

# Transparency of Mineral Revenues

**POSITION STATEMENT**

July 2009

All ICMM member companies commit to implement and measure their performance against a set of 10 sustainable development principles. Where members have sought greater clarity on some of the key challenges facing the industry, ICMM has developed supporting position statements.

## OVERVIEW

ICMM company members are committed to contributing to the sustainable development of the countries and communities in which they operate. A major focus of ICMM's work is to explore ways to enhance the development contribution of member companies, by enabling the potential social, economic and institutional benefits of mining to be realized. ICMM considers that transparency of mineral revenues should be integral to such efforts.

ICMM respects the ultimate right of sovereign governments to make decisions regarding revenue transparency, and recognizes the contribution that greater transparency can make to enhanced governance, combating corruption and ensuring that mineral revenues foster more sustainable growth and reduce poverty. Given the importance of revenue transparency for well-functioning economies and good governance, ICMM members will strive to positively engage with governments and civil society organizations that are committed to revenue transparency.

The Extractive Industries Transparency Initiative (EITI) sets a global framework for reconciling the revenues paid by oil, gas and mining companies – such as taxes and royalties – and the payments received by governments in implementing countries, with the oversight of national multi-stakeholder groups. In doing so, it supports improved governance in resource-rich countries. EITI is a coalition of governments, companies, civil society groups, institutional investors and international organizations. ICMM is supportive of EITI and of the EITI Principles, established in 2003, that are the cornerstone for the initiative (<http://eititransparency.org/eiti/principles>).

## BACKGROUND ON ICMM PRINCIPLES AND POSITION STATEMENTS

All ICMM member companies are required to implement the ICMM Sustainable Development Framework. This includes commitments to implement 10 principles throughout their businesses, to report in line with the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines and Mining and Metals Sector Supplement, and to obtain independent external assurance that the ICMM commitments are being met (this framework is described in detail at [www.icmm.com](http://www.icmm.com)).

The ICMM principles of particular relevance to revenue transparency are:

- **Principle 1:** Implement and maintain ethical business practices and sound systems of corporate governance
- **Principle 10:** Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

In accordance with the principles, ICMM has also developed a number of position statements that further elaborate member commitments to particular issues. Company members are obliged to comply with these statements by incorporating them into their operational practices.

This position statement sets out ICMM members' approach to revenue transparency. It builds upon, and replaces, three earlier ICMM statements on EITI (dating from 2003, 2005 and 2006).

## RECOGNITION STATEMENTS

ICMM members recognize:

- 1** research conducted as part of ICMM's Resource Endowment initiative, in partnership with the World Bank and UNCTAD, has demonstrated that mining investments can help trigger economic growth and poverty reduction in developing countries, if pursued in parallel with appropriate policy and institutional reforms. Conversely, a high level of dependence on natural resource revenues can present significant governance and macro-economic management challenges
- 2** ICMM's Resource Endowment initiative has demonstrated that targeted macro-economic reforms and improved mining legislation can enhance the development impact of mining investments at the national and local levels. Transparency should be an important part of these reforms and transparency of revenue payments to governments is a necessary, although only partial, condition for development effectiveness
- 3** increased transparency is most beneficial when pursued as part of broader governance improvement programs in order to deliver long-term economic growth and poverty alleviation. A related aspect is the implementation of policies and procedures to ensure that revenues are managed effectively
- 4** the current country-level focus of initiatives such as EITI is an important step towards improving transparency. In the longer term, ICMM members are willing to work with others to build on national initiatives to broaden the coverage and spread of good governance. ICMM's Resource Endowment initiative points to the importance of extending the transparency of revenue flows to the sub-national level, where this is a feature of a country's constitutional or legislative arrangements
- 5** where there are provisions for a proportion of mineral revenues to be returned to specific mining regions and this does not then occur, or is perceived not to have occurred, it can lead to a decline in trust and deterioration in the investment environment. Where such arrangements exist and returns take place without adequate capacity at the appropriate administrative level for the management of such revenues, this can also adversely affect trust and the investment environment.

## COMMITMENTS

**In addition to existing commitments under the ICMM Sustainable Development Framework, ICMM company members commit to:**

- 1** include a clear endorsement of EITI on their website and/or in their sustainable development reports in support of the process, and submit a completed international-level self-assessment form to the EITI Secretariat, for posting on the EITI website
- 2** engage constructively in countries that are committed to implementing EITI, consistent with the multi-stakeholder process adopted in each country
- 3** provide information on all material payments to the body assigned responsibility for reconciling details of payments provided by companies and revenue data provided by government<sup>1</sup> according to the agreed national template, once implementation is sufficiently advanced in candidate countries. Material payments by companies are expected to have been independently audited, applying international standard accounting practices
- 4** support the public disclosure (i.e. publication) of relevant data in line with the implementation approach adopted in-country, with the oversight of the committee empowered to oversee the implementation and management of the EITI program (often referred to as the "multi-stakeholder group" in EITI publications)
- 5** engage constructively in appropriate forums<sup>2</sup> to improve the transparency of mineral revenues – including their management, distribution or spending – or of contractual provisions on a level playing-field basis, either individually or collectively through ICMM.

<sup>1</sup> EITI refers to this role as an "administrator".

<sup>2</sup> This might include, for example, collaborative efforts involving governments, donors, civil society and business.

## **ICMM**

The International Council on Mining and Metals (ICMM) was established in 2001 to act as a catalyst for performance improvement in the mining and metals industry. Today, the organization brings together 19 mining and metals companies as well as 30 national and regional mining associations and global commodity associations to address the core sustainable development challenges faced by the industry. Our vision is one of member companies working together and with others to strengthen the contribution of mining, minerals and metals to sustainable development.

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