



## **SUSTAINABILITY ADVISORY COMMITTEE**

**Date: 10 April 2012**

### **AVALON'S VISION AND MISSION**

#### **Vision**

To be the leading integrated supplier of technology metals and minerals for a more sustainable world.

#### **Mission**

Maximize shareholder value by:

- being the first to market with a new supply of heavy rare earths;
- providing superior customer service; and
- being a leader in socially responsible mineral production.

### **BACKGROUND**

Avalon regards corporate social responsibility ("CSR") and sustainability as a competitive advantage and a business imperative. In working with its stakeholders (regulators, investors/shareholders, communities, employees, customers and vendors) it is critical for Avalon to develop a corporate culture and a comprehensive strategy that includes a practical and transparent Corporate Social Responsibility (CSR) plan and policies developed by management. These will address and align any visible community, environment, health and safety and ethical issues. This will encompass Avalon's working relationship with its affected regulators, investors/shareholders, communities (particularly the Aboriginal peoples), employees, customers, vendors and other stakeholders .

To fulfill its vision and mission and give effect to these principles, Avalon has committed to being in the forefront of applying good and transparent CSR practices in each of the focus areas, namely: the community, environment, health and safety and ethical issues. In addition, keeping in mind the organizational structure, Avalon shall commit to implement the principles of the Prospectors and Developers Association of Canada's "e3 plus" (<http://www.pdac.ca/e3plus/>) and the Mining Association of Canada's "Towards Sustainable Mining" (TSM) (<http://www.mining.ca/site/index.php/towards-sustainable-mining.html>).

The Committee will assist Avalon's Directors and Officers in overseeing the comprehensive and consistent implementation of CSR: culture, plan, policies, programs, monitoring and reporting. The Committee will help support the business strategy and maintain the reputation of the Company.

## Composition

- The Advisory Committee shall include three Members, independent of management, and a Chair.
- The Chair of the Committee will be a Director of Avalon who has experience with CSR matters. The Chair is appointed by the Board and serves at the pleasure of the Board until his or her successor is appointed, and will not act as a Member of the Committee. The Vice President, Sustainability or other senior officer designated by the President & CEO will assist with the organization and logistics of any CSR committee activities.

## Compensation

- The Committee Members may be awarded stock options, at the discretion of the Board of Directors.
- Members may charge an industry standard per diem, as pre-approved by the Board while working on Avalon business.

## Terms of Reference

The Committee shall:

- Review the Company's CSR plan, policies and practices.
- Inform Avalon's Executive Management and the Board through the Committee's Chair of any existing and emerging issues and trends relating to CSR and sustainability within the framework of this policy.
- Activities would include, but not limited to, review of the CSR aspects in Avalon's field programs, past and planned development programs and projects and comment on any activities that relate to CSR.

## Roles and Responsibilities

- The Committee's prime role will be to advise the Board, as well as the Executive Management, through the Chair of the Committee, on corporate CSR practices or actions that could impact on the company in a significant manner.
- The Chair's role is to be the primary interface between the Committee and the Board. The Chair will preside at meetings of the Committee, which will be organized according to the agenda created by the Members.
- The Committee will act directly as a channel for advice to Management on CSR issues through the senior executive appointed to assist the Committee.
- The Committee does not have the responsibility to develop operating protocols or procedures, interact on behalf of the company with people outside the Board or Executive of the company, unless specifically requested to do so by Executive Management or by the Chairman of the Board. However, the Committee does have the role to review and recommend development of protocols or procedures.
- Review and comment on compliance with the CSR Policy, including community relations, environment and health and safety.

- The Committee may review the findings and recommendations from any investigation, audit by regulatory agencies, Avalon's external auditor or any consultants concerning the Company's CSR matters;

## **Method of Operation**

- The Committee will work by consensus.
- The Company will appoint a Senior Executive (normally the Vice President, Sustainability) to be the primary interface between Management and the Committee.
- The Committee will meet formally once per quarter, before every board meeting and at least twice per year in person.
- The Members of the Committee, in consultation with the VP, Sustainability and the Chair of the Committee, will develop the agenda for each meeting. Final responsibility for the recording and circulation of the agenda will rest with the VP, Sustainability.
- The Committee would submit its report to the Board, via its Committee Chair. .
- The Committee members will have access to any corporate documents, employees and officers as required in discharging the expectation under this Policy relating to CSR.
- The Committee will hold in-camera sessions and report the details to the Chairman of the Committee who will in turn report to the Chairman of Avalon's Board of Directors.