

QIKIQTANI INUIT ASSOCIATION

Mary River Project Inuit Impact and Benefit Agreement
Three Year Review
2013 - 2016



Overview

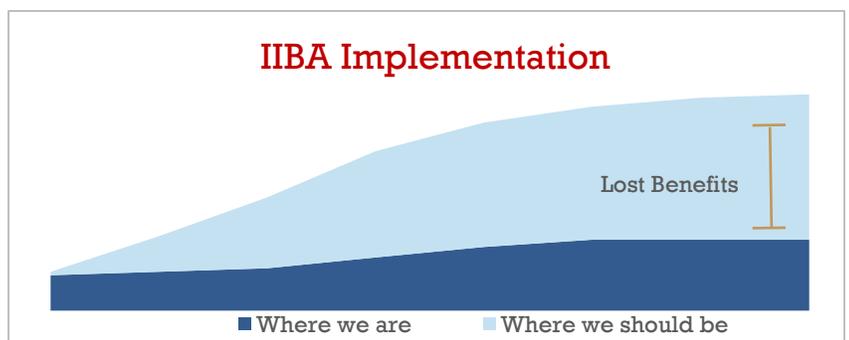
On September 6, 2013 the Qikiqtani Inuit Association (QIA) signed the Mary River Project (the Project) Inuit Impact and Benefit Agreement (IIBA) with Baffinland Iron Mines Corporation (Baffinland). The IIBA is required by the Nunavut Land Claims Agreement, and is there to ensure that the negative impacts of the mine are minimized, while providing Inuit with benefits that go beyond what would naturally occur. The benefits established by the IIBA can be divided into four key areas:

- Training – education, and training received by Beneficiaries;
- Employment – benefits available to Beneficiaries who are current and/or prospective employees at the Project;
- Contracts – contracts and support received by Inuit Firms as a result of the Project; and
- Social – protection of Inuit traditions, activities and the funding of social programs, not related to the other benefit areas.

Implementing the IIBA is the joint responsibility of QIA and Baffinland. The IIBA created the Executive Committee and the Management Committee with equal representation from QIA and Baffinland to implement the IIBA and to monitor and evaluate its successes and shortcomings. As the owner and operator of the mine, Baffinland is solely responsible for training and hiring Inuit, and for providing business opportunities to Inuit Firms. QIA provides advocacy and expertise, and ensures that Baffinland meets its commitments in the IIBA.

The IIBA states QIA and Baffinland will conduct a review of key provisions every three years, to determine whether its objectives are being met. This includes examining the efforts that have been put into IIBA implementation as well as whether and to what extent benefits have been delivered to Inuit. QIA and Baffinland are currently in the process of conducting the first 3 Year Review of the IIBA. As part of the review process QIA feels that it is important to share initial results and conclusions with Beneficiaries.

In general, since its signing in 2013, the IIBA has not been implemented in a manner that maximizes benefits to Inuit, Inuit Firms and affected communities. QIA considers IIBA implementation shortcomings in terms of **Lost Benefits**, which are benefits Inuit could have received if the IIBA had been fully implemented. Lost Benefits include things like the wages that Inuit could have earned after receiving education and training or if Inuit employment at the Project had been higher, revenue that Inuit Firms could



generate through goods and service contracts at the Project, and positive outcomes generated through social programs and initiatives.

In reviewing the progress of IIBA implementation over the first three years that it has been in effect, **QIA concludes that the Lost Benefits have been substantial.** QIA believes that this loss of benefit is due to a number of reasons:

- > A general lack of effort by Baffinland to participate in implementation activities and to share the information required to do so effectively.
- > QIA underestimated the complexity of IIBA implementation and the degree to which the organization would be expected to lead it. This has resulted in unforeseen delays in implementation and miscommunication between the Parties, and has further been challenged by a number of factors, including:
 - The lack of a policy and procedural framework to guide IIBA implementation;
 - Organizational capacity limitations of both Baffinland and QIA;
 - Ambiguous language of certain provisions making it difficult to determine IIBA requirements and the responsibilities of each Party;
 - The introduction of Project Changes in Scope (Early Revenue Phase and Phase 2).
- > An implementation structure where an Executive Committee and Management Committee have distinct roles and mandates has proven inefficient and ineffective.

The IIBA states that if either QIA or Baffinland concludes after a review that one or more of the objectives of the agreement are not being met, the parties may negotiate to amend certain provisions, or make any additions or deletions necessary to better achieve those objectives.

QIA is currently working to determine whether the shortcomings in implementation can be addressed within the IIBA as currently written, or whether certain provisions can be improved. **QIA is committed to preventing further Lost Benefits to Inuit, and to recovering the benefits that have already been lost.**

Lost Benefits



“Inuit still face a number of barriers that prevent us from maximizing the benefits and opportunities of having the Mary River Project operate on Inuit Owned Land. QIA will continue to fight to protect Inuit rights and values by holding ourselves and Baffinland accountable to implementing and improving our IIBA.”

- PJ Akeeagok, QIA President

Training

The IIBA establishes the Education and Training Fund and requires Baffinland to allocate \$1Million per year for each of the first two years.

Training initiatives should focus on bridging skills gaps for both current and future labour needs. The IIBA contains a number of provisions that are designed to provide Inuit with the opportunity to gain the skills and experience necessary to gain employment with the Mary River Project. **In the first three years QIA believes Inuit have Lost Benefits due to the lack of training provided by Baffinland.**

Key Implementation Activities

- > QIA conducted the Baffin Inuit Labour Understanding and Gap Analysis (BILUGA) to identify key Inuit labour pool characteristics as well as skills and training gaps that could be addressed through IIBA implementation.
- > QIA has focused on developing the skills and capacities of core Inuit staff to ensure that the IIBA is being implemented by Inuit, for Inuit.
- > QIA and Baffinland recently submitted a joint application for federal funding to develop and run a comprehensive recruitment and training program to support the development of Inuit employees.
- > QIA and Baffinland are working on a revised version of the Work Ready Program for prospective Inuit employees from North Baffin communities. The new course is expected to be offered in 2017.
- > Baffinland offered the Mining Matters program in a number of communities to provide some basic education about working in the mining industry.

To date, almost none of the \$2 million guaranteed for Inuit education and training has been spent by Baffinland.

Key Implementation Results

- > **Baffinland has not met its obligations with respect to training, which has resulted in Lost Benefits to Inuit.** If Baffinland had worked in good faith with QIA to identify and address Inuit training needs during the first two years, the skills and experiences acquired would have translated into employment and advancement opportunities earlier and in greater number.
- > Virtually all of the training provided to Inuit has been delivered as part of normal operations and cannot be attributed to the IIBA.
- > After three years, there remains no strategy to allocate and spend the Education and Training Fund. Baffinland has acknowledged the shortcomings in meeting its commitments to Inuit training, and has pledged \$1Million per year for the next five years in addition to the \$2Million established by the IIBA. QIA will work with Baffinland to ensure a sound strategy is in place by the end of 2016.

Employment

The Inuit Human Resources Strategy describes how Inuit are recruited, hired and trained, and how Baffinland will retain and advance Inuit employees. It also ensures that Inuit and Inuit culture are respected and celebrated at the mine site.

Employment is one of the most visible and tangible benefits that are provided through IIBAs. Developing a stable and reliable Inuit workforce is good for both Inuit and Baffinland. **QIA believes Inuit have Lost Benefits associated with employment due to the lack of hiring and retaining Inuit by Baffinland and their contractors.**

Key Implementation Activities

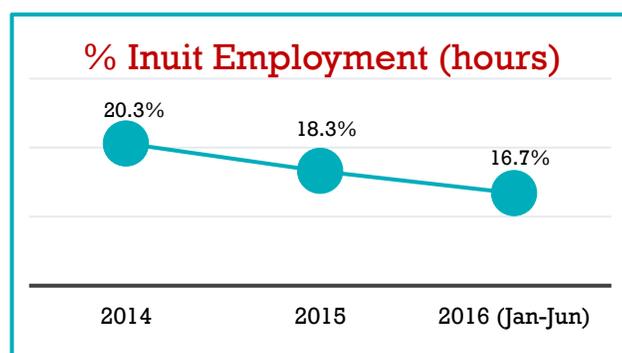
The Minimum Inuit Employment Goal (MIEG) was created by the IIBA to guarantee that Inuit will be given preference in accessing employment opportunities over the life of the Project.

The 2016 MIEG is 25%

- > QIA identified the Minimum Inuit Employment Goal (MIEG) as an early priority for IIBA implementation, and led data gathering, process development and analysis so that the MIEG could be set with Baffinland.
- > QIA and Baffinland agreed to a Minimum Inuit Employment Goal of 25% for Baffinland staff and for all new contracts awarded in 2016. Pursuant to the IIBA, Baffinland has created a MIEG Plan; based on this plan, QIA will evaluate the efforts to achieve the MIEG.
- > QIA undertook an independent review of best practices for Indigenous employment. Concentrating on recruitment, training, advancement and retention, this study helps QIA develop positions for IIBA implementation.
- > Three years after the IIBA was signed, there is still not an approved Inuit Human Resources Strategy. It is currently under development, and QIA has prioritized its completion before the end of 2016.

Key Implementation Results

- > Inuit employment by Baffinland at the Project has been steadily decreasing since 2013. This represents significant **Lost Benefit** to Inuit.
- > Inuit employment for contractors at the Project is slightly higher at 18.9% to date in 2016. The majority of contractors have zero Inuit employment.
- > Between July 2015 and June 2016, 65 contracts for goods and services at the Project ended. 63 of these are presumed to have had no Inuit employment or training. This represents **Lost Benefits** to Inuit that cannot be recovered.
- > Inuit employees continue to have a higher turnover rate than non-Inuit; Baffinland has not identified common reasons why Inuit are leaving the Project in higher proportions than non-Inuit.



Contracting

The Designated Inuit Firms List provides Inuit businesses with preferred access to contracting opportunities at the Project. Baffinland's policies and practices are supposed to align with the IIBA and maximize Inuit content in contracting over the life of the mine.

The IIBA should provide Inuit firms with an advantage when competing for opportunities to participate in goods and services contracts and also provides business capacity development opportunities.

Key Implementation Activities

- > QIA established the Designated Inuit Firm List, with a total of 64 firms registered to date.
- > QIA conducted an Assessment of Regional Baffin Inuit Businesses to develop an understanding of the current and potential capacity of Inuit Firms to compete for and complete contracts at the Project.
- > Baffinland agreed to use the Advance Contract Notification process developed by QIA to ensure that Inuit Firms are aware of opportunities and able to prepare bids.
- > QIA in conjunction with the Kakivak Association is leading the development of the Business Capacity and Start Up Fund to provide support and programs for Inuit Firms.
- > Three years into implementation, progress is beginning to be made. QIA and Baffinland are currently developing an Inuit Procurement and Contracting Strategy, which will bring Baffinland's processes into alignment with the IIBA, and ensure that Inuit Firms are given preference in the contracting process, that every contract has a Minimum Inuit Employment Goal and that Inuit content requirements can be monitored and enforced.

Baffinland's procurement and contracting processes should have been designed to align with the IIBA when it was signed.

Key Implementation Results

- > Baffinland's failure to implement contracting processes that meets its obligations under the IIBA over the first three years that it has been in effect has resulted in substantial Lost Benefits to Inuit.
- > Based on IIBA reporting, since September 2015 there have been approximately 90 active contracts at the Mary River Project; just 9 Inuit firms have participated in these contracts, and just 7 have reported Inuit employment.
- > Baffinland has not enforced the provisions of the IIBA that require Inuit content reporting by contractors. Inconsistencies in reporting make it difficult to determine the precise level of Inuit Firm involvement in contracting at the Project.

Social

The IIBA created the Ilagiiktunut Fund and the Wildlife Compensation Fund to help mitigate the potential impacts of the Project on Inuit culture and way of life, and to bring benefits to communities across the Qikiqtani Region.

The IIBA contains provisions which are designed to deliver the positive impacts and mitigate potential negative impacts of the Mary River Project to Inuit through community engagement and resources to strengthen community wellness.

Key Implementation Activities

QIA has taken a leadership role in implementing the social provisions of the IIBA, to help ensure that all Qikiqtaalummiut are able to benefit from the Project.

- > QIA developed and launched the Ilagiiktunut Fund in 2014. The Ilagiiktunut Fund provides up to \$750K per year to fund projects across the Qikiqtani Region that are designed to enhance community wellness.
- > QIA developed and launched the Wildlife Compensation Fund in 2016 to help compensate Inuit for incidents where Project activities interfere with or inhibit harvesting activities.
- > In 2014, QIA introduced a Complaint and Grievance Management process for Inuit to contact QIA with issues or concerns related to the Project.
- > QIA and Baffinland hosted the Annual Project Review Forum in 2014 (Pond Inlet) and 2015 (Igloolik) to discuss the Project, share information on IIBA implementation efforts and hear feedback from Beneficiaries. The next Annual Project Review Forum is scheduled for spring in Arctic Bay.
- > QIA has initiated the development of Workplace Conditions Reviews to ensure that the provisions in the IIBA related to employee engagement and organizational culture are implemented effectively.

Key Implementation Results

- > To date, the Ilagiiktunut Fund has approved more than \$1.2Million to fund 21 community wellness projects.
- > QIA has recently begun receiving and assessing claims against the Wildlife Compensation Fund.
- > QIA has received a small number of complaints from Beneficiaries through the Complaint and Grievance Management Process, and has successfully resolved each one.

Next Steps 1/2

Given the finding that there has been substantial Lost Benefits to Inuit over the first three years that the IIBA has been in effect, QIA has developed a list of priority actions that will help address the challenges experienced to date, and hold both Baffinland and QIA accountable to Beneficiaries for delivering the benefits of the Mary River Project to Inuit. These priorities include, but will not be limited to the following:

- > Developing a comprehensive three-year work plan for the next cycle of the IIBA, as well as annual IIBA Work Plans. These will be public documents that will describe the actions that QIA and Baffinland will take in continuing to implement the IIBA.
- > Implementing the Inuit Human Resources Strategy and the Inuit Procurement and Contracting Strategy, and monitoring and evaluating how they are used to bring training, employment and contracting benefits to Inuit.
- > Baffinland will develop and promote career paths to support the training and advancement of Inuit employees.
- > Create an Inuit Labour Pool to link Baffinland and other employers with Inuit workers, and to help develop training strategies over the short and longer term.
- > Ensure that current and future funding for training through the Education and Training Fund is directly linked to the annual and three-year IIBA work planning cycles.
- > Develop a joint QIA and Baffinland community engagement strategy for the IIBA to ensure Inuit voices are heard in how it is implemented.
- > Introduce Workplace Conditions Reviews at the mine sites to monitor and make recommendations for improving Inuit experiences at the Project.

Next Steps 2/2

Use IIBA Article 22 to renegotiate certain provisions, including but not limited to those concerning:

- MIEG enforcement
- Procurement and contracting procedures
- Training to employment
- Implementation budgeting
- Implementation monitoring
- IIBA Committee structure and function

QIA will continue to monitor and evaluate implementation efforts to ensure that best efforts are being made to meet the goals set out in this report. If these priorities are not met and there is a failure to show best efforts have been made, then the provisions of Article 21: Mediation and Arbitration can be employed.

QIA has shared the findings of the Three Year Review with Baffinland, as well as our priorities for the next three years. Baffinland has confirmed that these are shared priorities, and that work will begin immediately to address Lost Benefits to Inuit. QIA looks forward to reporting back to Inuit on the results of these efforts.

For any further inquiries regarding this report please contact the QIA Department of Major Projects at:

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