

8 November 2018

Dear Export Development Canada,

We at the Mining Shared Value initiative of Engineers Without Borders Canada greatly appreciate the opportunity to provide comments as part of the Export Development Act Review process.

For your background information, we are a non-profit initiative which works to improve the development impacts of mining activity through increasing local procurement of goods and services by the sector in the host countries and communities that choose to host mineral extraction. We work as a resource, convener, and champion for this issue, and work with a wide variety of stakeholders to help all actors work together to increase the proportion of procurement that goes to host country suppliers. In most cases procurement spending is the single largest payment that an operating mine will make over its life cycle – often more than taxes, salaries, wages and community investment combined.

We have worked with the Canadian government in several capacities, including continuous engagement on mining corporate social responsibility issues and economic development, through the trade and development branches of Global Affairs Canada (GAC). In 2014 we successfully advocated the government to include the issue of local procurement in its updated CSR Strategy for the Extractive Industries, and have since provided several trainings for trade commissioners. We also have carried out commissioned research for Natural Resources Canada, and with the GAC-funded Canadian International Resources and Development Institute (CIRDI).

Given our background and focus on the mining sector, our comments should be considered to be drawn from our experience within this industry. However, it is reasonable to assume that these comments will be applicable more widely across all sectors.

Our brief comments focus on Theme 5 of the Export Development Act Review: Corporate Social Responsibility and Human Rights. They are for the most part broad observations and we hope they are helpful in informing potential revisions to legislation and regulations regarding EDC, as well the suitability practices of the entity and its beneficiaries in general.

Firstly, we stress that corporate social responsibility (CSR) needs to be as much about maximizing positive impacts as it is about preventing and mitigating negative ones. The tendency for many sustainability frameworks and linked due diligence procedures is to focus disproportionately, if not entirely, on the latter. However, rising conflicts with natural resource projects in Canada and elsewhere have shown that simply committing minimal adverse impacts is rapidly becoming *insufficient* to

achieving public support for proposed projects. Citizens expect to see meaningful benefits from major private sector activity, and in particular – impacts that directly engage with them such as supplying opportunities and direct employment. Therefore, in all of its activities and support for enterprises, EDC should promote this broader vision of CSR, both because it is the right thing to do and because it is an effective tool of risk mitigation.

Secondly, we encourage the government and EDC to ensure they both frame impacted community members around enterprises it engages with, as potential *participants* in the activity of these firms – not just passive people impacted. The members of host communities hold potential to be suppliers, direct employees, and managers – not just stakeholders to be placated. EDC should encourage and incentivize companies to view host country stakeholders as potential participants in order to help maximize positive impact. In framing host communities only as being those *impacted*, this inspires company behavior that runs the risk of overlooking meaningful opportunities to create shared value in a way that mitigates risk. As discussed above, companies that do not have plans to focus on positive impact such as local hiring and local procurement are increasingly at significant risk for being blocked, delayed, shut down, and other costly consequences of a poor social license.

Linked to this, our third and final point is that responsible and sustainable corporate behavior *is not* about philanthropy and community investment projects. EDC in its leadership and financing practices should not encourage a vision of CSR that puts such activity at the centre of what it means to be a responsible company. There are a number of reasons for this. One, is that in developing countries in particular, private sector entities should not take on roles of the government, as this relieves pressure on governments to provide those services. Two, private sector companies simply do not have the competency to do things like public service provision well, and company community investment projects have a well-established record of being unsustainable due to lack of local involvement. Lastly and perhaps most importantly, such approaches do not necessarily work to improve the social licence to operate of companies in the first place. As covered in the Shared Value Initiative’s “Extracting With Purpose” report in 2014, community conflicts with extractive industry projects have only increased as the sector as a whole has enlarged community investment budgets.

In addition to our three broad comments above, we would like to make you aware of the Mining Local Procurement Reporting Mechanism (LPRM), which we created in partnership with the Extractives and Development sector programme of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, with funding from the German Federal Ministry for Economic Cooperation and Development (BMZ). This is a standardized, publicly available set of disclosures, that can be used to guide and structure reporting of mining local procurement, which also can be used to benchmark the local procurement practices of companies. In EDC’s engagement with the mining sector, we hope this tool



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may be of use as a means of encouraging proactive local procurement in line with best practices, and also as a means of evaluating company practice. We recently released a brief that provides guidance on how the LPRM can be used as a risk assessment tool for mining projects, and the principles laid out in both the guidance and LPRM itself are relevant to other sectors as well.

We would be more than happy to talk to you if you feel we can be of more assistance in this review. Do not hesitate to reach out and we look forward to hearing from you.

If you have further questions or needs for clarification, please do not hesitate to reach out.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Geipel", is positioned above the typed name.

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