

Resource Revenue Transparency in the Extractive Sector:

Publishing Payments to Governments

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**PROSPECTORS &
DEVELOPERS
ASSOCIATION
OF CANADA**

Introduction

“Canada is recognized as a world leader in promoting transparency and accountability in the extractive sector both at home and around the world. Canada’s participation will help transform the way industry reports payments worldwide.”

Prime Minister Stephen Harper



TRA
NSP
ARE
NCY:

A made-in-Canada solution



THERE'S A RIGHT WAY. AND IT'S CANADA'S WAY.

Mining companies in Canada were the first in the world to develop an externally-verified performance system for sustainable mining practices.

Our TSM* program reflects a deep commitment to environmental protection, safety, and transparency about how we operate.

* Towards Sustainable Mining is the Mining Association of Canada's program of environmental assurance.

MINING.CA



What kind of transparency initiative is this?

Public reporting of taxes, royalties and other payments to governments

- For **industry**, an opportunity to quantify the economic benefits from mineral extraction
- For **communities**, an opportunity to engage governments in accounting for the use of the payments received
- For **investors**, transparency is an incentive for investment, improving analysis of portfolio risks

Mandatory Reporting Standards: *Uptake Around the World*

- US and EU implementing mandatory reporting through securities disclosure for all publicly listed oil, gas and mining companies, on a country- and project-level basis.
- EITI is increasingly being adopted into national legislation, and will require project-level disclosures, consider contract transparency. ICMC requires all members to become EITI supporting companies, and IPIECA is a supporter of the EITI.
- Civil society, investors and communities in Canada and abroad strongly support mandatory disclosure requirements.
- UK leading G8 countries in call for increased adoption across key capital markets – Government of Canada announced ‘Transparency and Accountability’ rules development for extractives (includes minerals, oil and gas and aboriginal governments) – June 12, 2013



Canadian Transparency Working Group

- Launched in September 2012 by MAC, PDAC, PWYP-Canada and the Revenue Watch Institute.
- Objective is to promote and assist the effort towards establishing greater transparency in the extractive industries in Canada and overseas, through collaboration and consultation with a broad group of stakeholders.
- Industry opportunity to work with civil society organizations to build a mandatory disclosure framework from the bottom up with the goal of creating something that meets the needs of both industry and civil society



Objectives of the Working Group MOU:

Key Considerations :

- Mechanism for reporting data necessary to **enable communities and other stakeholders to hold governments to account** for revenues accruing from natural resource development
- **Minimize the reporting burden on companies** – viz. cost and time – especially for juniors and cross-listed entities
- Considers existing mandatory reporting mechanisms to **find alignments, reduce duplication, avoid conflicting reporting requirements** and seek equivalency when possible



Scope of Reporting

- Mandatory reporting mechanism to establish greater transparency of payments
- Requiring country-by-country and project reporting of certain payments above a minimum threshold
- Payments made to national and sub-national authorities
- Payments made along all stages of the project life cycle and along the value chain (e.g. from mine site to export)

An advertisement for Canadian Mining. The background is an aerial view of a mining site with various pits and roads. At the top, the text reads 'Canadian Mining. Unleashing Canada's strengths.' In the center, there is a box containing '2012', 'Cdn', and 'Canada'. At the bottom left, it says 'From products that improve our daily lives, to meeting global demand, Canadian mining is spurring economic growth.' followed by 'mining.ca'. At the bottom right, there is a logo for 'CANADIAN MINING' with a hammer icon and the tagline 'What will we find next?'

Canadian Mining.
Unleashing Canada's strengths.

2012
Cdn
Canada

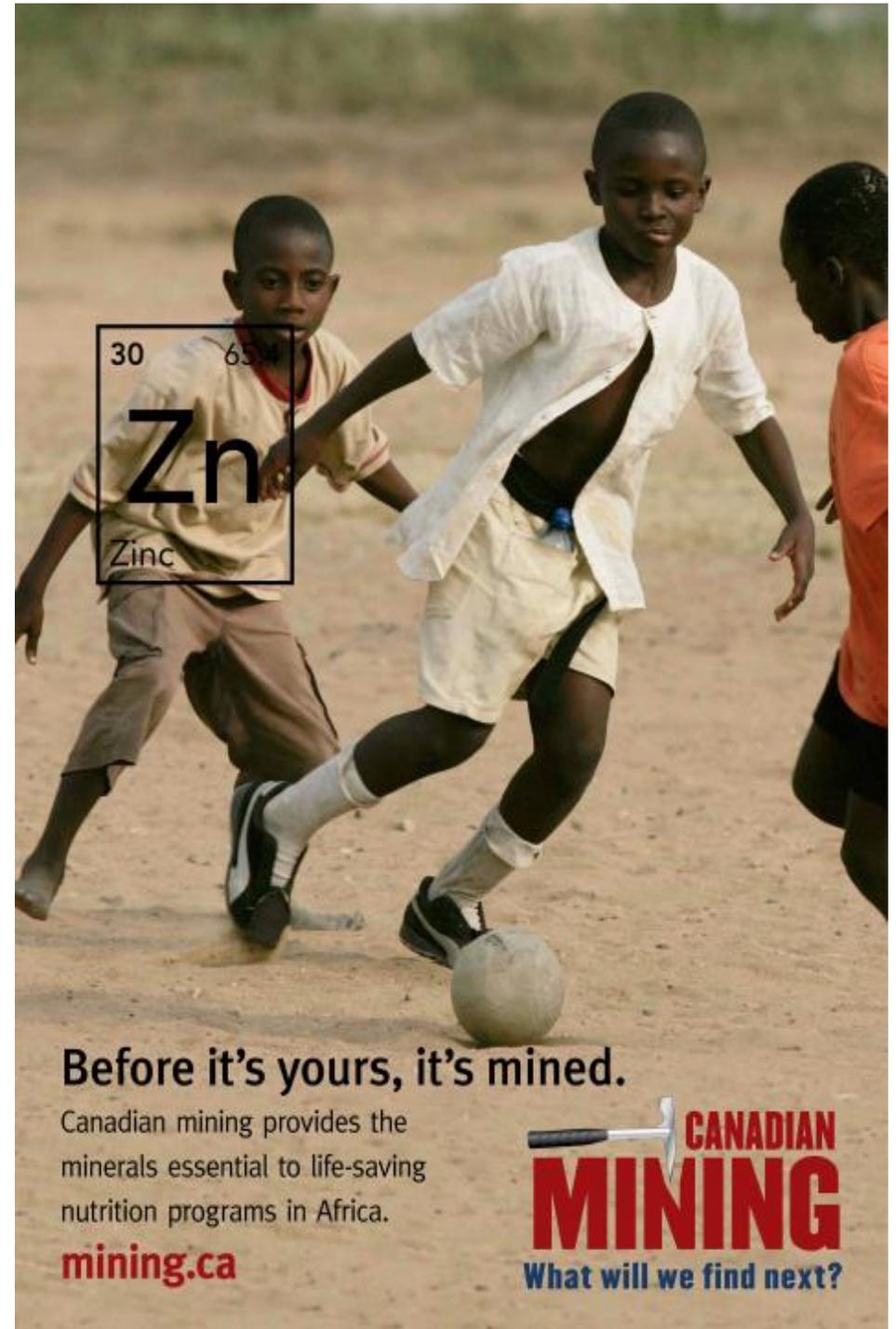
From products that improve our daily lives, to meeting global demand, Canadian mining is spurring economic growth.

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CANADIAN MINING
What will we find next?

Process to Date

- The MOU was approved by the four partner organizations in the fall of 2012
- Multiple consultations with industry and civil society have been held throughout the process
- Draft principles were published in April 2013
- A complete draft framework was published in June 2013 for public comment
- The working group addressed comments received throughout the summer and made modifications to reflect comments received
- The final framework was approved by all four members and announced in January 2014
- The working group is now working with both the provinces and federal government to implement the recommendations in the framework



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Zn
Zinc

Before it's yours, it's mined.

Canadian mining provides the minerals essential to life-saving nutrition programs in Africa.

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CANADIAN MINING
What will we find next?

Scope of Reporting - Details

- Securities regulations recommended venue for implementation
- Equivalency in reporting with other mandatory reporting requirements
- Control/subsidiaries – use IFRS 11 and IAS 28 definitions to guide proportionate reporting
- Payments include profit taxes, royalties, fees, production entitlements, bonuses, dividends, infrastructure(if required by law or contract), transportation and terminal fees
- Threshold - \$100,000 for TSX issuers; \$10,000 for venture exchange
- Project definition in-line with Dodd-Frank and current scope of project reporting
- No exemptions
- Reporting via separate form, annually
- Format of disclosure similar to Dodd-Frank
- Verification and penalties consistent with securities safeguards



Questions?

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