

# ENERGY & CONFLICT

**A map and report card on human rights and conflict exposure for Canadian energy companies operating abroad.**

Canadian extractive companies operate all over the world. They have the potential to make or break the futures of fragile states. A lot depends on how prepared they are to deal with human rights issues and the challenges of doing business in a conflict zone. So how prepared are the most exposed companies? Read on to find out.

Of the **21** Canadian oil and gas companies which operate in conflict zones, **only 5** have a human rights policy or a policy that mentions respect for human rights.

**Only 6** companies have made an explicit commitment to not be complicit in human rights violations.

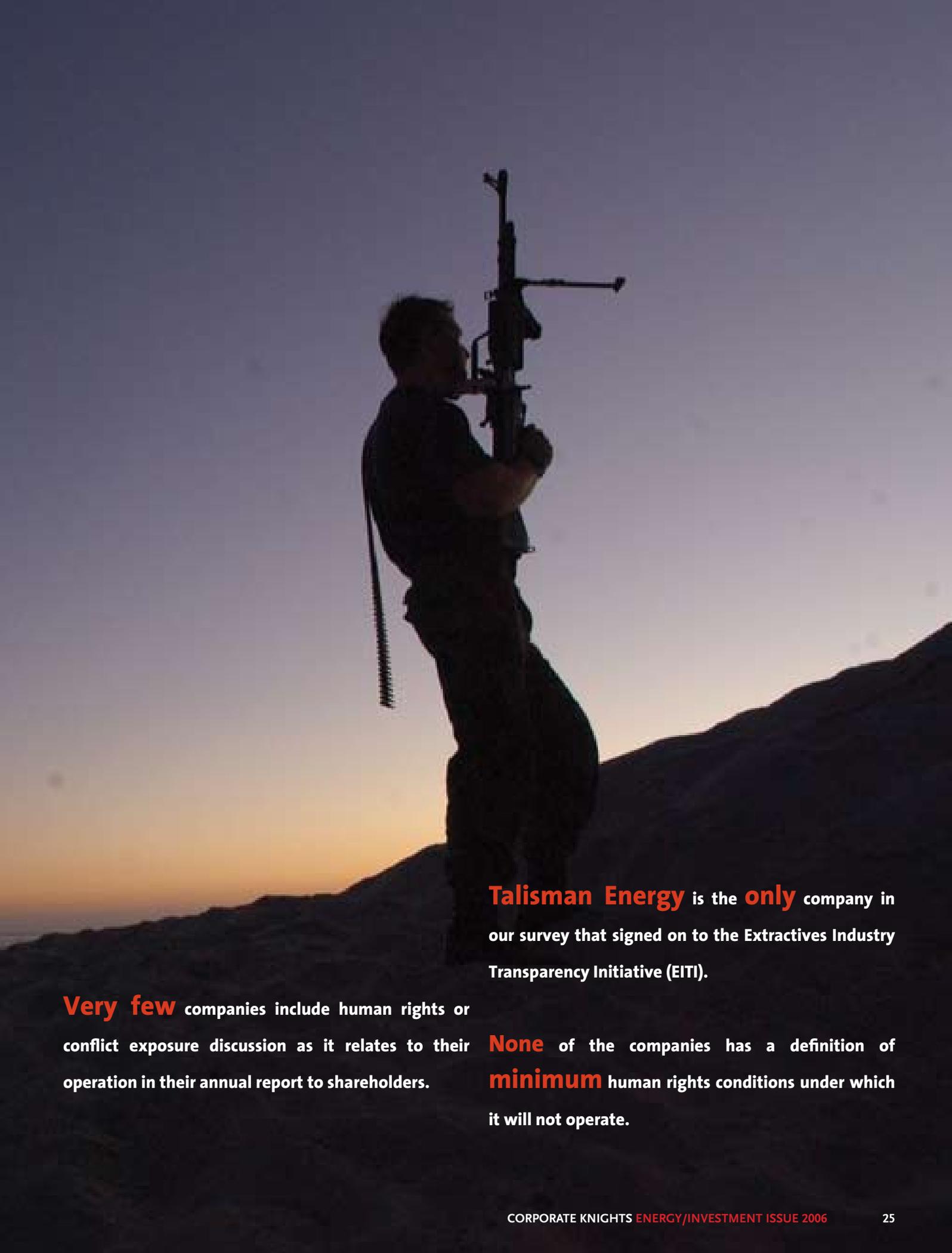
**Five** have a mechanism in place to monitor and verify compliance with their human rights policies.

**Four** companies state that all security contracts must include provisions that are consistent with the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

**Four** companies' human rights policies specify that the potential impacts of their investments on human rights must be considered prior to investing.

The **majority** of the companies disclose their royalties and tax payments to governments in host countries. It is, in fact, a filing requirement under the Standard of Disclosures for oil and gas (National Instrument 51-101) and mining companies (National Instrument 43-101).

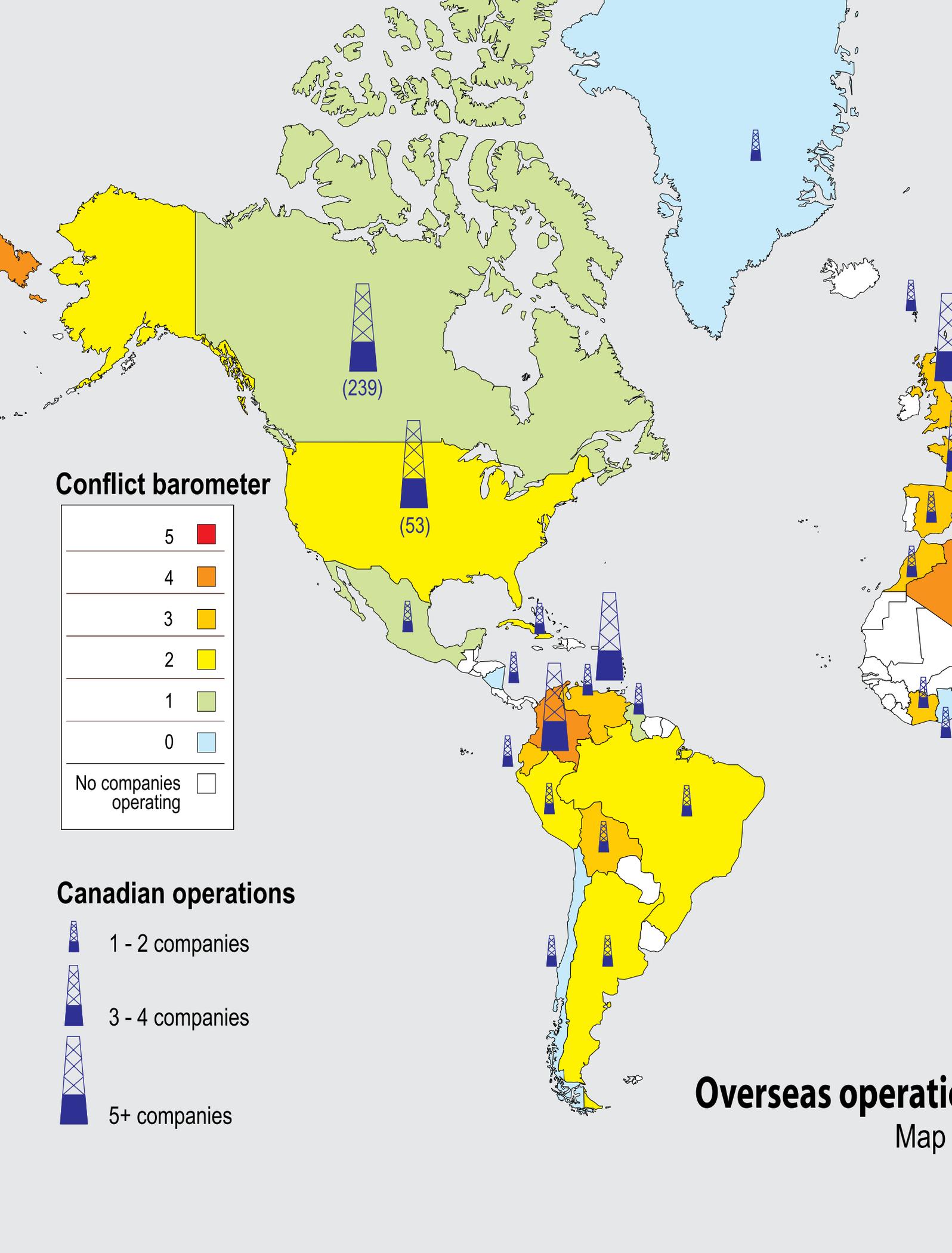
**Four** companies signed on to the UN Global Compact.



**Very few** companies include human rights or conflict exposure discussion as it relates to their operation in their annual report to shareholders.

**Talisman Energy** is the **only** company in our survey that signed on to the Extractives Industry Transparency Initiative (EITI).

**None** of the companies has a definition of **minimum** human rights conditions under which it will not operate.



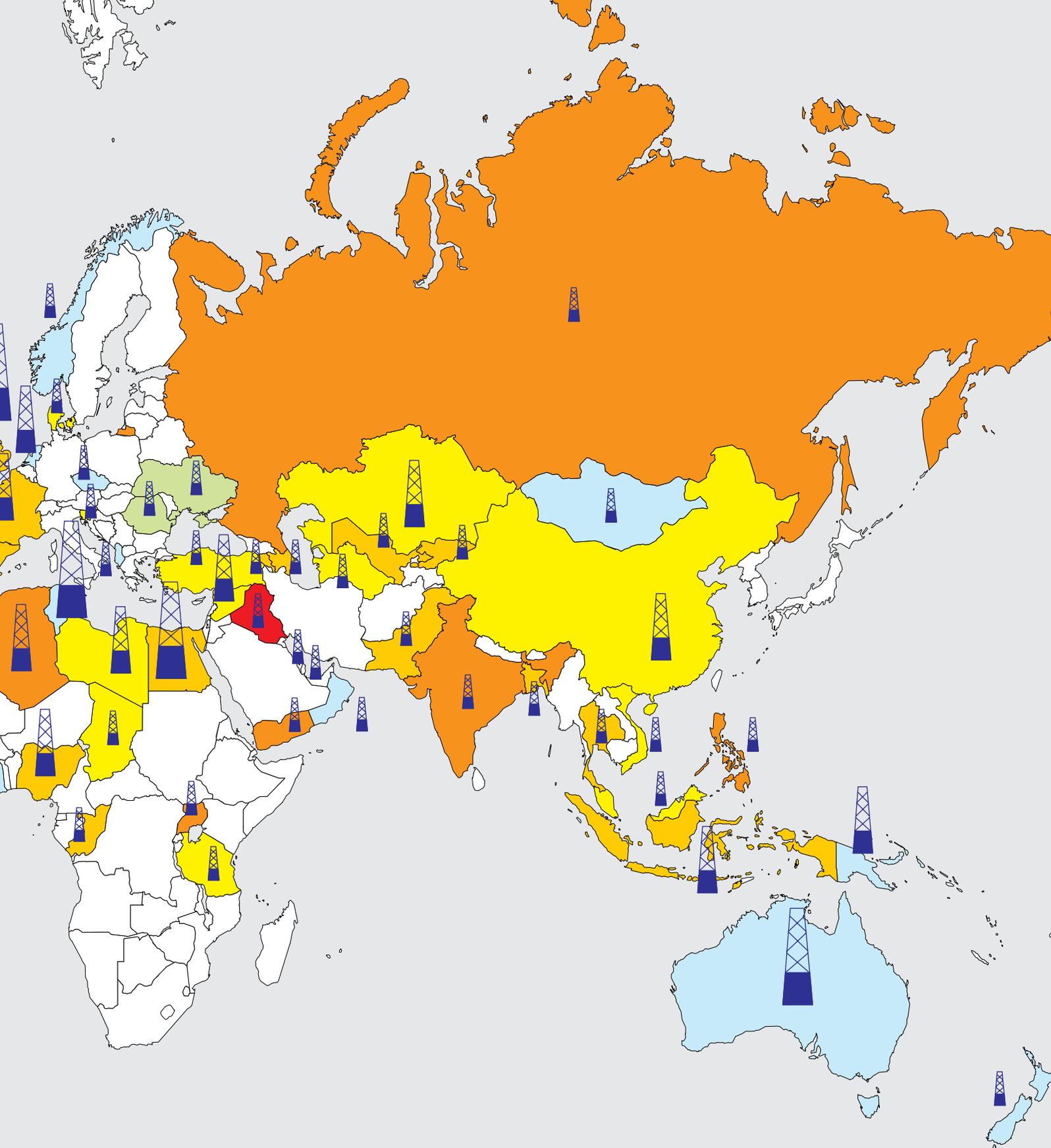
### Conflict barometer

5	■
4	■
3	■
2	■
1	■
0	■
No companies operating	□

### Canadian operations

-  1 - 2 companies
-  3 - 4 companies
-  5+ companies

**Overseas operations**  
Map



**ons of TSX oil & gas companies around the world**  
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## CONFLICT ZONES

Corporate Knights examined the international operations of TSX-listed oil and gas companies, focusing on countries that are in a severe crisis or war situation. To determine conflict intensities of various nations, we used the Conflict Barometer updated annually by the Heidelberg Institute for International Conflict Research. We also added Côte d'Ivoire in our analysis due to recent events (according to the International Crisis Group, the recent security situation has deteriorated after rioting in January). For the following chart, we limited our focus to countries with a conflict score of 4 or greater (out of 5). These are countries that have suffered single eruptions of conflict that are classified as either “severe crisis” or “war.”

### Canadian Oil and Gas Operations in Countries that are Involved in Severe Crisis or War Situation

Country with a Conflict Score of 4 or greater	TSX-listed Oil & Gas Companies with Operations in the Country	Description of Conflict (levels 3 and above)
Algeria	Petro-Canada, Talisman Energy, First Calgary Petroleum	Various Islamist groups vs. government over national power (4)
Colombia	Talisman Energy, Nexen, Petrobank Energy and Resources, Ivanhoe Energy, Solana Resources, Loon Energy Inc.	AUC (United Self-Defence Forces of Colombia) vs. government (3) FARC (Revolutionary Armed Forces of Colombia) vs. government (4) ELN (National Liberation Army) vs. government (4) Guambianos vs. government over resources (3)
Côte d'Ivoire	Canadian Natural Resources	FN (New Forces), Group of Seven vs. government over national power (3*) * Situation has become volatile since January 2006 riot.
India	Canoro Resources Ltd., Niko Resources	ULFA (United Liberation Front of Assam), NDFB (National Democratic Front of Bodoland), BLTF (Bodo Liberation Tribal Force) vs. government over Assam secession (4) Hindus vs. Muslims in Ayodhya (3) Garo Students Union (GSU) vs. government (3) Kashmiri and Pakistani separatists vs. government on the separation of Kashmir region (4) UNLF (United National Liberation Front), MPLF (Manipur People's Liberation Front), ZRA (Zomi Revolutionary Army) vs. government over Manipur separation (4) NSCN (National Socialist Council of Nagaland) vs. KNF on regional predominance (3) Naxalites rebels vs. government (4) Sikhs vs. government on autonomy (3) NLFT (National Liberation Front of Tripura) separatist movement in Tripura (3) ULFA vs. Biharis and Bengalis over regional predominance (3)
Iraq	Ivanhoe Energy, Heritage Oil	Al-Zarqawi group vs. government (4) Insurgents vs. government supported by US-led coalition force (5)
Philippines	FEC Resources	Abu Sayyaf separatist movement (4) MILF (Moro Islamic Liberation Front) separatist movement (3)
Russia	Valkyries Petroleum	Separatist movement of Chechen rebels against the government (4)
Turkey	Stratic Energy Corp.	PKK/KONGRA-GEL (Kurdish Workers Party/Kurdish People's Congress) vs. government over more Kurdish autonomy (4)
Uganda	Heritage Oil, Vangold Resources Ltd.	LRA (Lord's Resistance Army) vs. government over national power and autonomy (4)
Yemen	EnCana Corp., Nexen, TransGlobe Energy, Calvalley Petroleum, Oracle Energy	Believing Youth Movement vs. government (4)

## CONFLICT/HUMAN RIGHTS MANAGEMENT PROFICIENCY SCORE CARD

Corporate Knights looked at the following universe of companies:

- oil and gas companies listed on the TSX
- other energy sector companies listed on the S&P/TSX Composite Index

which operate in the countries listed on adjacent table (Conflict Zones) and assessed their capacity to manage conflict and human rights related risks. We set out 18 criteria to determine a company's conflict situation and human rights management proficiency. By looking at a company's publicly available documents such as its human rights policy, annual report, annual information form, management's discussion and analysis, sustainability report, and code of business ethics, we came up with an integrated conflict/human rights risk management proficiency rating. We purposely limited our analysis to information that is in the public domain.

### CRITERIA FOR COMPANY HUMAN RIGHTS MANAGEMENT PROFICIENCY

1. Company has a formal human rights policy
2. Company makes an explicit commitment to not be complicit in human rights violations
3. Company human rights policy specifies board and senior management responsibilities
4. Company human rights policy specifies staff allocations and training opportunities
5. Company's human rights policy implementation integrated into compensation plans
6. Company publicly reports on its human rights performance or operational exposure
7. Company has mechanism in place to monitor/verify human rights policy compliance
8. Company policy states that all security contracts include provisions consistent with the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
9. Company human rights policy specifies that consideration of the potential human rights impacts of its investments are made prior to investing
10. Company discloses royalty and tax payments to governments in host countries by country
11. Company endorses the Universal Declaration of Human Rights
12. Company endorses the United Nations Norms on Responsibilities of Transnational Corporations or has signed onto the Global Compact
13. Company has signed onto EITI (Extractives Industry Transparency Initiative)
14. When host governments become implicated in violations of international humanitarian law, company has a policy to protest (or has exhibited in practice) such violations in the strongest terms possible with government officials
15. Company has a definition of minimum human rights conditions, below which it will not operate
16. Company discloses exposure or procedures for mitigation of conflict/human rights-related risks to shareholders in its annual report
17. Company discloses exposure or procedures for mitigation of conflict/human rights-related risks to shareholders in its Management's Discussion & Analysis
18. Company discloses exposure or procedures for mitigation of conflict/human rights-related risks to shareholders in its sustainability or corporate responsibility report

Company	Proficiency Rating
Calvalley Petroleum	Poor
Canadian Natural Resources	Poor
Canoro Resources Ltd.	Poor
Enbridge Inc.	Satisfactory
EnCana Corp.	Needs Improvement
FEC Resources	Poor
First Calgary Petroleums	Poor
Heritage Oil	Poor
Ivanhoe Energy	Poor
Loon Energy Inc.	Poor
Nexen Inc.	Good
Niko Resources	Poor
Oracle Energy	Poor
Petrobank Energy and Resources	Poor
Petro-Canada	Satisfactory
Solana Resources	Poor
Stratic Energy Corp.	Poor
Talisman Energy	Good
TransGlobe Energy	Poor
Valkyries Petroleum	Poor
Vangold Resources Ltd.	Poor

#### Progression Scale:

Poor, Inadequate, Needs Improvement, Satisfactory, Good, Excellent

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