



Dominion Diamond Corporation 2017 Pre-Budget Submission

August 5, 2016

finapbc-cpb@parl.gc.ca

Dominion Diamond owns and operates the Ekati Diamond Mine in the Northwest Territories, which is Canada's first surface and underground diamond mine, and has 40% ownership in the nearby Diavik Diamond Mine. Dominion Diamond is committed to creating opportunities for Northerners and Northern Aboriginal residents in the area of employment, on-the-job training and education, workplace wellness, and business opportunities. Dominion Diamond employs more Northerners and Northern Aboriginals than any other mining company in Canada. Sixty-five percent of our employees live in the North and thirty-eight percent are northern Aboriginal.

As we look ahead, we are pleased that the Jay Project received approval after undergoing an environmental assessment, and has been approved by the Board of Directors based on the positive results of the feasibility study. The Jay pipe is the most significant undeveloped diamond deposit at the Ekati mine. This project will add over 10 years to the current mine life, keeping the mine open until at least 2030. The natural resource extraction through the Jay Project will be beneficial to the strength and diversity of Canada's economy and will be extraordinary beneficial to the Northwest Territories and our community partners.

Dominion Diamond has Impact Benefit Agreements (IBAs) with four groups: the Tłı̄chǫ Government, Akaitcho Treaty 8 Council, North Slave Métis Alliance, and the Hamlet of Kugluktuk/Kitikmeot Inuit Association. The IBAs establish commitments to funding, training, preferential hiring, business opportunities, and communications. We have positive relationships with each of the IBA groups, which are maintained through regular meetings and communications. Dominion Diamond also directly involves IBA communities in environmental monitoring programs in order to effectively align Traditional Knowledge into our operations.

Dominion Diamond has a profound economic impact in Canada, particularly in the North and among Indigenous peoples. In 2015, Dominion Diamond and its contractors employed 1,819 people. Of those jobs, 802 were held by Northerners and 460 were held by Northern Aboriginal people.

We regularly communicate with the business arms of our Impact Benefit Agreement ("IBA") groups, and work together to find new partnership opportunities. We are pleased to announce that in 2015 we spent over \$258 million in the North, with 38% (\$97 million) going directly to Aboriginal businesses. New plans on the horizon—such as the Jay Project—will come with new challenges, such as the need for specialized contractors to perform some of the work associated with resource development. Our priority in this area is to support the sustainable growth of northern businesses through the present and future years of the Ekati mine.

Government Support for Mining Industry

To compete globally, Canada must work to remain attractive and competitive as a destination for mineral investment.

Strategic policy developments and government investments are needed to support sustainable growth in Canada's mining sector and to maintain Canada's global leadership in mining. In turn, the support detailed below will enable Dominion Diamond and the rest of the industry to help the government achieve its objectives in the following areas:

- Establishing an effective regulatory regime that the public has confidence in, that includes meaningful consultation with Aboriginal groups, and facilitates sustainable development;
- Providing new socio-economic opportunities for northern and Aboriginal communities, businesses and peoples;
- Establishing Canada as a global leader in mining innovation, and addressing climate change as Canada moves to a lower carbon future.

Addressing the Costs of Operating in Remote and Northern Canada

Enabling sustainable economic development in remote and northern Canada is fundamental to the government's Aboriginal reconciliation and climate change policy objectives. Minister Bennett was mandated to "improve essential physical infrastructure for Aboriginal communities" and to "promote economic development and create jobs for Aboriginal peoples." Minister McKenna was mandated to work with the provinces and territories to "develop a plan to combat climate change and reduce greenhouse gas emissions." Without strategic and wealth-generating infrastructure development, these regions will remain disproportionately reliant on transfer funding for core services and program delivery. Equally strategic investments in energy infrastructure are essential to reduce northern reliance on costly and high-emitting fossil fuels. The government should work with Dominion Diamond and the broader mining industry to combine the delivery of these objectives for the benefit of northern, Aboriginal and all Canadians.

Although the federal government has committed to establish a Canada Infrastructure Bank through a joint mandate shared by Ministers Morneau and Sohi, the mandate letters exclude mention of the territories. Given the disproportionately acute infrastructure deficit in the territories, which is preventing sustained socio-economic development activity, any infrastructure plan should account for northern challenges and opportunities. This is why Dominion Diamond supports the Mining Association of Canada in its request to include a northern-specific fund within the proposed Canada Infrastructure Bank. This would be consistent with a recommendation from the industry's *Levelling the Playing Field* report, and is supported by the National Aboriginal Economic Development Board, as per its January 2016 report.

Dominion Diamond supports the Mining Association of Canada's recommendation to the government to:

- Establish a Northern Infrastructure Investment Fund based on the Alaskan Industrial Development and Export Authority (AIDEA) within the proposed Canada Infrastructure Bank; and/or
- Provide the following fiscal support measures to resource projects in remote and northern areas in recognition of the public benefit that results from private sector investment:

Create an investment tax credit (10%) on all capital expenditures associated with remote and northern mines.

Provide a supplementary 15% investment tax credit on specified infrastructure investments (e.g., roads, ports).

Assuming the 10% investment tax credit as a base, create a mechanism for conditionally repayable contributions related to infrastructure investments (in lieu of the 15% investment tax credit) that would cover up to 25% of specified infrastructure investments, with the option of pardoning the loan in exchange for public ownership of that infrastructure at mine closure.

Accelerating the Inclusion of Indigenous Peoples in Mining

Dominion Diamond contributes approximately \$5 million each year to Northern communities through IBA payments, IBA scholarships, and donations in the Northwest Territories and Nunavut.

Dominion Diamond does not just engage with the communities, but also responds to their concerns. For example, when the Jay-Cardinal Project was conceived of in 2013, it was planned as two pipes under Lac du Sauvage in Northwest Territories. However, in the spring of 2014, Dominion Diamond made the decision to remove the Cardinal Pipe from the project. This decision was made in response to community concerns and requests that Dominion Diamond look at alternative options for the project that would reduce the overall footprint and the potential environmental impacts on water quality, fish and particularly on caribou. This type of environmental responsibility and responsiveness to communities is one of the reasons that the Jay Project had a successful Environmental Assessment.

Dominion Diamond and the broader mining industry strongly support efforts to facilitate the full participation of Aboriginal peoples in our sector. The industry is committed to developing and maintaining strong, open and trusting relationships with Aboriginal communities impacted by, or with an interest in, mining activities.

A key mechanism through which economic opportunities have been created is the use of company-community agreements. There have been a significant number of agreements signed since 1974; the majority (376) have been signed within the last decade. These voluntary agreements are progressive in their collaborative scope, particularly for production-stage projects, and are increasingly recognized internationally as a leading practice.



As a result of these efforts, the mining industry has become the largest private sector employer of Aboriginal people in Canada on a proportional basis, with employment increasing by 12% from 2007 to 2015.

Dominion Diamond supports the following Mining Association of Canada recommendations that in order to strengthen and enhance the participation of Indigenous Peoples in mining, governments should:

- Enhance foundational social investments (health, housing, water, education) that contribute to better health and educational outcomes for Aboriginal people;
- Increase targeted funds for skills training and entrepreneurship to assist Aboriginal people in securing opportunities generated by the industry;
- Establish and/or improve mechanisms through which governments share a portion of the revenues generated from royalties, mining taxes and/or fees in their jurisdiction.

Dominion Diamond also recommends that to strengthen and enhance the participation of Indigenous Peoples in mining, governments should:

- Establish a program to provide participation funding to assist Indigenous communities to participate in Environmental Assessments and other federal regulatory approval processes if that community will be affected by the development and cannot fund its own participation.