

MEMORANDUM OF UNDERSTANDING

Between

MINING ASSOCIATION OF CANADA; PROSPECTORS AND DEVELOPERS ASSOCIATION OF CANADA; PUBLISH WHAT YOU PAY –CANADA; THE REVENUE WATCH INSTITUTE;

WHEREAS the Mining Association of Canada, the Prospectors and Developers Association of Canada, Publish What You Pay-Canada, the Revenue Watch Institute; [and TBD] (“Member Organizations”) are organizations who have elected to form a collective with the shared goal of working to promote and assist in the effort towards establishing greater transparency in the extractive industries in Canada and overseas.

NOW THEREFORE, this Memorandum of Understanding (“MOU”) will set forth the responsibilities of each Working Group member organization.

1. TITLE

The work described hereunder and the Member Organizations collectively will be referred to as the “Extractive Resource Revenue Transparency Working Group” (hereinafter the “Working Group”).

2. STATEMENT OF PURPOSE

To contribute to a process which results in communities, sub-national authorities, and national oversight actors having access to the information necessary to hold their governments and decision makers accountable for revenues derived from extractive resource development and to determine whether their governments have collected what was owed. The resulting access to information is meant to provide citizens with the tools they need to achieve accountable, responsible and transparent management of resource extraction and to advocate for the use of the revenues for sustainable development. There is a clear demand from communities and sub-national governments for this type of information to help assure themselves that they are receiving adequate and appropriate benefits from extractive operations from both extractive companies and governments. This type of transparency is also a valuable tool for encouraging sound management of extractive resources, reducing corruption and bribery, and helping investors analyze the financial and political risks inherent in extractive sector investments.

3. OBJECTIVE

The Working Group’s objective is to develop a mandatory reporting mechanism that would be presented to the Canadian Government, provincial governments and/or securities regulators and recommended as a framework that could be adopted to require Canadian extractive companies to report payments to host governments on a country-by-country and project-by-project basis. The end result will be a mechanism that allows for the identification and collection of the data necessary to enable local communities and



stakeholders to hold governments to account for the revenues derived from natural resource development and to determine whether their governments collected what was owed.

The mechanism will be developed with the goal of creating a framework for reporting the key types of payments in a format that minimizes the reporting burden on companies in terms of cost and time to prepare the necessary disclosure documentation. Additionally, this format should be clear and useable by stakeholders. In developing the mechanism, the working group will consider, other reporting mechanisms that may also be applicable to Canadian extractive companies in order to find alignments, reduce duplication and avoid conflicting reporting requirements between jurisdictions. Other reporting mechanisms that the working group will keep in mind will include but not be limited to the Extractive Industries Transparency Initiative, Dodd-Frank Wall Street Financial Reform and Consumer Protection Act (section 1504), European Union Guidelines on Revenue Transparency, and the Global Reporting Initiative.

4. TERM

The Working Group intends to begin work on the reporting mechanism once this MOU has been signed by each of the Member Organizations. This MOU will terminate on June 1, 2013. The Working Group may elect to renew this MOU prior to June 1, 2013 with the approval of all member organizations.

5. PROCESS, RESPONSIBILITIES AND DECISION MAKING

- a) Decision making will be based on consensus of the Working Group. When consensus decisions on key milestones are reached each Member Organization will then have an opportunity to seek approval of their constituency before being required to formally consent to the milestone. For the purposes of this working group consensus is defined as unanimity requiring all participants to be in agreement.
- b) Working Group meetings will be scheduled with sufficient time in between to allow Member Organizations to consult with their constituencies as necessary.
- c) Meeting minutes will be documented during each scheduled Working Group meeting by the Chair or a note-taker nominated by all members of the Working Group. These minutes will be distributed to all Working Group members in attendance as well as those in absentia within two weeks of the meeting.
- d) Working Group meetings will be hosted and managed by a Chair, which will rotate among Working Group members. Each Working Group member will appoint a representative to carry out that organization's duties as Chair. The initial Chair will assume duties as Chair commencing upon the execution of the MOU, with the Chair rotating upon expiry of the time for delivery of the minutes from the last meeting, or the delivery of minutes from the last meeting, whichever is earlier. The order of rotation of Chairs will be as follows: Mining Association of Canada, followed in turn by: the Revenue Watch Institute, the Prospectors and Developers Association of Canada, Publish What You Pay-Canada, and then any other additional Member Organization in the order they are added to the Working Group.
- e) Meetings will be held regularly, preferably monthly, to be scheduled at the end of the previous meeting.
- f) The Working Group may require external technical expertise throughout the process to inform decision making. External technical experts will be identified and agreed upon by all parties and the terms of reference for work will be developed and agreed upon by all Working Group participants.



- g) Internal experts from participant organizations may be invited to present to the Working Group and provide input to the process if agreed upon in advance by all parties. Experts will be required to respect the confidentiality of the Working Group.
- h) Participant organizations are permitted to bring observers to meetings for the purpose of providing advice or for the purpose of assuring a transparent process.
 - i) Observers must be identified to the Working Group by the participant organization whom the observer will be accompanying prior to their attendance at the meeting. Identification can be accomplished by e-mail notification to all participant organization representatives.
 - ii) Observers are not permitted to participate directly in discussion unless it is agreed upon by all parties in advance.
 - iii) Observers will be required to respect the confidentiality of the Working Group.
- i) The Working Group has the authority to initiate capacity building workshops to increase understanding of relevant issues and has the discretion to invite additional participants for the purpose of raising awareness and increasing support for this initiative.
- j) Information that is either generated independently by participant organizations or tabled by participant organizations from third parties may be included for consideration by the Working Group. If Working Group members identify the need for an independent third-party review of such information to ensure its quality, such a review can be initiated and the costs will be shared pursuant to Clause 7(b).

6. MILESTONES AND DELIVERABLES

- a) The Working Group will strive to create and agree upon an Initial Framework report by December 1, 2012 which will include responses to all issues listed under Clause 10 – Scope and Issues for Consideration.
- b) The Working Group will work to achieve a Final Reporting Mechanism which will be presented and actively promoted to policymakers by June 1, 2013.

7. FUNDING

- a) Member Organizations will be responsible for their own costs incurred as a result of participating in this Working Group.
- b) Events, consultants and research will be cost shared on a case-by-case basis where no organization will take on any cost liability without first receiving consent in writing from all Member Organizations, or having consent documented in the meeting minutes of a previous formal Working Group meeting. Consent must be to both the expenditure and to the cost-sharing arrangement proposed. There is no requirement to share costs equally among groups.
- c) In-kind contributions will be recognized in deliberating the basis for cost sharing for events, consultants and research.

8. CONFIDENTIALITY AND EXTERNAL COMMUNICATION

- a) The Chatham House rule will apply to all business conducted by the Working Group. When a meeting, or part thereof, is held under the Chatham House Rule, Member Organizations are free to use the



information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

- b) The Working Group places a high level of importance on conducting its business in a transparent manner, to this end:
 - i) Once the meeting minutes have been approved in writing by all participants at a Working Group meeting, each Member Organization may distribute as they see fit, including public release.
 - ii) All other external communications regarding the work of the Working Group are to be reviewed and agreed upon by all Member Organizations prior to public release.
 - iii) This MOU will be made public after it has been signed by all participants.
- c) If the Member Organizations cannot agree on the content of the Initial Framework, the Final Reporting Mechanism or any document of the Working Group, then that document will not be released to the public by any Member Organization.
- d) The terms of this MOU will not limit any organization's ability to conduct any activities consistent with its organizational mission and objectives, including communication or advocacy around transparency and associated issues in the normal course of its business. However, communications regarding the activities of the Working Group not previously made public through public comment or meeting summaries are to be reviewed by the Working Group pursuant to Clause 8(b).
- e) Requests to review the individual communications of individual participant organizations pertaining to the activities of the Working Group will be circulated to all participant organizations with a proposed timeline for response. The timeline should provide a reasonable amount of time for review based on the complexity of the document. Unless a Member Organization objects to the proposed timeline, failure to respond within the proposed timeline will be construed as a grant of consent to circulate the communications in question.
- f) Obligations set forth in this Section 8 shall survive through the dissolution of the Working Group or exit by any member of the Working Group.

9. ISSUE RESOLUTION

- a) The parties will first attempt to resolve any issues arising from the provisions contained in this MOU or otherwise related to this Working Group informally, through the principle contacts identified by each participant organization.
- b) If issue resolution is not accomplished, any party may call a meeting of the parties to formally discuss and resolve all such issues with a mutually appointed neutral third party mediator present. Any and all mediator costs will be shared equally among all Member Organizations.
- c) If resolution of the issue is not achieved, any party to the issue may choose to withdraw from the MOU and cease to be a member of the Working Group and publicly disclose any reasons for leaving the Working Group.

10. SCOPE AND ISSUES FOR CONSIDERATION

The following items are for discussion by the Working Group, and will be examined and discussed in the process of establishing an Initial Framework.



- a) Policy objectives: What is the purpose of improving disclosure requirements? What benefits are expected to accrue to citizens of resource-rich countries? What benefits are to accrue to companies and investors? What will the consequences be for all stakeholders?
- b) Necessary information to achieve objectives: What information do communities, oversight bodies (e.g. parliament), sub-national authorities, and other stakeholders require to hold governments to account for the management of revenues derived from natural resource development and to determine whether their governments collect what was owed, without overwhelming stakeholders with unnecessary, inconsistent or otherwise unhelpful information? Will need to consider:
 - i) Revenue streams
 - ii) Level of government / receiving government entity
 - iii) Degree of disaggregation
 - iv) Other necessary information beyond payments
- c) Accuracy of data: What assurances do communities, oversight bodies and stakeholders need to ensure that data is accurate (e.g. type of audit)?
- d) Format and timing of reporting:
 - i) In what kind of format should the companies report their data (e.g. annual financial reports? Other medium? Electronic formats?)
 - ii) How will this data be compiled and made easily accessible to users (e.g. by securities exchanges? Provincial government? National entity? Other?)
- e) Current disclosure gaps in Canada: What are current disclosure requirements for Canadian extractive companies regarding payments to host governments? Where are the gaps for achieving the Working Group's objectives? What are the other reporting initiatives around the world that Canadian extractive companies may also need to comply with and opportunities to make the Canadian mechanism consistent?
- f) Bridging the gaps: What is the best approach to making available the additional information needed with the least additional effort and cost?
- g) Medium to fill gaps: Where is the most appropriate place to house the reporting requirements (e.g. DFAIT, Finance Canada, StatsCan, NRCan, Securities Regulators)? What type of legislation or regulation is needed to level the playing field? What is needed to fulfill requirements to propose and pass new reporting requirements (e.g. cost benefit analysis, legal requirements, etc.)?
- h) Strategy to fill gaps: What will be the Working Group's strategy for advocating for changes to reporting requirements? Who will be approached, when and how?

11. OFFICIAL DOCUMENTATION

- a) No member organization of the Working Group will use any other Working Group member's logo without prior consent.
- b) Where appropriate and agreed to, documentation related to the Working Group will include official logos for all Working Group member organizations

12. BINDING PROVISIONS OF MOU.



The only provisions of this MOU that are binding on the parties are this Clause 12 and Clauses 4, 8, and 13. Except for those referenced Clauses, during the term of the MOU there is no other contractual relationship between the Member Organizations, and any Member Organization may withdraw from the MOU upon giving 30 days notice. This provision will survive the termination of the MOU or the withdrawal of any Member Organization. This MOU does not give any Member Organization the permission or authority to speak for or act as agent for any other Member Organization.

13. ADDITIONAL MEMBER ORGANIZATIONS

If all Member Organizations in the Working Group agree, then a new organization may be added as a Member Organization. The new organization will be considered a Member Organization and a member of the Working Group upon agreeing in writing to be bound by this MOU. In deciding whether to add new Member Organizations it is understood that the goal is to have equivalent numbers of Member Organizations from industry and civil society.

14. PRINCIPLE CONTACTS

The principle contacts and authorized signatories for each Working Group Member Organization are as follows:

LIST CONTACTS AND CONTACT INFO HERE

This MOU sets out the expectations of the undersigned parties, which they will work towards in good faith. This MOU does not establish the undersigned as partners, joint venturers or contractors of one another.

 July 8/12

Pierre Gratton
Date
President and CEO, Mining Association of Canada
Association of

 July 9/2012

Ross Gallinger
Date
Executive Director, Prospectors and Developers
Canada

 July 9/12

Claire Woodside
Date
Director, Publish What You Pay-Canada



Karin Lissakers
Date Jul 11, 2012
President, The Revenue Watch Institute

