



DIAVIK SOCIAL PRACTICES

*The attached has been gathered as a contribution to an initiative by Natural Resources Canada to highlight the mining industry in the Minerals and Metals Sector of Natural Resources Canada's **Catalogue of Social Practices**.*

The catalogue's goal is to assist government and the public in understanding how minerals and metals activities contribute to sustainable development. The social dimensions of sustainable development include better education and healthcare, and aboriginal benefits. NRCan began working on the catalogue in summer 2000 and is now looking to add more examples.

NRCan contact is Lise-Aurore Lapalme (Tel: 613-995-9065, E-mail: lapalme@nrcan.gc.ca).

DIAVIK'S SOCIAL COMMITMENT

Diavik Diamond Mines Inc. (DDMI) is the 60% owner and manager of the Diavik project, a world-class diamond mine under construction at Lac De Gras, 300-km northeast of Yellowknife in the Northwest Territories, Canada. Aber Diamond Mines Ltd (Aber) is a 40% owner in the Diavik project. The project is an unincorporated joint venture scheduled to commence production in the first half of 2003.

DDMI has made social commitment an integral part of its vision. This commitment began early in the project's history, and will continue through construction, operations, and eventual closure of the Diavik Diamond Mine, some 25 years hence.

DDMI has committed to making a meaningful contribution to neighbouring communities during construction and operations of its diamond mine, and in particular, to five Neighbouring Aboriginal Groups which include: Dogrib Treaty 11 Dene First Nation (communities of Wekweti, Gameti, Wha Ti, and Rae-Edzo), the Yellowknives Dene First Nation (communities of Dettah and N'dilo), the Lutsel K'e Dene Band (community of Lutsel K'e), the Kitikmeot Inuit Association (community of Kugluktuk in Nunavut), and members of the North Slave Metis Alliance. Other Northern communities that will receive opportunities and benefits from the mine include: Yellowknife, Fort Smith, Fort Resolution and Hay River in the Northwest Territories (NWT), and Cambridge Bay in Nunavut.

In addition to DDMI's commitments to social practice expressed through its vision statement – *"To be Canada's premier diamond producer, creating a legacy of responsible safety, environmental, and employee development practice and enduring community benefit"* – Diavik has made formal commitments to neighbouring communities. These formal commitments are enunciated in the following:

- A Socio-Economic Monitoring Agreement signed with the Government of the Northwest Territories (GNWT) and endorsed by the Neighbouring Aboriginal Groups.
- An Environmental Monitoring Agreement signed with the Federal Government, the GNWT, and the Neighbouring Aboriginal Groups.

- Participation Agreements with Neighbouring Aboriginal Groups.

All these agreements became effective upon DDMI obtaining all the necessary regulatory permits to construct the mine and following the formal decision by the project owners to proceed with construction in December 2000.

Key elements of the various agreements are described below. (The reader is encouraged to read the full text of the socio-economic and environmental agreements, as well as other information about the Diavik Project, on DDMI's website at www.diavik.ca).

Socio-Economic Monitoring Agreement

DDMI is committed to providing benefits to the North and has affirmed its commitments to training, employment and business opportunities in the Diavik Socio-Economic Monitoring Agreement signed with the GNWT in October 1999. Commitments are to all Northern residents including Aboriginal Northerners and in particular the Neighbouring Aboriginal Communities. The Socio-Economic Monitoring Agreement recognizes that success will be enhanced by the cooperation of all parties and describes commitments not just from the company but also from the Neighbouring Aboriginal Communities and government. The Socio-Economic Monitoring Agreement creates a new Communities Advisory Board representing the Neighbouring Aboriginal Communities, the GNWT and DDMI.

Employment

DDMI expects to hire Northerners to fill at least 40 per cent of its construction workforce, which is to average approximately 800 workers annually over the two-year construction phase. DDMI also expects Northerners will initially fill at least 66 per cent of its mining operations workforce, and over time, employment will approach 100 per cent Northern. The operations workforce is expected to average approximately 400 workers. It is also anticipated that at least 40 per cent of the operations workforce will be Northern Aboriginal. Direct annual wages to all employees during the 20-year mine life will be on the order of \$30 million per year.

Training

DDMI is committed to training Northerners throughout the life of the mine. In developing its training programs, DDMI will focus on providing pre-employment training opportunities; enabling Northerners to gain access to jobs; facilitating employment advancement for Northerners; enabling Northerners to fill apprenticeship, technical, technological, supervisory, managerial, and professional occupations; and requiring all long-term contractors to the project to adhere to the goal of maximizing Northern employment.

The GNWT is committed to enhancing training opportunities with DDMI through a number of initiatives including the provision of training allowances and support services, career counselling, and training program delivery.

DDMI will collaborate with Aboriginal people to encourage development and delivery of training programs. DDMI will consult with the Communities Advisory Board in the ongoing review and development of training programs.

Business Opportunities

DDMI will use best efforts to ensure that the purchases of goods and services from Northern businesses during the construction phase will be at least 38 per cent of total purchasing. Total annual purchasing during operations is estimated to be \$100 million. During operations, Northern purchasing will be at least 70 per cent of the total. In considering contract bids, DDMI will provide priority to Aboriginal and Northern businesses.

The criteria DDMI will use to evaluate and award contracts for the project shall include, but not be limited to, normal considerations of cost competitiveness, quality, ability to supply and deliver the goods and services to be provided, timely delivery, and safety and environmental record, as well as the degree of Northern and Aboriginal participation.

DDMI will take a number of measures to maximize project related business opportunities for Northern businesses including preparing an annual business opportunities forecast to identify foreseeable procurement requirements, providing technical support and assistance in accessing sources of commercial capital, working closely with Northern communities to co-operatively achieve success in creating long-term business and employment opportunities and in increasing business capacity, identifying project components at all stages of development and operations that should be targets for a Northern business development strategy, facilitating subcontracting opportunities for Northern businesses, and identifying possible opportunities for joint ventures by Northern businesses, and particularly by Aboriginal businesses.

DDMI's Northern Business Participation Policy is available on the Diavik website. Under that policy, DDMI produces annually a Northern Opportunities Profiles publication, which identifies business opportunities for the coming year. DDMI also maintains a Northern contractor and supplier database.

Secondary diamond industry

Each of the joint venture partners, DDMI and Aber, retains the right to market its share of rough diamond production. The GNWT is promoting and supporting development of a secondary diamond industry -- cutting and polishing of rough diamonds. Key to developing this nascent sector of the North's economy is the supply of rough diamonds to Northern cutting and polishing firms. DDMI has signed a memorandum of understanding with the GNWT under which it undertakes to enter into discussions with existing or potential NWT-based clients for the supply of rough diamonds from DDMI's share of the project's production.

Environmental Monitoring Agreement

An Environmental Agreement between DDMI, the Government of Canada, the GNWT, and the five Neighbouring Aboriginal Groups was concluded in March 2000.

The Environmental Monitoring Agreement provides a formal mechanism to ensure mitigation measures committed to by DDMI and arising from the formal environmental assessment of the Diavik project are appropriately implemented and monitored. The agreement also sets out conditions for the reclamation security deposit requirements for the Diavik project. The agreement is the first of its kind in Canada having the following combination of key components:

- Majority representation by Aboriginal groups on the project's Environmental Advisory Review Board.
- Progressive reclamation of mine workings to achieve incremental abandonment in a manner consistent with sustainable development.
- Mechanisms for proponent participation in a Regional Cumulative Effects Management Forum.
- The provision of environmental security consistent with life-of-mine closure costs and progressive reclamation as well as additional security to meet the Government of Canada's requirements for adequate funding in the event of premature mine closure. The maximum security required is forecast to be approximately \$180 million, taking into consideration credits for progressive reclamation.

From a community perspective, an important guiding principle is the promotion of capacity building for the Aboriginal peoples respecting project-related environmental matters. In addition, the agreement promotes a cooperative approach among the parties with respect to project-related environmental matters. (Full text of the agreement is available on the Diavik website, www.diavik.ca).

Participation Agreements

DDMI has also committed to negotiating Participation Agreements with the five Neighbouring Aboriginal Groups including: the Dogrib, the Yellowknives Dene, the Lutsel K'e Dene Band, the North Slave Metis Alliance, and the Kitikmeot Inuit Association. In 2000, Participation Agreements with Dogrib Treaty 11, Yellowknives Dene First Nation and the North Slave Metis Alliance, were completed. As of July 2001, Participation Agreements with the Lutsel K'e Dene Band and the Kitikmeot Inuit Association were still under negotiation.

Participation Agreements are cooperative agreements between the company and each Aboriginal group and address employment, and business opportunities for that group. To facilitate the achievement of mutual objectives, the Aboriginal group agrees to maintain and make available to DDMI on an ongoing basis, an up to date human resource inventory and a business registry for their membership. In addition, each Participation Agreement calls for the creation of a joint implementation committee to outline responsibilities, tasks and timelines for reaching project-related employment and business development targets. The Aboriginal group agrees to employ a representative to liaise with DDMI on these and other social development issues.

Scholarships

DDMI and its joint venture partner Aber recognize that increasing education levels in the North will improve community capacity and will lead to healthier communities. DDMI and Aber encourage Northerners to improve their education through the provision of a Diavik project scholarship policy aimed at students from the NWT and West Kitikmeot region of Nunavut. Diavik scholarships or bursaries are provided through five different avenues: members of the five Neighbouring Aboriginal Group communities, employees and their dependants, high school graduates advancing to post-secondary education, graduates of the Northern college's pre-trades

programs or those already in trades and technology programs, and those students in post-secondary programs not eligible for any of the above.

Donations

DDMI has established a Diavik project policy to provide donations to worthy projects or causes with particular consideration given to Neighbouring Aboriginal Group communities, and other communities in the NWT and West Kitikmeot.

Annual Reporting

Annually, DDMI publishes a report describing the previous year's activities in the areas of social and environmental responsibility. The inaugural report, 2000 Social & Environment Report, was issued in April 2001 and is also available on the Diavik website.

PROJECT STATUS

At the time of writing, mine construction is fully underway and is on schedule for expected completion in the first half of 2003.

Employment

With construction accelerating, the Diavik project workforce, comprised of site workers and employees at the Yellowknife offices, totals approximately 1,000 people. This includes the construction workforce at the Diavik project site and staff at Yellowknife offices. DDMI expects the construction workforce will average 800 workers over the two-year construction phase. At the end of second quarter 2001, Northern employment represented approximately 40% of the workforce.

Training

A unique, community-based training approach begun in 2000 is helping DDMI meet its hiring commitments. Training has been conducted in Rae-Edzo, Lutsel K'e, Kugluktuk, Wekweti and Yellowknife, producing over 100 graduates with new skills, largely in the construction trades. Many participants have found work with DDMI contractors.

Reasons for the program's success include:

- Using a partnership approach with Northern colleges, federal and territorial governments, Aboriginal and community organizations, and Northern contractors.
- Providing participants with both classroom training and hands-on, practical training on real and meaningful projects within and for the community.
- Building a team environment within which participants learn to work together and accomplish tasks as a group.
- Delivering training in the home communities of many of the students.
- Linkage of training program objectives with workforce skill requirements at the Diavik project site thus allowing program participants to take advantage of employment opportunities shortly after completion of their training program.

DDMI has undertaken community skill assessments in neighbouring communities to identify potential employees and their job skills. These are entered into a communities skills database, which contains nearly 1,000 names of people who have expressed an interest in working for DDMI. These are matched against contractors' requirements for workers.

DDMI has developed a learning centre at the mine construction site. The Diavik Learning Centre complements similar centres established by Aurora College in Northern communities, and will provide for a wide range of learning experiences from improving literacy to information on how to upgrade trade skills.

Business Opportunities

In 2000, some \$136 million (70%) of DDMI's \$187 million in actual project expenditures were with Northern businesses.

By the end of second quarter 2001, expenditures and contract commitments for the Diavik project were in excess of \$720 million of which approximately \$580 million (80%) had been awarded to Northern companies. Aboriginal joint venture companies (partnerships between Northern aboriginal companies and non-Aboriginal companies) account for just over 80 per cent of the \$580 million. This level of Northern participation in a mining construction project has not been reached before.

July 10, 2001