JANTZI RESEARCH RECOMMENDS GOLDCORP AS INELIGIBLE FOR SRI PORTFOLIOS

On November 4, 2006, Goldcorp Inc., then a constituent of the Jantzi Social Index® (JSI®), completed the acquisition of Glamis Gold Ltd., which became a wholly owned subsidiary of Goldcorp. As a result of specific community and aboriginal relations concerns, inherited from Glamis Gold’s operations in Guatemala and Honduras, Goldcorp was placed on the JSI® Monitor List on November 29, 2006. Jantzi Research has continued to monitor Goldcorp, focusing on how it has addressed aboriginal and community relations in addition to other areas of ESG performance.

In February 2008, Jantzi Research’s mining analyst participated in a fact-finding mission to Guatemala. The analyst met with various stakeholders of the Marlin mine to further investigate the concerns being raised regarding community, health and environmental impacts of the mine.

Jantzi Research now recommends that the company be considered ineligible for SRI portfolios. This recommendation is based on the following:

- Jantzi Research’s experience highlights that there is growing opposition from local indigenous communities to Goldcorp’s Marlin mine in Guatemala based on community compensation and land rights, inadequate consultation with indigenous peoples, threats to safety and security in addition to the environmental impacts of the mine’s operations;
- Goldcorp has not provided adequate indication that it has addressed the communities’ health concerns associated with its operations in Honduras, according to Jantzi Research; and
- Goldcorp has the highest environmental fine total among mining companies on the TSX Composite Index, according to the Canadian Social Investment Database.

The following section describes aspects of Goldcorp’s ESG performance that Jantzi Research views as areas of significant concern.

AREAS OF ESG CONCERN

Aboriginal Relations at the Marlin Mine

The Marlin mine in Guatemala has been the subject of opposition by the local indigenous communities of Sipacapa and San Miguel, where the mine is located. Glamis Gold, owner and operator of the mine prior to Goldcorp’s acquisition in 2006, claimed that it consulted with local residents, however a review of the project by the World Bank Group’s Compliance Advisory Ombudsman found deficiencies in the consultation process. A road blockade against the transportation of equipment to the mine resulted in a violent clash with the police and one death, and there have been allegations of death threats and intimidation against both mine opponents and mine supporters. In a referendum held by the Sipacapa municipality in 2005, 11 out of 13 communities voted against the mine. Despite this opposition and tense climate, Glamis started operating the mine in December 2005.

The company reports that it has implemented a plan to benefit local indigenous people, holds regular meetings with local communities and has engaged with them on environmental issues through the joint Community Environmental Monitoring and Contingency Committee (AMAC). However, Jantzi Research views these consultation mechanisms to be ineffective engagement tools. The local community of San Miguel, which initially supported the mine is demonstrating increasing dissent and distrust for the company and the people of Sipacapa are not willing to meet with mine representatives for fear that this would be seen as condoning mining in the region. The environmental monitoring committee, AMAC, mainly functions as a water
monitoring committee and local residents have raised concerns regarding its independence and the scientific rigour of its testing.

In addition, the company filed legal actions to annul the referendum and pressed charges against seven local residents of San Miguel who were protesting against inadequate compensation for land transactions. Two of the seven local residents were convicted but have appealed the sentences. The Guatemalan Constitutional Court ruled that the referendum was legal, albeit not binding, and has criticized the government for not following International Labour Organization (ILO) principles regarding consultation with indigenous peoples.

In February 2008, Jantzi Research’s mining analyst was part of a group of Canadian and Swedish investors that visited Guatemala and met with various stakeholders of the Marlin mine including community members, local and international NGOs, representatives of the Guatemalan and Canadian government, as well as representatives of Goldcorp and its operating subsidiary, Montana Exploradora de Guatemala. As witnessed by this analyst, there continues to be growing opposition from local communities and concerns related to compensation and land rights, inadequate consultation, water quality and quantity, safety and security and damage to homes in the areas close to the mines.

Subsequent to the investor trip, The Public Service Alliance of Canada Staff Pension Fund, The Ethical Funds Company, The First Swedish National Pension Fund and the Fourth Swedish National Pension Fund filed a shareholder resolution with the company in early 2008, requesting that the company perform a human rights impact assessment (HRIA) of its Guatemalan operations. The resolution was withdrawn after Goldcorp agreed to commission an independent HRIA of its operations in Guatemala, which is to be completed in 8-12 months.

While the company negotiated a withdrawal of the resolution filed by the large shareholder group, it refused to circulate another resolution filed by an individual shareholder on behalf of Breaking the Silence, a Canadian-based non-governmental organization. This resolution called on the company “to halt any plans to expand the [Marlin] mine and/or acquire new land in the Municipalities of Sipakapa and San Miguel Ixtahuacan without the free, prior and informed consent of the affected communities.” Goldcorp omitted this proposal from the 2008 Annual General Meeting’s management circular on the grounds that it did not “relate in any significant way to the business or affairs of the corporation.”

Although Jantzi Research sees the agreement to conduct an HRIA as a positive step, Goldcorp’s refusal to circulate the resolution regarding free, prior and informed consent is a concern. In Jantzi Research’s opinion, it does not reflect a willingness on the part of the company to engage effectively and responsibly with affected communities. The results of the HRIA will be disclosed in February 2009, at which point Goldcorp will announce which recommendations it will implement. The impact of the implementation of these recommendations on the communities surrounding the Marlin mine will not be measurable for a number of years.

In Jantzi Research’s view, Goldcorp should address the issue of compensation and improve its transparency and consultation mechanisms. As well, Goldcorp should commit to attaining the free, prior and informed consent of affected communities prior to expanding the Marlin mine or acquiring new land in the region, respecting the results of the referendum in Sipacapa.

Community Relations at the San Martin Mine in Honduras
As described in Jantzi Research’s Alert dated November 29, 2006, there is also opposition from local communities affected by the company’s San Martin mine in Honduras. Residents of the Syria Valley, who derive their water from an aquifer located near the company’s heap-leaching piles, blame the company’s operations for increases in health problems such as skin rashes and hair loss. These residents cite studies commissioned by non-governmental organizations that found high levels of several toxic substances in the community’s drinking water, as well as medical studies that have found a high incidence of skin, respiratory, gastro-intestinal and ophthalmologic diseases among residents of El Pedernal, the community that lies closest to the mine.

Goldcorp continues to deny that the San Martin mine has caused health or environmental problems, arguing that several independent water quality analyses conducted in the mine’s impact area have confirmed that the mine is meeting Honduran and international water quality standards. However, in April 2007, the Honduran Ministry of Natural Resources and Environment (SERNA) fined Minerales
Entre Mares Honduras, Goldcorp’s wholly owned subsidiary that operates the San Martin mine, one million lempira (approximately $62,400 Cdn) for polluting water supplies with cyanide and arsenic found to be well above permissible levels. Entre Mares has appealed the fine, claiming that the tests were not conducted properly.

While Goldcorp has reported investing in community projects near the San Martin mine, it has not funded health studies, independent monitoring, or implemented formal community consultation mechanisms at this site. Until these issues are addressed, the company’s operations in Honduras remain a concern from Jantzi Research’s perspective.

Environmental Compliance

Although Goldcorp’s environmental management systems are above average for its peer group, it has demonstrated poor environmental compliance, according to Jantzi Research’s analysis. Over the past five years, Goldcorp has received environmental penalties and has violated legal allowances for pollution that was caused by runoff that contained residual nitrates from blasting activities at the Wharf mine in South Dakota; 39 deficiencies at the company’s Nukay project in Mexico; discharging approximately 110,000 cubic metres of tailings effluent into the Bruce Channel at the Red Lake mine; and for polluting water supplies with cyanide and arsenic at the San Martin mine in Honduras, as mentioned above.

Despite the company’s efforts to develop and implement new technologies to address permit exceedances, Goldcorp has the highest environmental fine total among mining companies on the TSX Composite Index, according to the Canadian Social Investment Database.

CONCLUSION

Goldcorp continues to face community and aboriginal relations difficulties in Guatemala and Honduras, as well as environmental compliance challenges. Based on the concerns described above Jantzi Research considers Goldcorp to be ineligible for investors that seek to avoid companies with poor performance in these areas relative to industry counterparts.

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