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### Closing Report Request for Review File Number 2013-06-ARG

**Accessible, Effective, Independent, Predictable, Responsive, Transparent**

The [Office of the Extractive Sector Corporate Social Responsibility Counsellor](#)  
Government of Canada

**Views expressed herein are those of the Office of the Extractive Sector CSR Counsellor**

**Errors and omissions remain the responsibility of the Office**

October 2013

This report is also available in [Spanish](#).

#### **The Office's Key Guiding Principles: Accessible, Effective, Independent, Transparent, Responsive, Predictable**

The Office of the Extractive Sector Corporate Social Responsibility (CSR) Counsellor is part of the Government of Canada's CSR Strategy for the Canadian International Extractive Sector. The Counsellor reports to, and acts as a special advisor to, the Minister of International Trade. The Counsellor may make recommendations to parties and provide advice; however, the Office does not have any policy-making role. In executing its dispute resolution role, the Office acts as an impartial facilitator, an honest broker who brings parties together to fix problems before they become issues and resolve issues before they become intractable.

The first Extractive Sector CSR Counsellor, Marketa Evans, was appointed in October 2009. The Office was opened in Toronto in March 2010. To support the construction of this new Office, the Counsellor adopted a cross-sector, open and dialogue-based approach with the wide range of stakeholders interested in the issues of CSR and Canada's mining, oil and gas industries.

The construction of the Office's review mechanism, a dispute resolution process, was informed by a formal and proactive multi-perspective dialogue, during which over 300 individuals and organizations directly participated, both in Canada and overseas. The dispute resolution process was established in October 2010.

Supporting documents, including the rules of procedure, information brochure and Participant Guide, are available on the [Office's website](#).

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#### **Summary of Developments with the Request for Review**

This is the closing report of the Office of the Extractive Sector CSR Counsellor for the request for review connected with Golden Arrow Resources Corporation's Chinchillas silver project in Argentina. The purpose of this report is to meet statutory reporting requirements and our commitment to our key guiding principles.

The Office of the Extractive Sector CSR Counsellor is part of the Government of Canada's CSR Strategy for the Canadian International Extractive Sector. The role of the Office is to promote responsible practices for Canadian companies abroad and to resolve, through constructive dialogue, corporate/community disputes connected with the CSR Strategy's endorsed performance standards. Further details on the Office's dispute resolution mechanism – called the review process – are available in [Annex A](#).

In accordance with the Office's rules of procedure, as approved by the Canadian Minister of International Trade in September 2010 and renewed in October 2012, this closing report reflects a brief summary of developments with the request for review.

## About the request for review

The Office of the Extractive Sector CSR Counsellor received a complete request for review on July 9, 2013. The requesters asked that their identities be kept confidential.<sup>1</sup> The responding party identified was Golden Arrow Resources Corporation, relating to the Chinchillas silver project in Argentina. The primary issues raised relate to adequacy of consultation and free, prior and informed consent of affected Indigenous communities.

According to its website, Golden Arrow Resources Corporation is a Vancouver-based exploration company focused on identifying, acquiring and advancing precious and base metal projects in Argentina. The company is focused on advancing its Chinchillas silver project, discovered one year ago and located in the Province of Jujuy, Argentina. A NI 43-101 Technical Report dated June 20, 2013 on the Chinchillas silver project is available on [www.sedar.com](http://www.sedar.com).

## Progress of the request

### Steps in the review process

July 9, 2013	<b>Step 1:</b> A complete request for review was submitted to the Office.
July 9, 2013	<b>Step 2:</b> The Office acknowledged the request.
July 12, 2013	<b>Step 3:</b> The request passed the Office's intake screening and the parties were advised accordingly. This intake screening determines if the request meets the criteria as set out in the Counsellor's legal mandate. The intake screening is not a judgment on the merits of the request or an assessment of the information contained in the request.
July-September, 2013	<b>Step 4:</b> Dispute analysis was undertaken.
September 30, 2013	The request was closed.

The Office acknowledged the request on July 9, 2013 and the request moved to Step 3 of the process, the intake screening. This intake screening determines if the request meets the criteria as set out in the Counsellor's legal mandate. The screening is not a judgment on the merits of the request or an assessment of the information contained in the request. The request passed the intake screening on July 12, 2013 and the request moved to Step 4, the informal mediation/trust-building stage.

As part of informal mediation, the Office undertakes an assessment of the situation – called a “dispute analysis”. The dispute analysis is a key tool widely used by third party neutrals to inform a dispute resolution process, and it forms a critical part of the Office's due diligence. The Office's dispute analysis is not a judgment on the merits of the complaint, or an assessment of the information contained in the request. The dispute analysis is a way to inform the process going forward, and to ascertain if a dialogue-based approach is likely to be effective or appropriate.

The aim of the Office is to ensure a fair and balanced process. The Office meets with the parties, in person and by telephone, in equal measure to the extent possible. These meetings allow the Office to educate parties about the way we work, and allow parties to share information, perspectives, and concerns. Discussions give people the opportunity to educate the Office on the issues and the dispute, as the parties see them.

During July and August the Office engaged in desk research and telephone meetings with company representatives. On several occasions, the Office sought to set up a telephone meeting with the requesters. Efforts of the Office to reach the requesters by telephone to discuss the issues in more detail were, in spite of many attempts, unsuccessful. Although email communication was established, the Office was unable to explain the review process in detail to the requesters, ask pertinent questions arising from the request, and gain an understanding of whether our process is likely to be effective and appropriate in this situation. After several attempts to reach the requesters, the Office advised that, unless a regular line of communication was established, we would be unable to continue with the dispute analysis and we would close the file. Due to lack of response, the dispute analysis remains incomplete, and the request file has been closed. The good offices of the Counsellor remain available to the parties, should circumstances change in future.

## Annex A: Background and Review Process in Brief

The Government of Canada's CSR Strategy for the International Extractive Sector was announced in March 2009, and this Office was created as a result of that Strategy.<sup>2</sup> The CSR Strategy seeks to improve the competitive advantage and reputation of Canada's international extractive sector companies by enhancing their ability to manage social and environmental risks, including the risks arising from unresolved social conflict.

The Government of Canada encourages and expects all Canadian companies working around the world to respect all applicable laws and international standards, to operate transparently and in consultation with host governments and local communities, and to conduct their activities in a socially and environmentally responsible manner.

In addition to the OECD Guidelines for Multinational Enterprises, which the Government of Canada has long endorsed and supported, the CSR Strategy notes that the Government of Canada will promote three widely-recognized global CSR performance standards with Canadian extractive companies operating abroad. These endorsed standards are the IFC Performance Standards, the Voluntary Principles on Security and Human Rights, and the Global Reporting Initiative.<sup>3</sup> Working with these standards helps Canadian companies to understand, meet and exceed their obligations with respect to corporate social responsibility. Companies can use these standards to assess their environmental and social risks and current performance, and to formulate action plans based on their particular circumstances and unique operating environments.

### **The guidelines endorsed under the Government of Canada's CSR Strategy:**

- The International Finance Corporation Performance Standards on Social & Environmental Sustainability for extractive projects with potential adverse social or environmental impacts
- The Voluntary Principles on Security and Human Rights for projects involving private or public security forces
- The Global Reporting Initiative for CSR reporting by the extractive sector to enhance transparency and encourage market-based rewards for good CSR performance
- The OECD Guidelines for Multinational Enterprises

The role of the Extractive Sector CSR Counsellor is to promote responsible practices for Canadian companies abroad and to resolve disputes connected with the endorsed performance standards of the CSR Strategy.

### **The mandate of the Counsellor is linked solely to the voluntary standards of the CSR Strategy, not to host country laws, regulations or standards.**

The Office promotes responsible practices for Canadian companies by promoting good practice international standards endorsed under the Government of Canada's CSR Strategy. The endorsed standards themselves reflect critical issues facing the extractives sectors – from security at site to biodiversity. The standards provide comprehensive guidance and practical tool kits. The job of the Office is to ensure Canadian companies are aware of the standards, and how the standards can help them to more effectively manage social and environmental risks. As many companies are financed by equity, not debt, IFC standards or Equator Principles standards would not automatically apply to their activities. As a result, many companies may be unaware of the CSR Strategy and the standards.

Our objective is not to audit for compliance, but rather to raise awareness and provide good practice guidance for performance improvement.

For example, IFC Performance Standards note that: “Stakeholder engagement is the basis for building strong, constructive, and responsive relationships that are essential for the successful management of a project's environmental and social impacts. Stakeholder engagement is an ongoing process that may involve, in varying degrees, the following elements: stakeholder analysis and planning, disclosure and dissemination of information, consultation and participation, grievance mechanism, and ongoing reporting to Affected Communities.” Stakeholders are defined by the IFC: “For the purposes of Performance Standard 1, stakeholders are defined as persons, groups or communities external to the core operations of a project who may be affected by the project or have interest in it. This may include individuals, businesses, communities, local government authorities, local nongovernmental and other institutions, and other interested or affected parties. Stakeholder identification broadly involves the determination of the various individuals, groups or communities who may have an interest in the project or who may affect or be affected by the project.”

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<sup>1</sup> The rules of procedure for the review process provide that requesters can ask the Office to keep their identities confidential.

<sup>2</sup> The strategy is entitled “Building the Canadian Advantage: A Corporate Social Responsibility (CSR) Strategy for the Canadian International Extractive Sector”, posted at [www.csr.gc.ca](http://www.csr.gc.ca).

<sup>3</sup> The Office does not receive requests for review pertaining solely to the OECD Guidelines for Multinational Enterprises. The review mechanism for the OECD Guidelines remains with the Canadian National Contact Point (NCP). A protocol between Canada's NCP and the Office governs how the two work together; it is posted on our website.