



Building good governance in the mining industry

December 2016

Bringing together the world's leading mining and metals companies to address the sustainable development challenges faced by the industry.



- 23 member companies
- 34 regional mining and commodity association members



Representing 900+ sites
in 58 countries

Bringing together the world's leading mining and metals companies to address the sustainable development challenges faced by the industry.

ARM

Anglo American

AngloGold Ashanti

Antofagasta Minerals

Areva

Barrick

BHP Billiton

Codelco

Freeport-McMoRan

Glencore

Gold Fields

Goldcorp

Hydro

JX Nippon Mining & Metals

Lonmin

Mitsubishi Materials

MMG

Newmont

Polyus

Rio Tinto

South32

Sumitomo
Metal & Mining

Teck

ICMM 10 principles

We expect all member companies to implement the principles in full and to transparently report on performance.



1 Ethical business and sound governance



2 Sustainable development in decision-making



3 Respect for human rights



4 Effective risk management



5 Health and safety performance



6 Environmental performance



7 Conservation of biodiversity and land-use planning



8 Responsible use of supply



9 Social contribution



10 Effective and transparent reporting

Position statements

ICMM has developed a series of position statements to enhance our 10 principles for sustainable development.



Indigenous peoples



Transparency of revenues



Principles for climate change



Mercury risk management



Partnerships for development



Mining and protected areas

These statements are endorsed by our council and include a number of mandatory requirements that members must implement.

Assurance of quality



Robust
entry criteria
& processes



Clear
performance
expectations



Enhanced
reporting



Independent
assurance

ICMM approach



Leadership
through
performance



Listen &
engage

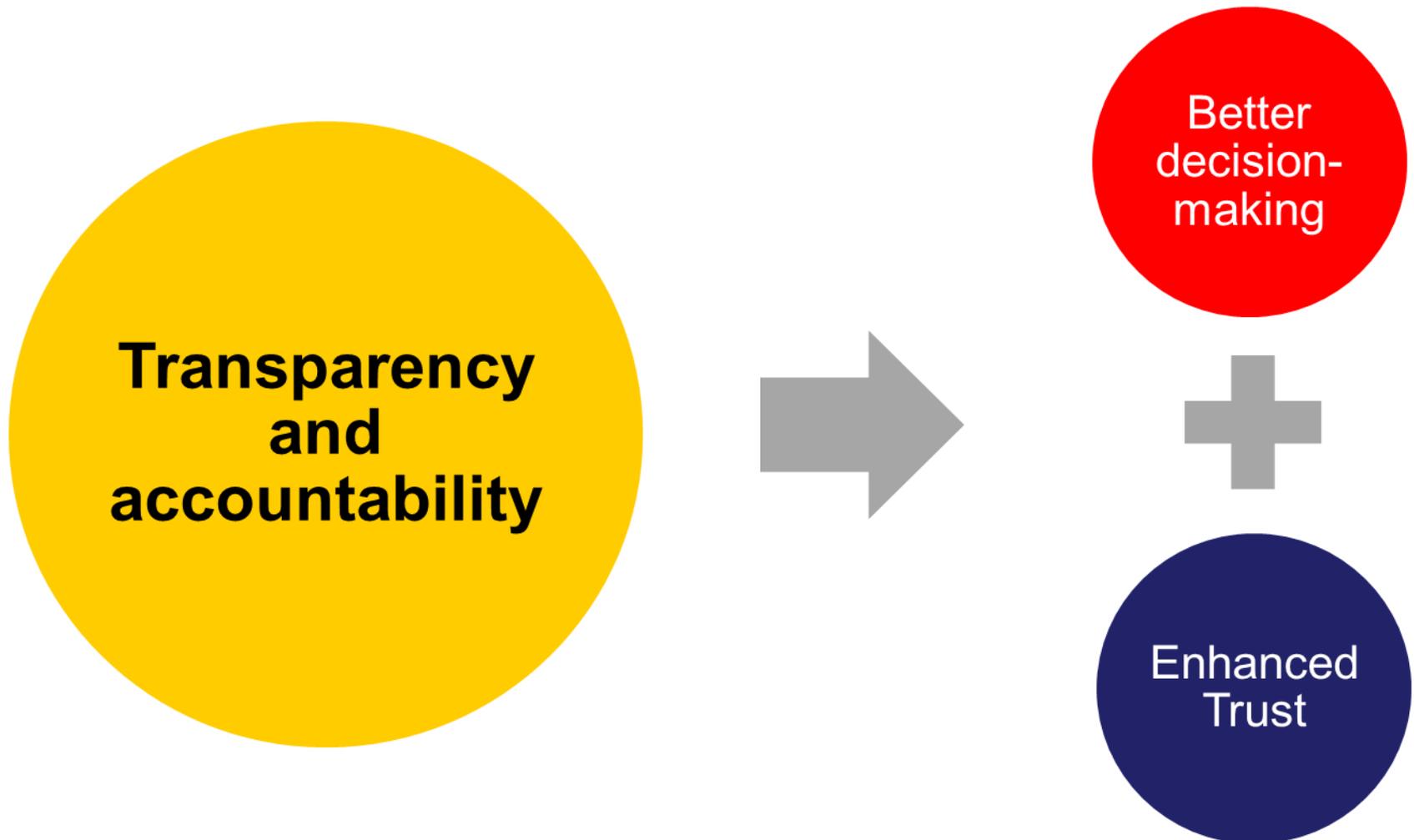


Enhance
understanding



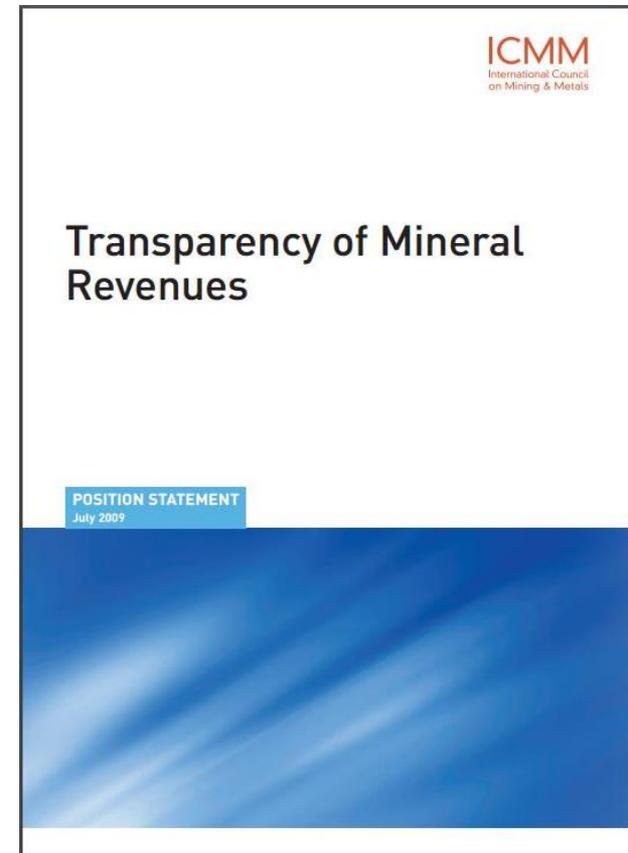
Shape
the policy
environment

The value proposition of enhanced transparency and accountability



All ICMM members commit to:

- Supporting the Extractive Industries Transparency Initiative (EITI)
- Engaging constructively to improve the transparency of mineral revenues on a level playing-field basis, either individually or collectively through ICMM
- Engaging constructively to improve the transparency of contractual provisions on a level playing-field basis, either individually or collectively through ICMM



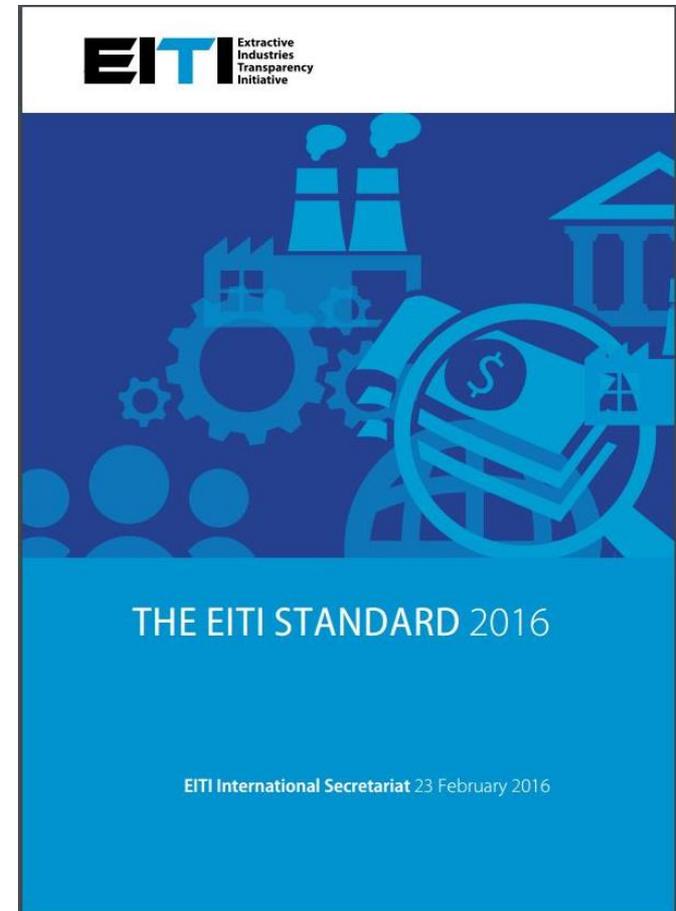
Extractive Industries Transparency Initiative (EITI)

ICMM
International Council
on Mining & Metals

The EITI is a global standard to promote the open and accountable management of oil gas and mineral resources

Facts and figures

- 51 implementing countries
- Over 90 companies involved in oil, gas and mining support the EITI (including the 23 ICMM member companies)
- 2.09 trillion USD in revenues disclosed
- 305 fiscal years covered in EITI reports



What's being disclosed?

Countries implementing the EITI disclose information on:

- Tax payments
- Contracts and licences
- Beneficial ownership
- Production volumes
- Revenue allocation
- The role of state-owned enterprises
- Commodity trading
- Social and economic contributions
- Mainstreaming efforts

HOW THE EITI WORKS

A country's EITI Report informs the public of what happens with its natural resources.

NATURAL RESOURCES → **Contracts & Licences** → **Production** → **Revenue collection** → **Revenue allocation** → **Social & economic contributions** → **PUBLIC BENEFIT**

VALUE CHAIN

EITI Report

To be a member of the EITI, a country must adhere to the EITI Standard

The EITI Standard lays out seven requirements on how to report activity in the oil, gas and mining sectors along the value chain of extracting a resource to turning it into public benefit. All information is regularly published in a country's EITI Report.

A country pledging to adhere to the Standard is a "Candidate". It has 2.5 years from the date of admission as a Candidate to meet the requirements. The country is then evaluated independently, and if deemed to have met the EITI Requirements for transparency, becomes "Compliant". From then on, countries are assessed every three years and can be suspended from the transparency standard at any time.

The 7 requirements of the EITI Standard:

- 1 Effective oversight by the multi-stakeholder group.
- 2 Timely publication of EITI Reports.
- 3 EITI Reports that include contextual information about the extractive industries.
- 4 The production of comprehensive EITI Reports that include full government disclosure of extractive industry revenues, and disclosure of all material payments to government by oil, gas and mining companies.
- 5 A credible assurance process applying international standards.
- 6 EITI Reports that are comprehensible, actively promoted, publicly accessible, and contribute to public debate.
- 7 The multi-stakeholder group to take steps to act on lessons learned and review the outcomes and impact of EITI implementation.

The EITI Standard is available at www.eiti.org/document/standard

Website: www.eiti.org
Email: secretariat@eiti.org
Telephone: +47 222 00 800
Fax: +47 228 30 802
Address: EITI Secretariat, Ruselakkeien 26, 0251 Oslo, Norway

To learn more, visit the EITI website www.eiti.org or follow us on Twitter @EITOrg

EITI FACT SHEET 2016

Revenue disclosure

- Mining companies pay billions of dollars every year in tax...
- Yet in some local communities near to mines, schools don't have school books, hospitals don't have drugs and roads are unpaved
- Revenue disclosure empowers citizens to hold their governments to account by asking their representatives difficult questions as to how extractive taxes have been spent



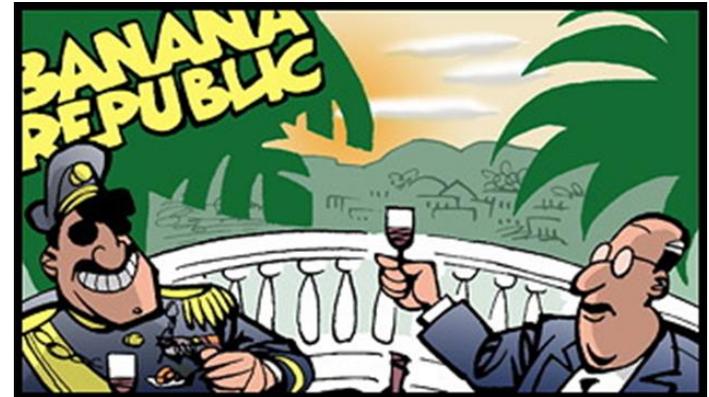
- **Why might a company be in favour of revenue disclosure?**

- If revenue disclosure is the ‘what’, then contract disclosure is the ‘why’. Why has the company paid the amount that it has - is it the correct amount?
- **Why might a company be in favour of contract disclosure?**



The all too common process

1. A corrupt politician awards a mining license cheaply to a small, anonymous company which has no experience in developing mining projects
2. The anonymous company sells it to a larger, established company for a huge profit
3. The corrupt politician receives a cut of the profit and the anonymous company vanishes
4. The true owner of the small company is never disclosed and their money has long since gone



The result

1. The state has lost out on potentially significant tax revenue
2. The new owner of the mine now owns a project that is tainted by corruption

Questions?



ICMM

International Council
on Mining & Metals

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***...doing business ethically...
...makes for better
business***

Ethics and Governance

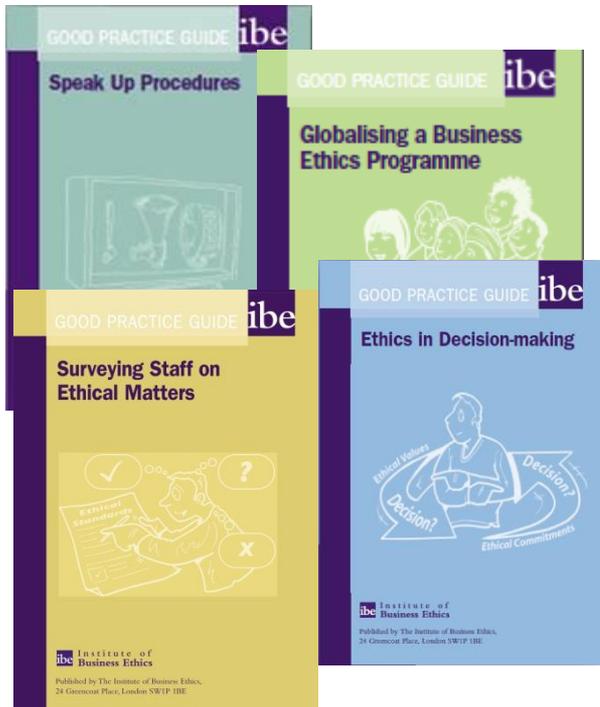
TPAV/IBLF Global

15th December 2016

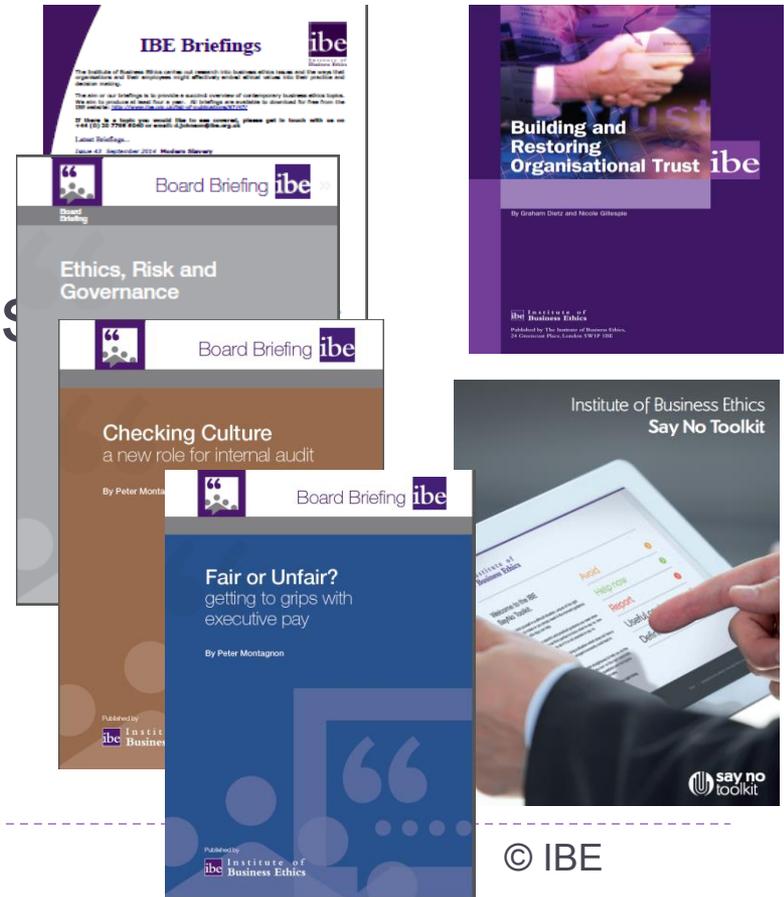
**Simon Webley, Research Director,
Institute of Business Ethics**

About the Institute of Business Ethics (IBE)

The IBE was established in 1986 to encourage high standards of business behaviour based on ethical values.



Advice
Publications
Training
Forums
Research
Education



Topics we will look at

- ❑ Scene setting
- ❑ Role of the Board & Senior Management
- ❑ Leadership and Culture
- ❑ Cameo discussion
- ❑ Practical solutions
- ❑ Issues of which to be aware
- ❑ Summary & Q&As

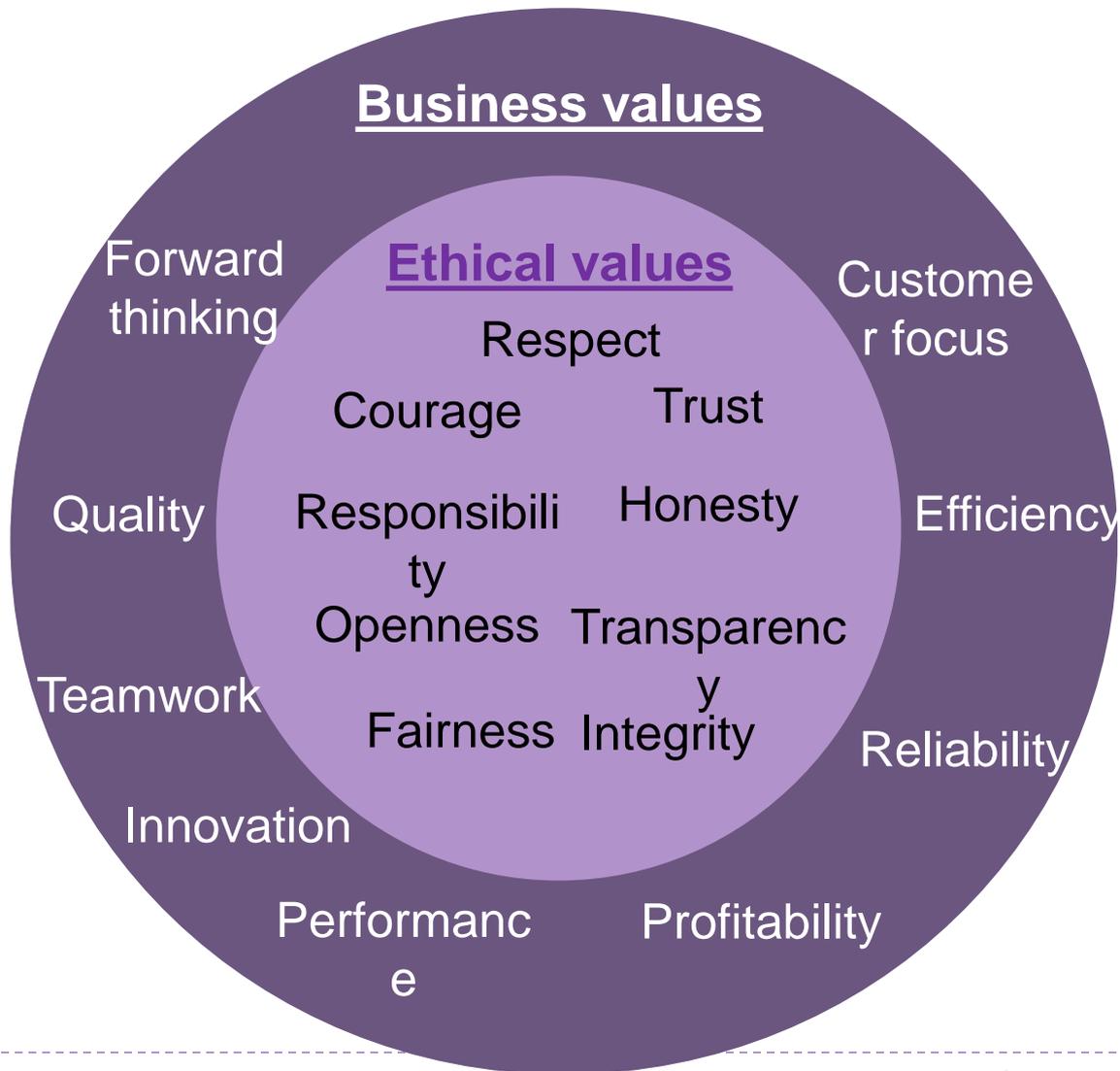
1. Scene Setting

Defining Responsible Business

It is:

- ▶ An organisation that lives up to its core values
- ▶ The values are set by the board
- ▶ They are usually explicit (but may not be)
- ▶ The best statements include *business* values and *ethical* values.

The most common **values** in organisations



Values of Fortune 500 companies

- ▶ 17 Common values identified amongst Fortune 500 companies
- ▶ ‘Integrity’ also the most popular
- ▶ Combination of Ethical & Business values

Integrity (Ethics, Honesty)

Respect (Trust, Dignity)

Excellence (Quality, Performance)

Responsibility (Accountability, Commitment)

Teamwork (Collaboration, Cooperation)

Innovation (Creativity, Ingenuity)

Achievement (Results, Success)

Fairness (Diversity, Inclusive)

Care (Service, Compassion)

Passion (Enthusiasm, Fun)

Leadership (Influence, Competitive Advantage)

Learning (Continuous Improvement, Knowledge)

Customers (Customer Satisfaction)

People (Employee Engagement)

Safety (Health)

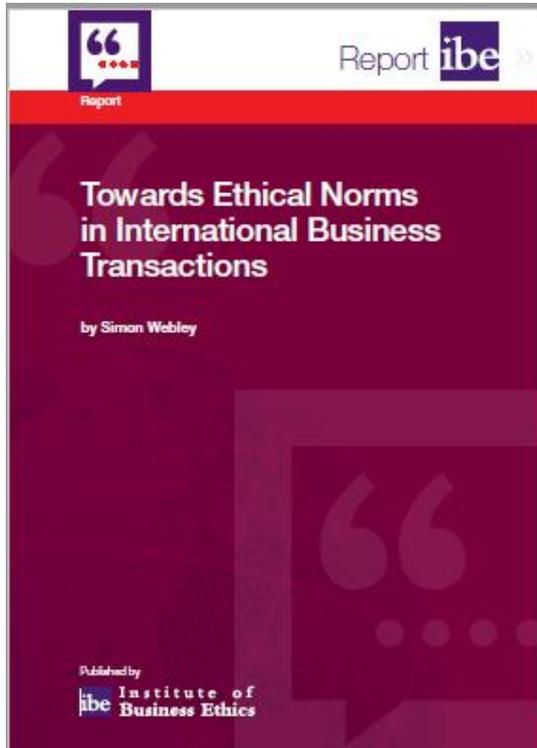
Community (Corporate Citizenship)

Environment (Sustainability)

Research by
Robert Ferguson

FergusonValues.com

The Golden Rule



Box 3 The Golden Rule in core religious texts

Baha'i	<i>"And if thine eyes be turned towards justice, choose thou for thy neighbour that which thou choosest for thyself."</i> Lawh'i 'Ibn'i Dhib, "Epistle to the Son of the Wolf" 30
Buddhism	<i>"Hurt not others in ways you yourself would find hurtful."</i> Udana-Varga, 5:18
Christianity	<i>"In everything do to others as you would have them do to you; for this is the law and the prophets."</i> Matthew 7:12
Confucianism	<i>"Do not unto others what you do not want them to do to you."</i> Analects 15:13
Hinduism	<i>"This is the sum of duty: do naught unto others which would cause you pain if done to you."</i> The Mahabharata, 5:1517
Islam	<i>"Not one of you is a believer until he loves for his brother what he loves for himself."</i> Fortieth Hadith of an-Newawi, 13
Jainism	<i>"A man should wander about treating all creatures as he himself would be treated."</i> Surtrakritanga, 1:11:33
Judaism	<i>"What is hateful to you, do not do to your neighbour: that is the whole of the Torah; all the rest of it is commentary."</i> Talmud, Shabbat, 31a
Native American	<i>"Respect for all life is the foundation."</i> The Great Law of Peace
Sikhism	<i>"Treat others as thou wouldst be treated thyself."</i> Adi Granth
Taoism	<i>"Regard your neighbour's gain as your own gain and your neighbour's loss as your own loss."</i> T'ai Shang Kan Ying P'ien
Zoroastrianism	<i>"That nature alone is good which refrains from doing unto another whatsoever is not good for itself."</i> Dadistan-I-Dinik, 94:5

Source: The Tanenbaum Centre for Interreligious Understanding

Where do law and regulations fit in?

Legal position of a business

- *what it must or must not do*

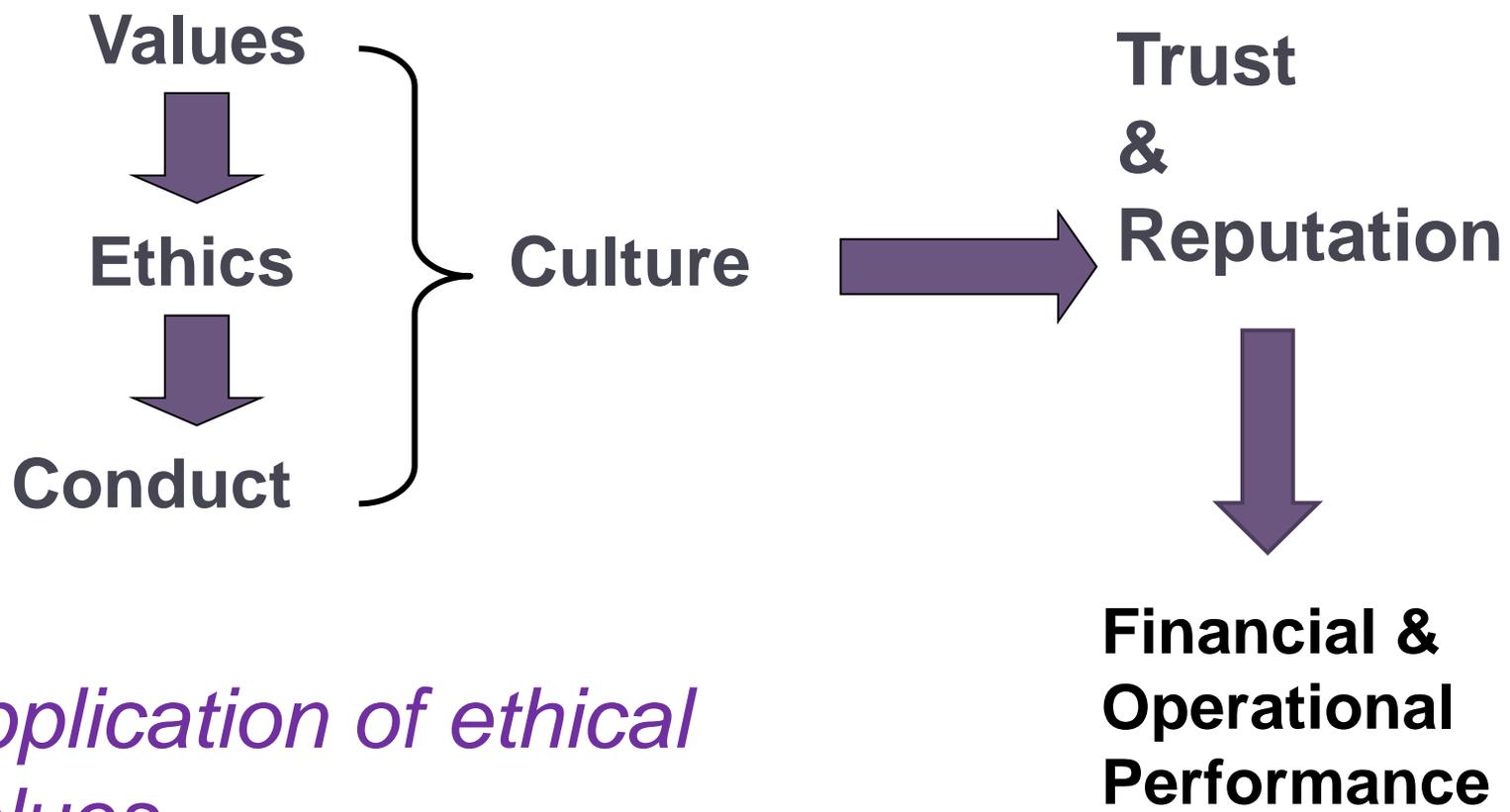
Ethical responsibility of a business

- *how it chooses to do it*

Remember:

- **Law and regulation** are mandatory - you are obliged to obey
- **Ethics** is discretionary – you have choice – determined by values

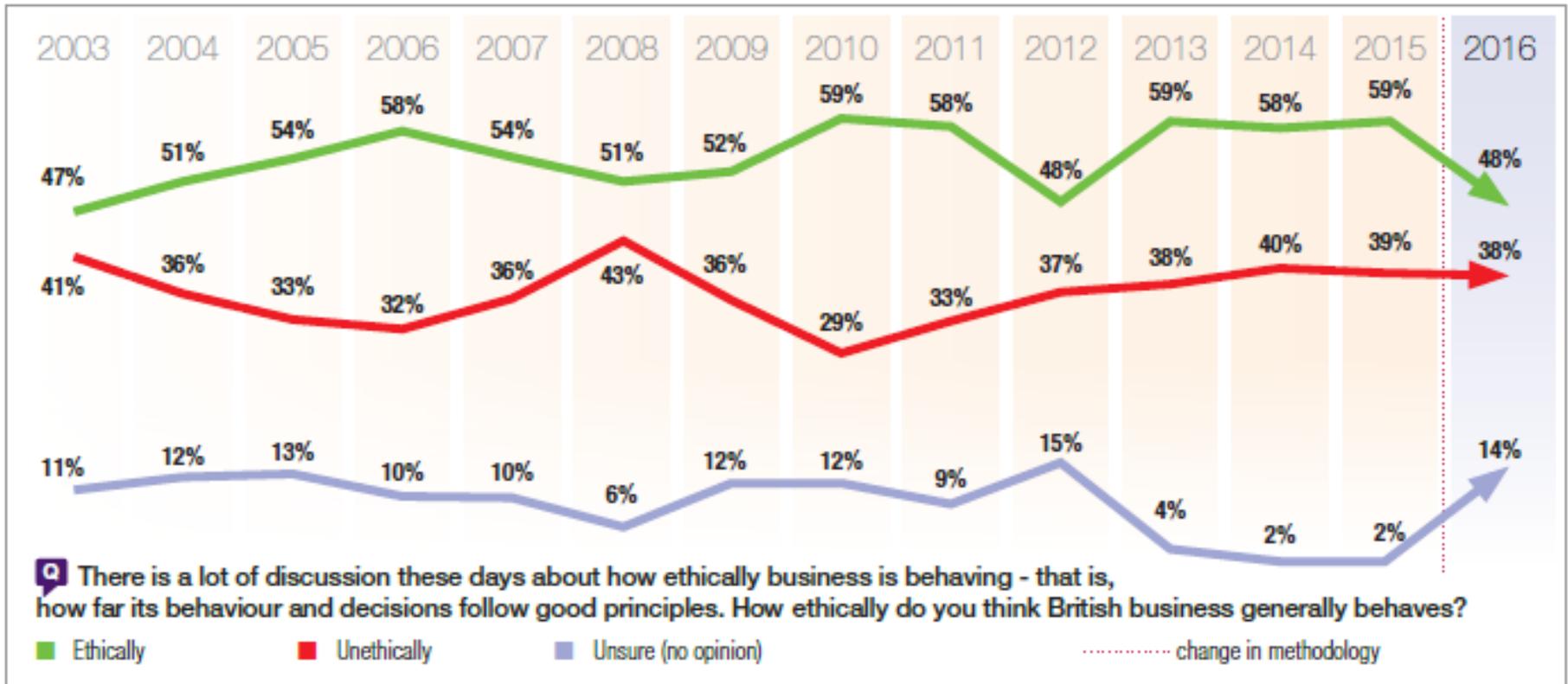
Building a trusted organisation



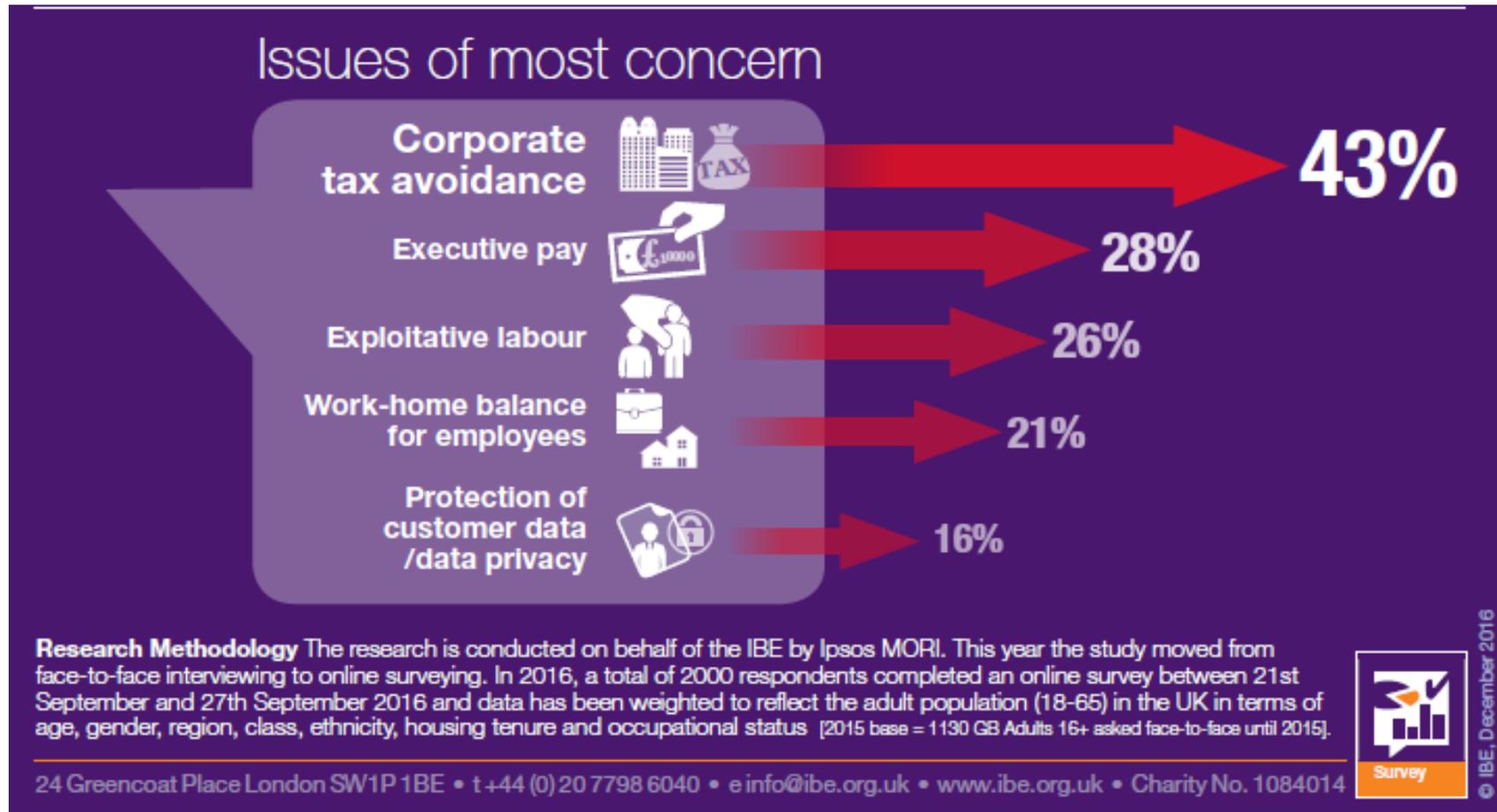
Application of ethical values to behaviour

2. The Role of the Board & Senior Management in cultivating trust

How is corporate ethical behaviour seen through the eyes of the general public?

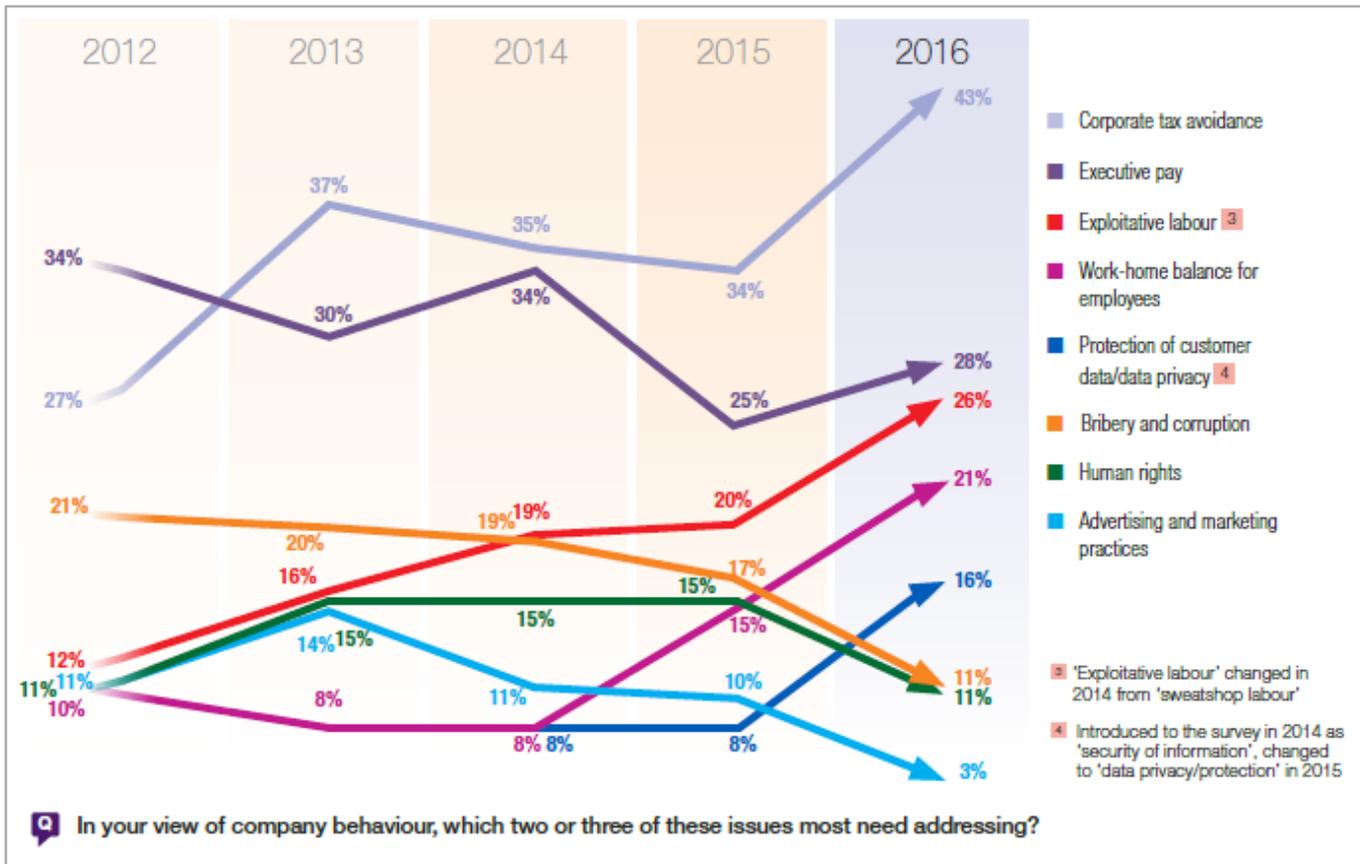


Issues of most concern UK 2016



Trends in issues of concern

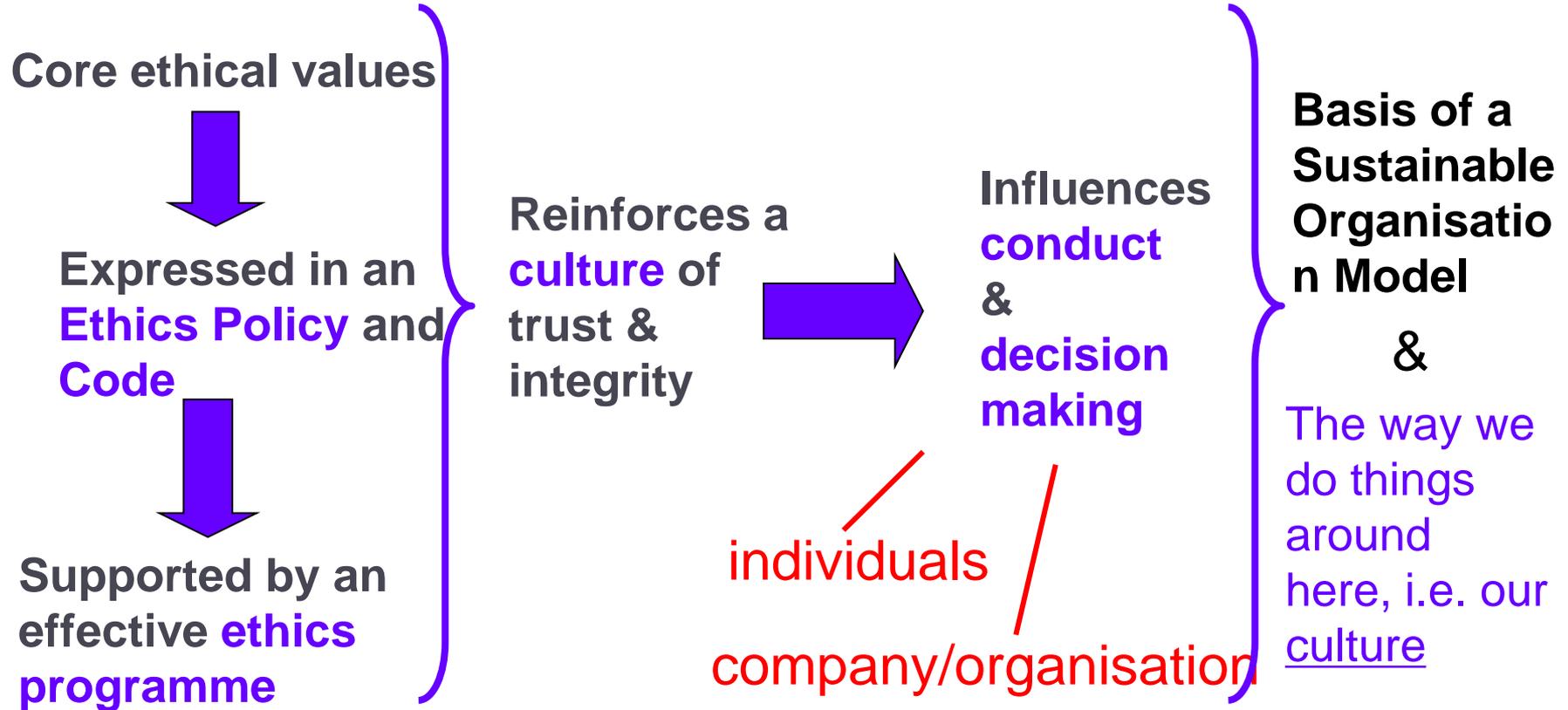
Notable changes in attitudes since 2012



Questions to Ask

- ▶ What do you think are the **key ethical issues** facing your company and the industry(ies) you are in?
- ▶ To your knowledge, how has the company gone about trying to introduce or maintain an **ethical business culture**? In your opinion, has this been successful?
- ▶ What do you think are the most common **ethical matters** facing your senior executives?
- ▶ Do you think your **corporate strategy** takes into consideration ethical matters?
- ▶ ▶ Do you think you should reconsider your approach to ethical issues in **the way your company**

Values and the Organisation Model: How do values have an impact?



3. Leadership and Culture

Tone at the Top

- ▶ **Lead by EXAMPLE**
 - ▶ Behaviour
 - ▶ Openness
 - ▶ Transparency
 - ▶ Dialogue and engagement

= Setting the Tone....from the Top

and.....

**the Middle, at Supervisory level, at Team
Leader level.....**



Key Attributes

Attributes of ethical leadership



Sir Anthony Salz on culture



“Culture exists regardless. If left to its own devices, it shapes itself, with the inherent risk that behaviours will not be those desired. Employees will work out for themselves what is valued by leaders to whom they report.”

Culture: some questions to ask

Our Culture:

- Have we a common understanding about the way our organisation works? Do we know the dilemmas our staff face day to day?
- How do we do our work?
- Do our values drive us? Individually and collectively?
- What is our leadership style?
- Can individuals challenge the norm?
 - **HOW DO WE KNOW?**



Pressures to act unethically

Pressure to meet unrealistic business objectives/deadlines	69.7%
Desire to further one's career	38.5
Desire to protect one's livelihood	33.8
Working in environment with cynicism or diminished morale	31.1
Improper training/ignorance that the act was unethical	27.7
Lack of consequence if caught	24.3
Need to follow boss's orders	23.5
Peer pressure/desire to be a team player	14.9
Desire to steal from or harm the organisation	9.5
Wanting to help the organisation survive	8.7
Desire to save job	7.9
A sense of loyalty	6.9

What elements in a corporate culture lead to **ethical lapses**?

- ▶ Paying **lip service** to positive ethical values (valuing profit at any price)
 - ▶ **Fear of failure** (targets, speaking up etc.)
 - ▶ **Fear of raising concerns**
 - ▶ **Lack of ethical leadership** and example at the top
 - ▶ **Lack of support mechanisms** such as speak-up lines, contractual
-

Cameo

Discussion

4. Practical solutions

The Aim of a Programme

... ethical values expressed in a code offer a framework for the **analysis of dilemmas** which emerge in the course of day to day business ...

... and therefore helps employees **make good decisions** under pressure



As a practical matter: **how is it done?**

An ethical culture is encouraged through:

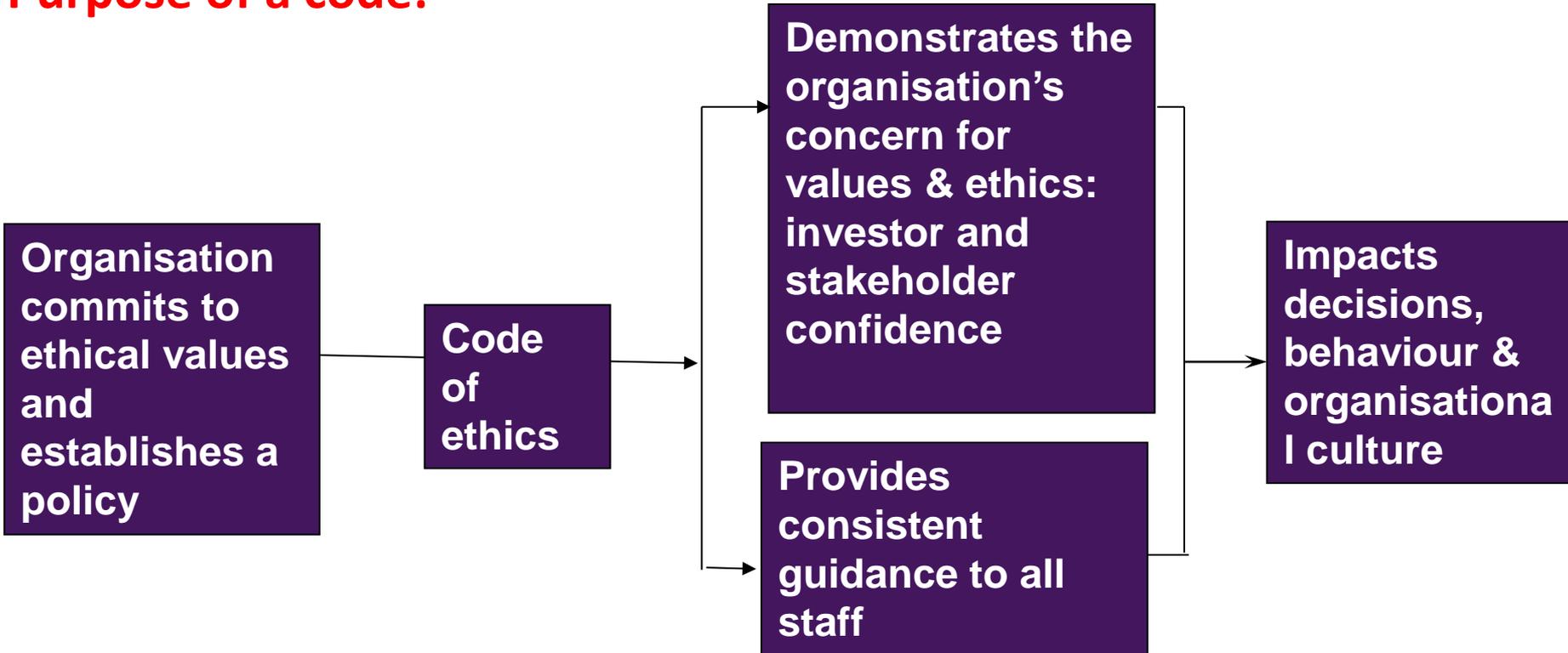
- ▶ An Ethics Policy
- ▶ An Ethics Programme
- ▶ A Code of Ethics

...which is embedded and monitored



What is a code?

Purpose of a code:

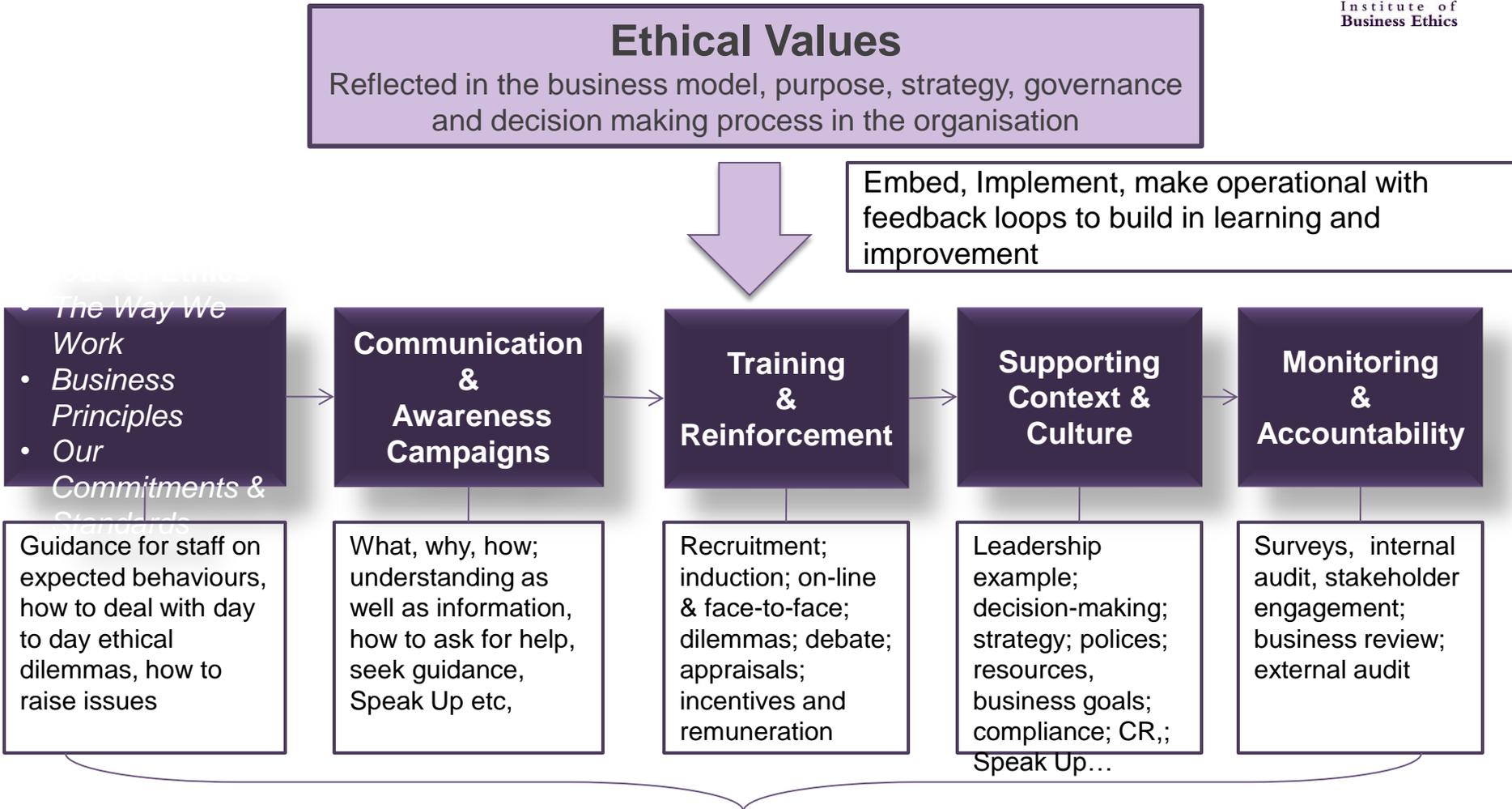


The limitations of a code

A code is necessary but not sufficient:

- ▶ It is ineffective unless it is introduced into an organisation's 'blood stream'
- ▶ It must be accompanied by training, helplines, reviews etc.
- ▶ An active ethics programme and a supportive corporate culture are essential for the code to have any impact

Elements of an effective programme



Embed Values → Influences Conduct & Behaviour

...doing business ethically makes for better business....

Potential **'Hot Topics'** for the Board to consider

- ▶ Outsourcing/Offshoring
- ▶ Marketing policies
- ▶ Reputation
- ▶ Doing business in difficult countries
- ▶ Merger & Acquisition due diligence
- ▶ Crisis management/business continuity
- ▶ Succession planning/senior appointments/due diligence
- ▶ Competitor actions

Ethics (Risk) Committee of the Board

- ▶ Yet another committee?
- ▶ Structure (who should be on it?)
- ▶ Terms of Reference/Responsibilities
- ▶ The Code of Ethics
- ▶ Oversight, monitoring and metrics
- ▶ Reporting internally/externally

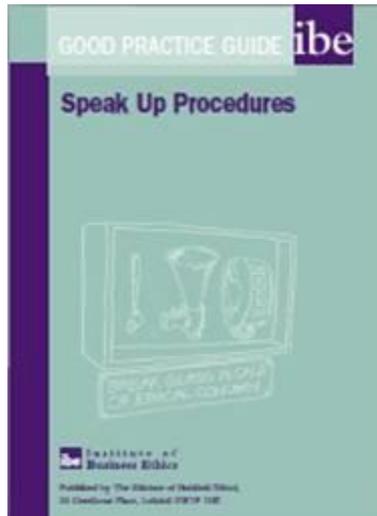
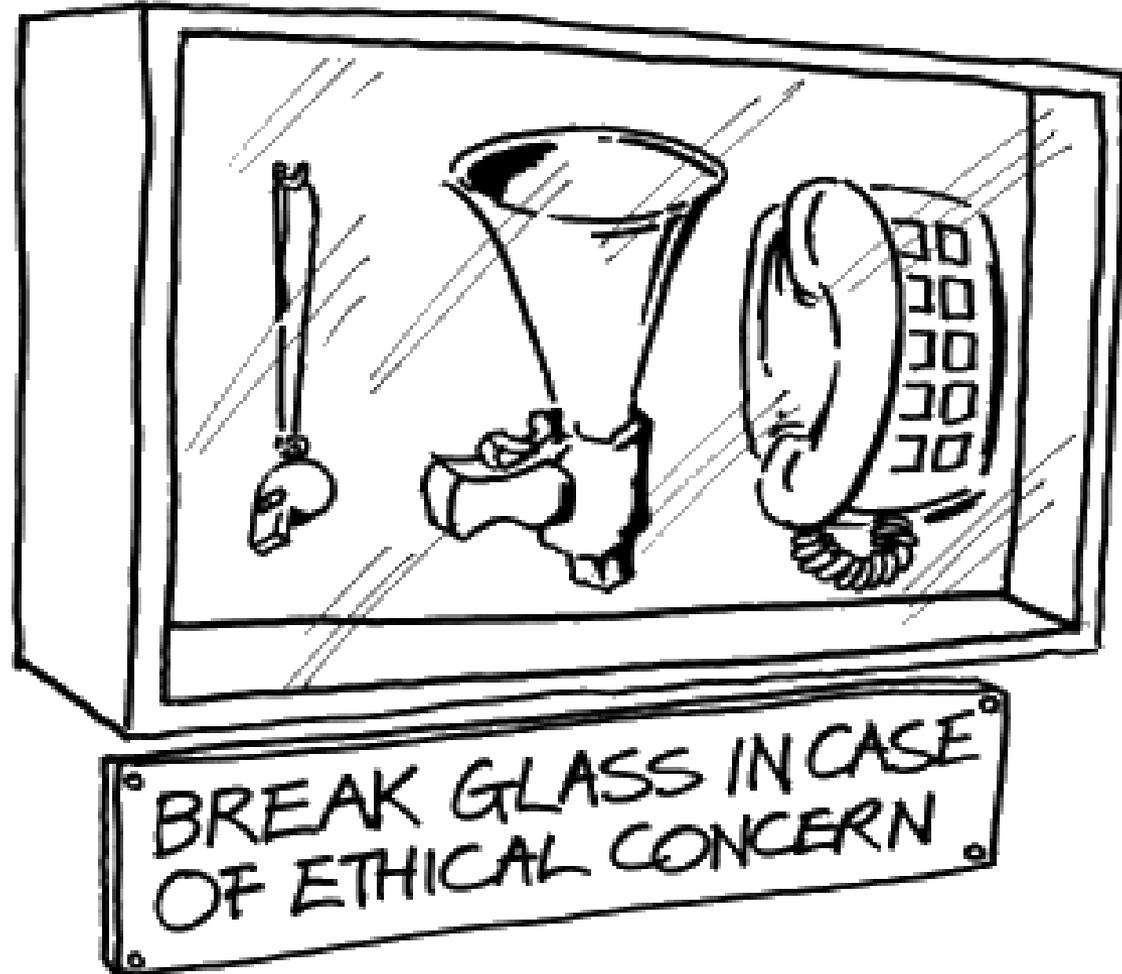


Internal Monitoring

- ▶ Employee surveys and workshops
- ▶ Staff appraisals/exit interviews
- ▶ Analysis of issues from 'speak-up' lines
- ▶ Staff self-certification
- ▶ Board self-evaluation
- ▶ Stakeholder engagement

5. Issues to be aware of....

Whistleblowing or Speaking up?



*...doing business ethically...
...makes for better business*



IBE 2015 Ethics at Work Survey

Featuring Britain, France, Germany, Spain and
Italy

Reasons why concerns of misconduct were not raised (Britain)

Reasons why concerns were not raised (2015)



Q4e

Which, if any, of the following influenced your decision NOT to raise your concerns? base = 60 All British full-time workers who did not raise concerns of unethical conduct (caution small base size)

Reasons why concerns of misconduct were not raised (Continental Europe)

Three most prominent reasons for not raising concerns by country (2015)

Continental Europe	FRA	GER	ITA	SPA
I did not believe corrective action would be taken (26%)	I felt it was none of my business (27%)	I did not believe corrective action would be taken (37%)	I did not believe corrective action would be taken (35%)	I felt it was none of my business & I felt I might jeopardise my job (both 25%)
I felt I might jeopardise my job (22%)	I did not want to be seen as a troublemaker by management (18%)	I felt it might alienate myself from my colleagues (24%)	I felt I might jeopardise my job (26%)	
I felt it was none of my business (22%)	I thought that they already knew about it (17%)	I did not think it was a serious issue at the time & I felt I might jeopardise my job (both 23%)	I thought that they already knew about it (19%)	I did not believe corrective action would be taken (22%)

UK Modern Slavery Act 2015

Who it concerns

Companies or partnerships **ANYWHERE** in the world carrying on a business in the UK providing goods and services with an annual turnover of £36million

- ▶ **NEEDS TO PUBLISH A HUMAN TRAFFICKING STATEMENT**

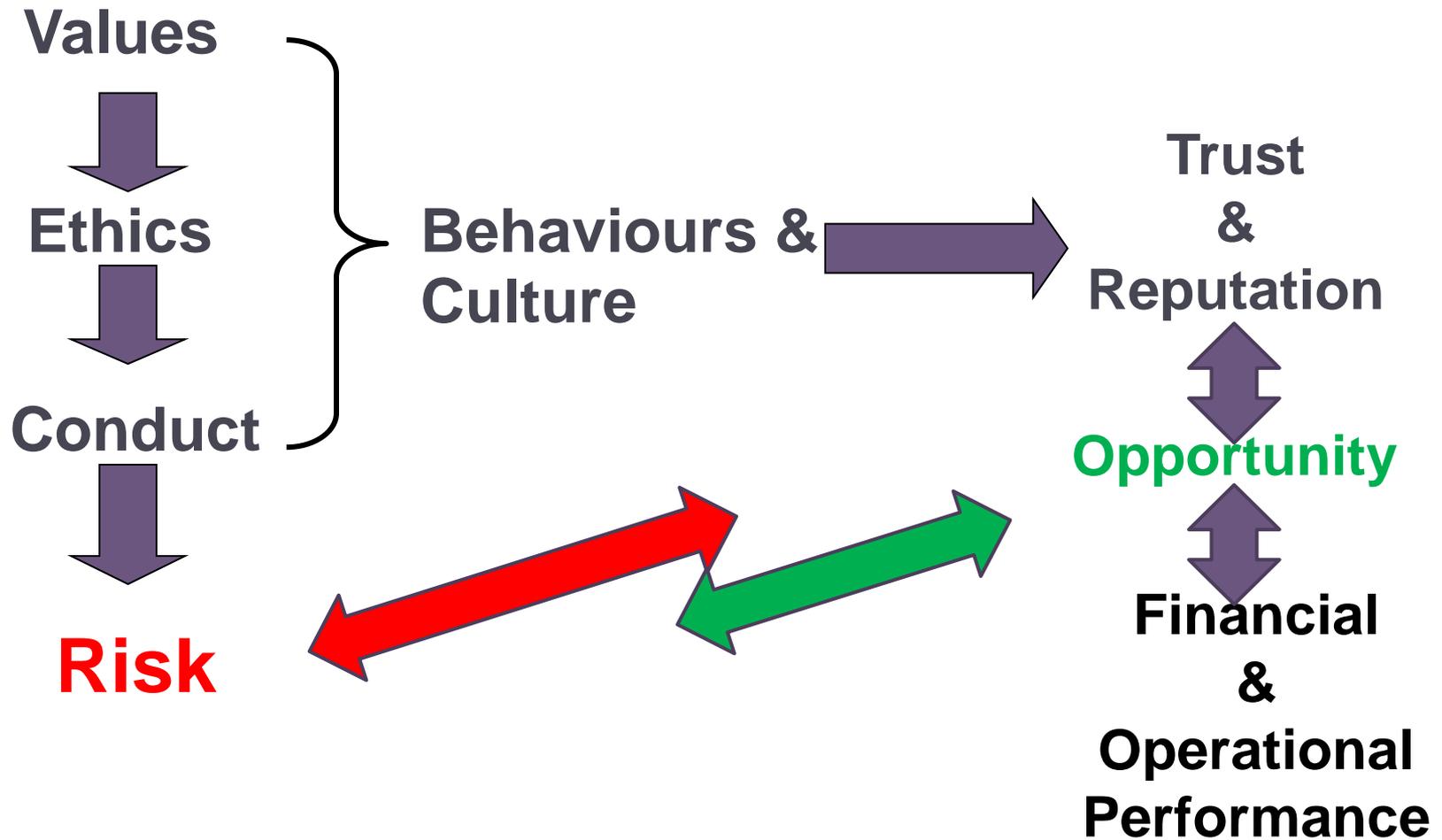
Setting out what steps they have taken during the financial year to ensure modern slavery is not occurring in their supply chain

The Statement

- ▶ Legal requirement is to make a statement as to the steps taken to ensure slavery and human trafficking is not taking place in:
 - ▶ **Its supply chain or any part of its business**
- ▶ Statement must be published on the **website** with a link on the homepage
- ▶ Statement must be **approved by the Board** and signed by a Director

6. Summary

Business Ethics



Ethical leadership matters...

It embeds purpose, values, ethics and culture....

- ▶ Sets tone and culture of the organisation
- ▶ Supports staff
- ▶ Makes it a good place to work
- ▶ Retains and recruits best quality staff
- ▶ Gain and retain trust from your stakeholders and the public
- ▶ Adds to reputation with customer and suppliers
- ▶ Helps to mitigate against reputation risk
- ▶ It is the right thing to do



Q&As
Thank you

www.ibe.org.uk

European Bank for Reconstruction and Development

Office of the Chief Compliance Officer

December 2016



European Bank
for Reconstruction and Development



Integrity

Reputation

Ethical Behaviour

Investigations

Accountability

OCCO's Organisational Chart



European Bank
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Julie Wallis
Executive Assistant
Ext 7487

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Associate Director, PCM Officer
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David Simpson
Associate Director, PCM Officer
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Silvana Sandy
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Cecile Divino
Principal, Investigations
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Project Integrity

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Roberto De Sanctis
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Melissa Khemani
Principal, Project Integrity
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Principal, Project Integrity
Ext 6028

James Brenton
Principal, Project Integrity
Ext 7293

Allison Smith
Principal, Project Integrity
Ext 6158

Rossana Panella
Senior Officer
Ext 8421



- Maintains the EBRD's policies with respect to integrity and compliance, ensuring that our approach to integrity is up to date and consistent with other MDBs
- Provides advice on Code of Conduct questions
- Financial Interest Disclosure
- Responsible for Nominee Director appointments and training
- Capital Markets Compliance
 - Material non-public information (MNPI)
 - Conflicts of interest management



- Investigates allegations of staff misconduct and recommends that HR opens disciplinary procedures, as appropriate
- Examples of staff misconduct include:
 - Violations of the Code of Conduct
 - Conflicts of interest
 - E.g. where a friend or family member benefits from Bank Projects. Includes not just actual conflicts but also perceived conflicts
 - Benefits fraud
- Interpersonal Disputes referred to HR in the 1st instance
- Staff have an affirmative obligation to report suspected misconduct
- Whistleblower protection

- Investigates allegations of Prohibited Practices committed by third-parties in respect of Bank Projects
- There are seven Prohibited Practices:
 - Fraud
 - Corruption
 - Collusion
 - Coercion
 - Theft
 - Misuse of Bank resources
 - Obstruction
- Prohibited Practices can result in debarment of the relevant entities, and then cross-debarment by other MDBs



- Banking is the first line of defence, and has ultimate responsibility for integrity of projects
 - Bankers conduct due diligence
 - Red Flags Checklist for every Project
 - May retain external consultants
- The Project Integrity team reviews Projects for integrity related concerns upon referral, either by the Banking team or Risk
- Some projects must be referred to OCCO