

## **Response to MSCI ESG Rating Report – September 2018**

### **Executive Summary**

At Barrick, we believe that transparency – whether through disclosing our salient human rights risks, our tax and royalty payments to governments, or how much energy and water we use – is integral to being a trusted partner of anyone with whom we interact. We know that this information is of interest to many of our stakeholders, and recognize that they also rely on third-party research – including from MSCI – to inform their views of our ESG performance.

For this reason, we have invested considerable time engaging with MSCI regarding its reports on Barrick. This has ranged from correcting basic factual errors (such as getting our company name correct), to resolving more substantive errors about our company governance, to engaging in discussions about MSCI’s methodology and assessment approach. Unfortunately, many of our concerns continue to be ignored, unaddressed, or uncorrected, as evidenced in MSCI’s latest ESG Report on Barrick, issued to its clients in July 2018.

The following document details our concerns with MSCI’s latest ESG Report, which we believe continues to be based on superficial research; inconsistent analysis based on a methodology that is not transparent; and a largely retrospective and controversy-based view of ESG performance. What results is a distorted and misleading assessment of Barrick’s ESG performance.

By way of summary, we flag below five overarching concerns with MSCI’s latest ESG Report (with examples for each). Barrick has already shared this document and more detailed commentary with MSCI, and has also advised them of our intent to share this document with our shareholders and other relevant stakeholders.

- **Concern #1:** The ESG Ratings Report continues to provide an inconsistent evaluation of Barrick’s sustainability performance.

For example, the report describes Barrick’s ‘capacity’, ‘performance’, and ‘systems’ in terms that contradict themselves. In one case, the report states that Barrick’s systems to address toxic emissions (page 26) and water risks (page 37) are minimal, yet it also states that “the performance track record of Barrick is strong” in these areas and identifies a number of strong systems. This pattern of recognizing strong systems and solid performance, but rating Barrick in the lower quartiles, is prevalent throughout the report.

Most concerning, the ESG Ratings Report concludes that “No areas of substantial strengths in managing material risks or capitalizing on growth opportunities are identified for this company” (page 2). We understand from previous communications from MSCI that this statement is automatically generated, but this is no excuse for communicating inaccurate information to your clients. Not only does this language contradict the strengths MSCI itself identifies, it is objectively false and misleading. Barrick has significant strengths in managing ESG risks, including Barrick’s strong risk management system, extensive internal and external audits of ESG performance, an environmental management system aligned with ISO 14001, advanced human

rights, anti-corruption, and community relations programs, and a focus on digital technologies, just to name a few.

- **Concern #2:** MSCI's methodology continues to equate allegations of impacts with real impacts – that is, giving allegations that have proven to be inaccurate the same credence as controversies where real harm has occurred.

Not only is this confusing, but this seems to contradict the approach described in the ESG Ratings Report (page 55), which states that 'severe' or 'very severe' ratings are given when action taken by a company **results** in a very large or large impact on society and/or the environment (emphasis added). As far as we can tell, when you communicate the controversies to clients in the ESG Ratings Report, you do not clarify that severe or very severe controversies identified could be based on inaccurate claims or events that haven't actually occurred.

We see several examples in the report where MSCI conflates allegations of harm with actual harm, including:

- Assessing that Barrick is involved in a severe, ongoing controversy at our Pascua-Lama project due to “extensive” impacts on glaciers and downstream water supplies, even though governments in Chile and Argentina have ruled otherwise – and the mine is not currently under development.
- Assessing that Barrick is involved in a severe, ongoing controversy at our Pueblo Viejo mine due to alleged harm caused by cyanide contamination. Barrick has previously made available to MSCI the court decisions and independent regulatory and press reports which all show that the allegations referenced in this case are unfounded.
- **Concern #3:** Events that took place years – or even decades – ago continue to be used as evidence of Barrick's present day ESG performance. For example, the report continues to reference events that took place in 2009 at the Porgera Joint Venture as indicative of the Company's current human rights performance (page 60). These events – as well as other incidents referenced in the report – took place almost a decade ago and have since been remedied.

As we understand MSCI's methodology, such incidents should age out and be considered historic. Unfortunately, every subsequent article, story, or legal outcome related to the initial incident appears to refresh the clock. We believe many of the controversies MSCI flags in Barrick's report should be deemed historical at this point.

- **Concern #4:** The report continues to assign Barrick responsibility for events outside of our control and influence.

For example, MSCI is rating Barrick's ESG performance based on events which took place at the Marcopper mine in the Philippines, an operation that the Company never owned or operated.

- **Concern #5:** The report demonstrates a bias to negative allegations against companies. The controversies section in particular repeats allegations made by anti-mining or anti-industry groups while ignoring or otherwise downplaying positive reports and evidence.

For example, the report includes allegations made by MiningWatch Canada of violence at the Porgera Joint Venture in Papua New Guinea, but does not include the public response from management or from the independent observer disproving these claims. Similarly, the report includes allegations from groups claiming environmental harm near the Pueblo Viejo mine in the Dominican Republic, but does not reference press reports and judicial decisions finding these claims to have no basis in fact.

We recognize that the report will include negative claims and believe there is value in providing stakeholders with a consolidated view of allegations that may impact a company's reputation. However, the apparent bias in the sources referenced means the resulting analysis is unbalanced.

For a copy of Barrick's full response to MSCI, please contact Simon Jimenez, Senior Director Sustainability, at [s.jimenez@barrick.com](mailto:s.jimenez@barrick.com).