

Mining, Corporate Social Responsibility, and Conflict: OceanaGold and the El Dorado Foundation in El Salvador

Executive summary and conclusions

1. This report documents the current activities of the El Dorado Foundation, which was originally established by Pacific Rim Mining in El Salvador in 2005, and is now operated by its successor company, OceanaGold.
2. The two companies have sought to develop a disputed gold mining project, which is currently stalled in the exploration phase, in the department of Cabañas in northeastern El Salvador. The project, which has not advanced in roughly ten years, is the subject of a controversial international arbitration process at the International Center for Settlement of Investment Disputes (ICSID) in Washington, D.C.
3. The research and analysis presented in this report is based on a review of company reports, documents obtained from Salvadoran government ministries, and interviews. The research team spoke with local residents, current members and the former legal representative of the National Roundtable against Metal Mining, and government officials in Cabañas and San Salvador during visits to El Salvador in February and August 2015. Excerpts from interviews with local residents and organizations are presented anonymously given concerns about their personal safety. Attempts to speak with representatives of the Foundation El Dorado were unsuccessful.
4. The interviews and analysis undertaken by the research team raise troubling questions about the propriety of the Foundation's objectives and programs, including their ethics, legitimacy, and legality. This report documents the activities of OceanaGold and the El Dorado Foundation in El Salvador during the ongoing international arbitration process. Copies will be shared with Salvadoran authorities, civil society organizations, and the communities living near the proposed mine.



5. According to the observations and interviews conducted by the research team, it is clear that the El Dorado Foundation has become the public face of OceanaGold in El Salvador. The Foundation makes donations to local schools, sponsors health clinics, offers computer and English classes, and promotes business training for women, among other activities described in this report. These programs and donations allow the mining company to pose as a benefactor to the surrounding communities. The evidence gathered strongly suggests that the Foundation's work is intended to enhance the company's public reputation and cultivate support for the proposed El Dorado mine project. The Foundation has also generated unrealistic expectations for future employment opportunities. These activities seek to reduce opposition to mining in Cabañas, which is based on concerns about its negative impacts on the environment and human health. The Foundation may also endanger local actors who are opposed to the mining project. Of particular concern is the threat of angry and potentially violent reprisals from people or groups receiving benefits, or who expect to receive benefits, should the mining project proceed. There is also a risk of violence from individuals or groups affiliated with the company, or who possess overlapping political and economic interests.
6. The operation of the El Dorado Foundation has the potential to exacerbate recent conflict over mining in Cabañas. This conflict has already contributed to threats and violence, which have yet to be fully investigated, such as the murder of community activists Marcelo Rivera, Ramiro Rivera Gomez, Dora "Alicia" Recinos Sorto and her unborn child, and Juan Francisco Durán. The climate of fear resulting from these assassinations and other threats of violence is still palpable in the communities today – and there are real and serious concerns that the activities of the El Dorado Foundation and OceanaGold are sowing the seeds for the reemergence of violence in Cabañas.
7. OceanaGold's efforts to advance its economic interests through the Foundation are at odds with the opinion of the vast majority of Salvadorans, who reject metal mining given the long-term environmental impacts that this industry generates, including its consequences for the country's water supply. OceanaGold's efforts to promote the El Dorado mine are also at odds with the interests of the state, which has already spent millions of dollars to defend its right to not issue a mining permit, particularly given that the company has not fulfilled the legal requirements for such a permit. Such practices are especially troubling given the violent history of conflict over mining in Cabañas. Consequently, it is important to recognize how the programs of the El Dorado Foundation, despite appearing innocuous or even generous, both disrespect public opinion over mining in Cabañas and El Salvador, and have the potential to increase friction and generate conflict.
8. Rather than operate transparently by providing detailed information about the proposed mining project and its potential social and environmental impacts, OceanaGold relies on propaganda, local programming, and charitable donations to



suggest that the company will behave more responsibly than its predecessor, Pacific Rim. But for all of the computer classes and health clinics the Foundation provides, these activities do not address local concerns about the potential drying up of water supplies on which people living in the communities depend or the risk of future heavy metal contamination from mining activities.

9. Furthermore, reports of the Foundation's efforts to foster relationships with right wing mayors who have long supported mining in Cabañas, and the joint promotion of activities that are not supported by the Farabundo Martí National Liberation Front (FMLN) administration in the department, is tantamount to "playing politics." Such behavior has the potential to deepen social and political divisions within Cabañas and is not appropriate for a foreign corporation or its Foundation.
10. OceanaGold is suing the state at ICSID, part of the World Bank Group, through its wholly-owned subsidiary Pac Rim Cayman LLC. The case has already cost the Salvadoran state US\$12.7 million in legal fees, and the company also claims an additional US\$250 million in forfeited profits. A decision from ICSID on the merits of the case is pending. One person interviewed by the research team expressed that by simultaneously investing in the Foundation while suing El Salvador, OceanaGold is "making a laughingstock of the country." The interviewee added: "It is ridiculous for the Company to say that it is promoting economic development in Cabañas when the \$12 million dollars [that the state has spent on legal costs] could be used for many projects in Cabañas and the country."
11. OceanaGold's and the El Dorado Foundation's activities in Cabañas are deceptive, dangerous, and disrespectful of the population of Cabañas and Salvadorans more broadly. Consequently, it is the conclusion of this report that these activities should cease and the Foundation should be closed. This finding is based on potential human rights violations, as well as moral and legal concerns. First, given the threats and violence that have already resulted from conflict over mining in Cabañas, the closure of the Foundation is necessary to prevent further escalation of conflict and potential violence. Second, given that OceanaGold is using the Foundation to try to strengthen social and political support for its proposed mine project, closing the El Dorado Foundation is commensurate with the position on mining that Salvadorans have been articulating for years: that metal mining activities are not their desired option to ensure healthy communities, a safe environment, and sustainable economies for future generations. Third, since the El Dorado Foundation's charter of incorporation is limited to non-profit activities, OceanaGold's use of the Foundation to try to advance its commercial, for-profit activities may be in breach of Salvadoran law. To this end, the research team encourages Salvadoran authorities in Cabañas and the central government to fully investigate the activities and investments of OceanaGold and its subsidiaries in El Salvador, including the El Dorado Foundation. This should include a full release and audit of the Foundation's financial records since 2011, which have not been made available to the public.



12. Finally, it is important to emphasize that OceanaGold only invests in the El Dorado Foundation because it believes that these activities will help the company obtain a mine permit. The negative consequences of these activities underscore the importance of heeding the longstanding call by Salvadoran civil society, the Salvadoran Catholic Church and the Human Rights Ombudsmans' Office to prohibit metallic mining, which would stop the sort of dangerous speculative activities in which OceanaGold is currently engaged.

