

UN Global Compact – Communication on Progress

Background

The UN Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. GCM Resources plc (GCM) joined the UNGC in January 2009 and is a founder member of the Bangladesh network and also a member of the long established UK network.

GCM's business

GCM's principal asset is the Phulbari Coal Project (the Project) in North West Bangladesh. GCM has a contract with the Government of Bangladesh to explore, develop and mine in respect of licence areas near the town of Phulbari, for which GCM completed a Feasibility Study and Scheme of Development during 2004 and 2005. The Project has a unique role to play in addressing Bangladesh's electricity shortfall and will be a catalyst for regional development and will make a significant contribution to economic development both in the region and to the country as a whole.

The physical impact of the field activities during the exploration and feasibility study phase was limited to site preparation and drilling of 108 exploration holes together with associated hole capping and site restoration. Landowners were consulted throughout the drilling operations and appropriately compensated. In most cases landowners were employed to prepare the drill sites and carry out the site restoration work. Studies for the Social and Environmental Impact Assessment were being carried out in parallel with the drilling program.

Since that time activities have been directed to obtaining the approval of the Government of Bangladesh for the Project's Scheme of Development. GCM currently has physical operations in two locations, London and Bangladesh. In anticipation of receiving approval for the development of the Phulbari Project, GCM joined the UN Global Compact in January 2009 to ensure that the Project would be developed in accordance with the ten principles.

Internal Controls and Procedures

The existing values of GCM are consistent with the principles of the UNGC and over many years GCM has developed policies and procedures, appropriate for an organisation of its size and activities, to support those values.

GCM's activities are managed from just two locations, London and Dhaka (Bangladesh) and executive board members have day to day involvement in the activities at both sites. All transactions and business relationships, including the recruitment and termination of employees, are approved by at least one executive director.

Demonstrating their commitment to the Global Compact, the Board have given responsibility for UNGC membership and compliance to Graham Taggart, GCM's Dhaka based Finance Director. Every employee has been given a copy of the ten principles in either English or Bangla and there have been a series of workshops to explain their significance and importance.

The major focus for GCM in 2012 continued to be seeking approval for the Phulbari Project. As such there has been little change in the company's operations or internal controls required to ensure compliance with the Global Compact Principles.

Ten principles

Human rights (Principles 1, 2)

GCM supports and respects internationally proclaimed human rights and is committed to compliance with the laws relating to human rights in the countries where it operates. All senior management have had training on human rights and the social and environmental management plans that have been developed to protect such rights. Human rights training has been incorporated into the induction programme for new managers. As GCM is a small company, the Directors are involved in day-to-day business decisions and accordingly can monitor activities to ensure compliance with laws relating to human rights.

In February 2012 UN Special Rapporteurs publicly made allegations that the Phulbari Coal Project could threaten human rights of potentially affected people. GCM was not consulted or contacted by the UN Special Rapporteurs in the lead up to the press release. Accordingly, the UN Special Rapporteurs were not able to appreciate the comprehensive Environmental & Social Impact Assessment (ESIA) of the Project, prepared in 2005 in accordance with the highest international social and environmental standards that existed at the time.

The ESIA is based on 237 separate detailed reports by international experts and includes extensive plans and management commitments for: Resettlement; Indigenous Peoples Development; Water Management; and Agricultural Improvement. The ESIA has been subject to an independent audit by third parties including the Asian Development Bank, URS and Environmental Resources Management (ERM).

GCM promptly responded to the allegations with the UN Special Rapporteurs and has been in further communication since. In discussions, it has been acknowledged that the allegations publicly made were based on information received from external parties. Due diligence had not been undertaken on the information received to verify the allegations prior to release. The Company was also informed that a correcting public statement should not be expected.

It is our view that the allegations misrepresent the impacts of the Project and the steps that can, and will be made to mitigate them. The Project has the potential (and arguably an obligation) to enhance the human rights of the people they affect, and we remain committed to supporting and protecting human rights, and seek to promote human rights within our sphere of influence.

The Board, through its executive directors, monitors the performance of the company in regards to compliance with the laws relating to human rights.

Labour (Principles 3, 4, 5, 6)

GCM complies with all national labour laws in the countries in which it operates and supports the ILO's core labour standards. GCM upholds the freedom of association and recognises the right to collective bargaining. GCM does not use forced or compulsory labour nor does it use child labour. GCM does not tolerate discrimination within the workplace in respect of employment, occupation, religion, disabilities, race, age and gender.

GCM values its employees and ensures that all employees have a valid Employment Contract which details the terms and conditions of employment which as a minimum comply with applicable laws. All Bangladeshi employees and their immediate family are covered by the company's medical insurance. Salaries are reviewed and increased periodically. When redundancies have been necessary, payments have been in excess of the national legal requirements.

The Company's employees have excellent working conditions. The office in Dhaka is spacious and has good lighting and air conditioning. The office cafeteria provides employees with a nutritionally balanced lunch and filtered drinking water is available throughout the building. The Company also provides transport to and from work which both saves employees time and cost, and is considered safer.

GCM is committed to ensuring that employees work in a safe and healthy environment. The objective is that employees suffer no injuries as a result of working for GCM and there have been no Lost Time Injuries (LTI) since the Bangladesh field work commenced in September 2003, a period of over nine years. Health and safety risk assessments and training have been given to employees in both locations. The principal risks are those associated with office based work and with travel in developing countries and actions have been introduced to mitigate these risks. All incidents, and potential incidents, are reported on and remedial action taken if necessary.

Environment (Principles 7, 8, 9)

GCM recognises that its business operations can impact the environment and local communities both favourably and adversely. As the Company's current operations are broadly office based, there is minimal impact on the environment. GCM is committed to developing the Phulbari Project to the highest international environmental standards and extensive studies have been conducted into the potential impacts of mining at the Phulbari Coal Project as well as associated activities. Detailed management plans have been developed to mitigate potential adverse impacts and to advance outcomes which enhance the environment.

In January 2012 the International Finance Corporation released an update of its *Performance Standards on Social and Environmental and Access to Information Policy*. To ensure continued compliance GCM engaged international consultants Environmental Resources Management to review the Project's ESIA in light of these new standards and work has commenced to address the gaps identified.

The Company's performance in relation to environmental matters is monitored by the Board, through its executive directors.

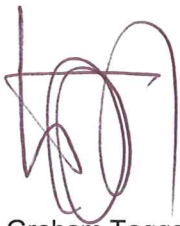
Bribery and Corruption (Principle 10)

GCM is against all forms of corruption, extortion and bribery and committed to operating in compliance with all anti-bribery laws to which it is subjected. All transactions in GCM require the approval of an executive director and all significant new commercial relationships are considered by the Board. All payments require the approval of two people from a list of only four authorised signatories.

The UK Bribery Act has been explained to all Board members and incorporated into all new commercial relationships. The Board, through its executive directors, monitors the performance of the company in regards to compliance with the UK Bribery Act.

Renewal of Commitment

GCM remains committed to the UN Global Compact and its principles which it will continue to implement wherever the company operates.



Graham Taggart
Finance Director



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.