuable, extractive sector-specific resource, and will serve on the "front end" of the dispute resolution process. Its mandate is twofold: firstly it offers advice and guidance for all stakeholders on

implementing CSR performance guidelines. Going forward, this role will include strengthened guidance on developing meaningful, effective dialogue between companies and communities. The advisory mandate of the Office of the CSR Counsellor can be used by companies and communities to help detect, address and resolve misunderstandings or disagreements at an early stage and in accordance with international guidance.

The second part of the CSR Counsellor's mandate is to review the CSR practices of Canadian extractive sector companies operating outside Canada. The Office's Review Process can be initiated by companies or project-affected individuals or communities. It is designed to bring disputing parties together to help them resolve their differences for a mutually beneficial result. When these efforts have not succeeded or are not appropriate or if the CSR Counsellor determines that a situation would benefit from formal mediation, the Counsellor will encourage and help parties to refer issues to the NCP. This mandate makes the Counsellor well placed to assist companies and communities to establish dialogue and resolve early-stage disagreements and disputes, before concerns have escalated.

### **Accessible Non-judicial Dispute Resolution**

The review process of Canada's NCP for the OECD Guidelines for MNEs has a proven track record in bringing parties together to work towards mutually satisfactory dispute resolution. Created in 2000, Canada's NCP is available to facilitate access to consensual and non-adversarial procedures, such as conciliation and mediation, to help companies and communities resolve issues related to the implementation of the *OECD Guidelines for MNEs*. Canada's NCP includes the expertise of seven Government of Canada departments, including the extractive sector knowledge of NRCan. While the *OECD Guidelines* apply to all Canadian companies operating abroad in all sectors, as well as all multinational companies operating in Canada, the 2011 update of the Guidelines expanded the scope of guidance around issues of particular interest to the extractive sector, such as human rights and due diligence. It is now difficult to find an aspect of responsible corporate practice that is not included in the expanded scope of the *OECD Guidelines*.

### **Encouraging Alignment with CSR Guidance and Participation in Dialogue**

The Counsellor's Office and the NCP have both helped bring disputing parties together for ongoing dialogue. Both mechanisms are based upon international best practice, and bolster alignment of company activities with international guidance. Canada strongly encourages participation by companies and project-affected stakeholders in the most relevant mechanism as the situation merits. While participation remains voluntary, a decision by either party not to participate in the CSR Counsellor Office's or NCP's or review process will be made public.

Companies are expected to align with widely recognized CSR-related guidance and will be recognized by the CSR Counsellor's Office as eligible for enhanced Government of Canada economic diplomacy. Companies will also face withdrawal of TCS and other Government of Canada advocacy support abroad for non-participation in the dialogue facilitation processes of Canada's NCP and Office of the Extractive Sector CSR Counsellor.

In addition, in line with the Government's 'economic diplomacy' approach, Government of Canada services include the issuance of letters of support, advocacy efforts in foreign markets and participation in Government of Canada trade missions. Canadian companies found not to be embodying CSR best practices and who refuse to participate in dispute resolution processes contained in the CSR Strategy, will no longer benefit from economic diplomacy of this nature. Furthermore, such a designation will be taken into

account in the CSR-related evaluation and due diligence conducted by the Government of Canada's financing crown corporation, Export Development Canada (EDC), in its consideration of the availability of financing or other support.

### **Regular Review for Continual Improvement**

Experience has demonstrated that the effectiveness and credibility of these mechanisms requires a commitment by all parties to engage in constructive dialogue aimed at a mutually satisfactory resolution of the issues involved. In addition to strengthening the incentives for parties to participate, Canada will continue to explore how to make these mechanisms more accessible to those affected by extractive sector projects. Both mechanisms will be reviewed on a regular basis to incorporate lessons learned, as well as from the growing body of knowledge on effective dialogue facilitation mechanisms.

## Strengthening the Environment Affecting Responsible Business Practices

A stable, open, transparent, and predictable investment environment is important to internationally active Canadian extractive sector companies and also to local governments and stakeholders. An environment that also encourages the creation of value for the communities and countries within which extractive sector companies operate helps transform business opportunities into success.

Canada recognizes that action by industry may not bring about sustainable positive change in the absence of broader, coordinated efforts at the national and regional levels. The Government of Canada works with interlocutors at international, bilateral and organizational levels, on a range of activities which strengthen the environment affecting business activities abroad in a way that is conducive to advancing CSR performance and benefits on the ground. Viewed together, the Government's actions provide a foundation for extractive sector companies, including developers, to go above and beyond legal requirements and reflect Canadian values in their work abroad through their implementation of CSR.

Many of the activities listed below, such as trade agreements, are not undertaken for the express purpose of enhancing company CSR performance, yet impact companies' motivation and ability to integrate CSR into all components of their work. Other activities, such as capacity-building, are not undertaken for the benefit of companies, but have an impact on how much host countries can benefit from the activities of responsible extractive sector companies. These activities are described below, to provide an overview of Canada's efforts that contribute to enhanced CSR performance by companies which results in broadly enjoyed benefits.

### International Level

One example of Canada's efforts at the international level is its significant support to the ***Extractive Industries Transparency Initiative (EITI)***. The EITI was established in 2002 to support improved governance in resource-rich countries through the verification, reconciliation and full publication of extractive company payments made to host country governments and the corresponding government revenues received from oil, gas, and mining. This initiative aims to strengthen governance by improving transparency and accountability in the extractives sector. It can also assist in fostering debate about how government revenues are spent and in helping build the capacity of communities to hold their government to account. Canada has participated in the EITI as a supporting country since 2007, and is an EITI Board member for the 2013-2015 cycle. Our work with the EITI forms part of Canada's support to the global fight against corruption.

Another important contribution by Canada to fight corruption globally is its ***strengthened Corruption of Foreign Public Officials Act (CFPOA)***. The CFPOA implements Canada's international obligations under the OECD on Combatting Bribery of Foreign Public Officials in International Business Transactions (OECD Anti-Bribery Convention) and makes it a criminal offence in Canada for persons or companies to bribe foreign public officials in the course of international business. Based on recommendations from business stakeholders, civil society and the OECD Working Group on Bribery, the government introduced amendments to the CFPOA which received Royal Assent on June 19, 2013. These amendments strengthen the Act, demonstrating Canada's commitment to the fight against bribery globally.

Canada also ***promotes CSR in multilateral fora*** including the OECD, the G7, the Asia-Pacific Economic Co-operation, the Organization of American States, the Francophonie, and the Commonwealth. This engagement provides Canada not only with opportunities to share knowledge, but also to work with other stakeholders to promote and strengthen international CSR guidelines to the benefit of all.

## **Bilateral Level**

Canada's efforts to promote CSR are advanced at the bilateral level by the inclusion of voluntary **provisions for CSR in all Foreign Investment Promotion and Protection Agreements and Free Trade Agreements signed since 2010**. These provisions suggest that signatory countries encourage enterprises operating within their territories to voluntarily incorporate internationally recognized CSR standards into their practices and internal policies, in areas such as labour, the environment, human rights, community relations, and anti-corruption.

Canada seeks a well-regarded and globally competitive sector, but also wishes to broaden the local development benefits that extractive sector investment can bring to a community and country. Canada recognizes, however, that there is a limit to what companies can provide to support the social, health, and environmental concerns of the communities within which they operate. Host governments are responsible for legislation and programs to meet the needs of their citizens.

That is why the Government of Canada **works with host governments to enhance their capacity** to manage their own natural resources for economic, social and environmental sustainability through various bilateral and multilateral initiatives. NRCan's ability to provide knowledge and expertise in this area is crucial to these efforts, which enhance the capacities of countries to manage both natural resource development and the benefits the sector generates. It includes building and modernizing governance regimes to ensure that natural resources are managed in a technically and environmentally sound manner. Canada recognizes that improving countries' resource governance is not only critical to ensuring that the extractive sector contributes to poverty reduction, it also creates a business and investment environment conducive to responsible corporate conduct in countries where Canadian companies operate.

## **Organizational Level**

To meet Canada's 2013 G8 commitments, on October 23, 2014, the Government introduced the *Extractive Sector Transparency Measures Act* (ESTMA) into Parliament. The *Act* seeks to establish mandatory reporting standards designed to deter corruption through reporting and transparency measures. The *ESTMA* will require extractive entities that are engaged in the commercial development of minerals, oil or natural gas, and subject to Canadian law, to report annually, publically, on specific payments of \$100,000 or more made to any level of government in Canada or abroad. This will include payments made by industry to Aboriginal governments. The proposed standards are broadly aligned with emerging international reporting requirements in the United States and the European Union. They have also been developed with a view to ensuring a level playing field for companies operating domestically and abroad, helping reinforce the integrity of Canadian extractive companies by making the extent of their local contributions more visible, and helping to ensure that citizens in resource-rich countries around the world are better informed and benefit from the natural resources in their country.

## **Complementarity with Canada's Development Assistance Programming**

Many of the Government's current capacity-building efforts in the area of natural resource management are guided by Canada's existing approach on extractives and sustainable development. Under the approach, Canada's development assistance supports developing countries to enhance their capacity to manage their extractive sectors, focusing on building resource governance capacity, growing businesses to improve local economic development, and enabling communities to maximize the benefits of the sector. It also supports implementation of leading international standards and guidelines, for both firms and countries, emphasizing transparency.

While the approach is distinct from the CSR Strategy, the two are well aligned. Several associated initiatives are complementary. For example, initiatives such as the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), and the Canadian International Resources and Development Institute (CIRDI), which is operated by the University of British Columbia in a coalition with Simon Fraser University and École Polytechnique de Montréal, will continue to foster dialogue, training and research, and promote best practices to support developing countries to enhance their capacity to manage their natural resource sector. These results also help address the uncertainties and scope of demands placed upon companies working in resource-rich developing countries, and to avoid situations where companies take on the responsibilities of host governments in the areas in which they operate.

## **Conclusion**

It is important to Canada that our extractive sector operate abroad in a manner that brings lasting prosperity for Canadians, and for those living in the areas in which our companies are active. To address this, [Canada's enhanced CSR Strategy](#) identifies a number of areas where the Government of Canada will strengthen its efforts to assist Canadian extractive sector companies operating abroad in integrating CSR into their operations.

Through its strengthened CSR Strategy, the Government will build on what works by enhancing companies' ability to align their activities with widely-accepted CSR guidelines and standards; strengthening CSR-related service to TCS client companies across the globe; increasing support to mission efforts to create networks and partnerships and local procurement opportunities; providing new incentives for participation by affected parties in Canada's dialogue facilitation processes; and working with partner countries and initiatives to promote and advance a range of CSR guidance pertinent to the extractive sector. Cooperation with stakeholders will continue to be important for the successful implementation of Canada's CSR Strategy.

The CSR Strategy will be reviewed again in 2019, to examine the degree to which it continues to enhance the ability of Canadian extractive sector companies to improve their CSR performance and secure the benefits their presence can provide for host countries and local communities.