

June 11th, 2021

Dear Government of Ontario,

We at the Mining Shared Value (MSV) initiative of Engineers Without Borders Canada greatly appreciate the opportunity to contribute to the Public Comment Period of Ontario's Critical Minerals Strategy. We are a non-profit organization with a focus on promoting local procurement in the global mining industry. As such, we have been in continuous engagement with both Global Affairs Canada and Natural Resources Canada, including commissioned research and participation in several reviews and consultations. Due to our focus, contributing to your strategy is of great interest to us. In this letter, I hope to outline the case for local procurement to be more explicitly included in your strategy, including requirements for public reporting by mining companies on the topic.

As background about the organization, MSV has led projects including the creation of the Mining Local Procurement Reporting Mechanism (LPRM) commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) through GIZ. Most recently, MSV drafted the Canadian Minerals and Metals Plan (CMMP) Best Practice Indigenous Procurement Checklist as part of the CMMP 2020 commitment towards the Plan's Indigenous and Community pillars. MSV also acts in a knowledge management role on the topic of extractive industry local content for the World Bank, through the Extractives-led Local Economic Diversification (ELLED) Community of Practice.

Ensuring local and Indigenous participation in the mining value chain across Ontario takes on an added urgency in the context of increasing social license to operate challenges. For the third year in a row, EY's 2020 "Top 10 business risks and opportunities" survey found license to operate was the highest ranked risk by surveyed companies. Given most mine sites spend more money in host countries on procurement than taxes, wages, salaries, and community investment *combined*, local procurement is a major means of mitigating this risk. Due to its potential to generate economic linkages, procurement is an incredibly important lever in ensuring the economic participation of communities hosting mining activity and creating positive social impact. The development opportunities found in the mining supply chain are exemplified by cases such as the Tahltan Nation in British Columbia, Canada. The Tahltan pursued business development opportunities in industries including mining and as a result, were able to reduce their nation's unemployment rate from 98% to 0% within a decade. If Ontario is to be a leader in the production of critical minerals, local procurement will be a crucial tool in building public and community support.

Due to the importance of this topic, we are pleased to see that the framework has focused, "...on unlocking opportunities to promote further participation by Indigenous communities in Ontario's critical

minerals industry,” as this statement shows the importance the Government of Ontario has given to partnering with Indigenous communities to further participation and share the benefits of resource extraction with local communities. It is welcome to see that jobs have been specifically mentioned in several sections of the framework. However, we feel local procurement should be explicitly included within the framework to ensure the Strategy fully leverages the potential mining has to create a positive impact on local Indigenous businesses.

Thus, we would like to advocate the following ideas to be included in the final version of the Critical Minerals Strategy:

1. Explicit inclusion of creating benefits for Indigenous communities in the form of local procurement, and other forms of participation in the value chains of Ontario companies. While the benefits of direct local employment are broadly understood, a more nuanced vision that explicitly lays out these practical means in which Ontario companies create benefits for Indigenous communities would help set the tone for the types of activities that Ontario mine sites should pursue. While local hiring is a direct way of creating economic benefits to local communities, it can be significantly affected by the growing automation and digitization of mining operations. As such, to ensure smooth operations in the mining of critical minerals, a focus on local procurement will be a key strategy as direct job opportunities are reduced.
2. The Government of Ontario should encourage and monitor increased transparency from mining companies operating in the province. What is measured is managed. We therefore propose the Critical Minerals Strategy contains a focus on public reporting, including on local procurement efforts and spend by mining companies. Requiring mining companies to report on local procurement drives performance by companies, empowers suppliers with the knowledge needed to harness opportunities, and helps inform better government policy and investments. This will help the mining sector and wider public monitor progress against the local procurement goals of the framework, and further improve the sector’s social license to operate.

The Northwest Territories provides a good example of what regional reporting on mining local procurement can look like. Their *2018 Socio-Economic Agreement for diamond mines operating in the Northwest Territories* report shows spending totals on both Northern and Northern Indigenous business in a clear manner, allowing for the monitoring of progress.

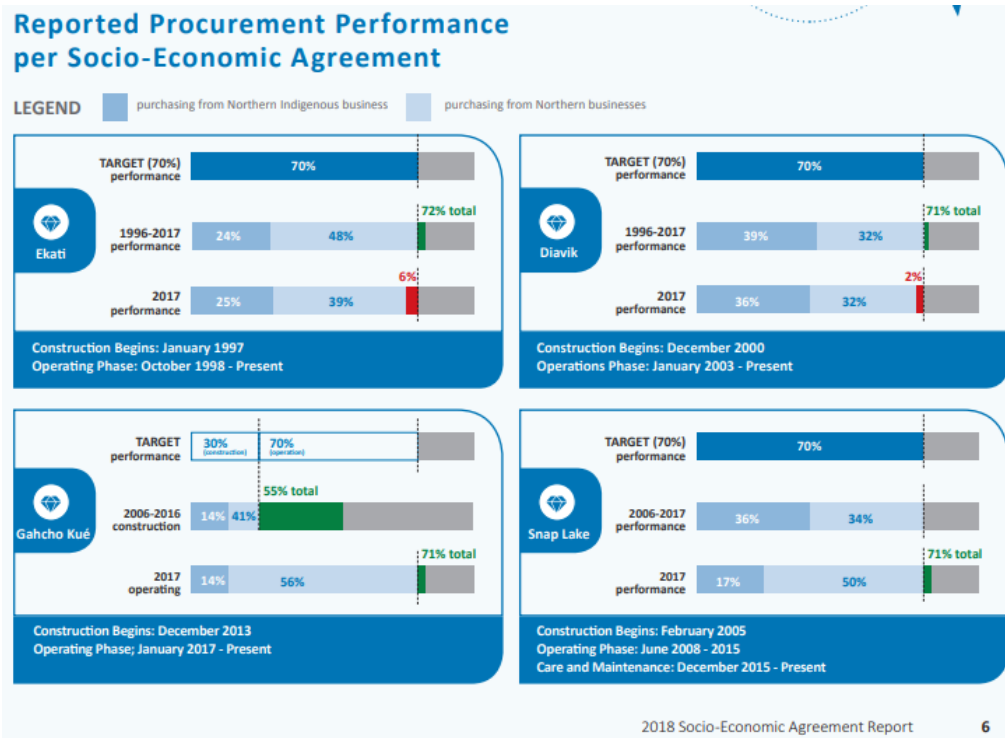


Figure 1: 2018 Socio-Economic Agreement for diamond mines operating in the Northwest Territories, page 11.

Additionally, if the Ontario provincial government could collect and provide information on the various efforts of mining companies, as well as relevant partnership and government programming, it could help all actors who determine whether businesses can successfully supply the mining sector. It would also help actors avoid duplicating each other's efforts, which was a major problem identified in our research with the CCAB. The Government of Western Australia provided a good example of this kind of reporting. In the past it created public "Local Content Reports" that summarized government and industry actions towards increasing local procurement and provided statistics on local spending. By simply collecting and publicly sharing information on how mining companies in Ontario are performing in their local procurement commitments, we can drive the importance of the issue, and allow companies to see how their peers are performing in comparison.

LOCAL CONTENT REPORTS - CUMULATIVE RESULTS/OUTCOMES (in \$s)									
FOR THE PERIOD: 1 July 2012 - 31 December 2012									
Operating Projects	Reports Received	Contracts Awarded over \$100K				Percentage of contract (nearest %)			
		WA	Other Aust	Overseas	TOTAL	WA	Other Aust	Overseas	
Adelaide Brighton (Cockburn Cement)	1	242,277,553	444,626	33,513,421	276,235,600	88%	0%	12%	
Birla Nifty	1	61,761,142	250,000	0	62,011,142	100%	0%	0%	
Fortescue Metals Group	4*	319,748,959	232,058,469	716,845	552,524,273	58%	42%	0%	
Iuka Resources	1	66,357,787	7,146,987	19,437,512	92,942,286	71%	8%	21%	
Tronox (Twist Joint Venture)	1	393,045,599	16,174,607	14,270,407	423,490,613	93%	4%	3%	
Woodside Energy (NWS)	1	335,977,060	58,256,905	61,006,027	455,239,992	74%	13%	13%	
TOTAL OPERATING	9	\$1,419,168,100	\$314,331,594	\$128,944,212	\$1,862,443,906	76%	17%	7%	
New Projects (including expansions)		WA	Other Aust	Overseas	TOTAL	WA	Other Aust	Overseas	
BHP Billiton Iron Ore									
<i>Ore Body 2f</i>		346,000,000	21,000,000	16,000,000	383,000,000	91%	5%	4%	
<i>Port Headland Inner Harbour</i>		3,309,000,000	462,000,000	692,000,000	4,463,000,000	74%	10%	16%	
<i>Jimblebar</i>		2,684,000,000	207,000,000	308,000,000	3,199,000,000	84%	6%	10%	
<i>Yamima Power Station</i>		203,000,000	39,000,000	125,000,000	367,000,000	56%	10%	34%	
CP Mining Management	2	184,133,893	12,996,780	30,452,732	227,583,405	81%	6%	13%	
Rio Tinto Iron Ore (Pilbara projects)	2	2,789,556,010	258,975,979	214,466,533	3,262,998,522	85%	8%	7%	
Simcoa	1	10,726,157	43,598	1,315,000	12,084,755	89%	0%	11%	
Woodside Energy									
<i>North Rankin 2</i>	1	167,171,493	12,903,914	9,106,428	189,181,835	88%	7%	5%	
<i>CWLH Oil Venture ***</i>	1		16,060,979	0	16,060,979	0%	100%	0%	
Chevron (Gorgon)	2	2,515,750,000	132,320,000	1,170,500,000	3,818,570,000	66%	3%	31%	
TOTAL NEW PROJECTS	17	\$12,209,337,553	\$1,162,301,250	\$2,566,840,693	\$15,938,479,496	77%	7%	16%	
TOTAL ALL PROJECTS	26	\$13,628,505,653	\$1,476,632,844	\$2,695,784,905	\$17,800,923,402	76%	12%	12%	
Notes: *Fortescue Metals Group currently reports quarterly									
**BHP Billiton figures are reported across the life to date (LTD) of the project. During the reporting period two local content reports were received									
***Woodside CWLH Oil Venture figure of \$16.06 million is for Australian content, Woodside was unable to allocate the value between WA and other States									

Figure 2: West Australia progress report on the implementation of the State Government's Local Industry Participation Framework, page 11.

Beyond our suggestion to include more information on the topic of local procurement in the framework, we further suggest inclusion of the Mining Local Procurement Reporting Mechanism (LPRM) as an option to standardize this information. The LPRM is a set of publicly available disclosures to structure information-sharing from individual mine sites to suppliers, government, and other host country stakeholders. MSV created this tool with the support of the German government, and it is a public good available for any company to use. The LPRM is similar in structure to the Global Reporting Initiative (GRI), now available in English, French, and Spanish. Six Canadian mining companies now use the LPRM: Ivanhoe Mines, Lundin Gold, Golden Star Resources, Endeavour Mining and New Gold. New Gold is the first company with mine sites in Canada to report using the framework. We believe including the LPRM as a suggested framework could provide a tangible example of how local procurement reporting should be structured.

Thank you for the chance to contribute to this important work and we look forward to hearing from you. Do not hesitate to reach out if we can provide further information, suggested contacts, or examples of best practice we are aware of. We look forward to hearing from you.



An Engineers Without Borders Canada Venture

Sincerely,

A handwritten signature in black ink that reads "Kyela de Weerd". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kyela de Weerd
Program Manager – Mining Shared Value
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