Devonshire Initiative Social Performance Disclosures Project Report

August 2022

Executive Summary

This report summarizes findings from a multi-stakeholder dialogue and research project on social performance disclosures in the mining context that was led by the Devonshire Initiative (DI). Despite an enormous amount of information being collected and reported, stakeholders feel that social performance disclosures are not answering the right questions and adequately measuring social performance. This leaves users of social performance disclosures, including investors, civil society and communities, to make decisions based on a subjective interpretation of the available information. The objective of the project is to investigate from a multi-stakeholder perspective why current disclosures are not adequately providing insight on a company's social performance, including changes to community well-being and the quality of the relationships between company and communities. The project included a literature review and interviews with 15 individuals from different stakeholder groups.

The study identified a number of findings that fall into five categories.

- **Purpose.** There is widespread agreement that social performance disclosures are important in part because they provide evidence that a company is managing risks to the business (as opposed to risk to communities).
- **Audience.** Investors are the main audience for corporate level disclosures. There is a great opportunity to collaborate with local stakeholders, civil society organizations and governments at the local and national level to re-purpose current disclosures and define new ones.
- **Content.** There are no consistent or agreed upon metrics for social performance disclosure. As a result, we use a series of proxies that require context and expertise to be understood. Disclosures often focus on positive evidence and stories, as well as emphasizing efforts (inputs and activities) rather then evidence of effectiveness. There is an opportunity to provide more information about impacts/outcomes, mine site level data and the quality of the relationship between companies and local stakeholders (e.g., trust).
- **Timing & Accessibility.** The timing and location of social performance disclosures contribute to a sense of complexity and perception of bias. The timing of disclosures, in particular, devalues the data and information because it not current.
- **Methodology.** The process of designing, collecting, analyzing and ultimately reporting on social performance sits within company control, which leads to a perception of bias amongst some stakeholders. There is an opportunity to use participatory or collaborative monitoring to increase trust and provide balanced information.

This study shows that there is a solid foundation for social performance disclosures that must be adapted in order for disclosures to answer the right questions, measure social performance effectively and meet users changing needs and expectations. Society's interest in data and accountability will continue to grow and it is in our collective best interest to align on the purpose, content, timing and accessibility and methodology of disclosures. The DI will publish and circulate this report with study participants. This report is public to encourage companies and users of social performance disclosures to use and reference the findings. The DI will continue to support a multi-stakeholder discussion and explore the findings from this study.

Section 1. Introduction

Context and Purpose

In early 2022, the Devonshire Initiative (DI) led a multi-stakeholder dialogue and research project on social performance disclosures in the mining context. A wide variety of stakeholders are involved in disclosures associated with social performance, including impacted communities, non-profit organizations, governments and regulatory agencies, investors, mining companies as well as end-users and manufacturers. These stakeholder groups collect, report on and use social performance disclosures to make different types of decisions, which can include financing, development planning and programming, partnering and collaboration, advocacy, legal requirements, and voluntary standards and expectations. Current social performance disclosures are not meeting our needs. **Despite an enormous amount of information being collected and reported, stakeholders feel that it is not answering the right questions and adequately measuring social performance.** This leaves stakeholders to make decisions based on a subjective interpretation of the available information.

The objective of this project is to investigate from a multi-stakeholder perspective why current disclosures are not adequately providing insight on a company's social performance, including changes to community well-being and the quality of the relationships between company and communities. The project also looks at the characteristics of disclosures that best demonstrate a company's social performance. This project did not consider specifically labour or employees' experience as part of a company's social performance. The findings from the dialogue and research conducted for this project are summarized in this report.

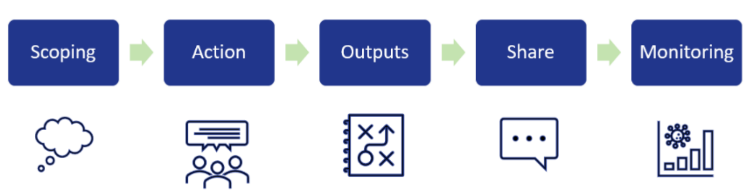
A Note on Scope

This project focused on mining company disclosures about social performance, but relied on the expertise and insight from a broad set of stakeholders including people who specialize in monitoring, evaluations and disclosures from non-profit organizations, social practitioners, investors and financiers and grass roots community groups. For the purposes of this project, we defined social performance as company activities that impact a) their social license to operate and b) community well-being. However, one of the major findings from this review is the grey definition of Social Performance. This is reflected in some of the findings from the interviews and literature review.

In addition, there was no alignment about what constitutes 'disclosure'. Some people considered disclosures to be corporate sustainability reporting only, others referred to all publicly available information at the corporate and mine site level as a disclosure.

Methodology

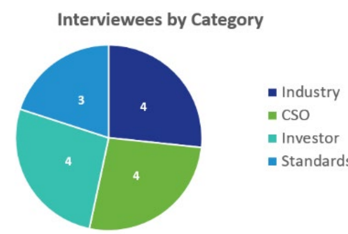
This project was designed by the DI Social Performance Disclosures working group based on the DI's collaborative research process.



The working group defined the scope and activities for this project, including:

1) **A literature review of 22 resources**. The DI SPD Working Group identified resources for the literature review. Members of the working group reviewed the material and summarized the main points as well as any relevant details or quotes. A list of the resources can be found in the bibliography. It is important to note that the organizations responsible for these resources are predominately academic institutions from Canada, the US and Europe.

2) **Interviews with 15 individuals. Interviewees were chosen to reflect multiple perspectives and expertise as it related to social performance disclosures**. This included industry representatives (both companies and industry associations); civil society organizations at a global and grass roots level who use social performance disclosures; the investor sector which represented a broad range of financial stakeholders and various standards bodies that influence the voluntary requirements that some companies follow in their disclosures. Interviews were based on a set of specific questions and were discussion based.



The literature review and interviews were guided by the following framework that was developed by the working group. The findings outlined in this report follow this framework as well.

Element	Types of Questions
Purpose (Why?)	Why do we disclose information on social performance? Why is it important? Why is it challenging or not meeting your needs?
Audience (Who?)	Who is the main audience? Who are you disclosing to/for? Who is leading disclosures? Who should be involved?
Content (What?)	What is currently disclosed? What is not? What information / data 'should' be disclosed?
Timing (When?)	When do we share information? When could we share information?
Access (Where?)	Where are disclosures shared? What channels are used? What additional channels could be used?
Methodology (How?)	What resources are used? How is data collected and shared? How could data be collected and shared?

Section 2. Findings

General

We are collectively moving towards a world of open data and transparency that will require additional resources and systems change to be effective. There is a general commitment to open data and greater transparency by all stakeholder groups; it is also not unique to financial/corporate disclosures. This is reflected in legal requirements, voluntary commitments and advocacy from civil society in the mining sector. At the same time, people are questioning how useful open data and transparency can be without the time, resources, processes, technology and power to produce, share and use the data and information.

This is a quickly maturing field. There are a number of opportunities to improve efficiency and accessibility of social performance disclosures and contribute to better communication, accountability and trust in the mining sector. People involved in social performance disclosures from all stakeholder groups, do not feel like they have the answers or that there is a clear path forward. People agree that achieving effective social performance disclosures requires creativity, innovation and dialogue.

The ground swell of interest from the investor community in environmental, social and governance (ESG) data is still focused on environmental disclosures (particularly as it relates to climate change) and diversity and inclusion data. However, there is an expectation that the 'next big thing' for investors will be social performance. This is reflected in the ongoing push from civil society organizations for greater transparency (e.g., Responsible Mining Index) as well as audit programs (e.g., the Initiative for Responsible Mining Assurance (IRMA) and Towards Sustainable Mining). Many companies want to be prepared to provide meaningful evidence of quality social performance to both investors and civil society.

Purpose

Why are social performance disclosures important?

There is widespread agreement that social performance disclosures are important. The purpose of (most) social performance disclosures is to:

- Provide evidence that the company is managing risks <u>to the business</u>
- Act as a proxy for general good management and governance
- Meet stakeholders' expectations (mostly at a corporate level)
- Meet legal requirements
- Align with company and employees' values

Providing evidence that a company is managing risks/impacts <u>to the community</u> is not currently seen as a core objective. Managing risks/impacts to communities is largely seen as aligning with a company's and employees' values – as opposed to a separate objective or an important part of effective social performance.

"We're all so focused on risk to the business, we're not even thinking about risk to society …" – Financial Institution

Audience

Who is using social performance disclosures?

Investors are the main audience for corporate level disclosures. There is a great opportunity to collaborate with local stakeholders, civil society organizations and governments at the local and national level to re-purpose current disclosures and define new ones.

Users have proprietary processes related to social performance disclosures. There is a range, but they tend to follow similar steps. The higher risk the company (or mine sites) the more steps the user will follow.

1. Review indices or third-party rating
2. Review company disclosures
3. Review traditional media stories about high profile incidents
4. Engage with company representative
5. Review Site level data for high-risk sites / key topics
6. Analyze by comparing data to quantitative and qualitive metrics

Using social performance disclosures requires expertise, access and time and there are a range of stakeholders that have an interest in social performance disclosures. The most common stakeholder groups to use current social performance disclosures are ethical/ESG investors, lenders, and civil society organizations at a regional or global level. There is a broad range of capacity to access and use the disclosures that are available. Disclosures are currently targeted at a very niche group of people from these sectors that have the expertise, time and tools to review and assess it.

"What is required and what is useful can be different." – Reporting Expert

Most disclosures prioritize investors as an audience. Investors have a range of interests, processes, capacity and expertise to interpret the disclosures. Investors (and other financial stakeholders) are a broad group including predominately ethical/ESG investors, lenders and project financers and general shareholders. In general, investors see social performance disclosures as relevant because they provide evidence that the company is managing risks to the business and act as a proxy for good management and governance. Ethical/ESG investors also have a values-based requirement that they apply to investment decisions. There is a general sense that investors need to develop greater expertise and systems to use social performance disclosures. There are a few financial institutions that are seen as outliers and are leading the way (particularly among the ethical investor group), but many people noted that there is room for improvement among most investors. The major issues are investors focus on commitments (e.g., the presence of a policy rather then evidence of performance) and the limited ability to analyze the information.

"Investors need to be better at streamlining the information they want and how they use that information to make decisions." – Financial Institution

There are many local level stakeholders that are interested in social performance disclosures to drive accountability of companies and governments, build relationships and make decisions related to community well-being. There is an opportunity to repackage site level social performance disclosures for local civil society organizations and broad communications with community members. Investors also noted the value of local stakeholders having access to better disclosures and their interest in site level data for high risk sites. However, this must consider power dynamics among local stakeholders, interest, time and capacity to access and use the information. There were a number of participants who also posed questions about the value of extensive local level data, noting that many community level organizations are not necessarily interested and / or do not have the resources to access it.

"If communities and local CSOs aren't using this data to drive decision making and make plans then what's the point?" – Civil Society Organization

Disclosers (e.g., companies) have a diverse approach and range of capacity as well. There are some excellent examples of good practice and approaches to accessible and broad social performance disclosures. There are also examples of very limited disclosure and / or mis-leading information. As a general rule, those companies that are following certain standards (e.g., Sustainability Accounting Standards Board, Global Reporting Initiative, Towards Sustainable Mining) are leading the way.

"Companies need to take ESG reporting as seriously as they take financial reporting." – Civil Society Organizations

"If their following [the big standards], their doing something right … it's a proof point that they have decent management" – Anonymous

The role of local and national governments is unclear. There are common questions about the role of local and national governments in regulating, contributing to, auditing and using social performance disclosures. Government bodies need to lead and/or be included in reporting on community well-being as well as a company's ability to meet regulatory and permitting requirements. However, governments at a local, regional and national level may have capacity constraints, as well as potential issues of corruption that need to be acknowledged. Some participants also noted that if disclosures point to corruption or poor performance from governments there could be tension and / or conflict with local stakeholders.

Content

What is included in disclosures?

There are no consistent or agreed upon metrics for social performance disclosure. As a result, we use a series of proxies, that require context and expertise to be understood. Disclosures often focus on positive evidence and stories, as well as emphasizing efforts (inputs and activities) rather then evidence or effect. There is an opportunity to provide more information about impacts/outcomes, mine site level data and the quality of the relationship between companies and local stakeholders (e.g., trust).

There is no clear definition or scope for the term 'social performance'. The term 'social performance' means different things to different people, even within the same stakeholder group. To some it includes a specific focus on interactions with local communities and grass roots civil society organizations. Others have a much broader definition that includes all activities that impact society, encompassing employees, local stakeholders as well as the broader society, economy and political systems across the value chain. The absence of a clear definition contributes to a 'grey area' where companies are not only reporting different metrics, but different categories. This contributes to the need for users to have expertise and time to interpret the various disclosures. Within the category of social performance, there are also unclear definitions for key elements like social incident, conflict, consultation and grievance. We are moving towards a more common understanding for these terms, but this has not yet resulted in standardized reporting across the sector.

In the absence of an agreed upon metric to measure social performance, we use a series of proxies. Despite a general interest, very few disclosers or users have a comparable metric for social performance. Most disclosers use proxies of good performance instead, including data related to:

- Management Systems (including external commitments, policies, standards, etc.) and Targets
- Tax revenue and associated payments
- Grievance mechanisms
- Community investments
- Local hiring and procurement

There is some interest in measuring trust and the quality of relationships between companies and communities, but this is not consistent or necessarily well understood by users. Few disclosures speak to the company's ability to maintain/obtain a social license to operate. There are some good practice examples that focus on perception surveys, highlighting how local stakeholders are involved in decision making and details of community agreements. However, few disclosures speak to the quantitative or qualitive measure of relationships with key stakeholders. Companies use a range of tools to manage their social license to operate and aggregating site data from across a company for investors is complicated.

There is a common focus on company inputs, activities and outputs (which are within the company's control and direction), as opposed to impacts and outcomes (which are influenced by multiple factors and stakeholders). Measuring outcomes and changes to community well-being is complex and fundamentally different from how we measure materiality and financial elements. There is a general sense that the development/non-profit sector has more experience communicating their <u>contribution</u> to impacts and long-term changes to community well-being, while mining companies are focused on communicating things that can be directly <u>attributable</u> to their activities.

Context matters. Many disclosures focus on a quantitative number (e.g., dollar amount, number of people, etc.) or qualitative statement without providing context that illustrates effectiveness. Disclosures don't often include comparables or trends over time to give data context.

Disclosures focus on positive stories and data, as opposed to information about anticipated/actual impacts, incidents or negative trends in performance. Even when this information is publicly available or reported on by other stakeholders, company annual reports and communications limit discussion and data about challenging issues. When an issue is being reported on by other stakeholders, a lack of information from the company is seen as evidence of poor management.

Many users incorporate general media scans into their assessments and are looking for evidence of poor performance, even though companies generally shy away from in depth reporting on impacts, incidents or negative performance. In addition, major incidents that receive global media attention drive very specific changes in standards and reporting requirements, which has been the case, for example, with tailings management and cultural heritage management.

"Investors only really care about some thing when it's wrong …" - Company

"We tend to look for evidence of poor performance, not evidence of positive performance" – Investor

Investors are often interested in mine site level data for high-risk sites only. Other stakeholders are interested in mine site level data to support accountability, engagement and decision making at a local level. Most disclosures include data tables with some mine site level data related to social performance. Good practice examples include disaggregated data, hiring and procurement data over time, site level targets for social performance, summary of community agreements, and a summary of significant social impacts and incidents. Many companies noted the opportunity to provide more mine site level data, that could be re-packaged for local level stakeholders.

Timing & Accessibility

When and where do we disclose?

The timing and location of social performance disclosures contribute to a sense of complexity and perception of bias. The timing of disclosures, in particular, devalues the data and information as it may no longer be current.

Most disclosures are annual and there is an opportunity for more frequent disclosures, especially as it relates to high-risk issues or sites. Social performance disclosures generally focus on the span of a year and are reported along with a company's Annual Report, usually in April or May of the following year (this was a change for most companies in 2022). Many stakeholders noted the opportunity for quarterly updates on certain elements/incidents as well as real time data related to environmental impact management.

Formal disclosures live on company corporate websites. Companies have moved away from large reports, opting instead for smaller, more digestible summaries, tables and case studies. They generally include a short summary report (in PDF and summarized on the website), short thematic briefs, and data tables.

Many participants noted that data 'feels' complex and hard to interpret and is therefore not accessible to a broad group. It was noted that the 'culture of complexity' is a challenge for the open data movement in general. Others noted this is related to the capacity challenge among users.

Methodology

How do we design, collect data, analyse and report?

The process of designing, collecting, analyzing and ultimately reporting on social performance sits within company control, which leads to a perception of bias. There is an opportunity to use participatory or collaborative monitoring to increase trust and provide balanced information.

Very few companies are using participatory or collaborative monitoring throughout the collection, auditing and reporting of social performance disclosures[1]. Companies are responsible (and therefore control) the design, collection, analysis and disclosure of social performance data. As a result, many

[1] Participatory and collaborative monitoring refers to including other stakeholders such as civil society organizations, academic institutions and community members in the design, collection, auditing and reporting of information.

users turn to additional resources and information sources to 'ground-truth' social performance disclosures from companies because they assume a level of bias in the reporting.

There are many opportunities with participatory or collaborative monitoring. The process of collaboration can be valuable and the data produced may be more trustworthy. Many companies noted the opportunity/importance of working with third parties as 'auditors' to improve accountability and trust in their disclosures. Others saw opportunities for specific topics like water monitoring, health monitoring, and determining materiality as opposed to general auditing of performance at a site level.

There are many real and perceived challenges with participatory or collaborative monitoring. Some companies are concerned about giving up complete control of the disclosure and that negative outcomes will be 'high-jacked' and taken out of context. True participatory and collaborative monitoring also can require significant time and effort to design, especially if relationships are not already established. There is also a concern that companies will use third parties to 'green-wash' their disclosures, as opposed to creating a real engagement opportunity.

"Collaborative monitoring is powerful but scary." Reporting Expert

"Let's not be afraid of being held accountable." – Company

Many participants noted the opportunity for companies to use a theory of change model, work with experts in social monitoring and evaluations and open data, as well as collaborate with third-parties to report on impacts and outcomes. The logic models used in the development sector are an effective tool to connect the dots between projects and programs and broader changes in a community. However, logic models can quickly become very cumbersome. Some participants suggested using a theory of change (or logic model – lite) in collaboration with other stakeholders to have a full picture of impacts and outcomes.

Section 3. Conclusion & Next Steps

This study shows that there is a solid foundation for social performance disclosures that must be adapted for specific users to meet changing needs and expectations. Society's interest in data and accountability will continue to grow and it is in our collective best interest to align on the purpose, content, timing and accessibility and methodology used to collect data and report on disclosures.

The DI will publish and circulate this report with study participants. This report will be public so companies and users of social performance disclosures will use and reference the findings. The DI will also host a series of mini-workshops to share some of the tools discussed in this report and continue to explore the findings from this study.

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