

Global Affairs Canada

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Field Visit #2 Report

Mexico, July 2011

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

Errors and omissions remain the responsibility of the Office.

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

The Office's Key Guiding Principles:

Accessible, Effective, Independent, Transparent, Responsive, Predictable

In response to a request for review received by the Office on 8 April 2011, the Office conducted a field visit to Mexico City, Mexico from 18 to 21 May 2011. The Office has now conducted a second field visit, to the mine site and surrounding community. This report provides a short update of the request to date, and highlights themes which emerged during this second field visit.

One of the Office's key guiding principles is Transparency. Implementation of this principle recognizes the distinction stakeholders have made between transparency of process and outcomes, which is to be encouraged and is deemed critical for the Office, and transparency of information, some of which may well need to be kept confidential in order to have the work proceed.

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1. Office backgrounder

In March 2009, the Government of Canada announced a new Corporate Social Responsibility (CSR) Strategy for the international extractive sector, "Building the Canadian Advantage." Broadly speaking, the Strategy is designed to help Canadian mining, oil and gas companies meet their social and environmental responsibilities when operating abroad. One of its goals is to help ensure that extractive operations minimize negative impacts while enhancing benefits to local communities.

The Office of the Extractive Sector CSR Counsellor is part of this Government of Canada CSR Strategy. 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 is nonpartisan and does not have any policy-making role. The Counsellor is expected to assist in the effective and impartial resolution of issues pertaining to the activities of Canadian companies abroad. In executing its dispute resolution mandate, the Office acts as an impartial advisor and facilitator, an honest broker who brings parties together to fix problems before they become issues and resolve issues before they become intractable.

The Government of Canada has articulated its expectation that Canadian companies adhere to all local laws of the country of operations. The Government of Canada has long supported the OECD Guidelines for Multinational Enterprises. The CSR Strategy adds the Government of Canada's endorsement to three additional widely accepted global guidelines, specifically for Canadian mining, oil and gas companies in their operations outside of Canada.

The Guidelines endorsed under the Government of Canada's CSR Strategy:

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

Supporting documents about the Review Process of the Office, including the Rules of Procedure, Information brochure, and Participant Guide, are available on the [Office's website](#).

2. The Request for Review

The Office of the Extractive Sector CSR Counsellor received a request for review on 8 April 2011. The parties identified on the request for review are as follows:

- (a) Excellon workers: Jorge Luis Mora, Secretary General, Section 309 Executive Committee, National Mining Union representing workers at the Platosa mine site;
- (b) National Mining Union; and
- (c) Proyecto de Derechos Económicos, Sociales y Culturales A.C. (ProDESC). The responding party is Excellon Resources Inc., related to a project in Mexico.

About the request to date

April 8, 2011	Step 1: A Request for Review was submitted to the Office.
April 11, 2011	Step 2: The Office acknowledged the Request.
April 14, 2011	Step 3: The Office found the request eligible for the review process and advised all parties. This screening determined eligibility of the request for the mandate of the Office; it did not endorse or validate any of the matters raised in the request.
In process	Step 4: The CSR Counsellor is working with the parties in informal mediation and trust-building.

According to the rules of procedure, Step 4 can last for a maximum of 120 business days and can be extended by mutual agreement of all parties. The request is currently in Step 4 of the process.

The Office has held a number of face-to-face meetings and telephone calls with the parties to discuss the issues raised in the request, and the company's response. The first field visit occurred in May, 2011 (a report is available on the Office's website). Although a visit to the mine site was planned during this initial field visit, it did not prove possible at that time. The mine is located close to the city of Torreón, Mexico, on the border of the states of Durango and Coahuila. These two states are currently under a travel warning issued by the Canadian Department of Foreign Affairs and International Trade, indicating that all non-essential travel, particularly by road, should be avoided.

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The Office also continuously conducts extensive desk research on the issues raised in the request, seeking information from a wide variety of perspectives.

On an on-going basis, the CSR Counsellor writes reports about requests for review, including final reports at the end of the process.

The objective of the Office's process is to foster constructive dialogue between the parties and positive change on the ground. In entering into the review process of this Office, and in submitting a request for review, requestors explicitly commit to constructive dialogue with the responding party. In subsequent discussions, this commitment was affirmed by the requestors. The requestors have reiterated their interest in constructive dialogue and joint problem-solving with the Office and the responding company.

The Office's approach to any request for review is informed by a 'mutual gains' approach to negotiation which emphasizes interest-based dialogue and the generation of creative options to create value for all parties. Office staff has expertise and training in building such processes.

The Office is a balanced, informed interlocutor. It seeks to understand issues from a wide variety of perspectives, but it does not take sides or advance positions. The process is not investigative or adjudicatory. The process emphasizes problem-solving.

3. Field visit to La Platosa mine site and community, Mexico, July 2011

This report is designed to further the Office's commitment to one of the key guiding principles, transparency of process. The Office is committed to providing interested external stakeholders with information on the progress of a request. In an effort to maintain confidentiality and trust building, limited information on the content of discussions is contained in this report. After further assessments and debriefs, further reports will follow.

After the initial visit to Mexico in May 2011, given the importance the Office attaches to meeting directly with requestors, we continued to actively pursue options for travel. During subsequent conversations, other options for travel to the mine site were actively explored, ones that

could satisfy the security concerns. Extensive discussions resulted in a solution that permitted the Office personnel to attend the site and the nearby community at this time. The Counsellor and the Senior Advisor travelled to the site by helicopter in July 2011.

The Office took steps to ensure its independence from the parties, and followed good practice guidelines. All expenses for travel and accommodation were borne by the Office. An independent interpreter was hired by the Office and traveled to the site and the community with the Counsellor and Senior Advisor. The costs of interpretation were borne by the Office. Meetings were conducted separately with requesters and the responding party, in locations of their choosing.

Why this site visit was important

The Office's process is designed to be used by directly-affected people - individuals, groups or communities who feel they are, or may be, affected by the activities of a Canadian mining, oil or gas company operating overseas. In this request, the requesters are working with the support of a Mexican civil society organization, Proyecto de Derechos Económicos, Sociales y Culturales A.C. (ProDESC), which is permitted in accordance the rules of procedures posted on the Office's website. ProDESC's expressed objective is to "contribute to the enforcement, justiciability and accountability of [economic, social and cultural rights] in order to generate conditions that provide all people in Mexico a dignified life."

The Office had met personally with ProDESC, and spoken with the organization on the telephone, several times since April.

Nevertheless, it is critical for the Office to meet with and speak directly with requesters, to better understand their issues, perspectives, concerns, and rationale in submitting a request. It is critical for the office to openly establish contact and build relationships with all requesters.

During several conversations, in the lead-up to this recent visit, the company also endorsed the idea of a site visit as critical to understanding the situation on the ground and to meet some of the staff and workers at the mine. One objective of the mine site visit was to get a visual perspective on some of the issues raised in the request for review.

It is important to note that such a visit is made in an effort to enhance the Office's understanding of a variety of perspectives, deepen relationships, build trust and expand the dialogue between the Office and the parties to the request. It permits the requesters and the responding party to ask questions directly of the Office about the process, and the Government of Canada's expectations for corporate conduct. Such a visit does not in any way constitute an audit or a compliance review. During the course of our visit, we met with Excellon executives and management, mine personnel, community members, workers, and other stakeholders.

Mine site visit

Excellon Resources Inc. is incorporated in British Columbia, with a principal office in Toronto, Ontario. The company is currently developing and mining silver, lead and zinc from high-grade manto deposits on the La Platosa property, located in the northeastern Durango State, Mexico. Excellon acquired the property in 1996.

Our visit to the Excellon mine site including a brief walkabout of the property, some of the buildings, a roundtable with Excellon mine personnel and others, and a tour of the underground mine. We received general information about the mining operations, the history of the development of the property, environmental and social programs and projects. We provided additional information about the Office's process and objectives as well as the Government of Canada's CSR Strategy.

After the roundtable discussion, we proceeded to a tour of the underground mine.

Meetings with requesters

Our discussions then moved to the community, where we met with workers, community members, ejido* leaders and other stakeholders. During a variety of discussions, the Office engaged in a dialogue about perspectives on, among other things, company/worker relationships, general community challenges, livelihoods, decision-making in the ejido and other topics. These conversations allowed the Office to establish a direct connection with requesters and began the building of direct relationships.

The Office provided further information to ensure requesters better understood the Office's process, parameters and limitations. This series of conversations allowed workers and community members to speak directly with the Office about their perspectives, their concerns, issues they are thinking about, priorities and so on.

Many requesters strongly endorsed the Office's dialogue-based process and on numerous occasions expressed their gratitude that the visit was able to take place.

4. Next steps

This site visit provided the Office with new information and first-hand perspectives on the request for review, on the basis of which next steps will be evaluated. Further reports from the Office will follow.

* Common in Mexico, an ejido is a communal surface rights ownership group, usually assigned in small parcels to villagers to be farmed under a federally supported system of communal land tenure.

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