Corporate Social Responsibility in Junior Mining Companies

Is it worth it?

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Schulich School of Business York University

YORK UNIVERSITÉ UNIVERSITY

impakt

ABOUT IMPAKT

Founded in 2001, Impakt helps corporations and not-for-profit organizations become social purpose leaders by assessing, improving and measuring the value of social investments and social programs.

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BACKGROUND

Will a social license to operate accelerate your approval process? Is there an ROI of community relations? Do investments in your communities translate into less local opposition? Is it possible to quantify the value of positive relationships? Does increased employee engagement go to your bottom line? Does a socially responsible project make it more attractive to M&A partners and investors?

These are some of the questions that Impakt and the Schulich School of Business set out to answer in their CSR session at PDAC 2013, the world's leading Convention for people, companies and organizations in, or connected with mineral exploration.

Titled, "CSR: Is it worth it?" the session focused on helping JMCs (Junior Mining Companies) understand why CSR has become so important and to provide practical ideas and input to help them improve the value of CSR in their own companies. Subsequent discussions with industry leaders indicated the importance of making a distinction between Junior Mining Companies (JMCs) and Junior Exploration Companies (JECs) as occupying distinct places on a continuum of CSR priorities. Where appropriate, the distinction between JECs and JMCs is made explicit. In other cases the term JMC is used to cover both actors.

The session was facilitated by Paul Klein, President of Impakt and anchored by two distinct case studies – Asanko Gold and Noront Resources. One case was anchored in the materiality of business while the other took a more philanthropic approach.

An important part of the design of the session at PDAC was the participation of a remarkable panel of CSR stakeholders who shared unique perspectives on the two case studies. Panelists included Ramsey Hart (Canadian Program Coordinator, Mining Watch), Dirk Matten (Hewlett-Packard Chair in CSR & Professor of Strategy at the Schulich School of Business), Harvey Yesno (Grand Chief of Nishnawbe Aski Nation), Brent Bergeron (SVP Corporate Affairs, Goldcorp Inc.), Dave Porter (CEO, BC First Nations Mining & Energy Council), Glen Masterman (SVP Exploration, Kinross Gold), Eric Siegel (Former-CEO of Export Development Canada).

One of the most important discoveries from this session was that while the context for CSR is varied and complex, JMCs share many similar constraints and opportunities.

Constraints include: a perceived lack of resources (HR and financial), volatile commodity prices, absence of rule of law in some developing countries, varying points of view among aboriginal and indigenous stakeholders regarding the degree to which resource extraction is desirable, difficulty establishing the materiality of the social aspects of sustainability, and inability to effectively measure the return on investments from CSR Initiatives.

Opportunities include: attracting leveraged partnerships with NGO's who can bring resources and expertise to implement environmental and social programs as needed to secure financing and social license to operate, access to local employees and suppliers, support from investors and Directors, more effective communication of the benefits arising from CSR investments.

Finally, CSR: Is It Worth It? was intended to address questions from an area that is has become critically important to JMTs and is still very nascent. It is hoped that the session and this paper will generate new questions that can be the basis for further research and practical ideas from industry.

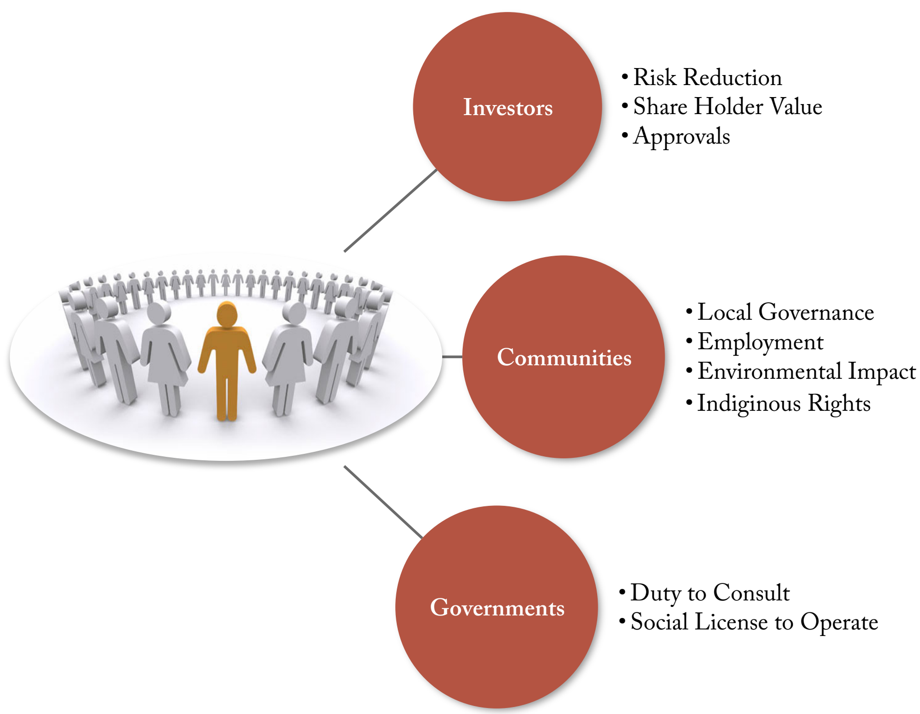
CORPORATE SOCIAL RESPONSIBILITY (CSR) DEFINED

For the purpose of this paper, CSR is used variously to refer to a class of issues facing mining and exploration operations, a range of activities undertaken by the companies to respond to the issues, and to the state of relationships between proponents and stakeholders.

A quick Internet scan provides a range of definitions of Mining CSR, which we have blended here for a hybrid definition:

Corporate Social Responsibility (CSR) refers to voluntary actions of mining companies that attempt to integrate socio-economic and environmental concerns of local communities and workforce into business missions and operations. By definition, voluntary actions are those that go beyond legal obligations, contracts and licence agreements.[1] As such, CSR also extends beyond mere philanthropy and corporate giving and contributes directly to the value creation of business.

MINING CSR: MAPPING THE TERRITORY



[1] Miningfacts.org. n.d. http://www.miningfacts.org/Communities/What-is-corporate-social-responsibility/, retrieved October 15, 2013; Wayne Dunn, October 25, 2011, http://www.slideshare.net/waynedunn/mining-and-corporate-social-responsibility-lecture-at-university-for-development-studies-wa-ghana, retrieved Oct 15, 2013.

THE CURRENT CONTEXT FOR JUNIOR MINING COMPANIES

The usual CSR drivers in mining are not yet apparent

CSR issues in the mining industry traditionally have been driven by external demands:

- Locally: community demands, local government activity (permits, royalties etc.), local NGOs, local church groups/leaders
- Globally: media coverage, global NGOs, home country governments

The most conspicuous difference in the exposure of Junior Exploration and Junior Mining Companies (JECs & JMCs) is that the range and importance of community demands is not yet fully visible. In the case of JECs this is particularly true. Relatively little outside social demands are placed on JMCs during the discovery, feasibility or start-up phases. While this is changing through better prepared and networked local communities, direct pressure on JECs to engage in CSR is almost non-existent. For JECs it is nascent.

The key challenge for JECs and JMCs is to recognize the long-term importance of issues that are not yet staring you in the face. CSR influences a number of success factors in later stages of mining projects, which are either not yet visible or if so, will only materialize as threats in later phases of the mining operation. Once materialized, these threats are likely to become a concern ('a legacy issue') for new owners and investors.

The current context of low commodity prices

For some time, commodity prices in many of the key areas of mining have been comparatively low. This has increased the pressure on JECs and JMCs to explore and develop mining resources in the most cost effective way. This puts considerable pressure on community investments and other CSR related expenses that considered discretionary. In this context, the question of whether CSR is worth it, or not, is particularly relevant.

Access to finance as a key challenge

JMCs rely almost exclusively on raising financing in capital markets. This increases scrutiny from the investment community, in particular regarding the allocation of funds within the early stages of the mining operation. In this context, CSR related expenses are not always seen to be delivering enough value – especially in challenging market conditions such as the industry is currently experiencing. Further more companies making CSR investments are not reporting CSR-related outcomes consistent with the goal of pursuing long-term value creation.

CSR as a drain on resources

Given the lower exposure of JECs and JMCs to direct demands, scandals, or the expectations civil society organizations, expenses for CSR are often viewed as an unanticipated cost with unclear benefits. The benefits of CSR for JMCs are mostly visible in later stages of the mining operation and are thus hard to justify to investors in the early stages of a mining project. In addition, there is often a blurred line between philanthropy and CSR, which contributes to the general consensus that CSR is a cost.

CSR as part of the brand management for JMCs

Impakt's investigation into the worth of CSR leading up to the PDAC session indicates a shift taking place in the way mining companies see themselves and how they are viewed by stakeholders: mining companies big and small are evolving from commodity producers to branded competitors. For some, CSR is moving from the periphery to the core of corporate strategy as companies recognize increased competition for investors, for employees or for community acceptance.

For JMCs brand building is aimed primarily at investors on two levels. First, they want to attract capital to finance exploration activities, which, if successful, will influence the value of the company. Second, given that most JMCs, particularly after successful exploration and development of a mining resource, become candidates for takeovers by larger mining companies. JMCs have a strategic interest in reducing obstacles to production. Good, authentic CSR will help secure partnership with the local community, and successful permitting and ultimately greater returns from the deposit. In this regard, CSR is most certainly "worth it" for a JMC to be an attractive acquisition proposition. CSR in this regard is an integral part of managing and strengthening the brand of a JMC as a profitable investment.

THE INVESTOR'S PERSPECTIVE ON JUNIOR MINING COMPANIES

"In the past, our behaviour was highly technical and so we would 90% consider the technical merits and attributes of the project before making a decision to engage in the junior partner for entry to that project. Today is a very different world for Kinross [...], where we also include a due diligence process on the partner or target partner if you like, in terms of their level of engagement, their track record and what we might be walking into if we make a decision on that particular project. [...] In terms of values, we look very seriously at this and in terms of our selection and our recommendation to enter new projects." – Glen Masterman, Senior VP Exploration, Kinross Gold

"While the production or operational aspect or the reserve [...] when we're looking for new acquisition is still extremely important of course, [...] the social and economic aspects are becoming more important right now. We are spending more time looking at projects and activities that the company has done to actually start the base of having that relationship with the communities. We are actually applying a premium when we look at properties, because it's the foundation of the relationship that we will enter into when we actually purchase the property." – Brent Bergeron, Senior VP, Goldcorp Inc.

Traditionally, the focus of how a JMC is assessed has been on geological fundamentals (e.g. the deposit, its size and the costs involved in its development and extraction.) More recently assessing the effectiveness of CSR programs in securing a social license to operate, has part of due diligence, of the investment at early stages of mining or as a takeover candidate. Increasingly CSR plays a role in assessing the value of a JMC.

The focus continues to broaden and increasingly includes many CSR related issues on which JMCs are valued in the due diligence process of potential investors. The general gist of investor's scrutiny focuses on the risks to future revenues coming from a lack of appropriate social and environmental measures.

The main issues of valuation include:

- **Social Relations**
  An important factor in the question, "how likely, and at which costs can deposits be extracted off a mining site?" depends on the relations between the JMC and its local community (neighbors), which also includes its future employees. Lack of support from these communities can severely impede the potential of resource extraction or drive up the costs of engaging and repairing the relations with these constituencies. Conversely, poorly planned community investments delivered through CSR programs run the risk of raising unrealistic community expectations e.g. windfall jobs, increases to the local tax base, infrastructure development which can also impede successful project development

- **Legal /Contractual Relations**
  Mining projects have a long life cycle during which the support of the regulatory authorities with jurisdiction over the mining site is crucial. These involve governmental agencies and politicians at various levels, from municipal, regional/provincial to country/federal level. More than ever, investors are scrutinizing the relationships and in particular the legal documentation of necessary permits and contracts to operate the mine. Increasingly, this due diligence is focused not only on government relations pertinent to extraction activities but also the arrangements regarding revenue/royalties sharing with local level and the transparency and accountability of money flowing between the JMC and the governmental bodies.

- **Corporate Culture**
  In the course of an investment decision (which normally includes a decision between investing in a choice of potential candidates) investors may delve into the nitty-gritty of CSR-related activities or, for that matter, the risks entailed by the lack thereof. In the investment community, therefore, we find increasingly a focus on the general culture of an organization with regard to ethics, CSR and respectful treatment of communities, employees and governments.

  This includes a general scrutiny of the legacy of the organization with regard to CSR, the management structures in place and the general attitude of senior management with regard to compliance, social demands of society and ethical values of the organization. Secondly, investors increasingly cast an eye on participation of the JMC in industry-wide and global CSR frameworks. Examples could be national frameworks (such as CIMM has developed in Canada), or more global frameworks and agreements (such as the Equator Principles, the EITI, the Voluntary Principles, the United Nations Global Compact and others).

- **Future Risks and Opportunities**
  We observe that the social investments and activities of a JMC can have material impact on its value as an acquisition by a major mining company. Larger corporations have broadened their assessments of new properties to include new areas of risk examination including: Has the JMC appropriately consulted with local communities? Does the JMC have stable relationships with local communities that are built on trust? Have the JMC's community economic development and community investment decisions been based on meaning input from local stakeholders? Increasingly, the answers to these questions are influencing the value of JMCs – in some cases contributing to a premium when they are sold to larger corporations.

COMMUNITY RELATIONS

"A stakeholder is any group or individual who can affect, or is affected by, the achievement of the organization's objectives." – R. Edward Freeman, University of Virginia, Stakeholder Theory Guru

"We were grouped in with the stakeholders, but let us be absolutely clear: we are not stakeholders, we are landowners and that's how we come to the table." – Dave Porter, CEO British Columbia First Nations Mining and Energy Councils

For a JMC by far the most important stakeholder group for the day-to-day operations is the direct neighborhood of the physical mining site. The community may not make active demands in the exploration stage, but certainly by the time a project is attracting the interest of large investors, the community (and its counsel) is also paying attention. The local community is ultimately the stakeholder that must accept the operation of a mine within its direct physical environment; in the history of mining projects it has often been the local community, which despite deposits in the ground ready to be extracted, has attempted to delay or block the project resulting in loss of profitability for the JMC.

- **Anticipation**
  One of the main issues for JMCs is to anticipate and strategically think through the role and importance of the local community for the future viability of the mine. The relevance of the community is not clearly apparent to early stage prospecting and development, however, it is precisely at these early stages that the foundation of future relations is established. It is crucial to think these relations through from the outset and to emphasize transparency and "shared value".

  Again, companies must be careful in managing community expectation. Big promises at the outset are easy to make and can create unreasonable expectations which in turn risks feeding an unhealthy and unsustainable dynamic of poor community and rich mining company with dependency-forming outcomes.

- **Status of indigenous community stakeholders**
  As per Dave Porter's remarks above, often, community 'stakeholders' feel themselves treated by companies as groups that need to be appeased, whose consent must be negotiated and who at best are a nuisance in the wider context of the mine project. The reality in Canada is that First Nations people are not just stakeholders but rights holders with a proven and increasing capacity to alter the course of resource development. A similar rise in status of indigenous community can be observed in other parts of the globe where mining development is taking place, most notably in South Asia and Latin America.

  An approach that just treats those communities as parties with some legitimate interest no longer provides the desired outcomes in the longer term, which is particular important for mining operations. A crucial starting point therefore is for a JMC to analyze and acknowledge the genuine interests of a community; only if the community is acknowledged as an independent partner with legitimate expectations of the JMC is there a basis for long-term stable and mutually beneficial relationship. Property rights or other forms of access to traditional territory, as well as broader environmental, social and economic concerns of local communities are becoming common areas for claims by indigenous communities.

- **Norms of interaction with local communities**
  In dealing with local, in particular indigenous communities the norm of 'Free Prior and Informed Consent' (FPIC) has emerged as a best practice principle of guiding the interactions between mining companies and these stakeholders. These norms have particular importance for JMCs and JECs as the bulk of the upfront work to inform and negotiate a mining project with the local community falls in those very phases where they are the key players. Based on the 2013 UN Guidelines[2] on FPIC we observe that this norm is not only becoming the widely accepted best practice but also increasingly serves as a legal[3] reference point for corporate interactions with local indigenous communities. While FPIC initially was developed in the forestry sector it meanwhile has been adopted by and applied to the mining industry, as the 2013 position paper by the ICMM[4] illustrates.

- **Local Versus Global**
  The community surrounding a resource play is generally local (i.e. directly surrounding the physical location of the mine). These immediate communities however, are informed and influenced by larger networks (church, NGOs, tribal communities, Twitter, Facebook), which must be taken into account. This is increasingly important for JMCs who operate overseas where international NGOs and development agencies are core players in the community. Ignoring this expanding 'global' dimension of the local community is not an option.

- **Partnerships Versus Paternalism**
  Community demand for infrastructure, healthcare, education or local economic development often pushes a JMC out of its area of expertise. Addressing these issues therefore requires partnerships with organizations who have the appropriate experience and expertise. There is a danger for JMCs who blindly 'outsource' their CSR to local organizations and confine their role to what amounts to an old-style paternalistic and philanthropic CSR. As the case examples below show, successful partnerships focus on developing a reasonable and shared understanding of what is possible in terms of shared objectives. Thus expertise and skills provided by NGO partners are necessary, partnerships require a degree of hands-on management. This is essential to avoid partnerships that may look good on the website or in the CSR report but ultimately add up to a blind philanthropic venture with limited contribution to the wider value creation for the JMC or the community.

- **Representation and Voice**
  One of the trickiest elements of community engagement for JMCs is the thorny question of the degree to which a community should have a say in project development. This has a direct resource implication as JMCs in general are operating in a lean management structure. Burdening the organization with committees and community consultation often unrealistic and impractical. When management's priority is on securing investment and with geological issues, giving a say to the community appears to be too complicated. It turns out, however, that the overwhelming experience of successful JMCs is that effective engagement with local communities always demands some form of local representation (see the cases below).

  It is essential for JMCs to understand how local communities are governed. While in many countries local political elites would count as representatives of the community (mayors, councilors etc.) in many contexts of poor governance (at home and abroad) those community leaders would be tribal heads (elders, chiefs, etc.) religious leaders (priests, imams, prophets, shamans, etc.) or others. Especially, the latter categories represent rather unfamiliar, yet essential patterns of interaction in these contexts.

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[2] UNREDD: 'Guidelines of Free Prior and Informed Consent', Geneva, January 2013 (http://www.un-redd.org)
[3] UNREDD: 'A Legal Companion to the UN-REDD Guidelines of Free Prior and Informed Consent', Geneva, January 2013 (http://www.un-redd.org).
[4] http://www.icmm.com/publications/icmm-position-statement-on-indigenous-peoples-and-mining

GOVERNMENT RELATIONS

Governments at various levels are the other essential stakeholder group for JMCs. The PDAC session indicated a common paradox in working with government: while on the one hand government authorities are a constituent with whom companies are generally comfortable, these relations are often fraught with contradiction and uncertainty. This has to do with the fact that governments are still crucial, powerful and authoritative actors, which have incisive impact on the viability of a mining project, especially long term. At the same time, JMCs more often than not, face governments that lack resources, have poor or corrupt governance structures and are bureaucratically inefficient. A couple of aspects are of primary relevance for JMCs in this context.

- **Enabling**
  Governments, by way of issuing permits, providing infrastructure, education and healthcare and offering the basic institutions for political governance of communities play a crucial role enabling mining companies. Governmental consent, at municipal, regional or national level is the critical enabling condition for any mining operation. JMCs by virtue of their place in the mining life cycle are in a position to assess these important forms of support. While political/governmental support is crucial for a solid legal footing of mining operations, this support does not always result in active support at the community level, as discussed in the previous section.

- **Collaboration**
  As our case examples show (see below), government fulfillment of basic responsibilities such as education and basic infrastructure are frequently unfulfilled. In particular with regard to provision of infrastructure, healthcare and education -- what we in liberal democracies call 'public services', governments face many constraints. As a result, JMCs face particular challenges:

  Infrastructure: JMCs need to ensure that not only during exploration, but also with regard to future extraction of deposits, the physical infrastructure of roads, railways and ports are in place. In situations of poor governance, it then often falls to JMCs to collaborate with governments to create the necessary infrastructure.

  Public services: Similar to infrastructure, JMCs typically expect governments to provide education, healthcare and other essential services in order to develop a successful (future) mining operation. The business practice and historical experience shows that governments and local communities are often turning to JMCs to provide these services. To some degree, this is in the interest of the JMC as a basic provision of those services, similar to infrastructure, is also a fundamental condition of a successful business operation.

- **Boundaries**
  A thorny, and often a frustrating question for JMCs, is to find the proper boundaries between governmental support and private engagement in issues critical to their operation. A couple of aspects are of dominant concern:

  Corruption: While close and efficient government relations are desirable, the boundary to corruption is often close and fluent. If JMCs support governments in their role of issuing permits, monitoring compliance, and so on. The threat of corruption is a constant challenge for management on the ground.

Government Substitution: JMCs in their role of creating infrastructure and providing public services can easily slip into a quasi-governmental role. This may overburden management with a sheer unmanageable quantity of tasks and expectations; and suggest a new complexity of public transparency and accountability. This poses particular and often costly challenges for managers of JMCs. Dealing with such a quasi-political portfolio often transcends the professional background of management on the ground whose primary tasks and competencies include the engineering and geological challenges of a junior mining project.

Resource Constraints: Governments that fail in the provision of infrastructure, healthcare and education may inadvertently thrust a mining company into the difficult role of shoring up these shortfalls to win both approval and community acceptance.. To justify engagement and resource allocation for infrastructure and public services, it is important that JMCs are equipped to make a business case for each and every financial allocation – especially those related to CSR.

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CASE STUDY: ASANKO GOLD

Asanko's corporate strategy is to acquire, discover and develop world-class gold deposits in Ghana, West Africa in an efficient, cost effective and technically sound manner so as to provide maximum benefit to its shareholders. At the time of this case study, Asanko was pursuing a "shared value" approach to its CSR and community investment with an emphasis on strong community affairs and stakeholder relations.

Company Background

- Asanko Gold, formerly known as Keegan Resources Ghana Ltd.
- Junior mining company going into production
- Exploration activity and community affairs since 2006
- UMS is a service support group providing, financing, exploration and sustainability services
- Approximately a 5 million ounce resource, and now has raised the funding to build the mine
- Completing permitting process before construction (late 2013)
- Surface rights are communally held by local indigenous groups, and sub-surface rights are federally held

Community Background: Legacy Issues

- Previously alluvial mining company went bankrupt
- Loss of about 400 jobs and debt of 18m dollars owed to the public and private institutions
- Degraded land stretching more than 18km, not reclaimed
- Compensation not paid to the land owners
- Result: Lack of trust
- Note: in Ghana, the "social license" is tested through a community meeting process

Early Mistakes/Challenges: Philanthropy

- The original group to manage the CSR budget was called the Keegan Community Development Committee (KCDC)
- Money was disbursed on community projects (latrines, market stalls and schools, etc.)
- The problems that found to be associated with this philanthropic approach are as follows: Cash disbursements on philanthropy projects were not representative of the whole community; they were mostly 'pet projects' and not used by the communities; replaced local government funding which set a bad precedent; and it was very hard, if not impossible, to calculate the ROI on these projects

Corporate Social Responsibility: An Emerging Approach

- Developed a strong community affairs team with local employees during early exploration
- Had a strong understanding of the community: broken up into 22 stakeholder groups
- Gave voice to all of the groups through Social Responsibility Forum Meetings
- Had ongoing community meetings (120+ / year)
- Identified key issues from an overall community viewpoint
- Invited local government and 'partners' to participate in the process
- In April and September of 2012, Asanko Gold organized Sustainability Summits, which invited partners to come together and assist in implementing changes
- The result of this summit was an outlined plan of action items and synergies between partners, as well attraction from several aid agencies who wanted to participate (human and financial resources).

Understanding the Return On Investments

- Shawn Burns developed two measurement tools that are both practical and easy to use
- These tools are meant for internal budgetary management meetings, which allows management to make simple decisions and support the allocation of funds to a specific project
- These measurement tools can be applied to companies that have bilateral or multilateral partnerships, to illustrate and quantify the benefits of leveraging expertise and funding (ROI)
- The tools are describe here:

FROSI: Financial Return on Sustainability Investments

FROSI = Total costs of status quo/ Company Contributions

LOSI: Leveraged Return on Sustainability Investments

LOSI = Total partner contributions/ Company Contributions

Summary

- Pre-existing conditions: Failed predecessor mine, resulting in a lack of community trust
- Support for early action: Management and Board support early on
- Engagement & Collaboration: Developing the right engagement strategy
- Strong team: Local community affairs representative and frequent meetings
- Focus on capacity building, not philanthropy: assisted by strategic partnerships, collaboration and shared value initiatives (good for both community and the company)
- Result: Lasting change with sustainable community investments in training, and health

Lessons Learned

- "First boots on the ground": It is the smaller JMT companies like Asanko that need assistance
- Exploration companies have small operating budgets: Early engagement can lead to partnerships and financial leverage
- "Get ahead of the game": Early stakeholder engagement can identify real community investments versus pet projects
- Resource companies being singled out (miss-information): Early engagement can attract partners and insulate companies from miss-information
- Trust: Early action identifies issues up front, builds trust, shareholder value, and enhances social licensing

CASE STUDY: NORONT RESOURCES

Noront Resources is an innovative junior mining company committed to a socially and environmentally responsible development plan. The Company is currently focused on the development of Eagle' Nest Mine, the mineral rich deposit located in the James Bay Lowlands of Northern Ontario. At the time of this case study Noront's CSR activities followed a community investment or philanthropic approach, focusing on minimal environmental impacts and on maximizing benefits to local communities.

Company Background

- Junior mining company going into production
- Exploring in the Ring of Fire since 2003, shortly after VMS-style mineralization was discovered near McFaulds Lake.
- In 2007, after testing a number of geophysical anomalies in the search for VMS-style mineralization, Noront discovered massive magmatic sulphide in one drill-hole, NOT-07-005 (the "discovery hole"). Follow-up drilling nearby in 2007 and 2008 led to the discovery of the Eagle One deposit, which was then renamed the Eagle's Nest deposit after definition drilling in 2009 and 2010.
- Noront's two deposits are Eagle's Nest, a nickel-copper-platinum group element sulphide deposit with a proven and probable reserve of over 11 million tonnes, and Blackbird, a chromite deposit with a measured, indicated, and inferred resource of 44 million tonnes.
- Currently working to complete the Environmental Assessment, secure financing to build Eagle's Nest Mine and continuing work with government and stakeholders on infrastructure

Community Background: Lack of Exposure

- Noront's projects are located in the *Ring of Fire* which is in the middle of Nisnawbe Aski Nation (NAN) territory
- The nearest communities to the Project are all First Nation communities, Webequie is 76km West-Northwest, Marten Falls is 126km South-Southeast, and Neskantaga is 122km West-Southwest of Eagle's Nest
- The closest non-First Nation community is Pickle Lake, located over 300 km away
- Importance of properly engaging Aboriginal communities in developing the Ring of Fire due to lack of previous exposure to people outside of the community and mining industry
- Last agreements most communities were a part of were the treaties with the Federal government
- Noront has worked towards establishing a new model for Aboriginal engagement and consultation in the region as an integral component to Project Planning

Early Challenges/First Steps: Relying on others

- When new management team was hired in 2009 first challenge noted was company's current practice relied on others for community relationships and negotiations
- First step taken was to create First Nation Advisory Board (FNAB) to advise Noront in developing Aboriginal Best Practices, created company's Aboriginal Policy
- Second step, hire own experienced in-house team
- Took out middle man
- Aligned company with several leading National organizations such as the Aboriginal Human Resource Council, Canadian Council for Aboriginal Business, Canadian Aboriginal Mining Association
- Used FNAB to develop internal culture of Aboriginal Engagement based on:
    - Open communication
    - Respect for traditional practices
    - Maximizing economic opportunities for local communities
    - Community involvement in planning

Corporate Social Responsibility: Our strategy

- Noront's strategy incorporates:
    - Environment
        - Exceed regulatory and minimum environmental standards
        - Eagle's Nest underground mine and mill are intended to be a model of environmental responsibility by placing some facilities in underground chambers eliminating surface disturbance
        - Tailings will be used and stored underground with no waste water discharge
    - Open Communications/ Leading Consultation practices
        - Creating innovative ways to communicate with the stakeholders of our Project to create open, honest and continuous dialogue
        - Creating web portals like Mikawaa and The Eagle's Nest, company Facebook and Twitter page, Mikawaa radio hour, distributing communication materials in traditional languages, visibility in community
        - Community visits, open houses, meetings to be visible in community, availability for questions on social media site Facebook
    - Education & Training
        - Ring of Fire Aboriginal Training Alliance, partnership with Confederation College and Matawa KKETS funded both Federally and Provincially
        - Scholarship, bursary, Webequie Mining Essentials program, Driller Helper program, Grade 11 mining course in Webequie First Nation.
    - First Nation Economic Development
        - Hiring locally, historically 40% self identified Aboriginals in positions such as VPs, Managers, camp positions
        - Working to create community business and job opportunities during mine development
            - → Example: Local partnership between Marten Falls First Nation and Noront on the community owned company to build and run the Site Airstrip

    - Youth focused Community investment
        - Created the Mining Movie Making Youth camp in partnership with the Ontario Mining Association, DAREarts, and Engage Learn to attract and expose more youth mining/geology information in innovative way
            - → Focuses on Mining/Geology Education
            - → Film Production
            - → Arts Education
    - Corporate Culture/ Employee initiatives

Summary

- Integrating Corporate Social Responsibility into a corporate culture where employee's take ownership has been vital to Noront's success
- Costs are incorporated as part of doing business in Noront's location
- We see great social value in our efforts due to community, industry, third party and employee feedback
- Support for early action: Management and Board support early integration

CONCLUSIONS + FURTHER RESEARCH

The PDAC event and the research underlying this White Paper has mapped out the CSR territory for JMCs. However, the research also points to some urgent areas of future research. While we understand most challenges for CSR for JMCs, it is also evident from our analysis that there are some crucial areas where we yet do not understand enough about CSR for JMCs. The most pressing areas include:

- **The agenda of local communities**
  While local communities are crucial for the success of CSR for JMCs, our current understanding of how these communities "work" is rudimentary. What motivates their members, what drives and legitimizes their leaders, what the most essential demands are and what an inclusive, non-paternalistic engagement of JMCs would entail is still largely a question for further research and investigation. Ideally, CSR is the process by which companies develop an understanding of, and relationship with, the communities.

- **The demands and relevance of CSR for the investment community**
  While there is a clear indication that CSR has entered the agenda of due diligence by the investment community, the degree to which these considerations are embedded in the systematic appraisal of JMCs isn't clearly understood. This partly involves learning from the socially responsible investment (SRI) community but would also entail looking at the specifics of risk management in the mining sector in particular.

- **Self-assessment tools for the valuation of CSR-related risks and opportunities**
  In the face of the resource constraints of JMCs there is an urgent need for a more accurate valuation of CSR related risks and opportunities. JMCs need to know that the resources they assign to CSR are delivering measurable ROI and value.

- **Skills portfolio for managers in JMCs**
  CSR raises new demands on the skills and education of management in JMCs. Traditionally, the domain of engineers and geologists managing of JMCs now increasingly asks for skills which relate to the social, political and environmental performance of the projects. There is as yet very little consensus of what the curriculum in CSR for JMCs should look like even though there is growing demand for these skills.

Mining companies are evolving from commodity producers to branded competitors. As such, activities that could previously be categorized as CSR activities now sit at the very core of how companies differentiate themselves competitively, how they achieve competitive advantage and how they are valued by stakeholders.

The relevance of the community accommodation is not clearly apparent for JMCs, however, it is precisely at these early stages that the foundation of future relations is established. The PDAC session underscored the importance of setting community relations on a positive, transparent foundation from the outset, emphasizing transparency, and putting a high priority on "shared value" creation.

While there has been much consideration given to the valuation of CSR and its return on investment the essential consideration for a JMC with a promising concession may be more simplistic: how do you do CSR well, in a way that doesn't screw things up.

Investment in CSR Activities, i.e., donations and community payments certainly answers part of this question. Effective engagement of communities, authentic trust and relationship building, strong commitment to managing environmental impacts, sustainability, etc.: are fundamentally important considerations. Reducing the CSR to a question: Is it worth it? to mere costs and ROI may not be the right approach for most JMCs.

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